adcock ingram

INTEGRATED REPORT 2014

Adding value to life

ABOUT THIS 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 as recommended in the revised King Code on Governance Principles for South Africa (King III).

Adcock Ingram regards this process as a valuable opportunity to engage with its stakeholder groups and to respond to issues that have been raised. The focus has therefore been on the issues most material to our stakeholders as highlighted in the stakeholder engagement section on pages 32 and 33.

The other issues we report on in our 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 10 October 2014.

Based on feedback received from our stakeholders we continue to include a full set of annual financial statements with the integrated report. A summary of the financial highlights is presented on pages 2 to 5.

A detailed strategy as well as a business model have been excluded from the report as the Company is currently finalising structural changes.

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) and complies with the principles of King III, 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 10 to 13.

In addition to the above, the Group adheres to International Financial Reporting Standards (IFRS) in compiling its annual financial statements. For reporting on sustainability issues it also complies with Global Reporting Initiative 3 (GRI) standards to facilitate comparability with the reports of other organisations.

INTEGRATED REPORT 2014

FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

SCOPE AND BOUNDARY OF THIS REPORT

Adcock Ingram's integrated report covers the financial period 1 October 2013 to 30 June 2014. The report is released at least 15 business days prior to its Annual General Meeting to be held on 21 November 2014. Comparatives are for the 1 October 2012 – 30 September 2013, year unless otherwise indicated.

The report provides a general narrative on the performance of the Group which includes the holding company, and its subsidiaries and associates across all territories. The business in South Africa has a material impact on the overall sustainability of the Group. Reports are given, where relevant, about our businesses in Kenya, Ghana, Zimbabwe and India. Comparatives are included where available.

ASSURANCE

In line with its responsibility, the Board of Directors 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 2014

The annual financial statements for the period ended 30 June 2014 were approved by the Board of Directors on 27 August 2014. Ernst & Young Inc., the independent auditors, have audited the annual financial statements as disclosed in their unqualified report.

SUSTAINABILITY INFORMATION

The sustainability information has not been assured in 2014.

B-BBEE STATUS

The Group's B-BBEE status has been assured by Empowerlogic, an independent verification agency, for the 2013 financial year. Through the external assurance received from the agency, the Group has been assessed as a Level 3 contributor in terms of the B-BBEE Act. The 2014 period is in the process of being assessed.

RECOGNISED IN OUR INDUSTRY

Icon TGi Brand Survey 2014	Panado is rated No.1 in the OTC category for the third year running
Legae ESG Research on JSE listed companies	Adcock Ingram rated one of ten leading companies in environmental, societal and corporate issues
Productivity SA: Inaugural Chairman's Innovation of the Year Award 2013	Adcock Ingram Critical Care received award for innovative 'waste-plastic to shoes' recycling initiative
Top Women in Business and Government publication 2014	Adcock Ingram rated a leader in gender empowerment

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OUR VALUES

We are strongly committed to providing products and services of the highest quality

We have respect for people, society and the environment

We practice nondiscrimination and offer equal opportunity for all our staff

We believe in the empowerment of our people, thus encouraging entrepreneurship, innovation and accountability

We believe in transparency and open communication

We act with integrity at all times.

OUR HERITAGE

Adcock Ingram has a proud heritage which spans more than 120 years. The business began as EJ Adcock Pharmacy in Krugersdorp in 1890. Its founders branched out into new product development, manufacturing, distribution, and sales and marketing.

Adcock Ingram was first listed on the Johannesburg Stock Exchange (JSE) in 1950 and enjoyed blue chip status. In 2000 Tiger Brands (then the majority shareholder) acquired the minority shares and Adcock Ingram was delisted from the JSE and operated as a wholly owned subsidiary of Tiger Brands.

On 25 August 2008, Adcock Ingram was unbundled from Tiger Brands and relisted on the JSE.

PRODUCT RANGES

Consumer and Over the Counter products constitute the largest segments in the South Africa business. Market-leading brands such as Panado have put the Company in a leadership position in the private pharmacy market and the fast moving consumer goods (FMCG) market.

The Prescription medicines portfolio comprises a range of quality and affordable generic medicines which includes a comprehensive portfolio of anti-retroviral medicines (ARVs). Partnerships with multi-national pharmaceutical companies continue to augment the comprehensive portfolio of originator medicines marketed by the Company.

The Critical Care portfolio has a long history in the Group based on an agreement with Baxter and positions Adcock Ingram as a leading supplier of critical care products to the private and public sectors.

LOCAL MANUFACTURING

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

The tablet and capsule facility located in Wadeville is focused on the manufacture of anti-retroviral medicines, which are supplied to the public sector through the tender system.

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

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.

Adcock Ingram is a level 3 B-BBEE contributor.

For more information on our history, visit our website: *www.adcock.com*

OUR MISSION

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

OUR PROFILE

Adcock Ingram is a leading South African pharmaceutical manufacturer, listed on the Johannesburg Stock Exchange with a market capitalisation of approximately R9 billion.

Adcock Ingram manufactures, markets and distributes a wide range of healthcare products. The Company is a leading supplier to both the private and public sectors of the South African market.

Expansion into emerging markets has given the Company a presence in **sub-Saharan Africa** and India.

Adcock Ingram operates in three hubs in sub-Saharan Africa, being West Africa (Ghana), East Africa (Kenya) and Southern Africa (Zimbabwe), marketing ethical and consumer products. Manufacturing takes place in Ghana and Zimbabwe.

Adcock Ingram has a joint venture manufacturing facility in Bangalore, **India**, which offers an alternative source of supply for the South African market. The Company has a marketing operation based in Mumbai which has nationwide coverage.

FINANCIAL

TURNOVER
R3,615 MILLION

GROSS PROFIT
R1,140 MILLION

TRADING LOSS
R7 MILLION

SHARE statistics

HIGH FOR THE YEAR
2014: 7 250 CENTS
2013: 7 200 CENTS

LOW FOR THE YEAR
2014: 5 233 CENTS
2013: 5 100 CENTS

CLOSING PRICE
2014: 5 314 CENTS
2013: 6 855 CENTS

2014

SOCIAL

B-BBEE SCORECARD
LEVEL **3**

TRAINING
88% spent on previously disadvantaged employees

EMPLOYEES
4 293

ENVIRONMENTAL*

ENERGY USAGE (KWH)
2014: 38 928 358
2013: 52 423 968

WATER USAGE (KILOLITRES)
2014: 354 166
2013: 400 329

CARBON EMISSIONS (TONNES)
2014: 93 505
2013: 112 598

CARBON EMISSIONS (SCOPE 1 AND 2) PER FULL-TIME EMPLOYEE (TONNES)
2014: 18,51
2013: 24,65

*2014 represents 9 months
2013 represents 12 months

FINANCIAL

TURNOVER

R3,615 MILLION

GROSS PROFIT

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2014: 18,51
2013: 24,65

*2014 represents 9 months
2013 represents 12 months

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Revenue	**3 640 780**	3 635 349	5 229 308
Turnover	**3 615 287**	3 617 402	5 195 185
Cost of sales	**(2 475 723)**	(2 113 615)	(3 091 486)
Gross profit	**1 139 564**	1 503 787	2 103 699
Selling and distribution expenses	**(567 435)**	(463 879)	(666 026)
Marketing expenses	**(160 236)**	(143 579)	(211 930)
Research and development expenses	**(81 096)**	(75 318)	(104 941)
Fixed and administrative expenses	**(337 887)**	(225 342)	(311 831)
Trading (loss)/profit	**(7 090)**	595 669	808 971
Non-trading (expenses)/income	**(967 645)**	11 092	(25 689)
Operating (loss)/profit	**(974 735)**	606 761	783 282
Finance income	**18 987**	10 153	21 510
Finance costs	**(98 620)**	(47 177)	(80 018)
Dividend income	**6 506**	7 794	12 613
Equity-accounted earnings	**31 895**	52 027	72 193
(Loss)/Profit for the period/year	**(1 015 967)**	629 558	809 580
Taxation	**53 811**	(166 492)	(213 127)
(Loss)/Profit for the period/year	**(962 156)**	463 066	596 453
Other comprehensive income which will subsequently be recycled to profit or loss	**51 792**	98 968	370
Exchange differences on translation of foreign operations	**52 967**	86 567	(772)
Profit on available-for-sale asset, net of tax	**350**	(80)	247
Movement in cash flow hedge accounting reserve, net of tax	**(1 525)**	12 481	895
Other comprehensive income which will not be recycled to profit or loss subsequently			
Actuarial loss on post-retirement medical liability	**(6 880)**	–	–
Total comprehensive income for the period/year, net of tax	**(917 244)**	562 034	596 823
(Loss)/Profit attributable to:			
Owners of the parent	**(965 343)**	455 034	587 844
Non-controlling interests	**3 187**	8 032	8 609
	(962 156)	463 066	596 453
Total comprehensive income attributable to:			
Owners of the parent	**(914 826)**	551 084	587 203
Non-controlling interests	**(2 418)**	10 950	9 620
	(917 244)	562 034	596 823
Basic (loss)/earnings per ordinary share (cents)	**(572,3)**	269,9	348,6
Diluted basic (loss)/earnings per ordinary share (cents)	**(571,9)**	269,6	348,3
Headline (loss)/earnings per ordinary share (cents)	**(179,5)**	271,7	350,4
Diluted headline (loss)/earnings per ordinary share (cents)	**(179,3)**	271,5	350,2

The comparative figures have been restated to comply with the new accounting policy and disclosure requirements under IAS 28 and IFRS 11.

TURNOVER
The sales performance during the period under review was disappointing, resulting in turnover of R3 615 million. This was marginally less than the comparative period, with a particularly weak performance in the Over the Counter (OTC) segment in Southern Africa. Price increases accounted for growth of 3,6%, whereas volumes declined by 10,4%. The balance relates to the inclusion of the Datlabs and Cosme businesses for the full nine-month period.

GROSS PROFIT
Gross profit for the nine-month period decreased by 24% to R1 140 million (2013: R1 504 million). Gross profit as a percentage of sales was reduced to 32% (2013: 42%), largely due to the impact of currency weakness (16% depreciation), which negatively affected the import costs of active ingredients and finished goods. This was compounded by input costs inflation (mainly utilities and labour), and the under recovery of fixed costs with certain facilities running below capacity. There was also an unfavourable sales mix, weighted with a higher proportion of low yielding public sector sales and the need for certain inventory provisions. These factors were inadequately compensated by the Single Exit Price (SEP) increase of 5,8% granted in March 2014.

OPERATING EXPENSES
Operating overheads increased by 26% to R1 147 million (2013: R908 million). The increase relates mainly to the inclusion of Datlabs and Cosme costs for the full nine-month period, as these entities were only under the control of the Group for a portion of the comparative period. Group overheads increased by 8% excluding the overhead costs of Datlabs and Cosme.

NON-TRADING EXPENSES
Non-trading expenses of R967,6 million (2013: R11,1 million income), include asset impairments of R843,4 million, R91 million related to the CFR transaction and costs of R33,3 million for retrenchment, redundancy and other related expenditure.

HEADLINE LOSS
The headline loss after adjusting for capital items is R302,7 million (2013: R458,2 million earnings). This translates into a basic loss per share of 572,3 cents (2013: earnings of 269,9 cents) and a headline loss per share of 179,5 cents (2013: earnings of 271,7 cents).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment was impaired by an amount of R69,2 million as the identified assets were no longer regarded as having a realisable value equivalent to the amount at which they were stated.

INTANGIBLE ASSETS

The risks arising through changes in regulation for complementary and alternative medicines (CAMs) and their poor trading performance, necessitated a review of the intangible asset values attributable to products within this portfolio. This comprehensive review resulted in impairments of R281,9 million being recorded at 30 June 2014.

The Prescription segment reflects an impairment of R24,6 million in relation to the Bioswiss trademark. Impairments in the Rest of Africa segment relate to the carrying value of the Dawanol trademark (R8,6 million). Intangibles which arose on the Ghanaian investment (R49,5 million) have also been impaired, substantially due to the recent imposition of Value Added Tax on local pharmaceuticals in Ghana. This has negatively affected sales and the business in Ghana is being reviewed. The India segment reflects impairments of intangible assets of R237,3 million. The Cosme business has generally not performed according to expectations. In addition, the Cosme brand is being phased out of the business with the market increasingly embracing the Adcock Ingram brand and banner.

Following the significant impairments described above, intangible assets, including goodwill, have a carrying value of R836,2 million at 30 June 2014 (September 2013: R1 436 million).

INVENTORIES

ARV inventory has been impaired by an amount of R131,0 million given that state depots and competitors are heavily over-stocked and that the likelihood of selling this inventory prior to the product expiry date is considered to be remote.

	Audited 30 June 2014 R'000	Reviewed 30 June 2013 R'000	Audited Restated 30 September 2013 R'000	Audited Restated 30 September 2012 R'000
ASSETS				
Property, plant and equipment	**1 554 420**	1 609 244	1 648 709	1 450 815
Intangible assets	**836 178**	1 513 251	1 435 716	710 954
Deferred tax	**7 959**	12 544	7 829	5 097
Other financial assets	**138 955**	139 362	139 646	139 751
Investment in joint ventures	**202 237**	169 241	174 237	124 397
Other non-financial asset	**–**	39 707	36 987	–
Loans receivable	**–**	9 388	–	10 571
Non-current assets	**2 739 749**	3 492 737	3 443 124	2 441 585
Inventories	**1 106 261**	1 513 371	1 523 076	931 149
Trade and other receivables	**1 235 674**	1 242 738	1 548 059	1 255 511
Cash and cash equivalents	**247 852**	403 595	153 733	434 087
Taxation receivable	**76 306**	6 425	86 368	85 173
Current assets	**2 666 093**	3 166 129	3 311 236	2 705 920
Total assets	**5 405 842**	6 658 866	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	**16 878**	16 861	16 832	16 872
Share premium	**510 920**	524 788	504 064	547 400
Non-distributable reserves	**426 415**	467 433	364 996	356 229
Retained income	**1 784 688**	2 762 300	2 750 097	2 502 510
Total shareholders' funds	**2 738 901**	3 771 382	3 635 989	3 423 011
Non-controlling interests	**118 578**	129 801	127 917	125 500
Total equity	**2 857 479**	3 901 183	3 763 906	3 548 511
Long-term borrowings	**1 004 861**	108 211	4 841	101 404
Post-retirement medical liability	**22 034**	16 241	15 108	15 341
Deferred tax	**21 047**	104 177	121 564	93 113
Non-current liabilities	**1 047 942**	228 629	141 513	209 858
Trade and other payables	**1 115 563**	1 232 955	1 295 168	901 851
Bank overdraft	**319 613**	1 124 812	1 364 134	–
Short-term borrowings	**5 132**	102 584	100 483	402 922
Cash-settled options	**14 782**	32 675	39 150	39 983
Provisions	**45 331**	36 028	50 006	44 380
Current liabilities	**1 500 421**	2 529 054	2 848 941	1 389 136
Total equity and liabilities	**5 405 842**	6 658 866	6 754 360	5 147 505

Full annual financial statements can be found from page 45.

FINANCIAL SUMMARY CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

WORKING CAPITAL CHANGES
Trade and other receivables decreased by R316,9 million (57 days) at 30 June 2014, improving from the 62 days reported at September 2013. Receivables are well-controlled and 88% of receivables are due within 60 days. Government debt at 30 June 2014 is R180 million (September 2013: R176 million). Inventory decreased by R260,2 million and accounts payable decreased by R218,6 million. Creditor days in payables are 74 days (September 2013: 69 days).

CASH GENERATED FROM OPERATIONS
Cash generated from operations was R418 million (2013: R518 million) after working capital decreased by R358,5 million (June 2013: increase of R246 million).

INVESTING ACTIVITIES
Total capital expenditure for the nine-month period under review amounted to R95,4 million.

FINANCING ACTIVITIES
Subsequent to September 2013, the final instalment of R100 million was repaid on the original capex facility. A secured term loan of R1 billion was advanced by Nedbank, replacing a portion of the bank overdraft. The secured term loan attracts interest, payable quarterly in arrears, the capital being due for repayment in December 2018.

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	**59 574**	763 644	1 074 282
Working capital changes	**358 527**	(246 042)	(576 688)
Cash generated from operations	**418 101**	517 602	497 594
Finance income, excluding receivable	**17 287**	12 546	18 699
Finance costs, excluding accrual	**(101 480)**	(36 470)	(71 230)
Dividend income	**20 504**	21 502	34 990
Dividends paid	**(6 746)**	(201 553)	(347 118)
Taxation paid	**(36 869)**	(89 068)	(189 861)
Net cash inflow/(outflow) from operating activities	**310 797**	224 559	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	**–**	291	409
Acquisition of Cosme business, net of cash	**–**	(821 593)	(821 593)
Purchase of property, plant and equipment – Expansion	**(12 278)**	(41 813)	(65 262)
– Replacement	**(83 187)**	(209 380)	(254 315)
Proceeds on disposal of property, plant and equipment	**54**	24	377
Increase in loans receivable	**–**	1 183	–
Net cash outflow from investing activities	**(95 411)**	(1 071 288)	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(241)**	(340)	(342)
Proceeds from issue of share capital	**6 902**	4 690	5 099
Purchase of treasury shares	**–**	(27 313)	(48 475)
Share issue expenses incurred by subsidiary	**–**	–	(3 669)
Increase in borrowings	**1 004 635**	6 188	3 924
Repayment of borrowings	**(100 000)**	(300 000)	(402 980)
Net cash inflow/(outflow) from financing activities	**911 296**	(316 775)	(446 443)
Net increase/(decrease) in cash and cash equivalents	**1 126 682**	(1 163 504)	(1 643 753)
Net foreign exchange difference on cash and cash equivalents	**11 958**	8 200	(735)
Cash and cash equivalents at beginning of period/year	**(1 210 401)**	434 087	434 087
Cash and cash equivalents at end of period/year	**(71 761)**	(721 217)	(1 210 401)

SEGMENT REPORT
FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Turnover			
Southern Africa	**3 245 093**	3 368 028	4 809 518
OTC	**1 136 916**	1 359 287	2 002 279
Prescription	**1 387 655**	1 310 806	1 852 759
Hospital	**720 522**	697 935	954 480
Rest of Africa	**206 477**	144 426	220 635
India	**177 709**	113 872	178 041
	3 629 279	3 626 326	5 208 194
Less: Intercompany sales	**(13 992)**	(8 924)	(13 009)
	3 615 287	3 617 402	5 195 185
Contribution after marketing expenses (CAM) and operating (loss)/profit			
Southern Africa	**366 866**	829 091	1 137 098
OTC	**200 446**	478 666	707 403
Prescription	**156 900**	247 309	321 704
Hospital	**9 520**	103 116	107 991
Rest of Africa	**32 054**	33 063	48 253
India	**21 475**	40 987	49 586
	420 395	903 141	1 234 937
Less: Intercompany	**(8 502)**	(6 812)	(9 194)
CAM	**411 893**	896 329	1 225 743
Less: Other operating expenses	**(1 386 628)**	(289 568)	(442 461)
Research and development	**(81 096)**	(75 318)	(104 941)
Fixed and administrative	**(337 887)**	(225 342)	(311 831)
Non-trading (expenses)/income	**(967 645)**	11 092	(25 689)
Operating (loss)/profit	**(974 735)**	606 761	783 282
Total assets			
Southern Africa	**4 261 452**	5 389 332	5 341 345
Pharmaceuticals	**3 645 069**	4 619 779	4 585 199
Hospital	**616 383**	769 553	756 146
Rest of Africa	**195 883**	177 859	286 104
India	**948 507**	1 091 675	1 126 911
	5 405 842	6 658 866	6 754 360

TURNOVER

Overall, the **Southern Africa** region posted a sales decline of 3,7% to R3 245 million (2013: R3 368 million).

A particularly poor performance occurred in the OTC division where revenue was 16,4% below that of 2013.

Prescription revenue of R1 388 million (2013: R1 311 million) is 5,9% ahead of the comparable period, despite a disappointing performance in the generics portfolio.

Hospital turnover increased by 3,2% to R720,5 million (R697,9 million) supported by continued growth in the renal portfolio.

Revenue in **Rest of Africa** increased by 43,0% to R206,5 million (2013: R144,4 million).

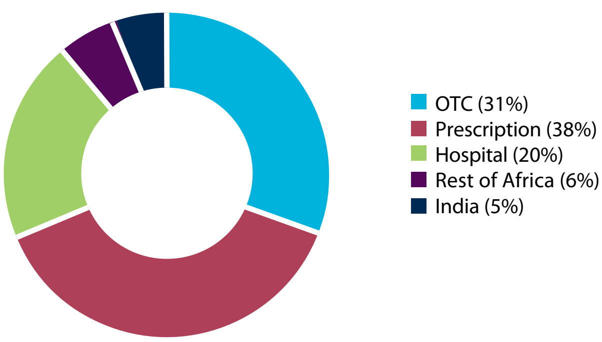
In **Ghana** sales increased by 6,3% to R87,1 million (2013: R81,9 million). The introduction of a 17,5% Value Added Tax rate on locally manufactured pharmaceuticals dampened activity in the Ghanaian market.

In **East Africa**, sales increased to R30,8 million (2013: R23,2 million), driven by market expansion out of Kenya into neighbouring countries.

Sales in **Zimbabwe** continue to be adversely impacted by the liquidity crisis in that country.

Sales in **India** for the nine-month period to 30 June 2014 amounted to R177,7 million. This can be compared to R113,9 million in 2013 although this amount only included 5,5 months of trading. Performance to date has not been optimal.

Turnover split 2014



Kevin Wakeford

CA(SA)

CHIEF EXECUTIVE OFFICER

- Joined Adcock Ingram on 3 April 2014

CAREER HIGHLIGHTS

- Chief Executive Officer of Bidvest Travel and Aviation
- Executive at Southern Sun Hotel group
- Group Financial Manager at SA Breweries Limited

Andrew Hall

CA(SA), BPharm

DEPUTY CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

- Joined Adcock Ingram in September 2007 as Chief Financial Officer

CAREER HIGHLIGHTS

- Partner in charge of health sciences at Ernst & Young
- CFO of a listed pharmaceutical company in South Africa
- Roles in sales and marketing at Pfizer, and retail pharmacy experience

Kofi Amegashie

BSc (Hons) (Applied Science), MSc Management (UK)

MANAGING DIRECTOR – REST OF AFRICA

- Joined Adcock Ingram in October 2011

CAREER HIGHLIGHTS

- CEO of Alexander Forbes business on the African continent outside of South Africa
- Director: Consumer Marketing, Strategy and Business Planning for Coca-Cola in Nigeria and Equatorial Africa
- 20 years' broad business experience in emerging and developed markets

Frans Cronje

BSc, NDip (Ind Eng)

IT EXECUTIVE

- Joined Adcock Ingram in December 2007

CAREER HIGHLIGHTS

- Held a variety of IT executive roles at Tiger Brands over a period of 10 years
- Worked for an International IT company as an Applications Consulting and Project Manager
- More than 25 years' IT experience in a variety of industries

EXECUTIVE

Dr Simon Mangcwatywa

MB ChB

MEDICAL DIRECTOR

- Joined Adcock Ingram in October 2014

CAREER HIGHLIGTHS

- Head of Medical Affairs & Business Development Manager at Litha Pharma
- Held various positions in scientific operations and medical affairs at Novartis South Africa

Dorette Neethling

CA(SA), MCom (Taxation)

GROUP FINANCE EXECUTIVE

- Joined Adcock Ingram in August 2007

CAREER HIGHLIGHTS

- Financial Director at Quintiles South Africa
- Financial Manager in FMCG environment in Namibia
- Currently serves as a member of the Financial Reporting Investigation Panel (FRIP)

Ashley Pearce

Dip Pharm, BCom

MANAGING DIRECTOR – PRESCRIPTION

- Joined Adcock Ingram in October 2012

CAREER HIGHLIGHTS

- CEO of MSD/Schering-Plough and Pharmacia in South Africa
- 30 years' experience in production, R&D, business development and sales and marketing in South Africa, Europe and USA
- Headed the Pharmaceutical Industry Association of South Africa (PIASA) and the Pharmaceutical Task Group (PTG)

Colin Sheen

MBA, PDBA, BTech, NDip (Marketing)

MANAGING DIRECTOR – HOSPITAL

- Joined Adcock Ingram in June 2008

CAREER HIGHLIGHTS

- Head of the South African commercial business at Schering-Plough
- Held various roles at Schering-Plough including Divisional Director and Marketing Director
- Held various commercial roles at 3M Corporation, including Commercial Head of Pharmaceuticals

Pravin Iyer
BCom, ACMA, CMA

MANAGING DIRECTOR – INDIA

- Joined Adcock Ingram in June 2011

CAREER HIGHLIGHTS

- CEO of the Medreich Group, Adcock Ingram's joint venture manufacturing partner in India
- 23 years' experience in the pharmaceutical industry heading operations, finance, business development and international marketing
- Currently serves as Director of Adcock Ingram Healthcare Private Limited, India

Doreen Kosi
MM, MAP

PUBLIC AFFAIRS EXECUTIVE

- Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS

- Chief Director and Head of Strategy and Special Projects in the Office of the Deputy President
- Held various roles in The Presidency (Republic of South Africa) for 14 years
- Held various senior management positions in Government administration

Tobie Krige
BEng (Industrial Engineering), MBA

MANAGING DIRECTOR – LOGISTICS

- Joined Adcock Ingram in January 2012

CAREER HIGHLIGHTS

- More than 15 years' experience in supply chain and logistics
- Worked in extended geographical areas in Europe, Middle East and Africa
- Worked for Nampak and DHL

Basadi Letsoalo
MPsych , CLDP, MLPC

HUMAN CAPITAL EXECUTIVE

- Joined Adcock Ingram in January 2008

CAREER HIGHLIGHTS

- Head of Transformation at Standard Bank SA
- Head of HR information management at ABSA
- Currently serves as a member of the University of KwaZulu-Natal Council

COMMITTEE

Ntando Simelane
B. Juris, LLB, Advanced Company Law

COMPANY SECRETARY AND HEAD OF LEGAL

- Joined Adcock Ingram in April 2009

CAREER HIGHLIGHTS

- Group Legal and Compliance Manager at Adcock Ingram
- Spent nine years at the SABC in various legal roles
- Spent four years at the Advertising Standards Authority of SA (ASA) as a dispute resolution consultant

Vicki St Quintin
BCom (Hons)

CORPORATE AFFAIRS AND INVESTOR RELATIONS MANAGER

- Joined Adcock Ingram in April 2013

CAREER HIGHLIGHTS

- COO of the Pharmaceutical Industry Association (PIASA) for nine years
- Corporate Affairs Director of GlaxoSmithKline
- Held various roles in marketing, business development, corporate affairs and government relations

Werner van Rensburg
MEng (Mechanical Engineering), MBA, EMLog, GCC (ML & OHS)

MANAGING DIRECTOR – OVER THE COUNTER

- Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS

- Managing Director at Formex
- Group Operations Director at Aspen Pharmacare
- Experience in operations, logistics, procurement, IT, operational finance, HR and product development

Juliet Fourie
IMM Grad. Dip.

MANAGING DIRECTOR – CONSUMER

- Joined Adcock Ingram March 2014

CAREER HIGHLIGHTS

- Regional Business Development Director: Africa and Middle East for SunOpta
- Worked for Tiger Brands, National Brands and Sunpac
- In excess of 15 years' experience in FMCG operations, direct marketing and sales

Kevin B Wakeford (54)
CA(SA)

CHIEF EXECUTIVE OFFICER

- Appointed: 3 April 2014
- See page 6 for abridged CV

Andrew G Hall (52)
CA(SA), BPharm

DEPUTY CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

- Appointed: 15 July 2008
- See page 6 for abridged CV

Brian Joffe (67)
CA(SA)

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

- Appointed: 24 February 2014
- Chief executive of The Bidvest Group Limited, an internationally diversified service, trading and distribution group and one of South Africa's most successful entrepreneurs with a 35-year track record as a business leader and wealth creator

OTHER EXPERIENCE

- Director of numerous Bidvest subsidiaries

BOARD AND GOVERNANCE STRUCTURE

Anna Mokgokong (57)
BSc, MB ChB, DCom

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Co-founder and executive chairperson of Community Investment Holdings (Pty) Limited

OTHER EXPERIENCE

- Deputy chairperson of Community Oil and Gas Trading (Pty) Ltd
- Independent non-executive director of Shoprite Holdings Limited
- Non-executive chairperson of Rebosis Property Fund Limited and Jasco Electronics Limited
- Serves on the boards of Afrocentric Limited and Medscheme Limited

Roshan Morar (48)
CA(SA), CFE

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Managing Director of Morar Incorporated

OTHER EXPERIENCE

- Non-executive Deputy Chairman of the Public Investment Corporation (SOC) Limited
- Non-executive Deputy Chairman of the Airports Company South Africa (SOC) Limited
- Non-executive director of the South African National Roads Agency (SOC) Limited

Lindsay P Ralphs (58)
CA(SA)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Chief Executive Officer of Bidvest South Africa

OTHER EXPERIENCE

- Director of various Bidvest's subsidiaries

Matthias Haus (65)

MB ChB, MD, DCH, FCFP, FFPM, Dip OBST

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 1 June 2012
- 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
- Editor in chief at Current Allergology and Clinical Immunology
- Executive at the Allergy Society of South Africa

OTHER 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

Tlalane Lesoli (64)

MB BS, Dip of Child Health

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- 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

OTHER EXPERIENCE

- Co-founded and managed Mother Earth Distributors and Nature Plan
- Non-executive director of Woman Investment Africa Network and Global Africa Resources
- Research in Neonatal Pediatrics at John Radcliffe Hospital Oxford, UK
- Medical Director of Transmed Medical Aid

P Mpho Makwana (44)

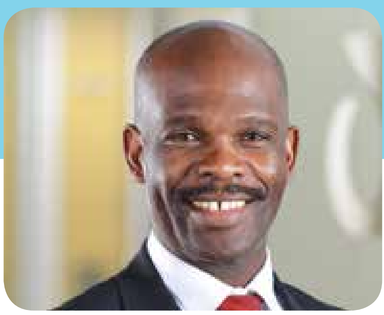
B ADMIN (Honours), Post-Grad Dip (Retailing Management)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 1 February 2012
- Non-executive director of Nedbank Limited and Biotherm Energy (Pty) Limited
- Chairman of Arcelormittal SA Limited
- Chairman of the board of trustees at The New LoveLife Trust
- Trustee of The Business Trust, Vodacom Foundation Trust, the Transaction Advisory Fund and World Wildlife Fund South Africa
- Chairman of ITNA, an IT company

OTHER EXPERIENCE

- Chairman of Eskom Holdings Limited
- Member of the group executive of Edcon Limited



Clifford D Raphiri (51)

BSc (Mechanical Engineering), Grad Dip Engineering, MBA

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- Manufacturing and Technical Director of SA Breweries Limited. Serves on the boards of various SA Breweries Limited subsidiaries

OTHER EXPERIENCE

- Design mechanical consulting engineer at BKS Incorporated
- Project engineer at Metal Box
- Consulting engineer at Andersen Consulting

Motty I Sacks (71)

CA(SA), AICPA (ISR)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 25 February 2014
- A Chartered Accountant who has been active in the professional and corporate sectors for the past 45 years
- After retiring from his consultancy practice in 1994, he co-founded Netcare Limited
- Serves as a non-executive director of several South African listed institutions

OTHER EXPERIENCE

- Chairman of Advtech Limited
- Co-founder of Net 1 (Aplitec Limited)
- Co-founder and mentor to Afrocentric Investment Corporation Limited
- Director and Officer of the International Association of Political Consultants

Roger I Stewart (62)

MB ChB, PhD (Med), Grad Dip Comp Dir, F Inst Directors

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- Director and shareholder of Business Sculptors (Pty) Limited

OTHER EXPERIENCE

- Associate professor of Physiology at the University of Stellenbosch
- Fellow of the American College of Chest Physicians
- Group executive at the South African Medical Research Council

CORPORATE GOVERNANCE

Corporate governance includes the structures, processes and practices that the Board of Directors (Board) uses to direct and manage the operations of Adcock Ingram Holdings Limited and subsidiaries within the Adcock Ingram Group. These structures, processes and practices help to ensure that authority is exercised and decisions are taken, within an ethical framework that promotes the responsible consideration of all stakeholders and ensures that decision-makers are held appropriately accountable.

BOARD

	AUDIT	HR	SOCIAL	RISK
Composition	Three independent non-executive directors and one non-independent non-executive director	Two independent non-executive directors and two non-independent non-executive directors	Two independent non-executive directors, one non-independent non-executive director, two executive directors and Human Capital Executive	Four independent non-executive directors
Members	MI Sacks (Chairman) M Haus R Morar RI Stewart	CD Raphiri (Chairman) R Morar LP Ralphs MI Sacks	PM Makwana (Chairman) AG Hall T Lesoli A Mokgokong KB Wakeford BJ Letsoalo	RI Stewart (Chairman) M Haus PM Makwana MI Sacks
Responsibilities	Review annual financial statements and recommend their approval to the Board Review accounting policies Nominate for appointment independent auditor in accordance with the Companies Act Determine the fees to be paid to auditors and engagement terms and ensure that the appointment of the auditors complies with the provisions of the Companies Act and other relevant legislation Provide assurances to the Board as to the integrity and appropriateness of the financial management systems	Assist the Board in determining remuneration and performance measures of executive and senior management Determine remuneration policy and appropriate human capital management policies Review terms and conditions of key executive service agreements at least annually Oversee annual performance evaluation of the Board Assist the Board to ensure that the Board is appropriately constituted for it to execute its role and duties effectively and that directors are appointed through a formal, transparent process; and that induction and ongoing training and development of directors takes place The Chairman of the Board chairs the HR, Remuneration and Nominations Committee when constituted as the Nominations Committee	Monitor the Company's activities regarding relevant legislation and codes of best practice Draw matters within its mandate to the attention of the Board and report to the shareholders at the Annual General Meeting Ensure Adcock Ingram's equity ownership and the demographic profile of its employees is representative in the South African context Establish, implement and monitor the framework for the Company's transformation plan	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
Attendance by invitation	Executive directors, Finance executives, internal and external auditors	CEO and Human Capital executive	Human Capital executive, Government relations executive and any relevant members of management	Executive directors, internal and external auditors, insurance and risk advisors and relevant members of management

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE

Adcock Ingram Holdings Limited is committed to the principles of good corporate governance as set out in the King III Report on Corporate Governance for South Africa (King III), the JSE Listings Requirements and the Companies No Act 71 of 2008 (Companies Act).

ETHICS

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

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.

King III provides guidance on acceptable business practices and ethical standards by which Adcock Ingram directors, employees, suppliers and business partners are expected to conduct themselves in their business relationships. Training initiatives relating to ethics include training of employees on ethics by a Certified Ethics Officer, employed by the Group. Employees are encouraged to report any suspected inappropriate, unethical, illegal activity or misconduct through an independently operated Tip-Offs Anonymous line. This whistle-blowing facility is available 24 hours a day, 365 days a year. All complaints lodged through this service are investigated; where appropriate, disciplinary action is instituted and reported to the Board through the Human Resources, Remuneration and Nominations Committee as well as the Social, Ethics and Transformation Committee. Below is an analysis of reports received for the period under review.

A register setting out compliance with King III principles on an "apply or explain" basis can be found on www.adcock.com

Analysis of reports received in the nine-month period ended 30 June 2014:

15 REPORTS RECEIVED

2 UNDER INVESTIGATION

3 UNFOUNDED

8 PROVEN ALLEGATIONS

2 INSUFFICIENT EVIDENCE

REASON FOR CALLS	Unethical behaviour, dishonest conduct, complaints relating to human capital and governance

CORPORATE GOVERNANCE CONTINUED

THE BOARD OF DIRECTORS

APPOINTMENT AND RETIREMENT

Adcock Ingram is led by a diverse board of 12 directors, 10 of whom are non-executives. Six of the non-executive directors are independent and four are not independent as defined by King III.

Changes to the board and directors' responsibilities

During the period under review, the following changes to the Board occurred:

DECEMBER 2013

- Prof Matt Haus was appointed as a member of the Audit Committee.

JANUARY 2014

- Mr Andrew Thompson resigned; and
- Mr Leon Schonknecht retired.

FEBRUARY 2014

- Dr Khotso Mokhele resigned as director and Chairman of the Board;
- Mr Brian Joffe was appointed as non-executive Chairman;
- Mr Michael (Motty) Sacks was appointed as an independent, non-executive director and chairman of the Audit Committee and as a member of the HR, Remuneration and Nominations Committee; and
- Mr Clifford Raphiri, an independent, non-executive director was appointed by the Board as the Lead Independent non-executive Director as the Chairman is not independent.

APRIL 2014

- Dr Jonathan Louw resigned as the Chief Executive Officer (CEO) and director;
- Mr Kevin Wakeford was appointed as the CEO and a member of the Social, Ethics and Transformation Committee;
- Shareholders elected Dr Anna Mokgokong, and messrs Roshan Morar and Lindsay Ralphs as non-independent members to the Board;
  - Mr Morar was appointed as a member of the HR, Remuneration and Nominations, and Audit Committees;
  - Mr Ralphs was appointed as a member of the HR, Remunerations and Nominations Committee; and
  - Dr Mokgokong was appointed as a member of the Social, Ethics and Transformation Committee; and
- Mr Sacks was appointed as a member of the Risk and Sustainability Committee.

All the above appointments were done in accordance with Adcock Ingram's Memorandum of Incorporation (MOI), which sets out a formal process for the appointment of directors to the Board. Criteria used in the selection of the directors of the Company include leadership qualities, depth of experience, skills, independence, business acumen, and personal integrity beyond reproach. The directors collectively bring to the Group a wide range of skills and experience which include industry-specific knowledge as well as broader business flair and acumen. The Chairman of the Board chairs the HR, Remuneration and Nominations Committee, when constituted as the Nominations Committee. In instances where the Chairman of the Board is conflicted, the Lead Independent Director of the Board chairs the Nominations Committee.

As required by the Company's MOI and the Companies Act, an Annual General Meeting is held once a year. In accordance with the Company's MOI, at least one-third of the non-executive directors retire by rotation every year. Each non-executive director is therefore rotated at least once every three years. Retiring non-executive directors, who offer themselves for re-election, and if eligible, are evaluated by fellow directors before a recommendation on their re-election is made by the Board to shareholders. 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 appointment which, together with the board charter, form the basis of the director's appointment. The Nominations Committee plays an important role in the identification and removal of under-performing or unsuitable directors.

Brief curricula vitae of each of the directors appear on pages 8 and 9 of this report.

RESPONSIBILITIES AND PROCESSES

The Board is ultimately responsible to shareholders for the performance of the Group. The Board broadly gives strategic direction to the Group, approves and regularly reviews business strategy, budgets and policies, appoints the Chief Executive Officer and ensures that power and authority delegated to management are clearly and comprehensively documented and regularly reviewed, and 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. The Board, through the Risk and Sustainability Committee, monitors the Group's risk tolerance and appetite. Adcock Ingram has a credible enterprise management system which has been rated as "satisfactory" by the internal auditors on its robustness and was approved by the Board.

BOARD CHARTER

The Board is governed by a board charter which sets out, *inter alia,* the principles and process in terms of which directors are appointed, and the duties and responsibilities of the Board. Issues of conflicts of interest are regulated and dealt with regularly in terms of the board charter and the Companies Act. In order to ensure that issues of conflict of interests are properly managed and dealt with, the directors' register of interests is circulated at every scheduled meeting of the Board for directors to confirm its contents. The subject matter together with the declaration of anti-competitive behaviour are standing items on the Board agenda. The board charter complies with the principles of King III 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 work-plan aims to ensure that the Board deals with each of the matters reserved for its consideration during the course of its annual 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 42, 43 and 49 of this report. The Board strives to ensure that non-attendance by directors at scheduled Board meetings is an exception rather than the norm, and directors who are unable to attend meetings are required to communicate their reasons for non-attendance in advance to the Company Secretary for formal notification to the Board through the Chairman. Directors are also required to sign an attendance register at all the meetings of the Board.

Board papers are provided to directors in a timely manner, in advance of meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary. All directors may 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 work plan. 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 Company Secretary attends all Board and committees' meetings and provides the Board and the directors, collectively and individually, with guidance on the execution of their governance role and compliance with the required statutory procedures.

BOARD EDUCATION, TRAINING AND EVALUATION

All directors are required to attend a formal annual governance training session, which is scheduled in the Board's annual calendar, to ensure their knowledge of governance remains relevant. In addition, all 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). On-going director training sessions are held where changes in the legislative, regulatory or business environment of the Group warrant specific focus. Finally, all directors are encouraged to attend external director development and training programmes, at the cost of the Group.

Due to protracted corporate action, which was followed by changes to the composition of the Board and its committees and the change in the year end of the Company, directors were unable to attend formal training, normally offered by the Group, during the period under review. For the same reason, the evaluation of the Board, its committees and the Chairman was also not conducted in the period under review, and will be performed in the new financial year.

BOARD MEETINGS

The following meetings were held during the period under review:

- 4 Board meetings;
- 12 Special Board meetings;
- 3 meetings of the Committee of the Independent board; and
- 12 meetings of the Independent board.

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 independent non-executive directors and the Chairman. The Company Secretary works closely with the Chairman of the Board, Chairmen of the respective Committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes.

In the period under review, the Company Secretary was evaluated by all the directors and his line manager. The evaluation criteria for the Company Secretary include the following:

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

The evaluation questionnaires completed by directors were submitted to an independent assessor for evaluation and compilation of a report. The results of the evaluation were discussed at the meeting of the Board in August 2014. Based on the results of the evaluation, the Board of directors confirmed that the Company Secretary is competent and has relevant experience to discharge his duties. Furthermore, the Company Secretary is suitably qualified for this role, maintains an arm's length relationship with the Board of directors and is not a director.

INFORMATION TECHNOLOGY (IT)

Adcock Ingram subscribes to King III in that IT governance can be considered as a framework that supports effective and efficient management of IT resources to facilitate the achievement of the Group's strategic objectives.

Adcock Ingram has implemented a number of projects with a view to improve its business processes and continues to improve these processes to achieve compliance. The implemented processes include:

- business driven IT strategy;
- standardisation of systems and processes to improve business operations and reporting;
- replacement of outdated and obsolete systems with the Oracle ERP suite of products running on modern energy efficient servers;
- centralisation of IT facilities and upgrades to the IT infrastructure;
- information security systems; and
- disaster recovery systems and procedures.

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, as set out in King III.

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.

In the period under review, the internal audit function was outsourced to an independent audit firm and the responsibility to oversee, manage, inform and take accountability for the effective operation of this function lies with the Company's Deputy Chief Executive and Financial Director. The Board has approved a proposal to move internal audit from an outsourced to an in-house function with effect from 1 October 2014. The Company is in the process of establishing an in-house internal audit function with appropriate resources. In the period under review, the internal audit function operated within a formally defined charter which was approved by the Board.

Furthermore, there has been extensive co-ordination and sharing of information between the Group's external auditor and the internal audit function.

LEADERSHIP STATEMENT

KEVIN WAKEFORD

Chief Executive Officer

ANDREW HALL

Deputy Chief Executive and Financial Director

Adcock Ingram has a long history and heritage going back to the 1890's. The Company has evolved from a purely retail pharmacy model to one of the largest pharmaceutical companies in South Africa and a leading local manufacturer of a wide range of pharmaceuticals and associated products.

The growth has created a widely diversified company in terms of product portfolio and customer base. The product range is marketed to an extensive range of customers, from the retail pharmacy right through private and public hospitals. This diversity requires focus to provide seamless service and a satisfactory customer experience to each and every customer.

The Group was the target in a protracted contest for shareholder control which was finally resolved towards the end of February 2014, but proved a distraction for management during the period under review.

For a better appreciation of the results, shareholders are reminded of the change in year end from September to June, this having been effected for better performance management and other goal-directed operational practicalities.

For a more informed comparison with 2013, reviewed comparative figures have also been provided for the nine-month period ended 30 June 2013.

FOCUS **2015**

The Group's strengths include owning, producing and distributing an impressive range of pharmaceutical and medical products including iconic **brands,** and great and committed people.

Panado, our leading brand, as well as many other household brands still make Adcock Ingram the leader in the OTC market. The huge potential of these well-known brands should be capitalised to regain share in this exciting market.

It is clear that our **customers** should be served better. The business was highly centralised, but moving to a decentralised structure will allow for the tailoring of offerings to each and every customer's needs. Relationships as well as service levels with customers will be improved. Strong leadership and key account management will play an important role in the new approach.

The right **products** should be provided, supported by the correct promotional activity, with focus on satisfying customer needs in the Group's target markets. In order to achieve this, further investment and support into the marketing and sales function are required.

EXTERNAL ENVIRONMENT AND REGULATORY ISSUES

The environment is tough and competition is strong. According to IMS, industry growth has slowed under an ever-tightening regulatory framework. This pressure is exacerbated by other stakeholders, in particular funders, in their pursuit of the most economical pharmaceutical option. The general economic environment is not as favourable as could be hoped for and it is evident that customers are trading down where possible.

The call by the honourable Minister of Health for comments on a new methodology for the Single Exit Price (SEP) adjustment is welcomed. It is hoped that the real cost increases experienced by pharmaceutical manufacturers, driven largely by the deteriorating exchange rate, will be fairly compensated for.

Other issues that have arisen include the Complementary and Alternative Medicines regulations published in November 2013 of which Adcock Ingram is supportive, in order to maintain quality and safety within this category. A resolution is sought with the regulatory authority on a number of issues but most importantly the definition of a complementary medicine.

In terms of our product registrations, to the end of the current financial period, we have received registration for eight products. The approach with regards to submissions to the MCC will be reviewed.

GOVERNANCE AND ETHICS

The Board recognises that a corporate culture which promotes ethical behaviour supported by honest and open communication with all stakeholders is integral to good governance.

Ethical behaviour, accountability and transparency are integral to building stakeholder confidence in the Group and the Group's employees are constantly reminded of the ethical culture through dedicated columns in all newsletters, notice boards and ethics training. These behaviours are built into the Company's values.

Risks as well as ways in which to overcome controllable risks are identified and actioned as and when detected to minimise the impact of the uncontrollable risks.

PERFORMANCE

While there are several pharmaceutical sector specific reasons for the Group's weak trading performance, this was aggravated by a poor economic climate in South Africa as well as by Adcock Ingram's executive leadership being immersed in and substantially preoccupied with the corporate activity.
There is no doubt that the poor financial performance for the period under review is disappointing. There are a number of specific reasons including losing market share in the key OTC segment; a severe change in the exchange rate; low capacities in certain of the factories; and increasing input and overhead costs. These are the challenges which must now be addressed.

RESTRUCTURE AND REORGANISATION

Immediately after the change in leadership and the partially reconstituted Board, a process of examination of the business was commenced, with a specific focus into the Group's structure and manner of operating. Substantive changes and a reorganisation of the business into accountable business units were found to be necessary to facilitate greater focus on:

CUSTOMERS

PRODUCTS and

SERVICE

The reassessment which took place revealed and dictated that several substantial impairments were necessary and these have been accounted for in this period.

It was evident that the past should be left behind and a new course set out which will offer the opportunity for improved performance. Focus would be on getting the business basics right and finding a growth path that will lead to the recovery of the fortunes and deliver acceptable shareholder returns. This process is not a quick remedy but if the correct decisions are made on the road to recovery, the business will reap the benefits.

NEW DIVISIONAL STRUCTURE

The new structure came into operation on 1 July 2014 creating a more defined but decentralised structure with focused and specialised commercial divisions.

The changes will *inter alia* create autonomous operating divisions with separate focused strategies to best manage the challenges and opportunities in each of the Adcock Ingram businesses, while at the same time, facilitating full accountability in each case and allow for better measurement of returns. This is intended to give the Company renewed focus and energy and to instil a more entrepreneurial and agile spirit in the business. The structure is ultimately designed to be customer-centric and assist in the recovery of the business.

LEADERSHIP STATEMENT CONTINUED

NEW DIVISIONAL STRUCTURE IN SOUTH AFRICA

CONSUMER

headed by Juliet Fourie

This division will compete in the Fast Moving Consumer Goods (FMCG) space with leading brands across the following categories: Analgesics, Coughs and Colds, Supplements, Digestive, Nutrition and Personal Care. This range comprises largely complementary and schedule 0 medicines.

OTC

headed by Werner van Rensburg

The OTC division will focus primarily on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in product choice. The range of products includes schedule 0 – 2 OTC brands. Leading brands in the portfolio include Adco-Dol, Broncleer, Citro-Soda, Corenza C, Expigen, Liviton, LP299V and Vita-thion. The Clayville factory, which produces most of the OTC brands, is included in this division.

PRESCRIPTION

headed by Ashley Pearce

This division will market products used in conjunction with medical practitioners only. The Adcock Ingram generic and branded product ranges as well as the prescription products of our strategic alliance partners will be marketed by this team. Disease and therapeutic areas included in this portfolio are: Women's health, Urology, ARVs, Dermatology, CNS, Ophthalmic, Cardiovascular and Pain. The Wadeville factory which is predominantly set up as an ARV facility is reflected in this division.

HOSPITAL

headed by Colin Sheen

A long-established, previously stand-alone division within the Group, Critical Care will again operate independently, with the facility in Aeroton falling within the unit and all personnel relocated to Aeroton. The portfolio includes intravenous solutions, renal dialysis systems and pharmaceuticals, transfusion systems for the collection and storage of blood, and infusion systems.

LOGISTICS

headed by Tobie Krige

The logistics operation which moves a significant percentage of pharmaceutical products in South Africa will now act as an independent division, which will contract to the commercial structures on an arm's length basis. The logistics operation also provides a distribution service to the strategic alliance partners.

The Consumer division's management team: (standing, left to right) Azhar Kaka, Head: Sales; Juliet Fourie, Managing Director; Craig Ayre, Operations Manager; **(seated, left to right)** Lauren Shimmin, Financial Director and Christa van Wyk, Category Marketing Manager.

The OTC management team (standing, left to right): Natalie Zaroudoukas, Financial Director; Pierre Linford, Supply Chain Manager; Daminda Senekal, Marketing Manager; Riaan Pelzer, National Sales Manager: Doctor Detailing; Werner van Rensburg, Managing Director; Esayvani Mandiri, Marketing Manager; **(seated, left to right)** Bruce Laubscher, Commercial Sales Manager and Marc Gardiner, Head of Production: Clayville.

BEYOND SOUTH AFRICA: **REST OF AFRICA AND INDIA**

Rest of Africa and India, will continue to be managed as additional divisions within the Group:

REST OF AFRICA

headed by Kofi Amegashie

A basket of products from the Adcock Ingram range as well as specific products in the markets, are promoted in a market-focused way in **Ghana, East Africa,** and **Zimbabwe.** Factories are situated in Ghana and Zimbabwe.

INDIA

headed by Pravin Iyer

Marketing in 26 of the 29 states in India, this operation promotes more than 60 brands. The focus areas are Gastrointestinal, Dermatology, Gynaecology and Orthopaedic.

CONCLUSION

While the road ahead is likely to be challenging, the building blocks have been put in place and our employees have embraced the new structures and business focuses with great vigour. Focus is on the right areas with support behind our brands, divisions and people, to successfully build on the proud history of the Company.

Adcock Ingram is a significant player in the South African pharmaceutical market, with many people relying on its products to improve their lives.

The Prescription division's management team: (standing, left to right) Nick Ford, Financial Director; Ashley Pearce, Managing Director; Zwelethu Bashman, Head: Sales; **(seated left to right)** Gail Solomon, Head: Commercial Prescription and Christian Whiteboy, Head: Manufacturing.

Members of the Hospital division's management team: (standing, left to right) Sheila Keshav, Head: Renal; Mohamed Mangel, Financial Director; Silvia Gounden, Head: Transfusion Therapies and Colin Sheen, Managing Director **(seated)**.

THIS IS OUR MISSION –

TO PROVIDE QUALITY PRODUCTS THAT IMPROVE THE HEALTH AND LIVES OF PEOPLE IN THE MARKETS WE SERVE

Kevin Wakeford
Chief Executive Officer

Andrew Hall
Deputy Chief Executive and Financial Director

OPERATIONAL OVERVIEW – SOUTHERN AFRICA

MARKET OVERVIEW

The South African pharmaceutical market, as measured by IMS is worth R35,6 billion with 8% value growth (June 2014 MAT).

The private sector accounts for 84,2% of this with 4,3% growth in value terms and volume decline of 0,8%. Adcock Ingram's share is 9,4% in value terms (3,3% growth) and 31,3% in volume (1,3% growth).

The public sector which accounts for 15,8% of the total market recorded growth of 33,1% in value and volume. Adcock Ingram's share is 6,8% in value terms (128,3% growth) and 17,1% in volume (103,2% growth).

For further commentary regarding the Over the Counter, Prescription and Hospital segments, please refer to pages 19 to 21 .

MARKET SHARE

Private sector: **9,4%** value **31,3%** volume

Public sector: **6,8%** value **17,1%** volume

TURNOVER

R3 245 MILLION

EMPLOYEES

2 260

KEY INFORMATION

OFFICE:
Midrand in South Africa, serving as the head office for the Group

ACTIVITIES:
Research and development, manufacturing, distribution, and sales and marketing

CUSTOMERS:
Wholesale, FMCG retail, independent pharmacies, hospitals, doctors and Government

OVER THE COUNTER (OTC)

Adcock Ingram competes in the following three core areas of the OTC self-medication and wellness market:

- Curative (analgesics, colds and flu, and allergy)
- Wellbeing (digestive wellbeing, supplements and energy)
- Personal care (wipes, facial care, hand and body topical creams and ointments, and feminine care)

Analgesics (pain)

- Adcodol
- Betagesic
- Betapyn
- Compral
- Lotem
- Mypaid
- Panado
- Pynstop
- Spasmend
- Syndol

Pharmacy Rank #1
FMCG Rank #2

Colds and Flu

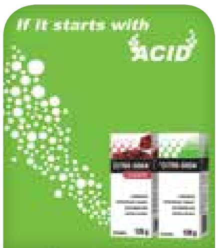
- Adco Linctopent
- Adco Sinal
- Alcophyllex
- Cepacol
- Corenza C
- Dilinct
- DPH
- Expigen
- Grippon
- LCC
- Medi-Keel

Pharmacy Rank #1
FMCG Rank #6

Allergy

- Adco-cetirizine
- Adco-Destoratadine
- Allergex
- Allergex eye drops
- Allergex ND
- Mepyramal Cream
- Mizallen

Pharmacy Rank #1



Digestive Wellbeing

- Adco-Loperamide
- Citro-Soda
- Freshen
- LP299V
- Mayogel
- Medigel
- Pectrolyte
- ProbiFlora
- Scopex

Pharmacy Rank #1
FMCG Rank #1

Supplements and energy

- ArthroGuard
- Bestum
- Bidomak
- Bioplus
- Liviton
- Vita-thion
- ViralGuard

Pharmacy Rank #1
FMCG Rank #2

Personal Care

- Amethaine
- Calesthetic
- Covospor
- Dynexan
- GynaGuard
- Normaspor
- Stopitch
- TLC

Pharmacy Rank #6

Source: IMS TPM MAT 6/2014
Aztec June 2014

MARKET SHARE

VALUE	VOLUME
18,2%	36,9%

TURNOVER

R1 137 MILLION

MARKET TRENDS

- Consumer expectations for improved healthcare are increasing in both developed and developing countries
- Market growth driven by the global trend towards self-care and a growing middle class
- Reimbursement and coverage of medical expenses by insurance companies and employers are on the decline. Customers/patients have to contribute more money resulting in increased focus on preventative products such as vitamins and supplements
- Growth driven by new product formats and a focus on lifestyle disease prevention and treatment
- Consumers are becoming more educated with regards to self-medication options
- Economic factors are causing a shift from premium to economy and house brands, as well as smaller pack size and price formats
- Regulatory environment moving away from industry self-regulation to government control, resulting in increased maintenance and launch costs

BUSINESS FOCUS

- Defend and grow the core
- Drive organic growth in the categories in which the Group competes
- Consumer-led brand positioning and growth
- Development of strategic partnerships
- Portfolio and market expansion
- Reintroduce category and consumer focus
- Operational excellence in marketing, selling and supply chain
- A coordinated sales and marketing approach
- Marketing support will be increased

Panado ranked number

#2

Compral ranked number

#4

in the pain market

SOUTHERN AFRICA CONTINUED

HOSPITAL

Critical Care is a **leading supplier** of **life-saving products** across **multiple categories**. The portfolio includes intravenous solutions, renal dialysis systems and pharmaceuticals, transfusion systems for the collection and storage of blood and infusion systems.

RENAL

- Partnership with Netcare through National Renal Care (NRC)

MEDICINE DELIVERY

- Adco Ceftriaxone
- Adco Granisetron
- Sabax Ciprofloxacin
- Sabax Intravenous solutions
- Sabax Irrigation solutions
- Sabax Metronidazole
- Sabax Mini-Bags
- Sabax Pour Bottles

NUTRITION

- Cernevit
- Oliclinomel N4
- Oliclinomel N6
- Oliclinomel N7
- Oliclinomel N8
- Potassium Phosphate
- TPN filter sets
- Vitafusal

TRANSFUSION THERAPIES

- AccuVein
- Anticoagulant solution
- Blood packs
- Blood sets
- Leucodepletion filters
- Platelet additive solution
- T-Sol

TURNOVER

R721 MILLION

BUSINESS FOCUS

- Maintaining market leading position in categories where the business is already well established
- Regaining lost share in categories where focus has been distracted
- Maximising efficiencies in operations including automation
- Uncompromised attention to supply and service
- Innovation through entering adjacent categories and expanding into new categories
- Focus on mix to support sustained profitable sales growth
- Maintain close relationship with Government to support national demand

RENAL

Adcock Ingram has maintained its market leading position across all therapy areas including haemodialysis, peritoneal dialysis and continuous renal replacement therapy (CRRT). This leading position is currently being enhanced with multiple new initiatives across all therapy areas to support increased patient recruitment through market development and technology enhancements.

MEDICINE DELIVERY

The business is the largest supplier of large volume intravenous solutions within South Africa and the largest supplier to Government.

Adcock Ingram currently has a low share of the small volume parenteral market which presents opportunity in this attractive segment.

NUTRITION

The Nutrition business has not reflected growth to expectation in an attractive market.

TRANSFUSION THERAPIES

Adcock Ingram has been successful in securing a large component of the newly awarded tender for supply of product to the South African Blood Transfusion Services (SANBS). Although the tender has placed increased pressure on margins, the three year contract supports business sustainability and provides opportunities for business expansion into adjacent categories.

PRESCRIPTION

Deals with drugs and treatment used in conjunction with healthcare professionals only.

The therapies reflect medicines prescribed by a registered physician and thereafter dispensed with a prescription by a licensed professional.

The business is split into:

- strategic alliance brands;
- own intellectual property; and
- generic brands.

These are further segmented into therapeutic areas with the objective of specialisation.

TURNOVER

R1 388 MILLION

BUSINESS FOCUS

- Protect and grow the core business
- Regain market share in generics through increased focus
- Re-evaluate the portfolio and pipeline
- Ensure profitable ARV franchise
- Evaluate strategy on location of manufacturing

MARKET TRENDS

- Highly regulated market
- Funders encourage patients to switch to lower cost generic brands
- Significant HIV disease burden in South Africa
- Number of products reaching the end of patent protection are increasing
- Decline in new product registrations

MARKET SHARE

VALUE **5,8%**

VOLUME **16,6%**

#1

WOMEN'S HEALTH AND UROLOGY

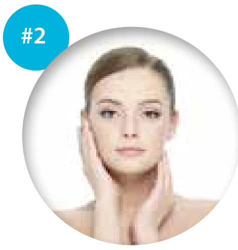
- Activelle
- Estalis
- Estradot
- Estrofem
- Estro-Pause
- Kliogest
- Novofem
- Trisequens
- Urizone
- Urispas
- Vagifem
- Novofem

#7

ARVs

- Adco-Abacavir
- Adco-Efavirenz
- Adco-Lamivudine
- Adco-Nevirapine
- Adco-Zidovudine
- Temecit
- Tenofovir
- Trivenz

#2



DERMATOLOGY

- Acnetane
- Dovobet
- Elidel cream
- Famvir
- Fucidin Topical
- Lamisil
- Roaccutane
- Xamiol

#3

OPHTHALMIC

- Atropine
- Covostet
- Fucithalmic
- Ocuprost
- Phenylephrine
- Spersadex
- Spersadex Comp
- Spersallerg
- Spersatear
- Voltaren
- Zaditen

#3

CARDIOVASCULAR

- Akrinor
- Burinex
- Co-Migroben
- Lescol
- Metforal
- Migroben
- Xenical
- Zetomax
- Zetomax-co
- Zildem

#2

PAIN

- Brexecam
- Carbocaine
- Fastum
- Mypaid Forte
- Myprocam
- Myprodol
- Remicaine
- Sosensol
- Synaleve
- Tenston
- Tramgesic
- Xylotox

#2

GENERICS

- Adco-Alzam
- Adco-Atenolol
- Adco-Atorvastatin
- Adco-Bisocor
- Adco-Omeprazole
- Adco-Simvastatin
- Adco-Zetomax
- Adco-Zolpidem
- Genpayne

#3

CNS

- Azilect
- Clopixol
- Cipralex
- Cipramil
- Ebixa
- Fluanxol
- Mirteron
- Stresam
- Venlafaxine adco

LOGISTICS

LOCATION	CAPACITY		ACCREDITATION
GAUTENG	22 500	PALLETS	South Africa (MCC)
DURBAN	11 000	PALLETS	South Africa (MCC)
CAPE TOWN	4 800	PALLETS	South Africa (MCC)
PORT ELIZABETH	1 500	PALLETS	South Africa (MCC)
CLAYVILLE	6 200	PALLETS	South Africa (MCC)

CHALLENGES

Being cost competitive and maintaining service level targets remain the biggest challenges.

PROGRESS 2014

- The owner-driver scheme was implemented in Critical Care. Six owners set up private companies, equipped with 17 branded vehicles in total.
- CAMs and Consumer products were transferred from third party warehouses to in-house depots.
- The Durban distribution centre was extended by 6 600 pallet positions.
- Fourth party logistics were implemented in the Midrand distribution centre, to enhance real time "proof of delivery" reporting.
- Appointed a single service provider for freight forwarding services.

Fourth party logistics – an arrangement in which a firm contracts out (outsources) its logistical operations to two or more specialist firms (the third party logistics) and hires another specialist firm (the fourth party) to coordinate the activities of the third parties.

FUTURE FOCUS

With the new structure in place from 1 July 2014, the Logistics division's key focus areas will be:

- improving service levels and maintaining cost competitiveness; and
- the implementation of a fully integrated warehouse management system across all the distribution centres to support service delivery.

TARGETS 2015

- Improve service levels
- Ocean imports will be routed to the Durban distribution centre
- Insource cold chain distribution
- Migrate all shipping routes to the new single service provider
- Standardisation on warehouse management system

MANUFACTURING

LOCATION	CAPACITY PER ANNUM	ACCREDITATIONS	STATUS 2014	TARGETS 2015
WADEVILLE	Liquids: **6** MILLION LITRES Creams/Ointments: **500 000** KILOGRAMS Tablets and capsules: **2** BILLION	South Africa (MCC), Ghana (FDB), Botswana (DRU), Malawi (PMPB), Kenya (PPB), and United States of America (FDA)	The tablet manufacturing upgrade was completed, but the unpredictable order pattern and poor demand for ARVs resulted in inefficiencies and subsequent impairments	Ensure profitability on upcoming ARV tender
CLAYVILLE	Effervescents: **28** MILLION TABLETS Effervescent granules and powders: **400 000** KILOGRAMS Liquids: **12** MILLION LITRES	South Africa (MCC), Ghana (FDB), Malawi (PMPB), Kenya (PPB), Zimbabwe (MCAZ), Ethiopia (FMHACA), and Tanzania (pending)	Some outsourced liquid manufacturing and contract manufacturing moved back to Clayville The facility is running under capacity resulting in under recoveries impacting on overall margins	Improve efficiencies and throughput
AEROTON	Large volume parenterals: **28,5** MILLION UNITS Small volume parenterals: **25** MILLION UNITS Pour bottles: **2,3** MILLION UNITS Blood collection bags: **1** MILLION UNITS	South Africa (MCC), SANS ISO 9001: 2008 The only medical grade plastics manufacturing facility in Africa that allows for primary manufacture of bags for fluids	The facility is running at capacity Automation of certain lines investigated and relevant machinery ordered	Implementation of cost-efficiencies
BANGALORE (JV facility)	Tablets and capsules: **3,5** BILLION UNITS	UK (MHRA), Australia (TGA), South Africa (MCC), France (ANSES), Tanzania (TFDA), Kenya (PPB), Ghana (FDB), Namibia (NMRC), Uganda (UNDA), Romania (RNAMMD), and Ethiopia (FMHACA)	Several initiatives in progress to reduce costs and increase efficiencies	Achieve service levels above 97%

OPERATIONAL OVERVIEW – INDIA

KEY INFORMATION

OFFICES:
Bangalore, Mumbai and Goa

ACTIVITIES:
Selling and marketing
Regulatory and Transactional support for African operations
Manufacturing in joint venture (JV)

CUSTOMERS:
Wholesale, retail and pharmaceutical multinationals

JOINT VENTURE FACTORY ACCREDITATIONS:
UK, Australia, South Africa, France, Tanzania, Kenya, Ghana, Namibia, Uganda, Ethiopia and Romania

EMPLOYEES:
1 330 permanent employees in sales and marketing, administration and transactional service office in Bangalore, Mumbai, Goa and in the field.

TURNOVER
R178
MILLION

THE LARGE SALES AND MARKETING FIELD FORCE OF
1 157
PEOPLE
REACH AROUND
150 000
OF THE
500 000
MEDICAL PRACTITIONERS IN 29 STATES IN INDIA, PROMOTING A WIDE RANGE OF PRODUCTS INCLUDING AROUND 50 ESTABLISHED BRANDS.

BUSINESS OVERVIEW

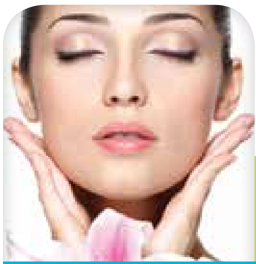
Turnover of R178 million was achieved in the nine months ended June 2014 compared to R114 million in the comparative period. Growth was supported primarily by solid performance from established brands like Cosmelite, Reglan, Jectocos and Menabol. The new drug price control has eroded sales to some extent. The new rule for product licenses to be issued by the Central Government has slowed down the ability to bring new products to market. The 11 new products launched during this period added sales of R4,1 million. As per June 2014 IMS data the business was ranked 77th in the Indian pharmaceutical market.

Manufacturing synergies were achieved by transferring production of 30 million tablets from third party manufacturers to the JV manufacturing facility.

The warehouse in Goa was relocated to a new warehouse in Bangalore in September 2014. The new larger warehouse also has designated place to sort and pack samples for distribution to the field across India and will also accommodate the sales promotion items for customers.

The office in Bangalore continues to provide transactional support and services to the regulatory team in South Africa, including stability studies, vendor audits, regulatory services, medical affairs and pharmacovigilance.

PORTFOLIO



Derma

- Cosmelite
- Flucos
- Cosvate
- Efatop-PE
- Cosglo
- Zoray
- Hirudoid

Gynaecology

- Cosklot
- Metopar

Pain

- Aceron
- Chymogram

Gastro Intestinal

- Reglan
- Ondance
- Metopar
- Coslyte
- Gutplus
- Pentatstar

Supplement

- Ferose
- Jectoocos
- Menabol
- Denisical
- Adco D3

Adcock Ingram is a market leader in therapy segments like injectable iron supplements, dermatological and gastro-intestinal in India and certain brands are ranked amongst the top 3 in their respective segments.

GDP GROWTH IN INDIA IS DRIVEN BY **THE POPULATION OF 1,21 BILLION** PEOPLE, with an emerging middle class and a skilled workforce.

MARKET TRENDS

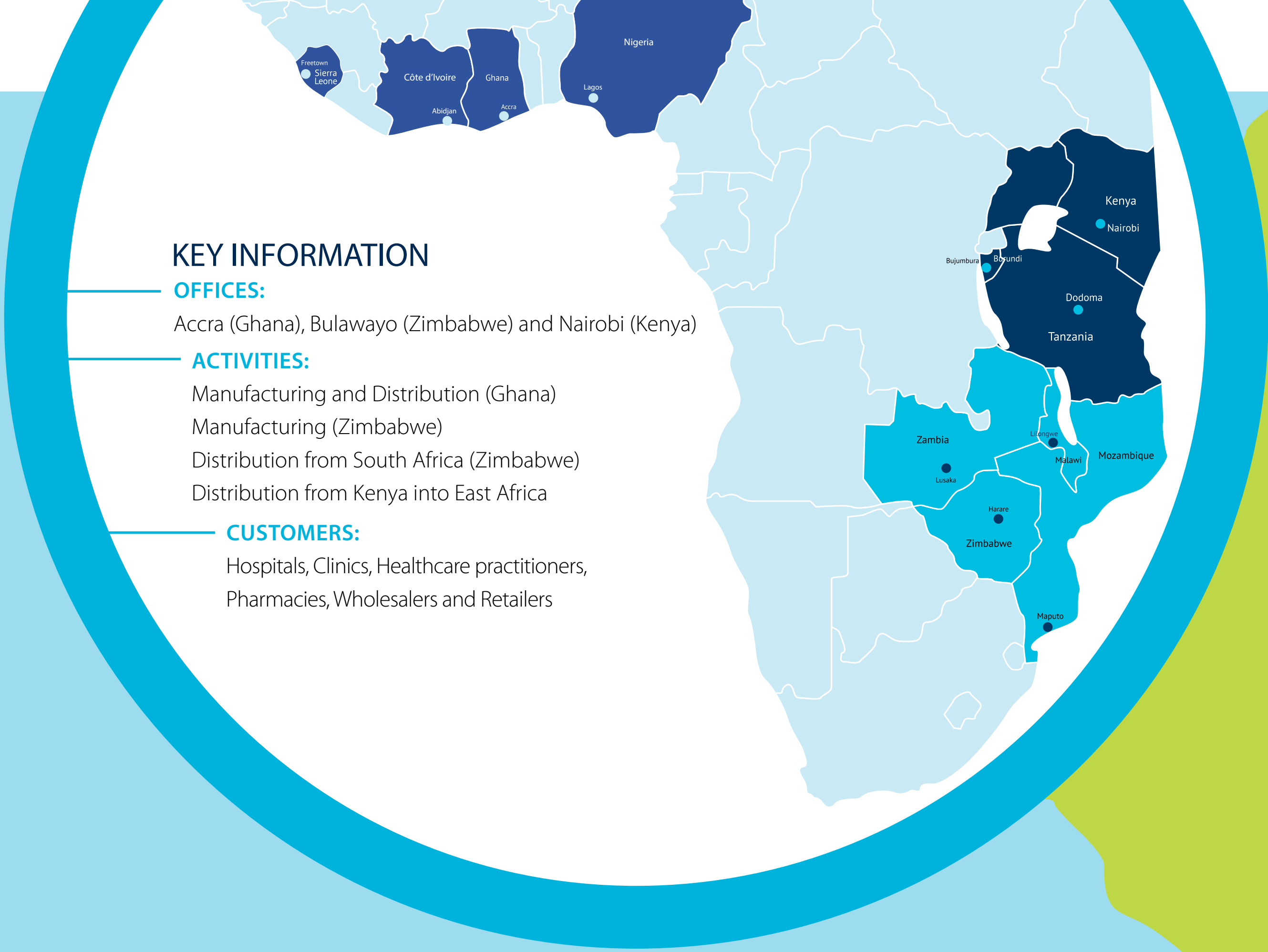
The market presents some challenges:

- GDP growth has slowed down;
- the Indian Rupee has devalued;
- around 30% of the population are living below the poverty line;
- poor infrastructure;
- large scale unemployment is the biggest macro-economic challenge facing the country;
- the pharmaceutical industry is facing a slew of regulatory changes;
- a skills shortage exists in the medical representative area as the opportunities in other sectors, including IT and retail, are more lucrative; and
- the Company's attrition rate is high, relative to industry benchmarks.

GROWTH OF **11,6%** WAS ACHIEVED **IN 2014** IN THE PHARMACEUTICAL MARKET WHICH IS DOMINATED BY TRADE THROUGH PHARMACIES FOLLOWING SCRIPTS ISSUED BY DOCTORS.

BUSINESS FOCUS

- Strengthen the portfolio with additional products in Gynaecology and Orthopeadics; and
- Rationalise and stabilise the sales force.



KEY INFORMATION

OFFICES:

Accra (Ghana), Bulawayo (Zimbabwe) and Nairobi (Kenya)

ACTIVITIES:

Manufacturing and Distribution (Ghana)
Manufacturing (Zimbabwe)
Distribution from South Africa (Zimbabwe)
Distribution from Kenya into East Africa

CUSTOMERS:

Hospitals, Clinics, Healthcare practitioners, Pharmacies, Wholesalers and Retailers

TURNOVER

R206 MILLION

	1 WEST AFRICA GHANA	2 SOUTHERN AFRICA ZIMBABWE	3 EAST AFRICA KENYA
EMPLOYEES	**502**	**172**	**24**
ACCREDITATION	Food and Drugs Board (FDB) The Economic Community of West African States (ECOWAS)	Medicines Control Authority of Zimbabwe (MCAZ) Health Professions Authority	Pharmacy and Poisons Board
MANUFACTURING CAPABILITIES AND CAPACITY PER ANNUM	Tablets and capsules 695 million Liquids 2 million litres Powders 1,2 million sachets Creams/Ointments 1,24 million tubes	Tablets and capsules 120 million Liquids 290 000 litres Creams/Ointments 1,2 million kg	
KEY PRODUCTS	• Citro-Soda • Myprodol • Medi-Keel • Betapyn • Ferrodex • Carvo • Paralex-D	• Propain • Pynstop • Solphyllex • Adco Linctopent • Camphacare • Teejel	• Dawanol • Betapyn • Citro-Soda • Medi-Keel • Locaine • Myprodol • Fucicort

GHANA

The short-term outlook for Ghana is not encouraging given the depreciation of the Cedi and the resulting increase in input costs like raw materials, utilities and transportation. In addition to this, the government's newly introduced 17,5% VAT rate, creates a challenge to increase prices to fully recover input cost increases. The Ghanaian regulator has indicated that operating licenses for manufacturers who are non-compliant with cGMP by 2018 will not be renewed.

KENYA

On the anniversary of the terrorist attack in Kenya, it is clear that the Kenyan economy has struggled to recovery, with the lowest tourism volumes recorded in two decades. The knock-on effect on consumer spending continues to adversely affect the FMCG sector. This notwithstanding, the Kenyan Shilling has remained relatively stable given Kenya's pivotal logistical role into the land-locked countries such as Uganda and Southern Sudan. The continued development of infrastructure – transportation, power and water – despite the headwinds, is a clear commitment by the government to prepare the country for calmer times to come when Kenya will fully exploit its unique role in the regional economy. The surrounding economies of the region are growing well with the fledgling oil industry in Uganda and the use of Dar es Salaam in Tanzania as the alternative port to Mombasa in Kenya for regional trade.

ZIMBABWE

Yet another year of poor liquidity in the economy has taken its toll on business with the only compensation being the utilisation of the US$ as the national currency. The political environment remains fluid despite the partial lifting of sanctions by the European Union with the government turning increasingly eastward to China for balance of payments support. This notwithstanding, the remittances from diaspora Zimbabweans continue to shore-up transactions at the consumer level.

PERFORMANCE

The **Rest of Africa** business recorded a **43%** increase in sales over the same period last year.

The **Ghana** business unit continues to record positive sales growth. There was however a significant loss of sales due to the expiry of the temporary registration of certain imported products. Re-registration of the products has since been granted by ***Ghana FDA.***

During the year the local government introduced a new ***17,5% VAT*** rate replacing the zero VAT rating enjoyed by local pharmaceutical manufacturing companies. This resulted in a significant price increase on locally manufactured pharmaceuticals. This has dampened local activity in the market place and impacted negatively on sales throughout the period.

The **Kenya** sales performance exceeded that of the same period last year despite lower Dawanol sales. Regional expansion continued in Uganda and Rwanda.

Zimbabwe is experiencing a cash crisis with low government spending and delayed settlement of invoices. This has resulted in stricter controls and reduced invoicing to customers with outstanding balances which negatively impacted sales.

BUSINESS FOCUS

The high inflation climate and accompanying headwinds in **Ghana** pose significant challenges for the business in the short term. The emphasis remains on regulatory compliance in our manufacturing facilities, increasing the portfolio of higher margin products as well as overall efficiency in the value chain of activities.

In **Kenya,** pressure on discretionary FMCG consumer spend is expected to remain in the short term. Consequently, emphasis on the FMCG segment has been reduced by decreasing the sales force and increasing the focus on the regional expansion of our well-established pharmaceutical brands such as Betapyn. Cost control through the reorganisation of our local distribution arrangements is expected to improve profitability.

The stagnant **Zimbabwe** economy necessitates a cautious ***"wait and see"*** approach with innovative methods of increasing profitable sales whilst keeping a rigorous control of costs.

Overall, 2015 will be a pivotal year for the Rest of Africa business given the increasing risk of doing business in the geographies, including currency, regulatory compliance, affordability and pricing. It will be important to explore risk mitigating and/or risk sharing strategies such as alliances, mergers or portfolio re-alignments.

MARKET TRENDS

- Relative economic stability in the markets in which the Company has a presence
- Emerging middle class offers attractive growth prospects
- Affordability remains an issue
- Greater health awareness and rise of consumerism
- Currency fluctuations remain a risk
- Growth constrained by sub-optimal infrastructures in most countries

AREAS OF RISK

- Regulatory compliance
- Increasing competition
- Counterfeit medicines
- Exchange rate fluctuations
- Political instability in East Africa
- Infrastructure challenges

PEOPLE

People management is a key factor in the sustainability of the Group. Efforts are therefore focused on attracting and retaining high calibre people with the critical skills, motivation and leadership qualities required to take the Group forward.

Our people management strategies are based on:

- competitive and market-related total reward strategies;
- a stimulating work environment;
- career development opportunities;
- transformation and empowerment;
- a process of continuous improvement in strategies such as reward practices, learning and development, talent management, succession planning and culture development;
- a safe and healthy working environment.

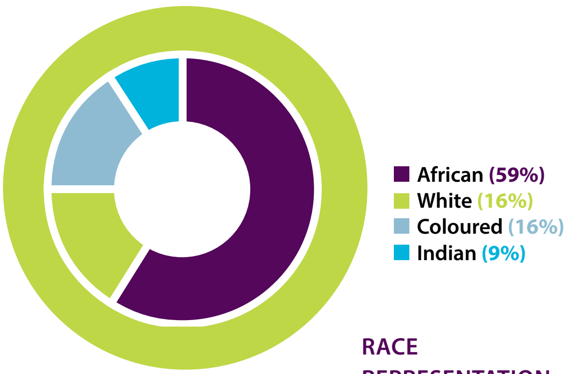
The foundation of a successful human capital strategy includes:

- the creation of a stimulating work environment;
- opportunities for development and personal growth;
- defined performance and talent management processes; and
- alignment to business goals.

The business has undergone significant changes since the 2013 year-end. These changes necessitated a review of the mission and values to underpin the desired culture.

The total reward strategy is integrated with people management processes including performance management, talent management and succession planning.

Remuneration practices aim to recruit and retain the best people in a highly competitive market. A comprehensive review of remuneration and reward strategies can be found on page 34.



RACE REPRESENTATION

Adcock Ingram's headcount details for **2014** are as follows:

TOTAL HEADCOUNT **4 293**
(2013: 4 413)

SOUTH AFRICA
2 260
(2013: 2 317)

INDIA
1 330
(2013: 1 374)

GHANA
502
(2013: 518)

KENYA
29
(2013: 31)

ZIMBABWE **172**
(2013: 173)

PERMANENT
3 727
(2013: 3 640)

TEMPORARY
454
(2013: 602)

CONTRACTS
112
(2013: 171)

STAFF COMPOSITION
SOUTH AFRICA

FEMALE
50%

MALE
50%

BLACK FEMALE
41%

WHITE FEMALE
10%

BLACK MALE
43%

WHITE MALE
6%

DISABLED EMPLOYEES
SOUTH AFRICA

15 (2013: 7)

FEMALE
5
(2013: 4)

MALE
10
(2013: 3)

TALENT MANAGEMENT

The talent management process aims to ensure a continuous supply of highly productive people in the right job at the right time. The process aligns human capital with current and future business goals and changing market conditions.

Talent review is a rigorous competency-based assessment of employees which is conducted between line managers and their human capital business partner. The process aims to align human capital with business priorities by:

- identifying high potential employees and future leaders;
- determining depth and strength at a particular level (e.g. critical positions);
- identifying talent gaps, organisational vulnerabilities and risks. A risk-criticality analysis forecasts the likelihood of an identified successor in a strategy-critical job role exiting the organisation during the next 12–18 months; and
- developing a view of organisational capability (within the context of a chosen business strategy).

The evaluation takes into account, race, gender, years of service, age, leadership ability, performance potential and flight risk. 59 employees were evaluated during the 2014 process.

SUCCESSION MANAGEMENT

The talent management process supports succession planning. Challenges in succession management are flight risk, and the resultant loss of continuity, and bridging the development gaps to enable individuals to successfully fulfill their future roles. Such development gaps have been identified for 36% of the top talent pool and developmental plans must be put in place to ensure that these individuals are well prepared and able to succeed in their new roles as required.

EMPLOYEE WELLNESS

The employee wellness programme is outsourced to specialists in this area, through ICAS. Core services offered include a 24 hour call centre which operates 365 days of the year. A professional team of 42 registered professionals provide a multilingual service. This is in addition to counselling services offered at Company sites to deal with issues ranging from substance abuse to marital difficulties.

The overall engagement rate of all services provided was 32% compared to 25,7% in the comparable period. Annualised individual usage of the core counselling and advisory services of 10,8% reflects a significant improvement from 5,3% during the previous period and compares with 16% across all ICAS client companies during the most recent review period.

The most commonly utilised service was professional counselling which constituted 60% of the total engagement (74% in the previous period).

HIV/AIDS

The HIV/AIDS Disease Management programme, offers HIV education and awareness programmes, as well as counseling, both pre and post-screening, at workplace sites. Employees diagnosed with HIV, either through screening or by a private practitioner, are encouraged to enroll on this programme which assists them to manage their condition optimally.

LEARNING AND DEVELOPMENT

The 2014 plan aimed to train at least 50% of employees in South Africa. This number was extended to an actual of 64% of employees. Total direct expenditure on training for the current period amounted to R15 million.

The total number of people trained on various courses/ interventions/coaching sessions and compliance training can be split as follows:

The workplace skills plan and annual training report were submitted to the Chemical Industries Education and Training Authority (CHIETA) for which the Group received a grant of R3,5 million. The levy period for CHIETA runs from April 2013 – March 2014.

The Group has established a talent pipeline as part of its commitment to B-BBEE and the need to accelerate development of previously disadvantaged people. Participants in these programmes are intended to participate in the talent pipeline:

	African		Indian		Coloured		White		TOTAL
Programme	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	
ABET	14	24	–	–	–	5	–	–	**43**
Interns	–	4	–	1	–	–	1	–	**6**
Graduates	2	1	2	–	–	–	–	–	**5**
Disabled learners	5	4	–	–	–	–	–	–	**9**
Study assistance	5	6	1	1	–	–	–	2	**15**
Pharmacy assistants	18	25	1	–	1	–	–	–	**45**
Apprenticeship	5	3	–	–	1	–	–	–	**9**
Leadership development	1	–	1	2	–	–	1	3	**8**
Total	50	67	5	4	2	5	2	5	140

SUSTAINABILITY CONTINUED

EMPLOYEE HEALTH AND SAFETY

Following the statistics for the period 1 October 2013 to 30 June 2014 for the South African sites:

	Wadeville	Clayville	Aeroton	Midrand	R&D	Total
Number of fatalities (injuries on duty leading to death)	0	0	0	0	0	0
Number of first aid cases (injuries on duty leading to minor treatments)	63	81	16	0	2	162
Number of medical treatment cases (injuries on duty leading to medical treatment, but no lost days)	8	12	8	1	3	32
Number of lost time injuries (injuries on duty leading to at least one lost day)	3	2	10	6	1	22
Lost time injury frequency rate	0,65	1,18	0,87	0,92	1,91	1,11
Total recordable injury frequency rate	2,37	4,12	1,95	1,07	7,62	3,43

HEALTH AND SAFETY AT FACILITIES

During the period between 1 October 2013 and 30 June 2014 risk control grading audits were conducted at the South African manufacturing and distribution facilities as well as international operations located in Accra, Ghana; Bulawayo, Zimbabwe; and Bangalore, India.

The overall score of the South African manufacturing facilities improved to 98% (2013: 97%) whilst the distribution facilities (98%) maintained their score.

The overall score of the audited international operations dropped to 88% (2013: 96%). Ghana was audited for the first time and achieved a rating of 73%. Bangalore and Bulawayo maintained their respective scores of 96% and 95%.

Factors measured during the risk grading compliance audits included risk control management; fire defence systems; security systems; emergency planning; safety and health compliance and motor fleet management.

FUTURE FOCUS

The Group aims to build on its successes in all areas of human capital management and to focus on aligning people management and development activities with business goals.

Transformation remains an important business imperative. Efforts will be directed towards addressing the challenges of the revised B-BBEE codes of practice scheduled for implementation in 2015, especially in terms of skills development, preferential procurement and the training and employment of disabled people and black females.

CARBON FOOTPRINT

The Carbon Footprint results, determined by "Carbon Calculated" are as follows:

	9 months June 2014 Tonnes	12 months September 2013 Tonnes
Scope 1		
Company owned/controlled vehicles	**4 813**	3 684
Stationary fuels	**8 437**	13 177
Fugitive emissions (Kyoto)	**69**	33
Scope 2		
Electricity	**38 623**	50 538
Total Scope 1 and 2	**51 942**	67 432
Scope 3		
Business travel	**1 721**	4 684
Employee commute	**5 672**	4 955
Outsourced distribution (import and export)	**12 814**	11 137
Packaging materials	**11 867**	20 612
Paper use	**48**	70
Waste	**470**	523
Water (embedded CO_2e)	**516**	628
Total Scope 3	**33 111**	42 609
Total Scope 1, 2 and 3	**85 053**	110 041
Non-Kyoto gas	**1 116**	2 130
Grand total	**86 169**	112 171

Carbon footprint calculation done in both periods on operations in South Africa, Ghana, India and Kenya.

TRANSFORMATION

B-BBEE (Broad-Based Black Economic Empowerment) is regarded as a business imperative that aims to realise South Africa's full economic potential whilst accelerating the development of previously disadvantaged communities. The Group's commitment to this philosophy is confirmed in the Level 3 B-BBEE rating achieved, as audited by an independent rating agency.

It is expected that the Level 3 rating will be maintained in 2014. The revised and more challenging B-BBEE codes, which combine certain categories, will apply to the Group in 2015.

Enterprise development

The owner-driver enterprise development project was extended to Critical Care, resulting in the appointment of six independent enterprises with a total of 17 vehicles. This initiative created employment for 34 people. A management service, sponsored by the Group, is available to these enterprises for the next five years to ensure that the owner-drivers acquire the necessary management skills.

Preferential procurement

Priority attention was given to procuring services from qualifying enterprises. This resulted in an 85% achievement of the target in the nine-month reporting period. R1,2 billion of procurement expenditure was included as qualifying expenditure for rating purposes. 35% of qualifying expenditure was placed with black-owned business and black women-owned enterprises.

Socio-economic development

The Company invested R3,5 million in four community development projects in South Africa. These include the long-standing partnership with the Smile Foundation in the Western Cape as well as a partnership with the Gauteng Department of Health at the Leratong Hospital.

Two projects were undertaken in the Eastern Cape. The first project is to increase awareness of safer male circumcision in the traditional initiation process in rural areas. The second project supported improvements to the Lutshaya Senior Secondary School.

STAKEHOLDER ENGAGEMENT

Adcock Ingram recognises the necessity to involve stakeholders in the activities and decision-making processes of its business. Key stakeholders have been identified based on their influence on the Group and are kept top-of-mind on a daily basis.

Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders. Interacting with stakeholders assists the Group in identifying what to report.

KEY STAKEHOLDERS	HOW WE ENGAGE	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS
SHAREHOLDERS AND INVESTOR COMMUNITY	Media releases, Stock Exchange News Service (SENS) Presentation and/or meetings subsequent to the interim and annual results publications Meetings, including regular site tours, with investment analysts, institutional investors and journalists Corporate website	To keep shareholders and the investment community updated on our financial and operational performance, strategy, risks and opportunities in a transparent way To understand the expectations of the investor community and enhance our communication with the members thereof	Corporate action: CFR and Bidvest share acquisition Delivery of sustainable and market-related returns Impact of the exchange rate on the business Strategy and structure of business Product launches and pipeline Impact of regulatory issues on the business
CUSTOMERS/ CONSUMERS	Daily interaction with many of the Group's customers through personal visits by our sales personnel, managers and executives Continuing professional education Customer surveys Call centre Advertising Consumer focus groups Consumer education campaigns Corporate website Social media	To solicit feedback on our products and services, promote and provide education on our products, ensure effective product stewardship and obtain feedback on customer and consumer needs To provide continuing professional education	Product quality and effectiveness Long-term security of supply Service delivery Corporate action and how it could impact on our relationship with customers
MULTINATIONAL PARTNERS AND LICENSORS	Personal contact and annual road shows *Ad hoc* meetings	To ensure that the Group retains a high profile with existing and prospective business partners	Cost-effective sales and marketing Regulatory and distribution capabilities Successful promotion of their products
MEDIA	Distribution of press releases Reactive media engagement Personal interviews with key executives and Board members	To build positive relationships with the media To maintain a positive profile in the media	CFR transaction Bidvest/PIC share acquisition Engagement on topical issues affecting the industry and the Company
LOCAL COMMUNITIES AND NGOs	Corporate social investment programmes	To provide social upliftment and improve healthcare To develop positive relationships with NGOs in the communities	Community upliftment programmes Requests for support for various activities

The Group aims to develop mutually beneficial relationships with its stakeholders, built on a foundation of effective communication strategies tailored to meet the needs of each stakeholder. We aim to engage stakeholders effectively with the objective of not only enhancing the performance for the business, but for the benefit of stakeholders and society as a whole.

Creating trust and goodwill with stakeholders will ultimately foster a positive business environment that facilitates business growth while building the Group's image and brand as an ethical, responsible and concerned corporate citizen. Long-term sustainability objectives are supported through engaging with stakeholders.

KEY STAKEHOLDERS	HOW WE ENGAGE	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS
REGULATORY AUTHORITIES AND GOVERNMENTS	Regular contact, including personal visits, with regulatory bodies, particularly the MCC Proactive government relations engagement strategy is in place for contact at executive and Board level with key government ministers and officials in various departments Membership of various industry associations	To ensure that Adcock Ingram continues to comply with relevant legislation and regulations in our effort to provide South Africans with quality, affordable medicines To facilitate registration of our products in all countries in which we operate To maintain a viable and sustainable local pharmaceutical industry To maintain visibility and enhance identity with the Company corporate brand	Corporate action: CFR and Bidvest Accessibility and affordability of medicines Efficiency of supply Product registrations Investment in South Africa Empowerment and transformation Corporate social investment initiatives
EMPLOYEES AND UNIONS	Intranet, big screens, newsletters, presentations and briefings, performance reviews, internal staff surveys Training and development initiatives Site management/shop steward meetings National transformation forum/site transformation forums	To communicate effectively on Group strategy, performance and developments To develop a positive working relationship and environment To facilitate negotiations on conditions of employment for industry with direct influence on the workplace To discuss, drive and monitor transformation in particular, employment equity and skills development objectives and initiatives	Provision of market-related remuneration and benefits Job grading Job security and morale Ongoing training and development Workforce transformation Succession and talent management Retention of key talent
SUPPLIERS AND SERVICE PROVIDERS	Personal contact at executive and management level Regular interaction with suppliers Proactive participation in South Africa's B-BBEE policy	To understand and address their concerns and ensure they adopt and adhere to required standards and service levels To present a balanced and comprehensive assessment of the Group and to address matters of mutual interest, in pursuit of long-term sustainability. To proactively develop suppliers in alignment with and support of the objectives of South Africa's B-BBEE policy	Sustained demand and long-term relationships Payment terms
INDUSTRY GROUPS	Interaction and participation in: SMASA, SAMED and the PTG	To contribute to an industry viewpoint on regulatory issues and health policy to all healthcare stakeholders	Sustainability and viability of the local pharmaceutical industry

REMUNERATION REPORT

PHILOSOPHY AND POLICY

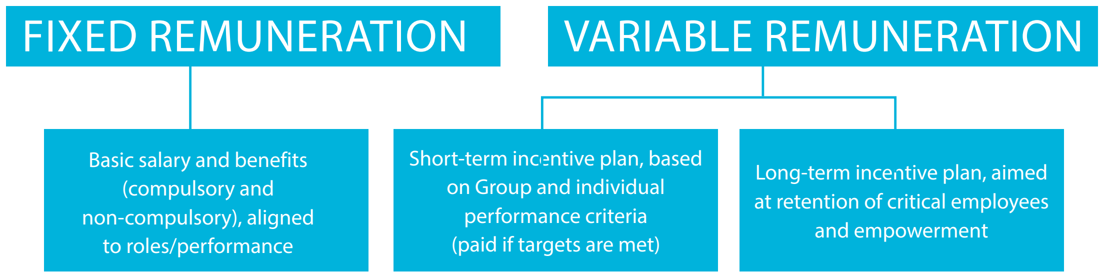
Adcock Ingram strives to provide employees with a competitive remuneration package, based on a combination of benefits. The principle of "performance-based remuneration" is one of the cornerstones of our reward philosophy which is underpinned by sound remuneration, management and governance principles. These principles are promoted throughout the business to ensure consistent application.

Performance conditions are designed to:

- align with the business strategy to enhance shareholder value;
- ensure remuneration arrangements are equitable, fair and transparent;
- encourage long-term business performance and sustainability.

Adcock Ingram promotes a total remuneration philosophy, where employees are rewarded through a mix of financial rewards, comprising elements such as remuneration (fixed and variable), benefits, performance-based incentives, development and career opportunities. This philosophy is integrated into our people management processes such as transformation, performance, recognition, employee wellness and talent management.

COMPONENTS OF TOTAL REMUNERATION FOR PERMANENT EMPLOYEES



FIXED REMUNERATION

Permanent employees

Basic remuneration levels are reviewed and revised annually. The criteria that have been adopted for determining pay increases are as follows:

- experience and skills related to the position;
- CPI (inflation);
- market comparison/salary survey;
- individual performance agreement (IPA) scores; and
- Company performance.

Bargaining unit employees

41% of employees in South Africa and 65% in Zimbabwe belong to bargaining units. Remuneration for employees forming part of the bargaining unit is based on annual negotiations between the relevant Company and unions. Salary increments are in accordance with the relevant settlement agreements for the given period. Bargaining units in South Africa were awarded a 7,5% increase with effect from 1 July 2014 and an additional 0,5% effective 1 December 2014.

Fixed-term contract remuneration

Employees who join the Company on fixed-term contracts are remunerated at a total remuneration package (TRP) value similar to a permanent employee of the same level and job title, based on the premise that such employment will be on the same terms as a permanent employee (with reference to working hours per month/shift). In India it is customary to remunerate an individual under a fixed-term contract at approximately 80% of a permanent employee.

Temporary worker remuneration

The Company employs temporary workers, mainly in the South African manufacturing plants and distribution network, to provide flexibility to its workforce capacity as a result of fluctuations in demand, upgrades to facilities, tender awards and market volatility. Employees who join the Company on a temporary basis are remunerated on an hourly basis.

Remuneration consists of the following guaranteed components and is applicable to all levels in the organisation:

COMPONENT	OBJECTIVE	SOUTH AFRICA	INDIA	REST OF AFRICA
Basic salary	To align salaries with roles/performance For comparative roles, ensure internal pay equity. Salaries are benchmarked against the market Annual salary increases are approved by the Remuneration Committee	Management is given discretion to apply increases within the stipulated range to staff members dependent on individual performance		
	The average increase for 2014 was:	6%	8,5%	12%
Provident fund	To ensure financial security and dignity to employees and their beneficiaries. The fund covers Group life, disability cover and funeral benefits	For bargaining unit employees, contributions by employees vary between 7% and 7,5% and the contribution by the employer from 10% to 11% of the basic salary, as negotiated with the unions For non-bargaining unit employees, contributions are currently 18% of retirement funding income, which is set at not less than 75% of the total remuneration package	This is governed by statutory requirements in India Contributions are currently 12% of the basic salary at all levels	In Kenya, employer contributions amount to 10% of basic pay and employees can contribute voluntarily In Zimbabwe, employer contributions amount to 15% and employee contributions to 7% of the basic salary In Ghana, equal contributions (5% of the basic salary) are made by the employer and employees. There is also a provision for the statutory pension scheme where employees contribute 5,5% and the company 13% of basic salary
Medical aid fund	To cater for ill-health and hospitalisation	Optional, but highly encouraged Adcock Ingram offers a range of independent medical aid schemes as choices for employees	Compulsory Employees are covered under Group Personal Accident and Group Medi-claim	Compulsory Zimbabwe and Kenya have contributory medical schemes. In Ghana employees rely on a statutory scheme (National Health Insurance)

REMUNERATION REPORT CONTINUED

VARIABLE REMUNERATION

Variable remuneration aims to maximise the performance of people, promote a culture of excellence and provide rewards that attract and retain quality staff. This includes:

- a 13th cheque for bargaining unit employees;
- short-term incentives;
- sales commissions;
- retention agreements; and
- various long-term incentive mechanisms.

13th Cheque for bargaining unit employees

In accordance with the relevant settlement agreements, bargaining unit employees in South Africa receive 13th cheques.

Short-term incentives

Annual incentive bonuses are conditional and only paid if certain targets are met. These targets are linked to the achievement of the Group and/or Business Unit performance and the goals of individual employees.

For the nine-month period ended 30 June 2014, as well as for the year ended 30 September 2013, no short-term incentives were paid as the Group failed to meet its financial targets.

Sales commissions

Sales employees are incentivised through sales target arrangements and receive incentives if certain sales targets are achieved during the year. These targets are reviewed on a quarterly basis to ensure that they reflect the business unit targets.

Retention agreements

As part of the Group's strategy to retain highly mobile and talented employees, the Group selectively, under exceptional circumstances, enters into agreements in terms of which retention payments are made. Retention payments must be repaid if the individual concerned leaves within a stipulated period. Certain of the retention agreements concluded in the prior year expired in June 2014.

Long-term incentives

Various share options schemes exist in the Group and have been implemented for specific purposes.

SHARE OPTION SCHEMES

Adcock Ingram has share option schemes in place for executives, key management and other critical employees in the Group. Long-term share incentive participation helps to align the interests of management and shareholders.

Up to the current period, this scheme was "cash settled" with one-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date. The options expire six years from the grant date if not exercised.

The cash settlement amount of an option is equal to the difference between the closing price of Adcock Ingram's shares on the date upon which an option is exercised and the offer price. The participants receive the amount due as a cash payment, net of taxation.

During the current financial period, an "equity settled" scheme was utilised with one-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date. These options expire ten years from the grant date if not exercised.

A portion of share options offered to the executive directors include performance criteria. Targets are determined by the Board and are reviewed annually.

TIGER BRANDS BLACK MANAGERS SHARE TRUST

In terms of the Tiger Brands Limited BEE transaction implemented in 2005, vested rights were issued to black managers of the Tiger Brands Group (which at that time included the Adcock Ingram Group).

The allocation of vested rights entitles beneficiaries to receive shares after making capital contributions to the Trust at any time after the defined lock-in period, i.e. from 1 January 2015. These vested rights are non-transferable.

MPHO EA BOPHELO

Adcock Ingram implemented its Black Economic Empowerment staff scheme in South Africa during 2011. This scheme is "equity settled" and although some share option allocations vested on 31 March 2014, they can only be exercised from 31 March 2018 onwards.

For more details on the share schemes, refer to Annexure B.

SERVICE CONTRACTS

It is Group policy to employ each executive director, senior manager and employee in a critical position under a service contract which is subject to a one to three month notice period. The contract provides for salary to be paid for any unexpired period of notice. All other employees are on a 30-day notice period.

EXECUTIVE AND KEY MANAGEMENT REMUNERATION

The executive and key management's remuneration is structured to include guaranteed remuneration, and short-term and long-term incentives to drive performance. The level of guaranteed remuneration aims to competitively attract high caliber leadership.

The short-term incentive component rewards employees for achieving key performance targets, based on Group and individual performance criteria, as agreed upon at the start of each financial year. In respect of the period under review no short-term incentives were paid to executive directors or key management as financial targets set at the start of the year were not met. Similarly no incentives were paid in relation to the previous financial year.

The long-term share incentive scheme is a retention mechanism for key employees only, as well as linking executive reward with the Group's performance.

EXECUTIVE DIRECTORS' REMUNERATION

The Group aims to adhere to the broad guidelines of executive remuneration set out in King III. The overall principles applied comprise:

- establishment of an appropriate and competitive balance between fixed and variable remuneration to achieve performance excellence;
- establishment of a culture of pay-for-performance which aligns with sustainable shareholder value;
- appropriate use of market and industry benchmarks to ensure competitive remuneration associated to the market median; and
- drive sustainable business results through short-term and long-term performance based incentives.

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

TOP THREE EARNERS

The following resolution has been taken by the Board:

"The Company will comply with the requirement of section 30(4) of the Companies Act to disclose remuneration of directors (non-executive and executive) in its annual financial statements and in the manner set out in sections 30(4)(b) to (e) of the Companies Act and with King III to the extent that it requires disclosure of the remuneration for the three most highly paid employees, who are not directors of the Company".

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

	9 months 2014 R'000 Total	12 months 2013 R'000 Total
Salary	**5 721**	6 013
Contributions to defined contribution plan	**893**	925
Gross remuneration	**6 614**	6 938

In addition to the remuneration disclosed above, the top three earners received retention bonuses to the amount of R2 640 000 of which the full amount has been expensed through profit and loss in the current period (September 2013: R3 166 800, of which two-thirds was expensed through profit and loss in 2013, and one-third in the current period).

KEY MANAGEMENT

Key management comprises the Executive Committee of the Group including the executive directors. As the executive directors' details have been disclosed separately, they are excluded from the figures below. The details show the apportioned annual remuneration of key management for the period the incumbents held the position during the year.

REMUNERATION

	9 months 2014 R'000 Total	12 months 2013 R'000 Total
Salary	**22 364**	26 152
Contributions to defined contribution plan	**3 534**	3 894
Gross remuneration	**25 898**	30 046

In addition to the remuneration disclosed above, key management received retention bonuses to the amount of R8 488 560 of which the full amount has been expensed through profit or loss in the current period (2013: R8 503 175), of which two-thirds has been expensed through profit or loss in 2013 and one-third in the current period). Separation packages to the amount of R1 583 145 were also expensed through profit and loss in the current period.

KEY MANAGEMENT (continued)

LONG-TERM INCENTIVES

Details of cash-settled share options in Adcock Ingram granted to key management are set out below:

	Offer date	Offer price R	Balance at the beginning of the period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	17/06/2014	52,20	–	–	762 000	762 000
Phantom	22/01/2008	34,69	20 329	(20 329)	–	–
	01/10/2008	34,78	107 615	(88 771)	–	18 844
	02/01/2009	33,38	124 429	(104 801)	–	19 628
	04/01/2010	51,12	156 663	(45 481)	–	111 182
	01/08/2010	51,12	25 430	–	–	25 430
	03/01/2011	62,29	185 787	–	–	185 787
	26/09/2011	60,38	29 811	–	–	29 811
	01/10/2011	61,30	39 152	–	–	39 152
	03/01/2012	60,15	292 840	–	–	292 840
	01/05/2012	60,70	82 373	–	–	82 373
	01/10/2012	59,56	26 666	–	–	26 666
	02/01/2013	53,52	456 321	–	–	456 321
	01/05/2013	60,55	79 273	–	–	79 273
			1 626 689	(259 382)	–	1 367 307

Details of options exercised by key management are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
Phantom	**2014**	22/01/2008	34,69	70,67	20 329	731 437
		01/10/2008	34,78	58,18	88 771	2 077 268
		02/01/2009	33,38	58,18	104 801	2 598 701
		04/01/2010	51,12	58,56	45 481	338 155
					259 382	5 745 562
	2013	22/01/2007	34,69	60,21	23 188	591 799
		01/10/2008	34,78	58,71	54 109	1 294 614
		01/02/2009	33,38	59,08	45 271	1 163 489
		01/04/2010	51,12	61,73	14 061	149 241
					87 252	2 374 717

[1] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS 2, in respect of long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(572)	5 961

EXECUTIVE DIRECTORS
JJ LOUW

REMUNERATION

	6 months[1] 2014 R'000	12 months 2013 R'000
Salary	1 868	3 587
Contributions to defined benefit contribution plan	340	658
Gross remuneration	2 208	4 245

[1] *Resigned 1 April 2014.*

In addition to the remuneration disclosed above, JJ Louw received compensation to the amount of R5 526 190 in the current period following his resignation from the Company. He also received a retention bonus to the amount of R2 122 750 during the previous year, of which two-thirds was expensed through profit or loss in 2013 and the balance in the current period.

LONG-TERM INCENTIVES

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

	Offer date	Offer price R	Balance at the beginning of the period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	29/01/2004	13,62	7 700	(7 700)	–	–
	25/01/2005	19,96	11 400	(11 400)	–	–
			19 100	(19 100)	–	–
Phantom	22/01/2008	34,69	25 729	(25 729)	–	–
	01/04/2008	28,27	63 212	(63 212)	–	–
	01/10/2008	34,78	101 799	(101 799)	–	–
	02/01/2009	33,38	106 099	(106 099)	–	–
	04/01/2010	51,12	134 969	(89 979)	–	44 990
	03/01/2011	62,29	119 627	–	–	119 627
	03/01/2012	60,15	131 316	–	–	131 316
	02/01/2013	53,52	158 651	–	–	158 651
			841 402	(386 818)	–	454 584

As part of the arrangement between the Company and Dr Louw outstanding share options were not forfeited immediately, but can be exercised up to 1 October 2014 in case of a change of control.

Details of options exercised are as follows. No options were exercised during the previous year.

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[2] R
Equity	29/01/2004	13,62	56,75	7 700	332 101
	25/01/2005	19,96	59,80	11 400	454 176
				19 100	786 277
Phantom	22/01/2008	34,69	59,80	25 729	646 055
	01/04/2008	28,27	59,80	63 212	1 993 074
	01/10/2008	34,78	59,80	101 799	2 547 011
	02/01/2009	33,38	59,80	106 099	2 803 136
	04/01/2010	51,12	59,80	89 979	781 018
				386 818	8 770 294

[2] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS 2[3], in respect of long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(311)	2 344

SHAREHOLDING

	Number of shares June 2014	Number of shares September 2013
Direct and indirect	–	39 300

[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. Please refer to the tables detailing the gain before taxation, realised on the exercise of options.*

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS (continued)

AG HALL

REMUNERATION

	9 months 2014 R'000	12 months 2013 R'000
Salary	2 236	2 896
Contributions to defined benefit contribution plan	485	531
Gross remuneration	2 721	3 427

In addition to the remuneration disclosed above, AG Hall received a retention bonus to the amount of R1 713 650 of which the full amount has been expensed through profit or loss in the current period (2013: R1 713 650, of which two-thirds has been expensed through profit or loss in 2013 and one-third in the current period).

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 period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	17/06/2014	52,20	–	–	175 000	175 000
Phantom	01/10/2008	34,78	33 572	(33 572)	–	–
	02/01/2009	33,38	34 980	(34 980)	–	–
	04/01/2010	51,12	76 744	–	–	76 744
	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	–	–	78 786
	02/01/2013	53,52	96 057	–	–	96 057
			472 075	(68 552)	–	403 523

Details of options exercised are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
Phantom	**2014**	01/10/2008	34,78	57,40	33 572	759 399
		01/01/2009	33,38	57,40	34 980	840 220
					68 552	1 599 619
	2013	01/10/2008	34,78	58,00	33 571	779 519
		02/01/2009	33,38	58,00	34 979	861 183
		22/01/2008	34,69	58,00	16 200	377 646
					84 750	2 018 348

[1] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS2[2], in respect of the long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(419)	1 389

[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. Please refer to the tables detailing the gain before taxation, realised on the exercise of options.*

SHAREHOLDING

	Number of shares	
	June 2014	September 2013
Direct and indirect	–	9 150

KB WAKEFORD

REMUNERATION

	3 months[(1)] 2014 R'000
Salary	813
Contributions to defined benefit contribution plan	132
Gross remuneration	945

[(1)] *Appointed 3 April 2014.*

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 period	Exercised during the period	Issued during the period	Balance at the end of the period
Equity	17/06/2014	52,20	–	–	200 000	200 000

The following charges were expensed through profit or loss during the period under review, in terms of IFRS2[(2)], in respect of long-term incentive scheme award.

	3 months 2014 R'000
Total	39

[(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.*

SHAREHOLDING

No shares were held in the Company.

OTHER FEES

No fees for services as directors, consulting or other fees were paid to the executive directors in the current or prior year. Directors do not participate in any commission, gain or profit-sharing arrangements.

REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION

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 directors skills, years of experience etc. The survey is conducted on 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.

CURRENT ANNUAL FEES

	From 1 February 2012[1] R
Board: Chairman	973 875
Board: Member	222 823
Audit Committee: Chairman	211 470
Audit Committee: Member	105 735
Risk Committee: Chairman	211 470
Risk Committee: Member	105 735
Remuneration Committee: Chairman	86 814
Remuneration Committee: Member	55 094
Social, Ethics and Transformation Committee: Chairman	81 472
Social, Ethics and Transformation Committee: Member	44 075
Special meeting[2]	13 000

(1) The fees have remained unchanged since 1 February 2012.
(2) The fee for special meetings is only paid for meetings exceeding three hours in duration.

TERMS FOR NON-EXECUTIVE DIRECTORS

All non-executive directors have been elected or appointed on fixed terms of three years, subject to at least 1/3 (one-third) of the directors retiring by rotation at the AGM held in each year and being eligible for re-election at the same meeting. Between AGM's, the Board may make interim appointments either to fill a casual vacancy or to appoint additional members to the Board. Any person so appointed to fill a casual vacancy or as an addition to the Board shall retain office only until the next AGM of the Company and shall then retire and be eligible for re-election. There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for the re-elections are based on individual performance and contribution.

MEETING ATTENDANCE

Social, Ethics and Transformation Committee	
Committee member	
PM Makwana (Chairman)	2/2
AG Hall	2/2
T Lesoli	2/2
JJ Louw	1/1
A Mokgokong	0/1
KDK Mokhele	1/1
AM Thompson	1/1
KB Wakeford	1/1

Risk and Sustainability Committee	
Committee member	
RI Stewart (Chairman)	2/2
M Haus	2/2
PM Makwana	2/2
MI Sacks	1/1
LE Schonknecht	1/1
Invitees	
AG Hall	2/2
JJ Louw	1/1
KB Wakeford	1/1

Human Resources, Remuneration and Nominations Committee	
Committee member	
CD Raphiri (Chairman)	1/2
KDK Mokhele	1/2
R Morar	2/2
LP Ralphs	1/2
MI Sacks	2/2
AM Thompson	
Invitees	2/2
JJ Louw	1/2
KB Wakeford	1/2

Nominations Committee[3]	
Committee member	
CD Raphiri (Chairman)	1/1
PM Makwana	1/1
T Lesoli	1/1

(3) The Nominations Committee is only constituted by independent non-executive directors and is chaired by the Chairman of the Board or the Lead Independent Director and meets only when it considers new directors' appointments.

REMUNERATION PAID

During 2013, an Independent Board was constituted in terms of the Companies Act. The Independent Board constituted a working committee of six independent directors with the authority to act for the Independent Board and to brief the Independent Board from time to time. The meetings of the Independent Board and its working committee are considered to be special board meetings and members were paid R13 000 per meeting for meetings which lasted in excess of three hours.

	Nine-month period ended 30 June 2014			Year ended September 2013
	Regular board meetings R'000	Additional meetings R'000	Total R'000	Total R'000
Diack	–	–	–	270
Joffe[1]	336	–	336	–
Haus	308	130	438	497
Lesoli	200	104	304	306
Makwana	308	52	360	553
Mokgokong	60	–	60	–
Mokhele	380	117	497	1 169
Morar	86	–	86	–
Ralphs[1]	63	–	63	–
Raphiri	232	65	297	336
Sacks	190	–	190	–
Schönknecht	145	104	249	568
Stewart	405	117	522	696
Thompson	178	117	295	662
	2 891	806	3 697	5 057

[1] Fees are paid to Bidvest Corporate Services (Pty) Ltd.

Non-executive directors receive no benefits from their office other than fees and do not participate in the Group's incentive bonus plan or any of its share options schemes.

		Board	Special Board	Committee of the Independent Board		Independent Board	
JJ Louw	**Member**	2/2	11/11	**Invitee**	2/3	**Invitee**	4/4
KB Wakeford	**Member**	2/2	–	–	–	–	–
AG Hall	**Member**	4/4	12/12	**Invitee**	3/3	**Invitee**	4/4
KDK Mokhele	**Chairman**	2/2	7/7	**Member**	3/3	**Member**	11/11
B Joffe	**Chairman**	2/2	3/3	–	–	–	–
M Haus	**Member**	4/4	10/12	**Member**	3/3	**Member**	11/12
PM Makwana	**Member**	4/4	7/12	**Member**	1/3	**Member**	10/12
T Lesoli	**Member**	4/4	10/12	–	–	**Member**	10/12
CD Raphiri	**Member**	4/4	9/12	–	–	**Member**	7/12
LE Schonknecht	**Member**	2/2	4/4	**Member**	3/3	**Member**	11/11
RI Stewart	**Member**	4/4	11/12	**Member**	3/3	**Member**	10/12
AM Thompson	**Member**	2/2	4/4	**Member**	3/3	**Member**	11/11
LP Ralphs	**Member**	1/1	–	–	–	–	–
MI Sacks	**Member**	2/2	1/2	–	–	–	–
R Morar	**Member**	1/1	–	–	–	–	–
A Mokgokong	**Member**	1/1	–	–	–	–	–

For details regarding the Audit Committee refer to page 49 .

RISK MANAGEMENT

The management of risk is the responsibility of the Chief Executive Officer, with oversight by the Risk and Sustainability Committee on behalf of the Board, whilst executive management is responsible for the day-to-day controlling of risk. The Board assesses the effectiveness of risk management on a regular basis.

Adcock Ingram's key risks are classified based on impact and probability, and categorised as being uncontrollable, able to influence, or controllable. A register listing all significant current and future risks facing the Company is discussed at the Risk and Sustainability Committee's meetings, together with agreed actions by management to mitigate the possible impact if under their control. Some risks may be unknown at present and other risks, currently regarded as immaterial, may become material.

At present, the following major operational and strategic risks facing Adcock Ingram, among a wide range of potential exposures, are evident:

REGAINING MARKET SHARE

The Company has lost market share, particularly in the Consumer and OTC divisions and investment in sales and marketing is being made in order to regain share. These issues are being addressed with the development of new brand marketing and selling campaigns.

CUSTOMER RELATIONSHIPS

The appropriate multi-level customer relationships are not in place. Customers have been identified as a key area of focus and the executive directors are visiting all major customers on a systematic basis.

SERVICE LEVELS

There have been complaints of certain inventory lines not being available and low order infill rates. Service delivery has been given top priority to the distribution division. Service delivery focuses on achieving the desired frequency of delivery and a greater than 95% order infill rate.

FACTORY CAPACITIES

Certain facilities are running at significantly lower than expected capacities. An assessment of the geographical location of product manufacturing is underway.

REGULATORY

These are well known and an inevitable part of operating in the pharmaceutical industry. The most significant current risks are the new regulations on complementary and alternative medicines (CAMs) which were gazetted in November 2013 and various pricing initiatives, the eventual outcome of which remain uncertain.

DIVISIONALISATION AND REORGANISATION

The business has been reorganised into a structure which is designed to establish accountability and create a focus on customers, service and products.

COMPETING FOR TALENT AND KEY PERSONNEL

Skills shortages and the ability to recruit top talent in certain areas of the business are exacerbated by the drive to employ suitably qualified employment equity candidates. A long-term incentive scheme, being a share option scheme for key employees, has been implemented and communicated.

FOREIGN EXCHANGE

Uncontrollable currency volatility and the ongoing Rand weakness impact the purchase price of active pharmaceutical ingredients (API) and finished goods sourced internationally, putting margins under pressure despite forward cover being taken on all imports.

SUPPLY AND COST PRESSURE

There are a limited number of suppliers of APIs and most of these supply in a foreign-denominated currency. The stockholding of strategic active ingredients are therefore maintained, which increases overall working capital levels.

Regulated price increases are not keeping pace with input cost increases of pharmaceutical companies. Upscheduling and increasing regulatory demands, may result in it not being viable to continue manufacturing many products in South Africa. The Group is considering alternative sources of supply and evaluating the impact of diversifying away from regulated products.

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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 period and the profit for the period then ended.

The Board of directors (Board) of Adcock Ingram Holdings Limited is responsible for the integrity of the annual financial statements of the Company and consolidated subsidiaries, joint ventures, associates 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. 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 composed predominately of independent non-executive directors and 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.

Mr Andrew Hall (CA(SA)), Deputy Chief Executive and Financial Director, is responsible for this set of financial results and has supervised the preparation thereof in conjunction with the Group Finance Executive, Ms Dorette Neethling (CA(SA)).

The annual financial statements for the nine-month period ended 30 June 2014, which appear on pages 50 to 125, which are in agreement with the books of account at that date, and the related Group annual financial statements, were approved by the Board on 27 August 2014 and signed on its behalf by:

B Joffe	**KB Wakeford**	**AG Hall**
Chairman	*Chief Executive Officer*	*Deputy Chief Executive and Financial Director*

27 August 2014

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

27 August 2014

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ADCOCK INGRAM HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements and annual financial statements of Adcock Ingram Holdings Limited set out on pages 52 to 125 which comprise the consolidated and separate statements of financial position as at 30 June 2014, the consolidated and separate statements of comprehensive income, statement of changes in equity and statements of cash flows for the nine-month period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Adcock Ingram Holdings Limited at 30 June 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the nine-month period then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the nine-month period ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Warren Kenneth Kinnear
Registered Auditor
Chartered Accountant (SA)

27 August 2014

AUDIT COMMITTEE REPORT

This report is presented by the Company's Audit Committee (the "Committee") appointed by the board and elected by the shareholders in respect of the nine-month period ended 30 June 2014. It is prepared in accordance with the recommendations of King III and the requirements of the South African Companies Act, 71 of 2008, as amended, and describes how the Committee discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the reporting period.

COMPOSITION AND MEETINGS

The Committee consists of four non-executive directors, three of whom are independent who are suitably skilled and experienced. Two Committee meetings were held during the period. The attendance of the Committee meetings was as follows:

Committee member		Invitees	
MI Sacks (Chairman)	**1/2**	AG Hall	**2/2**
AM Thompson (Chairman)	**1/2**	JJ Louw	**1/2**
M Haus	**2/2**	KB Wakeford	**1/2**
R Morar	**1/2**		
RI Stewart	**2/2**		

The Executive Directors and representatives of both the internal and external auditors are invited to attend Committee meetings. Delegates of each attended both meetings

ROLE AND FUNCTION OF THE COMMITTEE

The responsibilities and functioning of the Committee are governed by a formal mandate approved by the Board, which is reviewed annually.

Given the partial reconstitution of the Board and the approved changes to the Committee during the period under review, no formal evaluation of the Committee was carried out or reviewed by the Board. Nevertheless, the Committee is satisfied that it has fulfilled all statutory duties, including those duties assigned by the Board during the period under review, as further detailed below.

EXTERNAL AUDIT

The Committee nominated Ernst and Young Inc., as independent external auditors, determined and approved their terms of engagement as well as their fees. The nomination of external auditors is presented to shareholders each year at the annual general meeting for approval. The Committee is satisfied that the Company's external auditors can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence.

The Committee is responsible for determining the nature and extent of any non-audit services that the external auditors may provide to the Group and the Committee pre-approve any proposed contract with the external auditors for the provision of such non-audit services. The Committee can report that its working relationship with the designated partner is professional and functional.

INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Committee is responsible for assessing the Group's systems of internal financial and accounting controls. The Committee has considered the reports from the internal and external auditors and is satisfied that the reports confirm the adequacy and effectiveness of the Group's systems of internal control. Furthermore, after a formal review, the Committee has satisfied itself on the expertise, resources, diligence and experience of the Deputy Chief Executive and Financial Director.

INTERNAL AUDIT

The Committee also evaluated the effectiveness and performance of KPMG Services (Pty) Limited, in regard to the outsourced internal audit function. The Committee concluded that it was satisfied with their independence, including the quality of their internal audit processes and reporting.

COMPLIANCE

The Committee is responsible for reviewing whether any material breach of a relevant legal and/or regulatory requirement has taken place. No evidence of any such non compliance has been brought to the attention of the Committee by either the internal or external auditors.

ANNOUNCEMENTS

The Committee is also responsible for considering and making recommendations to the Board relating to the Group's financial data for distribution or publication required by any regulatory or statutory authority. The integrated report of the Group covering the period under review was considered by the Committee and subsequently approved by the Board based upon recommendations of the Committee.

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

MI Sacks
Chairman

27 August 2014

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the nine-month period ended 30 June 2014.

CHANGE IN YEAR END

The Group has implemented substantive changes to its internal structures and processes in order to create more focused and decentralised business units. The changes created autonomous operating divisions with separate focused strategies to best manage the challenges and opportunities in each of the Adcock Ingram businesses, while at the same time, facilitating full accountability in each case. These changes were implemented on 1 July 2014 and for better performance management and other goal-directed operational practicalities, the Company's financial year end has been changed from September to June.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Adcock Ingram Group is a leading South African healthcare group, operating in three geographical areas, namely Southern Africa, Rest of Africa and India. The Southern African business now consists of four principal divisions: a Consumer division selling a range of products mainly at FMCG retailers; 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. Up to 30 June 2014 the Consumer and OTC divisions were managed as one business.

The Companies Act requires that the Company produces a fair review of the business of the Group including a description of the major risks, its development and performance during the period and the financial position of the Group at the end of the financial year. These are set out in the financial commentaries on pages 2 to 4 of the integrated report. Other key performance indicators and information relating to sustainability are set out on pages 28 to 31 of the integrated report.

ACQUISITIONS

In January 2013, the Group acquired the assets of Cosme, a division of the Cosme Group, based in Goa, India as detailed in note 1.1 to the financial statements on page 57. No material acquisitions were concluded in the period under review.

DISPOSALS

There was no material disposal of a business during the current period or the prior year.

SUBSEQUENT EVENTS

Details about subsequent events are set out in note 30 to the annual financial statements.

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.

During the period under review:

- the number of shares in issue increased by 461 000 (2013: 392 530) ordinary shares to meet the obligations of the Adcock Ingram Holdings Limited Employee Share Trust (2008); and
- no additional ordinary shares were bought back and held as treasury shares.

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

	30 June 2014	30 September 2013
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust	**688 000**	688 000
Blue Falcon Trading 69 Proprietary Limited	**1 883 000**	1 883 000

SHAREHOLDERS

Please refer to the Shareholder analysis on pages 130 and 131 of the integrated report.

DIVIDENDS

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.

DISTRIBUTION

No interim distribution per share (2013: 86 cents) was declared based upon the results of the six-month period ended 31 March 2014.

No final dividend in respect of the nine-month period ended 30 June 2014 or the year ended 30 September 2013 was declared by the directors.

GOING CONCERN

Page 46 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 2014, 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, JOINT VENTURES AND ASSOCIATES

Information concerning the names and holdings of subsidiaries, joint ventures and associates 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 8 and 9 of the integrated report. Changes to directors as well as changes to certain directors' responsibilities are detailed on page 12.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. The directors beneficially hold, directly and indirectly, 20 700 (2013: 48 450) ordinary shares in the Company. There has been no change in the holdings since the end of the financial period and up to the date of approval of the integrated report.

Details of the direct directors' shareholdings are reflected below. There are no indirect shareholdings by directors.

Director	**Number of shares 2014**	Number of shares 2013
B Joffe	**19 200**	Note 1
JJ Louw	**Nil**	39 300 (Note 2)
AG Hall	**Nil**	9 150
R Morar	**1 500**	Note 1

Note 1: Mr Joffe and Mr Morar were not directors during 2013.

Note 2: These shares were subject to loans.

SPECIAL RESOLUTIONS

The following special resolution was passed on 19 March 2014 at the Company's extraordinary general meeting:

Resolution number 1: Remuneration payable to non-executive directors for their services as directors for the period 1 February 2013 to 31 January 2014.

Resolution number 2: Remuneration payable to non-executive directors for their services as directors from 1 February 2014.

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 37 to 43 of the integrated report, as part of the Remuneration report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	9 months June 2014 R'000	12 months September 2013 R'000
Revenue	2	**3 640 780**	5 229 308
Turnover	2	**3 615 287**	5 195 185
Cost of sales		**(2 475 723)**	(3 091 486)
Gross profit		**1 139 564**	2 103 699
Selling and distribution expenses		**(567 435)**	(666 026)
Marketing expenses		**(160 236)**	(211 930)
Research and development expenses		**(81 096)**	(104 941)
Fixed and administrative expenses		**(337 887)**	(311 831)
Trading (loss)/profit	5	**(7 090)**	808 971
Non-trading expenses	3	**(967 645)**	(25 689)
Operating (loss)/profit		**(974 735)**	783 282
Finance income	4.1	**18 987**	21 510
Finance costs	4.2	**(98 620)**	(80 018)
Dividend income	2	**6 506**	12 613
Equity-accounted earnings		**31 895**	72 193
(Loss)/Profit before taxation		**(1 015 967)**	809 580
Taxation	6	**53 811**	(213 127)
(Loss)/Profit for the period/year		**(962 156)**	596 453
Other comprehensive income which will subsequently be recycled to profit or loss		**51 792**	370
Exchange differences on translation of foreign operations		**52 967**	(772)
Profit on available-for-sale asset, net of tax	20	**350**	247
Movement in cash flow hedge accounting reserve, net of tax	20	**(1 525)**	895
Other comprehensive income which will not be recycled to profit or loss subsequently			
Actuarial loss on post-retirement medical liability	20	**(6 880)**	–
Total comprehensive income for the period/year, net of tax		**(917 244)**	596 823
(Loss)/Profit attributable to:			
Owners of the parent		**(965 343)**	587 844
Non-controlling interests		**3 187**	8 609
		(962 156)	596 453
Total comprehensive income attributable to:			
Owners of the parent		**(914 826)**	587 203
Non-controlling interests		**(2 418)**	9 620
		(917 244)	596 823
Basic (loss)/earnings per ordinary share (cents)	7	**(572,3)**	348,6
Diluted basic (loss)/earnings per ordinary share (cents)	7	**(571,9)**	348,3
Headline (loss)/earnings per ordinary share (cents)	7	**(179,5)**	350,4
Diluted headline (loss)/earnings per ordinary share (cents)	7	**(179,3)**	350,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to holders of the parent						
	Note	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distri-butable reserves R'000	Total attributable to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2012		16 872	547 400	2 502 510	356 229	3 423 011	125 500	3 548 511
Share issue	18, 19	39	5 060			5 099		5 099
Movement in treasury shares	18, 19	(79)	(48 396)			(48 475)		(48 475)
Movement in share-based payment reserve	20				13 077	13 077		13 077
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2			(119)		(119)	(223)	(342)
Total comprehensive income				587 844	(641)	587 203	9 620	596 823
Profit for the year				587 844		587 844	8 609	596 453
Other comprehensive income					(641)	(641)	1 011	370
Dividends	8			(340 138)		(340 138)	(6 980)	(347 118)
Share issue expenses incurred by subsidiary	20				(3 669)	(3 669)		(3 669)
Balance at 30 September 2013		16 832	504 064	2 750 097	364 996	3 635 989	127 917	3 763 906
Share issue	18, 19	**46**	**6 856**			**6 902**		**6 902**
Movement in share-based payment reserve	20				**10 902**	**10 902**		**10 902**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2			**(66)**		**(66)**	**(175)**	**(241)**
Total comprehensive income				**(965 343)**	**50 517**	**(914 826)**	**(2 418)**	**(917 244)**
Loss for the period				**(965 343)**		**(965 343)**	**3 187**	**(962 156)**
Other comprehensive income					**50 517**	**50 517**	**(5 605)**	**44 912**
Dividends	8			**–**		**–**	**(6 746)**	**(6 746)**
Balance at 30 June 2014		**16 878**	**510 920**	**1 784 688**	**426 415**	**2 738 901**	**118 578**	**2 857 479**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**June 2014 R'000**	September 2013 R'000	September 2012 R'000
ASSETS				
Property, plant and equipment	9	**1 554 420**	1 648 709	1 450 815
Intangible assets	10	**836 178**	1 435 716	710 954
Deferred tax	11	**7 959**	7 829	5 097
Other financial assets	12	**138 955**	139 646	139 751
Other non-financial asset	13	**–**	36 987	–
Investment in joint ventures	14.2	**202 237**	174 237	124 397
Loans receivable		**–**	–	10 571
Non-current assets		**2 739 749**	3 443 124	2 441 585
Inventories	15	**1 106 261**	1 523 076	931 149
Trade and other receivables	16	**1 235 674**	1 548 059	1 255 511
Cash and cash equivalents	17	**247 852**	153 733	434 087
Taxation receivable	26.4	**76 306**	86 368	85 173
Current assets		**2 666 093**	3 311 236	2 705 920
Total assets		**5 405 842**	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	18	**16 878**	16 832	16 872
Share premium	19	**510 920**	504 064	547 400
Non-distributable reserves	20	**426 415**	364 996	356 229
Retained income		**1 784 688**	2 750 097	2 502 510
Total shareholders' funds		**2 738 901**	3 635 989	3 423 011
Non-controlling interests		**118 578**	127 917	125 500
Total equity		**2 857 479**	3 763 906	3 548 511
Long-term borrowings	21	**1 004 861**	4 841	101 404
Post-retirement medical liability	22	**22 034**	15 108	15 341
Deferred tax	11	**21 047**	121 564	93 113
Non-current liabilities		**1 047 942**	141 513	209 858
Trade and other payables	23	**1 115 563**	1 295 168	901 851
Bank overdraft	17	**319 613**	1 364 134	–
Short-term borrowings	21	**5 132**	100 483	402 922
Cash-settled options	24	**14 782**	39 150	39 983
Provisions	25	**45 331**	50 006	44 380
Current liabilities		**1 500 421**	2 848 941	1 389 136
Total equity and liabilities		**5 405 842**	6 754 360	5 147 505

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	9 months June 2014 R'000	12 months September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	**59 574**	1 074 282
Working capital changes	26.2	**358 527**	(576 688)
Cash generated from operations		**418 101**	497 594
Finance income, excluding receivable		**17 287**	18 699
Finance costs, excluding accrual		**(101 480)**	(71 230)
Dividend income		**20 504**	34 990
Dividends paid	26.3	**(6 746)**	(347 118)
Taxation paid	26.4	**(36 869)**	(189 861)
Net cash inflow/(outflow) from operating activities		**310 797**	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	26.6	**–**	409
Acquisition of Cosme business, net of cash	26.5	**–**	(821 593)
*Purchase of property, plant and equipment – Expansion		**(12 278)**	(65 262)
– Replacement		**(83 187)**	(254 315)
Proceeds on disposal of property, plant and equipment		**54**	377
Net cash outflow from investing activities		**(95 411)**	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		**(241)**	(342)
Proceeds from issue of share capital		**6 902**	5 099
Purchase of treasury shares		**–**	(48 475)
Share issue expenses incurred by subsidiary		**–**	(3 669)
Increase in borrowings		**1 004 635**	3 924
Repayment of borrowings		**(100 000)**	(402 980)
Net cash inflow/(outflow) from financing activities		**911 296**	(446 443)
Net increase/(decrease) in cash and cash equivalents		**1 126 682**	(1 643 753)
Net foreign exchange difference on cash and cash equivalents		**11 958**	(735)
Cash and cash equivalents at beginning of period/year		**(1 210 401)**	434 087
Cash and cash equivalents at end of period/year	17	**(71 761)**	(1 210 401)

**Includes interest capitalised in accordance with IAS 23 of R0,4 million (2013: R11,4 million).*

CHANGE IN YEAR END

The Group has implemented substantive changes to its internal structures and processes in order to create more defined and decentralised business units. These changes were fully implemented on 1 July 2014 and for better performance management and other goal-directed operational practicalities, the Company's financial year end has been changed from September to June. Therefore, amounts presented in the financial statements are not entirely comparable.

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the Company) and Adcock Ingram Holdings Limited and its subsidiaries, joint ventures, associates and structured entities (the Group) for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 27 August 2014. 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 the following new and amended IFRS and IFRIC interpretations during the year. When the adoption of the standard or interpretation is deemed to have an impact on the financial performance or position of the Group, its impact is described below:

(a) The adoption of the following standards and interpretations did not have any effect on the financial performance or position of the Group:
- **IFRS 10:** *Consolidated Financial Statements;*
- **IAS 27:** *Consolidated and Separate Financial Statements.*

(b) The adoption of the following standards impacts the disclosure of the financial position of the Group, but does not impact the performance of the Group:
- **IFRS 12:** *Disclosure on Interest in Other Entities;*
- **IFRS 13:** *Fair Value Measurement;*
- **IAS 28:** *Investments in Associates and Joint Ventures;*
- **IFRS 11:** *Joint Arrangements; and*
- **IFRS 11 and IFRS 12:** *Transition guidance amendments.*

The application of IAS 28 and IFRS 11 impacted the Group's recording of its interest in the joint ventures: Adcock Ingram Limited (India) and National Renal Care (Pty) Limited. Prior to the transition, the Group's share of the assets, liabilities, revenue, income and expenses of these joint ventures were proportionately consolidated. Upon adoption of IAS 28 and IFRS 11, the Group is required to account for its interest in these entities using the equity method. This was applied retrospectively and the comparative information for the reporting periods in 2013 is restated.

(c) The adoption of *IAS 19 Employee Benefits* impacts the performance of the Group as the re-measurement gains and losses on defined benefit plans are now recognised in other comprehensive income and transferred immediately to retained earnings compared to being previously recognised in profit or loss.

(d) The Group has elected to early adopt *IAS 36 Amendment – Recoverable amount disclosures for non-financial assets.* This had no impact on the financial position or performance of the Company.

The nature and the impact of each new standard and amendment are detailed in Annexure J.

	September 2013 R'000

1 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

1.1 COSME FARMA LABORATORIES LIMITED (COSME)

On 17 January 2013, the Group acquired certain assets of Cosme, a division of the Cosme Group, based in Goa, India. Cosme is a mid-sized sales and marketing pharmaceutical business which has been operating in the Indian domestic pharmaceutical market for the past 40 years. At the time of acquisition it was ranked in the top 70 in India, per IMS Health, with a sales force of approximately 1 000 staff.

The fair value of the identifiable assets as at the date of acquisition was:

	September 2013 R'000
Assets	
Property, plant and equipment	130
Marketing-related intangible assets	618 748
Customer-related intangible assets	87 368
Contract-related intangible assets	13 040
Manufacturing-related intangible assets	1 630
Total identifiable net assets at fair value	720 916
Goodwill arising on acquisition	61 484
Purchase consideration	782 400
VAT recoverable and deposits	39 193
Included in cash flows from investing activities	821 593

The significant factors that contributed to the recognition of goodwill of R61,5 million include, but are not limited to, the establishment of a presence within the domestic Indian market, with local management and expertise to drive the company's product sales into the various channels and customers that exist within this market.

From the date of acquisition to 30 September 2013, Cosme contributed R168,8 million towards revenue.

As the assets purchased were fully integrated into the Indian business, it is not possible to determine the exact contribution towards profit before income tax.

	September 2013 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	4 248
Cash outflow on acquisition	4 248

Transaction costs of R4,2 million were expensed during the prior year and included in fixed and administrative expenses.

The purchase consideration includes an amount of R48,1 million which was paid into an escrow account to cover any possible breaches of warranties as per the asset purchase agreement. The total escrow amount is still unsettled at 30 June 2014.

Refer to Annexure G for impairment of intangibles during the current financial period.

1.2 AYRTON DRUG MANUFACTURING LIMITED (AYRTON)

Acquisition of additional interest in Ayrton

On 1 April 2010, Adcock Ingram International (Pty) Limited, a wholly owned subsidiary of Adcock Ingram Holdings Limited, acquired a 65,59% stake in a leading listed Ghanaian pharmaceutical company, Ayrton Drug Manufacturing Limited (Ayrton) for R121 million, to establish a presence in West Africa. The fair value of the net assets of Ayrton (excluding goodwill on the original acquisition) was R63 million. Refer Annexure G for impairment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

1 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

Following the initial transaction, Adcock Ingram International acquired the following additional shares in Ayrton:

	% shares	Cash consideration paid to non-controlling shareholders	Carrying value	Recognised in retained earnings within equity
On acquisition	65,59	33 636	33 636	–
2011	5,76	10 336	5 294	5 042
2012	6,79	11 060	8 912	2 148
2013	0,18	342	223	119
2014	0,14	241	175	66
Total	78,46	55 615	48 240	7 375

	9 months June 2014 R'000	12 months September 2013 R'000
2 REVENUE		
Turnover	**3 615 287**	5 195 185
Finance income	**18 987**	21 510
Dividend income – Black Managers Share Trust	**6 506**	12 613
	3 640 780	5 229 308
3 NON-TRADING (EXPENSES)/INCOME		
Impairments*	**(843 364)**	–
– Intangible assets	**(601 789)**	–
– Inventories	**(130 966)**	–
– Property, plant and equipment	**(69 243)**	–
– Long-term receivable and non-financial asset	**(41 366)**	–
Transaction costs	**(91 000)**	(34 630)
Retrenchment costs and separation package	**(16 505)**	–
Share-based payment expenses	**(10 016)**	(33 478)
– Cash-settled	**3 973**	(11 748)
– Equity-settled	**(326)**	–
– Black Managers Share Trust - equity-settled	**(1 267)**	70
– Black Managers Share Trust - cash-settled	**(2 313)**	(6 720)
– Mpho ea Bophelo Trust - equity-settled	**(10 083)**	(15 080)
Scrapping of property, plant and equipment	**(5 561)**	–
Lease cancellation expense	**(1 199)**	–
Foreign exchange gain on Cosme acquisition	**–**	42 419
	(967 645)	(25 689)
4 FINANCE INCOME AND FINANCE COSTS		
4.1 FINANCE INCOME		
Bank	**18 559**	19 265
Receiver of Revenue	**16**	–
Imputed interest	**–**	2 064
Other	**412**	181
	18 987	21 510
4.2 FINANCE COSTS		
Bank	**55 499**	63 277
Borrowings	**40 708**	14 809
Commitment fees	**289**	280
Finance leases	**96**	435
Receiver of Revenue	**1 998**	1 177
Other	**30**	40
	98 620	80 018

** Refer Annexure G.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June 2014 R'000	12 months September 2013 R'000
5 TRADING (LOSS)/PROFIT		
5.1 TRADING (LOSS)/PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING EXPENSES/(INCOME):		
External auditors' remuneration		
– Audit fees current year	**9 239**	8 961
– Audit fees (over)/under provision prior year	**(890)**	210
– Taxation services	**44**	296
– Other services	**2 168**	1 948
Internal auditors' remuneration	**701**	2 873
Depreciation		
– Freehold land and buildings	**14 675**	17 292
– Leasehold improvements	**7 473**	8 216
– Plant, equipment and vehicles	**63 473**	72 294
– Computers	**16 683**	31 890
– Furniture and fittings	**5 032**	4 363
Amortisation of intangible assets	**49 782**	50 519
Inventories written off	**93 170**	38 283
Royalties paid	**19 459**	25 940
Operating lease charges		
– Equipment	**825**	985
– Property	**31 139**	36 547
Foreign exchange loss	**10 473**	–
Fees paid to related parties (refer to note 29)	**18 014**	–
Loss on disposal of property, plant and equipment	**1 447**	3 750
5.2 TOTAL STAFF COSTS*	**704 569**	856 401
Included in cost of sales	**224 629**	284 765
Salaries and wages	**199 884**	254 836
Employers' contribution to:	**24 745**	29 929
Medical	**8 197**	10 118
Retirement	**16 548**	19 811
Included in operating expenses	**479 940**	571 636
Salaries and wages	**423 934**	506 383
Employers' contribution to:	**56 006**	65 253
Medical	**11 518**	14 086
Retirement	**44 488**	51 167

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

5.3 DIRECTORS' EMOLUMENTS		
Executive directors	**14 393**	10 230
Non-executive directors	**3 697**	5 057
Total	**18 090**	15 287

For more details, please refer to pages 39 to 43.

5.4 KEY MANAGEMENT		
Salaries	**35 270**	26 152
Retirement, medical and other benefits	**3 534**	9 563
Total	**38 804**	35 715

Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 37 and 38.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June 2014 R'000	12 months September 2013 R'000
6 TAXATION		
South African taxation		
Current income tax		
– current year	**42 506**	189 972
– prior year under provision	**4 474**	2 530
Deferred tax		
– current year	**(100 083)**	23 109
– prior year over provision	**(1 927)**	(3 062)
– utilisation of tax loss	**3 903**	(1 584)
Dividends tax	**–**	2 119
	(51 127)	213 084
Foreign taxation	**–**	–
Current income tax		
– current year	**(286)**	2 450
– prior year under/(over) provision	**585**	(662)
Deferred tax		
– current year	**(2 983)**	(1 745)
	(2 684)	43
Total tax charge	**(53 811)**	213 127
In addition to the above, deferred tax amounting to R0,6 million has been charged to other comprehensive income (2013: R0,3 million released). Refer note 20.		
	%	%
Reconciliation of the taxation rate:		
Effective rate	**5,3**	26,3
Adjusted for:		
Exempt income	**–**	0,7
Non-realisation of deferred tax	**0,1**	–
Non-deductible expenses	**21,8**	1,0
Prior year underprovision	**0,3**	0,1
Dividends tax	**–**	(0,3)
Loss utilisation	**0,5**	0,2
South African normal tax rate	**28,0**	28,0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June 2014 R'000	12 months September 2013 R'000
7 EARNINGS PER SHARE		
Headline (loss)/earnings is determined as follows:		
(Loss)/Earnings attributable to owners of Adcock Ingram	**(965 343)**	587 844
Adjusted for:		
Impairment of property, plant and equipment	**69 243**	–
Impairment of intangible assets	**601 789**	–
Tax effect on loss on impairment of intangible assets	**(15 823)**	–
Loss on disposal/scrapping of property, plant and equipment	**7 008**	3 750
Tax effect on loss on disposal of property, plant and equipment	**405**	(685)
Headline (loss)/earnings	**(302 721)**	590 909
	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 period/year	**175 183 748**	174 791 218
– Effect of ordinary shares issued during the period/year	**351 728**	264 979
– Effect of ordinary treasury shares held within the Group	**(6 856 435)**	(6 438 325)
Weighted average number of ordinary shares outstanding	**168 679 041**	168 617 872
Potential dilutive effect of outstanding share options	**109 433**	134 790
Diluted weighted average number of shares outstanding	**168 788 474**	168 752 662

Basic earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the period/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 period/year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur if all of the Group's outstanding share options were exercised and the effects of all dilutive potential shares resulting from the Mpho ea Bophelo 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 period/year, after appropriate adjustments are made, by the weighted average number of shares in issue.

	9 months June 2014 cents	12 months September 2013 cents
(Loss)/Earnings		
Basic (loss)/earnings per share	**(572,3)**	348,6
Diluted basic (loss)/earnings per share	**(571,9)**	348,3
Headline earnings		
Headline (loss)/earnings per share	**(179,5)**	350,4
Diluted headline (loss)/earnings per share	**(179,3)**	350,2
Distribution per share		
Interim	**–**	86
Final	**–**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June R'000	12 months September R'000
8 DISTRIBUTIONS PAID AND PROPOSED		
Declared and paid during the period/year		
Dividends on ordinary shares		
Final dividend for 2012: 115 cents		231 941
Interim dividend for 2013: 86 cents		172 947
Total paid to equity holders of parent company		404 888
Less: Dividends relating to treasury shares		(64 750)
Total dividends declared and paid to the public		340 138
Dividends paid to non-controlling shareholders	**6 746**	6 980
Total dividend declared and paid to the public	**6 746**	347 118

9 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
June 2014							
Carrying value at beginning of period							
Cost	868 903	101 474	851 556	187 864	32 652	84 888	2 127 337
Accumulated depreciation	(59 963)	(34 299)	(233 544)	(131 243)	(19 579)	–	(478 628)
Net book value at beginning of period	808 940	67 175	618 012	56 621	13 073	84 888	1 648 709
Current period movements – cost							
Additions [(1)]	6 388	2 078	12 523	4 809	4 295	65 372	95 465
Transfer	(471)	112	79 523	854	4 716	(84 734)	–
Impairments [(2)]	(21 488)	–	(48 805)	(478)	(534)	–	(71 305)
Exchange rate adjustments	(6 234)	(68)	(6 607)	448	1 083	–	(11 378)
Disposals	–	(1 179)	(15 896)	(20 730)	(3 515)	–	(41 320)
Cost movement for current period	(21 805)	943	20 738	(15 097)	6 045	(19 362)	(28 538)
Current period movements – accumulated depreciation							
Depreciation	(14 675)	(7 473)	(63 473)	(16 683)	(5 032)	–	(107 336)
Impairments [(2)]	–	–	1 249	310	503	–	2 062
Exchange rate adjustments	325	(22)	5 016	49	(103)	–	5 265
Disposals	–	687	9 464	20 619	3 488	–	34 258
Accumulated depreciation movement for current period	(14 350)	(6 808)	(47 744)	4 295	(1 144)	–	(65 751)
Carrying value at end of period							
Cost	847 098	102 417	872 294	172 767	38 697	65 526	2 098 799
Accumulated depreciation	(74 313)	(41 107)	(281 288)	(126 948)	(20 723)	–	(544 379)
Net book value at end of period	772 785	61 310	591 006	45 819	17 974	65 526	1 554 420

[(1)] Additions include interest capitalised, in accordance with IAS 23, of R0,4 million. Refer to note 21 for details regarding specific borrowings including the capitalisation rate.
[(2)] Refer to Annexure G for impairments.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improve-ments R'000	Plant, equipment and vehicles R'000	Computer equip-ment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
September 2013							
Carrying value at beginning of year							
Cost	776 868	84 393	757 416	149 206	27 856	59 155	1 854 894
Accumulated depreciation	(42 623)	(30 659)	(213 164)	(101 503)	(16 130)	–	(404 079)
Net book value at beginning of year	734 245	53 734	544 252	47 703	11 726	59 155	1 450 815
Current year movements – cost							
Additions through business combinations (note 1.1)	–	–	–	130	–	–	130
Additions [(1) (2)]	89 605	10 497	128 398	36 330	6 129	61 067	332 026
Transfer	–	11 174	19 080	4 780	300	(35 334)	–
Exchange rate adjustments	2 556	77	2 287	(77)	(58)	–	4 785
Disposals	(126)	(4 667)	(55 625)	(2 505)	(1 575)	–	(64 498)
Cost movement for current year	92 035	17 081	94 140	38 658	4 796	25 733	272 443
Current year movements – accumulated depreciation							
Depreciation	(17 292)	(8 216)	(72 294)	(31 890)	(4 363)	–	(134 055)
Exchange rate adjustments	(55)	1	(804)	(20)	12	–	(866)
Disposals	7	4 575	52 718	2 170	902	–	60 372
Accumulated depreciation movement for current year	(17 340)	(3 640)	(20 380)	(29 740)	(3 449)	–	(74 549)
Carrying value at end of year							
Cost	868 903	101 474	851 556	187 864	32 652	84 888	2 127 337
Accumulated depreciation	(59 963)	(34 299)	(233 544)	(131 243)	(19 579)	–	(478 628)
Net book value at end of year	808 940	67 175	618 012	56 621	13 073	84 888	1 648 709

(1) Additions include interest capitalised in accordance with IAS 23, of R11,4 million. Refer to note 21.

(2) Additions include an expansion of plant, equip d vehicles to the value of R12,4 million for which there was no cash outflow in the 2013 financial year.

10 INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Manu-facturing-related intangibles R'000	Total R'000
June 2014					
Carrying value at beginning of period					
Cost	**321 394**	**969 208**	**239 420**	**1 605**	**1 531 627**
Accumulated amortisation	**–**	**(59 174)**	**(35 607)**	**(1 130)**	**(95 911)**
Net balance at beginning of period	**321 394**	**910 034**	**203 813**	**475**	**1 435 716**
Current period movements – cost					
Impairment [(1)]	**(298 654)**	**(295 128)**	**(8 007)**	**–**	**(601 789)**
Exchange rate adjustments	**(10 160)**	**38 781**	**23 341**	**–**	**51 962**
Cost movement for the period	**(308 814)**	**(256 347)**	**15 334**	**–**	**(549 827)**
Current period movements – accumulated amortisation					
Charge for the period	**–**	**(34 977)**	**(14 295)**	**(510)**	**(49 782)**
Exchange rate adjustments	**–**	**359**	**(323)**	**35**	**71**
Accumulated amortisation movement for the period	**–**	**(34 618)**	**(14 618)**	**(475)**	**(49 711)**
Carrying value at end of period					
Cost	**12 580**	**712 861**	**254 754**	**1 605**	**981 800**
Accumulated amortisation	**–**	**(93 792)**	**(50 225)**	**(1 605)**	**(145 622)**
Net balance at end of period	**12 580**	**619 069**	**204 529**	**–**	**836 178**
September 2013					
Carrying value at beginning of year					
Cost	258 102	358 631	140 013	–	756 746
Accumulated amortisation	–	(22 321)	(23 471)	–	(45 792)
Net balance at beginning of year	258 102	336 310	116 542	–	710 954
Current year movements – cost					
Business combination (note 1.1)	61 484	618 748	100 408	1 630	782 270
Exchange rate adjustments	1 808	(8 171)	(1 001)	(25)	(7 389)
Cost movement for the year	63 292	610 577	99 407	1 605	774 881
Current year movements – accumulated amortisation					
Charge for the year	–	(37 080)	(12 280)	(1 159)	(50 519)
Exchange rate adjustments	–	227	144	29	400
Accumulated amortisation movement for the year	–	(36 853)	(12 136)	(1 130)	(50 119)
Carrying value at end of year					
Cost	321 394	969 208	239 420	1 605	1 531 627
Accumulated amortisation	–	(59 174)	(35 607)	(1 130)	(95 911)
Net balance at end of year	321 394	910 034	203 813	475	1 435 716

[(1)] *Intangible assets have been impaired where the Group does not expect these assets to generate any future economic benefit. Refer Annexure G.*

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

10 INTANGIBLE ASSETS (continued)

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.

The carrying amount of goodwill and other intangible assets allocated to each of the segments:

	Pharmaceuticals		Hospital		Southern Africa		India and Rest of Africa		Total	
	June 2014	September 2013	June 2014	September 2013	June 2014	September 2013	June 2014	September 2013	June 2014	September 2013
Carrying amount of goodwill	–	196 225	12 580	12 580	12 580	208 805	–	112 589	12 580	321 394
Carrying amount of other intangibles with indefinite useful lives	174 895	248 647	–	–	174 895	248 647	–	154 722	174 895	403 369
Carrying amount of other intangibles with finite useful lives	110 832	166 061	–	–	110 832	166 061	537 871	544 892	648 703	710 953
Total	**285 727**	610 933	**12 580**	12 580	**298 307**	623 513	**537 871**	812 203	**836 178**	1 435 716

IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between three and 15 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 up to a ten-year period when management believes that products have a value in use of more than ten years and that these projections, based on past experience, are reliable.

The discount rate applied to cash flow projections, before adjusting for risk, is 16,5% (September 2013: 16,5%) for intangible assets relating to the Cosme acquisition, included in India, and 11,9% (September 2013: 10,1%) for the remainder of the intangible assets. The cash flows beyond the ten-year period are discounted using the discount rate applied to cash flow projections of 16,5% (September 2013: 16,5%) for intangible assets relating to the Cosme acquisition, included in India, and 11,9% (September 2013: 10,1%) for the remainder of the intangible assets. The cash flows beyond the ten-year period are discounted using a 8,5% (2013: 8,5%) for Cosme and 0,5% long-term growth rate (2013: 0,5%) for the remainder of the intangible assets.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value in use for all individual assets or cash generating units of the business is most 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 forecast period.

Gross margin

Gross margins are based on average values achieved 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 ten-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 have been used as an indicator of the future price movements.

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 ten-year period is management's best estimate taking market conditions into account.

10 INTANGIBLE ASSETS (continued)

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 a further impairment of intangibles.

Discount rates

A material increase in the pre-tax 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 a further 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 a further 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.

11 DEFERRED TAX

	June 2014 R'000	September 2013 R'000
Balance at beginning of period/year	**(113 735)**	(88 016)
Movement through profit or loss	**101 090**	(18 299)
Exchange rate adjustments	**(956)**	(7 486)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**593**	123
Revaluation of available-for-sale asset to fair value	**(80)**	(57)
Balance at end of period/year	**(13 088)**	(113 735)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(29 294)**	(28 195)
Property, plant and equipment	**(114 778)**	(125 358)
Pre-payments	**(1 930)**	(3 561)
Provisions	**68 900**	33 565
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**1 478**	885
Tax loss available for future use	**62 693**	–
Other	**(157)**	8 929
	(13 088)	(113 735)
Disclosed as follows:		
Deferred tax asset	**7 959**	7 829
Deferred tax liability	**(21 047)**	(121 564)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	June 2014 R'000	September 2013 R'000
12 OTHER FINANCIAL ASSETS		
12.1 LONG-TERM RECEIVABLE (AT AMORTISED COST)		
Black Managers Share Trust (BMT)		
Balance at 1 October	**137 312**	137 430
Proceeds from sale	**–**	(118)
Impairment (Refer Annexure G)	**(1 121)**	–
	136 191	137 312

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options from 1 January 2015 until 30 September 2024 when the scheme is due to end or when any beneficiary dies. The impairment charge during the current period 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 on-distributed to the beneficiaries). Refer to note B in Annexure B for further details of the capital contribution.

	June 2014 R'000	September 2013 R'000
12.2 INVESTMENT		
Group Risk Holdings (Pty) Limited		
Balance at 1 October	**2 334**	2 321
Disposal of shares	**–**	(291)
Revaluation of investment through other comprehensive income	**430**	304
	2 764	2 334
	138 955	139 646
13 OTHER NON-FINANCIAL ASSET		
VAT recoverable	**–**	36 987

The non-financial asset arose on the acquisition of Cosme. Refer note 1.1.

	June 2014 R'000	September 2013 R'000
14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
14.1 INVESTMENT IN ASSOCIATES		
Batswadi Biotech (Pty) Limited		
Cost of investment	**–**	12 200
Impairment of investment	**–**	(12 200)
	–	–

The investment in Batswadi Biotech (Pty) Limited was impaired in 2011 as there was significant uncertainty as to the extent and probability of future cash flows, and was disposed of during the current period at zero consideration.

14.2 INVESTMENT IN JOINT VENTURES

The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. The Group's interest in Adcock Ingram Limited (India) and National Renal Care (Pty) Limited is accounted for using the equity method in the consolidated financial statements and the carrying value of the investment is set out below.

	June 2014 R'000	September 2013 R'000
Adcock Ingram Limited (India)	**120 642**	94 073
National Renal Care (Pty) Limited	**81 595**	80 164
	202 237	174 237

Refer to Annexure F for further details.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	June 2014 R'000	September 2013 R'000
15 INVENTORIES		
Raw materials	**296 944**	301 123
Work-in-progress	**31 449**	139 874
Finished goods	**777 868**	1 082 079
Inventory value, net of provisions	**1 106 261**	1 523 076
Inventories written down and recognised as an expense in profit or loss:		
Cost of sales	**93 170**	38 283
Non-trading expenses	**130 966**	–
	224 136	38 283

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.

	June 2014 R'000	September 2013 R'000
16 TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 104 453**	1 407 052
Less: Provision for credit notes	**(8 835)**	(17 035)
Provision for impairment	**(8 192)**	(8 900)
	1 087 426	1 381 117
Derivative asset at fair value	**–**	6 012
Other receivables	**74 424**	89 859
Bank interest receivable	**5 307**	3 607
Sundry receivables	**69 117**	86 252
The maximum exposure to credit risk in relation to trade and other receivables	**1 161 850**	1 476 988
Pre-payments	**58 234**	56 754
VAT recoverable	**15 590**	14 317
	1 235 674	1 548 059

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.

No trade receivables were impaired in both the reporting periods. Trade debtors are impaired when the event of recoverability is highly unlikely.

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 October 2012	(5 847)	(6 823)	(12 670)
Charge for the year	(3 053)	(17 550)	(20 603)
Utilised during the year	–	7 338	7 338
At 30 September 2013	(8 900)	(17 035)	(25 935)
Charge for the period	**–**	**(7 549)**	**(7 549)**
Utilised during the period	**–**	**15 749**	**15 749**
Unused amounts reversed	**708**	**–**	**708**
At 30 June 2014	**(8 192)**	**(8 835)**	**(17 027)**

	June 2014 R'000	September 2013 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	**596 087**	933 465
31 – 60 days	**364 414**	349 401
61 – 90 days	**56 621**	67 959
Past due after impairments		
91 – 180 days	**63 745**	14 143
>180 days	**6 559**	16 149
Total	**1 087 426**	1 381 117
Sundry receivables		
Neither past due nor impaired		
<30 days	**45 652**	54 485
31 – 60 days	**9 030**	10 370
61 – 90 days	**782**	8 206
>90 days	**13 653**	13 191
Total	**69 117**	86 252

VAT recoverable and bank interest receivable will be received within one month.

62% (September 2013: 56%) 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.

17 CASH AND CASH EQUIVALENTS

	June 2014 R'000	September 2013 R'000
Cash at banks	**247 852**	153 733
Bank overdraft	**(319 613)**	(1 364 134)
	(71 761)	(1 210 401)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances incur interest at rates varying between 6,75% and 7,75%.

The fair value of the net bank overdraft is R71,8 million (2013: R1 210,4 million).
There are no restrictions over any of the cash balances and all balances are available for use.

18 SHARE CAPITAL

18.1 AUTHORISED

	June 2014 R'000	September 2013 R'000
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
19 458 196 A shares of 10 cents each	**1 946**	1 946
6 486 065 B shares of 10 cents each	**649**	649

18.2 ISSUED

	June 2014 R'000	September 2013 R'000
Ordinary share capital		
Opening balance of 168 327 585 ordinary shares (2013: 168 724 055) of 10 cents each	**16 832**	16 872
Issue of 461 000 ordinary shares (2013: 392 530) of 10 cents each	**46**	39
Movement in ordinary treasury shares	**–**	(79)
	16 878	16 832

The following ordinary shares were issued during the period/year:

(i) In various tranches, 461 000 (2013: 392 530) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008), refer to Annexure B; and

(ii) No ordinary shares were bought back by the Group (2013: 789 000).

18 SHARE CAPITAL(continued)

18.2 ISSUED (continued)

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

A and B ordinary shares rank *pari passu* with the ordinary shares, save that:

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE, the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE; and

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

	June 2014 R'000	September 2013 R'000
18.3 TREASURY SHARES		
Shares held by the BEE participants		
– number of A shares	**19 458 196**	19 458 196
– number of B shares	**6 486 065**	6 486 065
– number of ordinary shares	**2 571 000**	2 571 000
Shares held by Group company		
– number of ordinary shares	**4 285 163**	4 285 163
	32 800 424	32 800 424

As required by IFRS, both Blue Falcon Trading 69 (Pty) Limited and the Mpho ea Bophelo Trust have been consolidated into the Group's annual financial statements and all A, B and ordinary shares held by them are accounted for as treasury shares. Shares bought back and held by a Group company are also regarded as treasury shares.

	Number of shares	
18.4 RECONCILIATION OF ISSUED SHARES		
Number of shares in issue	**201 589 009**	201 128 009
Number of A and B shares held by the BEE participants	**(25 944 261)**	(25 944 261)
Number of ordinary shares held by the BEE participants	**(2 571 000)**	(2 571 000)
Number of ordinary shares held by the Group company	**(4 285 163)**	(4 285 163)
Net shares in issue	**168 788 585**	168 327 585

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.

	June 2014 R'000	September 2013 R'000
19 SHARE PREMIUM		
Balance at the beginning of the period/year	**504 064**	547 400
Issue of 461 000 ordinary shares (2013: 392 530)	**6 856**	5 060
Movement in ordinary treasury shares	**–**	(48 396)
	510 920	504 064

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 October 2012	352 877	447	3 919	(27 387)	26 373	356 229
Movement during the year, net of tax	13 077	895	–	(1 783)	(3 422)	8 767
Movement for the year	15 010	1 243	–	(1 783)	304	14 774
Accelerated Mpho ea Bophelo Trust payment	(1 933)					(1 933)
Movement due to share issue costs					(3 669)	(3 669)
Tax effect of net movement on cash flow hedge and investment		(348)			(57)	(405)
Balance at 30 September 2013	365 954	1 342	3 919	(29 170)	22 951	364 996
Movement during the period, net of tax	**10 902**	**(1 525)**	**–**	**58 572**	**(6 530)**	**61 419**
Movement for the period	**11 676**	**(2 118)**	**–**	**58 572**	**430**	**68 560**
Accelerated Mpho ea Bophelo Trust payment	**(774)**					**(774)**
Actuarial loss on post-retirement medical liability					**(6 880)**	**(6 880)**
Tax effect of net movement on cash flow hedge and investment		**593**			**(80)**	**513**
Balance at 30 June 2014	**376 856**	**(183)**	**3 919**	**29 402**	**16 421**	**426 415**

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 period 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. This also includes share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India), actuarial losses on the Group's defined benefit plan and a fair value adjustment on the Group's investment in Group Risk Holdings (Pty) Limited.

	June 2014 R'000	September 2013 R'000
21 LONG-TERM BORROWINGS		
Unsecured		
Loan bearing interest at a fixed rate of 9% (1)	**4 325**	3 925
Loan bearing interest at a fixed rate of 13% (2)	**4 627**	–
Secured		
Loan bearing interest at JIBAR(*) + 265 basis points (3)	**–**	63 750
Loan bearing interest at JIBAR(*) + 180 basis points (4)	**–**	36 250
Finance leases	**1 041**	1 399
Loan bearing interest at JIBAR(*) + 176 basis points (5)	**1 000 000**	–
	1 009 993	105 324
Less: Current portion included in short-term borrowings	**(5 132)**	(100 483)
	1 004 861	4 841

(1) This unsecured loan bears interest at a fixed rate of 9% per annum and is repayable upon termination of C&F Agency contracts in India.

(2) This unsecured loan bears interest at a fixed rate of 13% per annum and is repayable in September 2014.

(3) September 2013: A secured loan bearing interest at JIBAR plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013. During the period, no interest (2013: R3,8 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has not been met.*

(4) September 2013: A secured loan, bearing interest at JIBAR plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013. During the period interest of R0,4 million (2013: R7,6 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has been met.*

(5) 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.*

Financial covenants, including a debt service cover ratio, net debt: EBITDA ratio and interest cover ratio are applicable over loans (3), (4) and (5). These covenants were breached due to the poor financial results during the current period and written condonation was received from the lenders.

The shares in Group companies are pledged as security for loans (3), (4) and (5).

** JIBAR – Johannesburg Interbank Agreed Rate. On 30 June 2014: 5,8000% (30 September 2013: 5,1330%).*

21 LONG-TERM BORROWINGS (continued)

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

	Unsecured loans at fixed interest rates R'000	Secured loans at variable interest rates R'000	Finance leases R'000	Total R'000
June 2014				
Capital repayment on loans				
– payable within 12 months	**4 627**	**–**	**505**	**5 132**
– payable within 12–24 months	**–**	**–**	**536**	**536**
– payable thereafter	**4 325**	**1 000 000**	**–**	**1 004 325**
	8 952	**1 000 000**	**1 041**	**1 009 993**
Interest payment on loans*				
– payable within 12 months	**439**	**75 600**	**89**	**76 128**
– payable within 12–24 months	**389**	**75 807**	**34**	**76 230**
– payable thereafter	**778**	**189 104**	**–**	**189 882**
	1 606	**340 511**	**123**	**342 240**
September 2013				
Capital repayment on loans				
– payable within 12 months	–	100 000	483	100 483
– payable within 12–24 months	–	–	916	916
– payable thereafter	3 925	–	–	3 925
	3 925	100 000	1 399	105 324
Interest payment on loans*				
– payable within 12 months	353	1 884	124	2 361
– payable within 12–24 months	353	–	96	449
– payable thereafter	706	–	–	706
	1 412	1 884	220	3 516

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

22 POST-RETIREMENT MEDICAL LIABILITY

	June 2014 R'000	September 2013 R'000
Balance at beginning of the period/year	**15 108**	15 341
Charged/(Released) to operating profit	**46**	(233)
Charged to other comprehensive income	**6 880**	–
Balance at the end of the period/year	**22 034**	15 108

For more details refer to Annexure D.

	June 2014 R'000	September 2013 R'000
23 TRADE AND OTHER PAYABLES		
Trade accounts payable	**624 281**	791 754
Derivative liability at fair value [1]	**617**	–
Other payables	**482 861**	455 802
Accrued expenses	**378 184**	339 544
Deferred portion of purchase price of business combination	**–**	1 250
Sundry payables	**104 677**	115 008
VAT payable	**1 207**	38 155
Interest accrued	**6 597**	9 457
	1 115 563	1 295 168

[1] *It is expected that the derivative liability will be settled within the next 90 days.*

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

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

	June 2014 R'000	September 2013 R'000
Trade payables		
<30 days	**374 445**	407 556
31–60 days	**160 370**	143 382
61–90 days	**28 589**	146 229
>90 days	**60 877**	94 587
Total	**624 281**	791 754
Other payables		
<30 days	**193 122**	199 847
31–60 days	**51 515**	42 044
61–90 days	**25 390**	35 919
>90 days	**212 834**	177 992
Total	**482 861**	455 802

24 CASH-SETTLED OPTIONS

	June 2014 R'000	September 2013 R'000
Opening balance	**39 150**	39 983
(Released from)/Charged to operating profit	**(3 973)**	11 748
Payments made	**(20 395)**	(12 581)
	14 782	39 150

25 PROVISIONS

	June 2014 R'000	September 2013 R'000
Leave pay		
Balance at beginning of period/year	**50 006**	44 380
Arising during the period/year	**47 136**	47 633
Utilised during the period/year	**(48 162)**	(37 819)
Unused amounts reversed	**(3 712)**	(4 236)
Exchange rate adjustments	**63**	48
Balance at end of period/year	**45 331**	50 006

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 60 days. The obligation is reviewed annually. The timing of the cash flow, if any, is uncertain. In excess of 95% of the balance represents the liability for employees in South Africa.

		9 months June 2014 R'000	12 months September 2013 R'000
26	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
26.1	**OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES**		
	(Loss)/Profit before taxation	**(1 015 967)**	809 580
	Adjusted for:		
	– amortisation of intangibles	**49 782**	50 519
	– depreciation	**107 336**	134 055
	– loss on disposal/scrapping of property, plant and equipment	**7 008**	3 750
	– dividend income	**(6 506)**	(12 613)
	– net finance costs	**79 633**	58 508
	– equity accounted earnings	**(31 895)**	(72 193)
	– share-based payment expenses	**10 016**	33 478
	– accelerated Mpho ea Bophelo settlement	**(774)**	(1 933)
	– inventories written off	**93 170**	38 283
	– provision for accounts receivable impairment and credit notes	**(8 908)**	20 127
	– increase in provisions and post retirement medical liability	**(4 945)**	5 330
	– straight-lining of leases	**4 605**	7 391
	– impairment of property, plant and equipment and intangible assets	**671 032**	–
	– impairment of long-term receivable and non-financial asset	**41 366**	–
	– increase in inventory provisions	**54 148**	–
	– foreign exchange loss	**10 473**	–
		59 574	1 074 282
26.2	**WORKING CAPITAL CHANGES**		
	Decrease/(Increase) in inventories	**260 232**	(626 700)
	Decrease/(Increase) in trade and other receivables	**316 896**	(285 126)
	(Decrease)/Increase in trade and other payables	**(218 601)**	335 138
		358 527	(576 688)
26.3	**DIVIDENDS PAID**		
	Dividends paid to equity holders of the parent	**–**	(340 138)
	Dividends paid to non-controlling shareholders	**(6 746)**	(6 980)
		(6 746)	(347 118)
26.4	**TAXATION PAID**		
	Amounts overpaid at beginning of period/year	**86 368**	85 173
	Amounts charged to profit or loss	**53 811**	(213 127)
	Movement in deferred tax	**(101 090)**	24 537
	Exchange rate adjustments	**348**	(76)
	Amounts overpaid at end of period/year	**(76 306)**	(86 368)
		(36 869)	(189 861)
26.5	**ACQUISITION OF BUSINESS, NET OF CASH**		
	Property, plant and equipment		(130)
	Intangible assets		(720 786)
	VAT recoverable and deposits		(39 193)
	Fair value of net assets		(760 109)
	Goodwill acquired		(61 484)
	Cash outflow on business combination		(821 593)
26.6	**DECREASE IN OTHER FINANCIAL ASSETS**		
	Proceeds from sale of additional interest in Group Risk Holdings (Pty) Limited	**–**	291
	Decrease in Black Managers Share Trust	**–**	118
		–	409

27 CONTINGENT LIABILITIES

The Group provides surety for the obligations of Adcock Ingram Healthcare (Pty) Limited and Adcock Ingram Critical Care (Pty) Limited.

28 COMMITMENTS AND CONTINGENCIES

28.1 OPERATING LEASE COMMITMENTS

The Group has entered into the following material lease agreements in South Africa and India 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	Lease 4 Bangalore (Ground and 1st floors)	Lease 5 Bangalore (2nd and 3rd floors)	Lease 6 Goa	Lease 7 Mumbai
Initial lease period (years)	10	12	10	8	9	5	5
Ending	30 November 2021	31 October 2022	31 August 2022	15 April 2021	30 November 2020	9 April 2018	14 January 2014
Renewal option period (years)	10	10	5	By mutual consensus	By mutual consensus	By mutual consensus	By mutual consensus
Ending	30 November 2031	31 October 2032	31 August 2027	n/a	n/a	n/a	n/a
Escalation (%)	7,3%	8,5%	7,0%	16,3% after 3 years	16,3% after 3 years	15% after 3 years	15% after 3 years

	9 months June 2014 R'000	12 months September 2013 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**30 977**	27 909
After one year but not more than five years	**145 379**	127 272
More than five years	**111 127**	137 163
	287 483	292 344

28.2 CAPITAL COMMITMENTS

	9 months June 2014 R'000	12 months September 2013 R'000
Commitments contracted for		
Within one year	**57 278**	34 737
Approved but not contracted for		
Within one year	**23 880**	117 342
	81 158	152 079

These commitments relate to property, plant and equipment.

28.3 GUARANTEES

The Group has provided guarantees to the amount of R15,3 million at 30 June 2014 (September 2013: R13,5 million)

29 RELATED PARTIES

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

The following entities are considered to be related parties in the current period 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.

	9 months June 2014 R'000
Purchase of services	
The Bidvest Group Limited	**18 014**
Public Investment Corporation	**–**

Payments to directors and key management are disclosed in notes 5.3 and 5.4.

30 SUBSEQUENT EVENTS

There are no material events which have occurred subsequent to the reporting date and up until the issue of these results which require additional disclosure.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Note	**9 months June 2014 R'000**	12 months September 2013 R'000
Revenue	A	**68 345**	464 590
Operating expenses		**(185)**	(266)
Finance income	B.1	**64 348**	47 213
Finance costs	B.2	**(56 615)**	(39 532)
Dividend income	A	**3 997**	417 377
Profit before taxation		**11 545**	424 792
Taxation	C	**(2 126)**	(2 203)
Profit for the period/year		**9 419**	422 589
Other comprehensive income			
Revaluation of available-for-sale asset, net of tax		**350**	247
Total comprehensive income for the period/year, net of tax		**9 769**	422 836

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Issued share capital R'000	Share premium R'000	Accumulated loss R'000	Non-distributable reserves R'000	Total R'000
As at 1 October 2012		20 073	935 947	(189 445)	269 286	1 035 861
Share issue		39	5 060			5 099
Total comprehensive income				422 589	247	422 836
Profit for the year				422 589		422 589
Other comprehensive income				–	247	247
Dividends	D.1			(404 888)		(404 888)
Balance at 30 September 2013		20 112	941 007	(171 744)	269 533	1 058 908
Share issue	I.2	**46**	**6 856**			**6 902**
Total comprehensive income				**9 419**	**350**	**9 769**
Profit for the period				**9 419**		**9 419**
Other comprehensive income				**–**	**350**	**350**
Balance at 30 June 2014		**20 158**	**947 863**	**(162 325)**	**269 883**	**1 075 579**

COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	June 2014 R'000	September 2013 R'000
ASSETS			
Investments	E	**3 369 650**	3 369 220
Non-current assets		**3 369 650**	3 369 220
Amounts owing by Group companies	G.1	**518 380**	511 928
Other receivables	H	**–**	1 042
Taxation receivable	O.3	**–**	505
Current assets		**518 380**	513 475
Total assets		**3 888 030**	3 882 695
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	I.2	**20 158**	20 112
Share premium	J	**947 863**	941 007
Non-distributable reserves	K	**269 883**	269 533
Accumulated loss		**(162 325)**	(171 744)
Total equity		**1 075 579**	1 058 908
Amounts owing to Group companies	G.2	**2 155 994**	2 155 994
Deferred tax	M	**137**	57
Non-current liabilities		**2 156 131**	2 156 051
Short-term borrowings	L	**–**	100 000
Bank overdraft	F	**652 216**	567 010
Other payables	N	**3 553**	726
Taxation payables	O.3	**551**	–
Current liabilities		**656 320**	667 736
Total equity and liabilities		**3 888 030**	3 882 695

COMPANY STATEMENTS OF CASH FLOWS

	Note	9 months June 2014 R'000	12 months September 2013 R'000
Cash flows from operating activities			
Operating loss before working capital changes	O.1	**(185)**	(266)
Working capital changes	O.2	**52**	(248)
Cash utilised in operations		**(133)**	(514)
Finance income, excluding receivable		**65 390**	46 171
Finance costs, excluding accrual		**(53 840)**	(39 532)
Dividend income	A	**3 997**	417 377
Dividends paid	D.1	**–**	(404 888)
Taxation paid	O.3	**(1 070)**	(1 891)
Net cash inflow from operating activities		**14 344**	16 723
Cash flows from investing activities			
Decrease in investments	O.4	**–**	291
Net increase in amounts owing by Group companies		**(6 452)**	(11 928)
Net cash (outflow)/inflow from investing activities		**(6 452)**	(11 637)
Cash flows from financing activities			
Proceeds from issue of share capital		**6 902**	5 099
Decrease in amounts owing to Group companies		**–**	(739)
Repayment of borrowings		**(100 000)**	(400 000)
Net cash outflow from financing activities		**(93 098)**	(395 640)
Net decrease in cash and cash equivalents		**(85 206)**	(390 554)
Cash and cash equivalents at beginning of period/year		**(567 010)**	(176 456)
Cash and cash equivalents at end of period/year	F	**(652 216)**	(567 010)

		9 months June 2014 R'000	12 months September 2013 R'000
A	**REVENUE**		
	Finance income	**64 348**	47 213
	Dividend income	**3 997**	417 377
		68 345	464 590
B	**FINANCE INCOME AND FINANCE COSTS**		
B.1	**FINANCE INCOME**		
	Bank	**38 657**	7 681
	Inter-Group interest	**25 691**	39 532
		64 348	47 213
B.2	**FINANCE COSTS**		
	Borrowings	**56 615**	39 532
C	**TAXATION**		
	South African taxation		
	Current income tax		
	– current period/year	**2 126**	2 203
	Total tax charge	**2 126**	2 203
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**18,4**	0,5
	Adjusted for:		
	Exempt income	**9,6**	27,5
	South African normal tax rate	**28,0**	28,0
D	**DISTRIBUTIONS PAID AND PROPOSED**		
D.1	**DIVIDENDS**	**R'000**	R'000
	Declared and paid during the year		
	Dividends on ordinary shares		
	Final dividend for 2012: 115 cents		231 941
	Interim dividend for 2013: 86 cents		172 947
	Total declared and paid		404 888

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
(continued)

		2014 Effective holding %	2013 Effective holding %	June 2014 R'000	September 2013 R'000
E	**INVESTMENTS**				
	Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
	Adcock Ingram Healthcare (Pty) Limited	**100**	100	**815 390**	815 390
	Adcock Ingram Intellectual Property (Pty) Limited	**100**	100	**104 000**	104 000
	Adcock Ingram Critical Care (Pty) Limited	**100**	100	**284 979**	284 979
	Adcock Ingram Limited India	**49,9**	49,9	**31 930**	31 930
	Adcock Ingram International (Pty) Limited	**100**	100	*****	*
	Thembalami Pharmaceuticals (Pty) Limited	**50**	50	*****	*
	Group Risk Holdings (Pty) Limited[1]	**7**	7	**2 764**	2 334
				3 369 650	3 369 220

* *Less than R1 000.*

	June 2014 R'000	September 2013 R'000
(1) Group Risk Holdings (Pty) Limited		
Balance at 1 October	**2 334**	2 321
Disposal	**–**	(291)
Revaluation of investment to fair value	**430**	304
	2 764	2 334

		June 2014 R'000	September 2013 R'000
F	**CASH AND CASH EQUIVALENTS**		
	Bank overdraft	**652 216**	567 010
	Balances incur interest at rates varying between 6,75% and 7,75%.		
G	**AMOUNTS OWING BY/(TO) GROUP COMPANIES**		
G.1	**AMOUNTS OWING BY GROUP COMPANIES**		
	Included in current assets:		
	Adcock Ingram Critical Care (Pty) Limited	**–**	36 250
	Adcock Ingram Healthcare (Pty) Limited	**351 216**	308 175
	Adcock Ingram International (Pty) Limited	**167 154**	167 154
	Adcock Ingram Holdings Limited Employee Share Trust (2008)	**–**	339
	Mpho ea Bophelo Trust	**10**	10
		518 380	511 928

Adcock Ingram Critical Care (Pty) Limited

September 2013: A secured loan of R36,25 million, bearing interest at JIBAR[(1)] plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012, with the final instalment paid in December 2013.

Adcock Ingram Healthcare (Pty) Limited

An unsecured loan of R351,22 million (September 2013: R244,43 million) which is interest-free and has no fixed terms of repayment.

September 2013: A secured loan of R63,75 million bearing interest at JIBAR[(1)] plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013.

Adcock Ingram International (Pty) Limited

The loan is unsecured, interest-free, and has no fixed terms of repayment.

Capital repayment on loans

– payable within 12 months

Interest repayments on loans[(2)]

– payable within 12 months

(1) JIBAR – Johannesburg Interbank Agreed Rate. On 30 September 2013: 5,1330%

(2) Interest repayments have been calculated using the interest rate at the reporting date

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

(continued)

	June 2014 R'000	September 2013 R'000
G AMOUNTS OWING BY/(TO) GROUP COMPANIES (continued)		
G.2 AMOUNTS OWING TO GROUP COMPANIES		
Included in non-current liabilities:		
Adcock Ingram Limited[3]	**2 155 994**	2 155 994

The loan is unsecured, interest-free and has no fixed term of repayment.

[3] *It is not expected that the subsidiary would call on payment within the next 12 months.*

	June 2014 R'000	September 2013 R'000
H OTHER RECEIVABLES		
Bank interest receivable	**–**	1 042
I SHARE CAPITAL		
I.1 AUTHORISED		
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
19 458 196 A shares of 10 cents each	**1 946**	1 946
6 486 065 B shares of 10 cents each	**649**	649

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

A and B ordinary shares rank *pari passu* with the ordinary shares, save that:

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE, the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE; and

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

	June 2014 R'000	September 2013 R'000
I.2 ISSUED		
Ordinary share capital		
Opening balance of 201 128 011 ordinary shares (2013: 200 735 481) of 10 cents each	**20 112**	20 073
Issue of 461 000 ordinary shares (2013: 392 530) of 10 cents each	**46**	39
	20 158	20 112

The following ordinary shares were issued during the period/year:

(i) In various tranches, 461 400 (2013: 392 530) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

I.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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
(continued)

		June 2014 R'000	September 2013 R'000
J	**SHARE PREMIUM**		
	Balance at beginning of the period/year	**941 007**	935 947
	Issues of 461 400 ordinary shares (2013: 392 530)	**6 856**	5 060
		947 863	941 007

		Share-based payment reserve R'000	Other reserves R'000	Total R'000
K	**NON-DISTRIBUTABLE RESERVES**			
	Balance at 1 October 2012	269 000	286	269 286
	Movement during the year	–	247	247
	Balance at 30 September 2013	269 000	533	269 533
	Movement during the period	**–**	**350**	**350**
	Balance at 30 June 2014	**269 000**	**883**	**269 883**

		June 2014 R'000	September 2013 R'000
L	**LONG-TERM BORROWINGS**		
	A secured loan, bearing interest at JIBAR plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012, with the final instalment paid in December 2013.	–	36 250
	A secured loan bearing interest at JIBAR plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013.	–	63 750
	Total	–	100 000
	Less: Current portion included in short-term borrowings	–	(100 000)
	Capital repayments on loans		
	– payable within 12 months	–	100 000
	Interest repayments on loans*		
	– payable within 12 months	–	1 884
	** Interest repayments have been calculated using the interest rates at the reporting dates*		
M	**DEFERRED TAX**		
	Balance at beginning of period/year	**(57)**	–
	Other comprehensive income movement	**(80)**	(57)
	Balance at end of period/year	**(137)**	(57)
	Analysis of deferred tax		
	This balance comprises the following temporary difference:		
	Revaluations of available-for-sale financial asset	**(137)**	(57)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
(continued)

		June 2014 R'000	September 2013 R'000
N	**OTHER PAYABLES**		
	Interest accrued	**2 775**	–
	Other	**778**	726
		3 553	726
O	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
O.1	**OPERATING LOSS BEFORE WORKING CAPITAL CHANGES**		
	Profit before taxation	**11 545**	424 792
	Adjusted for:		
	– dividend income	**(3 997)**	(417 377)
	– net finance income	**(7 733)**	(7 681)
		(185)	(266)
O.2	**WORKING CAPITAL CHANGES**		
	Increase/(Decrease) in other payables (excluding accrual)	**52**	(248)
		52	(248)
O.3	**TAXATION PAID**		
	Amounts overpaid at beginning of the period/year	**505**	817
	Amounts charged to the statement of comprehensive income	**(2 126)**	(2 203)
	Amount underpaid/(overpaid) at end of the period/year	**551**	(505)
		(1 070)	(1 891)
O.4	**DECREASE IN INVESTMENTS**		
	Proceeds on sale of 1,0% interest in Group Risk Holdings (Pty) Limited	**–**	291

P 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:

	June 2014 R'000	September 2013 R'000
Interest received		
Adcock Ingram Healthcare (Pty) Limited	**25 277**	30 740
Adcock Ingram Critical Care (Pty) Limited	**413**	8 792
Dividends received		
Adcock Ingram Limited	**–**	300 000
Adcock Ingram Healthcare (Pty) Limited	**–**	110 000
Adcock Ingram Limited (India)	**3 997**	7 377
Dividends paid		
Adcock Ingram Limited	**–**	8 612
Blue Falcon Trading 69 (Pty) Limited	**–**	42 009
Mpho ea Bophelo Trust	**–**	14 127

Refer to Annexure H for nature of the relationships of related parties.

Q FINANCIAL INSTRUMENTS

Fair value hierarchy

Classification of financial instruments and fair value hierarchy is as follows:

Financial instruments	Classification per IAS 39	June 2014 R'000	September 2013 R'000
Investment in Group Risk Holdings (Pty) Limited[1]	Available-for-sale	**2 764**	2 334
Amounts owing by Group companies	Loans and receivables	**518 380**	511 928
Amounts owing to Group companies	Loans and borrowings	**2 155 994**	2 155 994
Other payables	Loans and borrowings	**778**	726
Short-term borrowings	Loans and borrowings	**–**	100 000
Bank overdraft	Loans and borrowings	**652 216**	567 010

[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. There are no significant unobservable inputs that are used in the valuation.*

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

Level 1: quoted prices in active markets;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, bank overdraft and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

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	Decrease in profit before tax	
	%	June 2014 R'000	September 2013 R'000
Cash and cash equivalents			
Bank overdraft	+1	**6 522**	5 670

No sensitivity analysis is performed on the borrowings as terms of these and amounts owed by Group companies are linked.

ANNEXURE A – SEGMENT REPORT

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

In Southern Africa, the principal segments have been identified by grouping similar-type products resulting in the following three reportable operating segments for financial performance purposes:

- Over the Counter, which comprises pharmaceutical products available without prescription as well as personal care products;
- Prescription, which comprises products available on prescription only; and
- Hospital.

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.

	9 months June 2014 R'000	12 months September 2013 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Turnover		
Southern Africa	**3 245 093**	4 809 518
OTC	**1 136 916**	2 002 279
Prescription	**1 387 655**	1 852 759
Generics	**594 587**	865 444
Branded	**793 068**	987 315
Hospital	**720 522**	954 480
Rest of Africa	**206 477**	220 635
India	**177 709**	178 041
	3 629 279	5 208 194
Less: Intercompany sales	**(13 992)**	(13 009)
	3 615 287	5 195 185
The South African Government represent more than 10% of the Group's turnover, arising in the following segments:		
Prescription	**291 669**	395 161
Hospital	**319 227**	421 747
	610 896	816 908
CONTRIBUTION AFTER MARKETING EXPENSES (CAM)		
Southern Africa	**366 866**	1 137 098
OTC	**200 446**	707 403
Prescription	**156 900**	321 704
Generics	**40 663**	145 029
Branded	**116 237**	176 675
Hospital	**9 520**	107 991
Rest of Africa	**32 054**	48 253
India	**21 475**	49 586
	420 395	1 234 937
Less: Intercompany	**(8 502)**	(9 194)
	411 893	1 225 743
Less: Other operating expenses	**(1 386 628)**	(442 461)
Research and development	**(81 096)**	(104 941)
Fixed and administrative	**(337 887)**	(311 831)
Non-trading expenses	**(967 645)**	(25 689)
Operating (loss)/profit	**(974 735)**	783 282

Other operating expenses and Group financing (including finance costs and finance income) are managed on a central basis and are not allocated to operating segments.

ANNEXURE A – SEGMENT REPORT
(continued)

As the assets and liabilities of the Over the Counter and Prescription products are integrated and managed in the Pharmaceutical division in Southern Africa, the Group regards this as a single primary business segment for statement of financial position purposes.

	June 2014 R'000	September 2013 R'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Southern Africa	**4 261 452**	5 341 345
Pharmaceuticals	**3 645 069**	4 585 199
Hospital	**616 383**	756 146
Rest of Africa	**195 883**	286 104
India	**948 507**	1 126 911
	5 405 842	6 754 360
Current liabilities		
Southern Africa	**1 294 348**	2 672 101
Pharmaceuticals	**717 250**	2 046 680
Hospital	**577 098**	625 421
Rest of Africa	**94 889**	77 012
India	**111 184**	99 828
	1 500 421	2 848 941
Capital expenditure [1]		
Southern Africa	**82 296**	274 279
Pharmaceuticals	**72 381**	200 974
Hospital	**9 915**	73 305
Rest of Africa	**6 870**	42 236
India	**6 299**	15 511
	95 465	332 026

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

	9 months June 2014 R'000	12 months September 2013 R'000
Other		
Impairment losses [2]		
Southern Africa	**506 960**	
Pharmaceuticals	**506 692**	–
Hospital	**268**	–
Rest of Africa	**58 900**	–
India	**277 504**	–
	843 364	–

[2] *Impairment losses include impairments of long-term receivables, intangible assets, inventories and property, plant and equipment.*

	9 months June 2014 R'000	12 months September 2013 R'000
Depreciation and amortisation		
Southern Africa	**109 894**	140 054
Pharmaceuticals	**88 349**	111 777
Hospital	**21 545**	28 277
Rest of Africa	**7 169**	7 617
India	**40 055**	36 902
	157 118	184 573

ANNEXURE B – SHARE-BASED PAYMENT 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. During the current year, the equity-settled scheme was re-introduced, and certain senior employees were granted options on 17 June 2014.

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

Original equity-settled (issued whilst part of Tiger Brands)	**June 2014**		September 2013	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the period/year	**570 300**	**16,20**	944 630	14,87
Reinstatement	**–**	**–**	18 200	16,63
Exercised and paid in full[1]	**(461 000)**	**15,14**	(392 530)	12,99
Forfeited	**(6 000)**	**19,96**	–	–
Outstanding at the end of the period/year	**103 300**	**20,42**	570 300	16,20
Exercisable at the end of the period/year	**103 300**	**20,42**	570 300	16,20

[1] *The weighted average share price at the date of exercise, for the options exercised is R69,18 (September 2013: R56,57).*

	June 2014	September 2013
Weighted average remaining contractual life for the share options outstanding at reporting date	**0 years**	0 years
Range of offer prices for options outstanding at the end of the period/year	**R19,95 – R28,33**	R13,62 – R28,33

A loan to the amount of R124 421 relating to a former Adcock Ingram employee was outstanding at the end of the period (September 2013: R433 756).

Adcock Ingram equity-settled	**June 2014**	
	Number	**WAOP**
Outstanding at the beginning of the period	**–**	**–**
Granted during the period	**1 665 000**	**52,20**
Outstanding at the end of the period	**1 665 000**	**52,20**
Exercisable at the end of the period	**–**	**–**

Weighted average remaining contractual life for the share options outstanding at reporting date	**10 years**
Offer price for options outstanding at the end of the period	**R52,20**

Share options are fair valued using a Black-Scholes model. The expected dividend yield was estimated using a 2-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.

Cash-settled

The following table illustrates the number and weighted average offer prices (WAOP) of and movements in Adcock Ingram share options during the period/year.

	June 2014		September 2013	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the period/year	**3 868 514**	**52,06**	3 463 690	49,62
Granted	**–**	**–**	1 327 148	53,99
Forfeited	**(70 992)**	**57,91**	(394 880)	54,56
Exercised	**(891 450)**	**37,56**	(527 444)	36,58
Outstanding at the end of the period/year	**2 906 072**	**26,61**	3 868 514	52,06
Vested and exercisable at the end of the period/year	**384 460**	**53,17**	515 710	38,37

ANNEXURE B – SHARE-BASED PAYMENT PLANS
(continued)

A GENERAL EMPLOYEE SHARE OPTION PLAN (continued)

Cash-settled (continued)	**June 2014**	September 2013
Weighted average remaining contractual life for the share options outstanding at reporting date	**2,22 years**	3,52 years
Range of offer prices for options outstanding at the end of the period/year	**R34,78 – R62,29**	R28,27 – R62,29
Carrying amount of the liability relating to the cash-settled options at reporting date (R million)	**14,78**	39,15

The income recognised for employee services received during the period to 30 June 2014 is R4,0 million (September 2013: expense of R11,7 million).

Share price volatility is based on the historical volatility of the Adcock Ingram share price matching the remaining life of each option or the longest available period where sufficient historical data was not available. 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 an European expiry profile, i.e. with a single exercise date at maturity.

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.

From 1 January 2015, the beneficiaries may exercise their vested rights, in which event the beneficiary may:

- instruct the trustees to sell all of their shares and distribute the proceeds to them, net of the funds required to pay the capital contribution, taxation (including employees' tax), costs and expenses;
- instruct the trustees to sell sufficient shares to fund the capital contribution, pay the taxation (including employees' tax), costs and expenses and distribute to them the remaining shares to which they are entitled; or
- fund the capital contribution, taxation (including employees' tax), costs and expenses themselves and receive the shares to which they are entitled.

	June 2014	September 2013
Expense recognised for employee services received during the period/year (R million)	**3,6**	6,7
Number of participation rights allocated to Adcock Ingram employees at reporting date	**1 054 232**	1 068 982
Weighted average remaining contractual life for the share options outstanding at reporting date	**0,86 years**	1,55 years

No weighted average exercise price has been calculated as there were no options exercised.

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.

C 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.

BEE participants

The entities which participated in the transaction are:

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

Blue Falcon's shareholders are as follows:

- Kagiso Strategic Investments III (Pty) Limited (62,9%)
- Kurisani Youth Development Trust (26,6%)
- Mookodi Pharma Trust (10,5%)

ANNEXURE B – SHARE-BASED PAYMENT PLANS

(continued)

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Estimated economic costs

The total value of the transaction was R1,321 million, based on the 10-day VWAP of R50,91 per ordinary share on the JSE as at the close of trade on Thursday, 19 November 2009, being the date when the Memorandum of Understanding was signed.

IFRS 2 sets out the basis for calculating the economic cost shown above and the valuation uses the following key inputs or assumptions:

- the Black-Scholes model for valuing options;
- the actual or likely conversion dates attached to the A and B ordinary shares; and
- using available open-market data, estimated expected future ordinary share prices as determined using option pricing models and an estimation of the future dividends at given dates.

These calculations derive an expected future cost associated with the transaction that is then discounted to the present.

The expense recognised for employee services during the period amounts to R10,1 million (September 2013: R15,1 million) after allocations were made to staff on 31 March 2014 at a fair value of R6,04 per option.

The following table illustrates the movement in units issued to employees during the period/year:

Equity-settled	June 2014 Number	September 2013 Number
Outstanding at the beginning of the period/year	**4 636 100**	4 979 100
Granted	**322 000**	321 300
Forfeited	**(158 200)**	(203 000)
Paid out[1]	**(131 600)**	(461 300)
Outstanding at the end of the period/year	**4 668 300**	4 636 100
Vested at the end of the period/year	**2 534 700**	1 698 900
Exercisable at the end of the period/year[2]	**49 000**	100 100
Available for future distribution to qualifying employees	**1 226 265**	1 388 665

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

[2] *Became exercisable as a result of death, disability, retirement or retrenchment.*

Key terms and contractual obligations

The key terms of the A and B ordinary shares and the key contractual obligations of the holders of A and B ordinary shares are as follows:

- Adcock Ingram has the right to repurchase all or some of these shares at the end of the respective transaction terms in accordance with the call option formula;
- these shares will not be listed but will be considered in determining a quorum and will be entitled to vote on any or all resolutions proposed at general/annual general meetings;
- the shares will automatically convert into ordinary shares at the end of the respective transaction terms;
- the shares will be entitled to ordinary dividends and dividends *in specie pari passu* with the ordinary shares;
- during the lock-in period, Blue Falcon will be entitled to retain 15% of the ordinary dividends received by it in respect of the A ordinary shares. The Bophelo Trust will not be entitled to retain any of the ordinary dividends received in respect of the B ordinary shares;
- the balance of the ordinary dividends received by Blue Falcon and all ordinary dividends received by the Bophelo Trust, will on a compulsory basis be used, within a period of 30 business days after receipt, to purchase ordinary shares;
- 100% of the dividends received on the ordinary shares compulsorily acquired by Blue Falcon and the Bophelo Trust must likewise be utilised to purchase ordinary shares;
- all such ordinary shares compulsorily acquired will also be subject to the call option, to the extent required;
- Blue Falcon may deal with any dividends *in specie* received as it deems fit while the Bophelo Trust will hold any *in specie* dividends received for the benefit of the beneficiaries;
- A and B ordinary shares and compulsorily acquired ordinary shares will not be entitled to receive special dividends until such time as the notional loan outstanding has reduced to zero; and
- an equivalent amount of the special dividends which would otherwise have been received by the BEE participants shall be offset against the notional outstanding loan with effect from the date on which such special dividends are paid to ordinary shareholders.

ANNEXURE C – DEFINED BENEFIT 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 R62.8 million (2013: R72.5 million). Contributions to the defined contribution plan expected in the following year are R62.8 million (2013: R72.5 million). In addition, the Company and its subsidiaries contribute 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 last full actuarial valuation was done as at 30 September 2013.

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

	9 months June 2014 R'000	12 months September 2013 R'000
Net benefit expense		
Interest cost on benefit obligation	**165**	376
Return on plan assets	**(621)**	(645)
Effect of paragraph 64	**456**	269
Net benefit expense	**–**	–
Actual return on plan assets	**492**	1 690
Benefit liability		
Defined benefit obligation	**(1 523)**	(2 612)
Fair value of plan assets	**10 206**	9 765
	8 683	7 153
Unrecognised due to paragraph 64 limit	**(8 683)**	(7 153)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 October	**(2 612)**	(5 226)
Interest cost	**(165)**	(376)
Benefits paid	**51**	317
Actuarial gains on obligation	**1 203**	2 673
Defined benefit obligation at 30 June/September	**(1 523)**	(2 612)
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 October	**9 765**	11 772
Return	**621**	645
Benefits paid	**(51)**	(317)
Actuarial loss	**(129)**	(2 335)
Fair value of plan assets at 30 June/September	**10 206**	9 765
Asset coverage over liabilities (times)	**6,7**	3,7
The fair values of the assets have not materially changed upon the adoption of IFRS 13.		
The assumptions used in the valuations are as follows:	**%**	%
Discount rate	**8,60**	8,50
Future salary increases	**7,50**	7,10
Future pension increases	**6,50**	6,10
	%	%
Estimated asset composition		
Cash	**97,10**	72,80
Bonds	**2,90**	27,20
Total	**100,00**	100,00

	Valuation R'000	**+1% R'000**	**-1% R'000**
Sensitivity as at June 2014			
The liability was recalculated to show the effect of:			
A one percentage point variance in the discount rate assumption	**(1 523)**	**(1 427)**	**(1 636)**
A one percentage point variance in the inflation rate	**(1 523)**	**(1 636)**	**(1 424)**

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 2014.

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

	9 months June 2014 R'000	12 months September 2013 R'000
Net benefit expense		
Current service cost	**20**	27
Interest cost on benefit obligation	**932**	1 068
	952	1 095
Defined benefit obligation at 1 October	**(15 108)**	(15 341)
Interest cost	**(932)**	(1 068)
Current service cost	**(20)**	(27)
Benefits paid	**906**	1 138
Actuarial (losses)/gains on obligation	**(6 880)**	190
Defined benefit obligation at 30 June/September	**(22 034)**	(15 108)
The following payments are expected contributions to the defined benefit plan obligation in future years:		
Within the next 12 months	**21**	29

The assumptions used in the valuations are as follows:	**%**	%
Discount rate	**8,60**	8,60
CPI increase	**6,50**	6,00
Healthcare cost inflation	**8,50**	8,00
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity	**R'000**	R'000
A one percentage point increase in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:		
Increase of the interest cost	**224**	136
Increase of the liability	**2 502**	1 500
A one percentage point decrease in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:		
Decrease of the interest cost	**189**	116
Decrease of the liability	**2 121**	1 277

ANNEXURE E – FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

Classification of financial instruments and fair value hierarchy

Financial instruments	Classification per IAS 39	Statement of financial position line item	June 2014 R'000	September 2013 R'000
Investments [1]	Available-for-sale	Other financial assets	**2 764**	2 334
Black Managers Share Trust	Loans and receivables	Other financial assets	**136 191**	137 312
Trade and sundry receivables	Loans and receivables	Trade and other receivables	**1 156 543**	1 467 369
Foreign exchange contracts – derivative asset [2]	Fair value cash flow hedge	Trade and other receivables	**–**	6 012
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	**247 852**	153 733
Long-term borrowings	Loans and borrowings	Long-term borrowings	**1 004 861**	4 841
Trade and other payables	Loans and borrowings	Trade and other payables	**1 107 142**	1 247 556
Foreign exchange contracts – derivative liability [2]	Fair value cash flow hedge	Trade and other payables	**617**	–
Short-term borrowings	Loans and borrowings	Short-term borrowings	**5 132**	100 483
Bank overdraft	Loans and borrowings	Bank overdraft	**319 613**	1 364 134

[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. There are no significant unobservable inputs that are used in the valuation.

[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 the 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.

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 prices in active markets;

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2014, 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 South Africa, India, Ghana and Zimbabwe:

- 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, the South African prime and Indian bank lending rates.

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)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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):

	Change in rate	(Decrease)/Increase in profit before tax	
	%	**June 2014 R'000**	September 2013 R'000
Liabilities			
Indian rupee loans	+1	**(43)**	(39)
US dollar loans	+1	**(46)**	–
South African loans at variable rates	+1	**(10 010)**	(1 014)
Cash balances			
Cash and cash equivalents	+1	**2 479**	1 537
Bank overdraft	+1	**(3 196)**	(13 641)

Credit risk
Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loan 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 credit worthy.

The Group trades only with recognised, credit worthy 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, 68% of all debtors 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 12,6% (R139.4 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
Although the Group is in a net debt position it has limited exposure to liquidity risk as all obligations in the foreseeable future will be met.

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 maturity profile of the Group's long-term financial liabilities at 30 June 2014, based on contractual undiscounted payments, is shown in note 21 and the maturity profile of the trade and other payables in note 23.

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 assets/liabilities
In converting foreign denominated assets and liabilities, the following exchange rates were used:

	Assets Rand	**Liabilities Rand**
June 2014		
US Dollar	**10,63**	**10,62**
Euro	**14,52**	**14,51**
September 2013		
US Dollar	10,05	10,05
Euro	13,61	13,59

ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign operations

In translating the foreign operations, the following exchange rates were used:

	June		September	
	2014	**2014**	2013	2013
	Income/ Expenses	**Assets/ Liabilities**	Income/ Expenses	Assets/ Liabilities
	Average (Rand)	**Spot (Rand)**	Average (Rand)	Spot (Rand)
Kenyan Shilling	**0,1209**	**0,1215**	0,1069	0,1168
Ghanaian Cedi	**4,0748**	**3,1959**	4,6638	4,6125
United States Dollar	**10,5474**	**10,6253**	9,3092	10,0505
Indian Rupee	**0,1725**	**0,1769**	0,1647	0,1605

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.

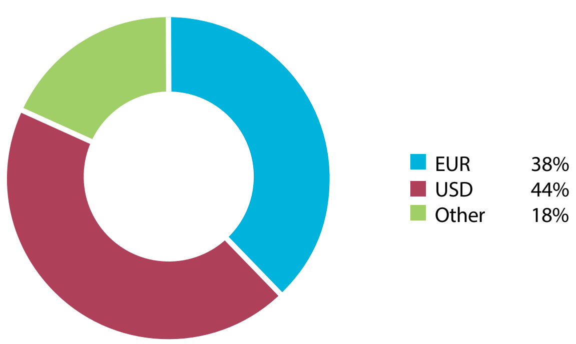
The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Forward exchange contracts are entered into to cover import exposures. The fair value is determined using the applicable foreign exchange spot rates at reporting dates.

At 30 June 2014, 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 2014 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.

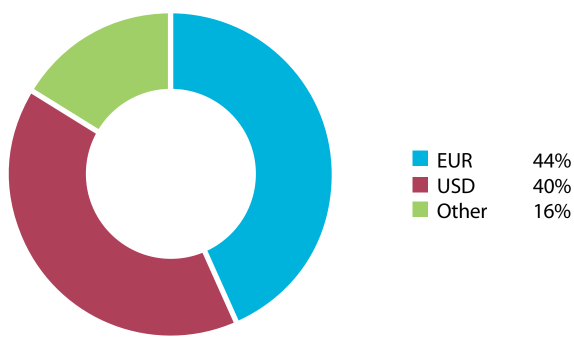
A summary of the material contracts, comprising at least 82% of the total contracts outstanding at:

	Foreign currency '000	**Average forward rate**	**R'000**
30 June 2014			
Foreign currency			
US Dollar	**3 851**	**10,71**	**41 256**
Euro	**2 426**	**14,59**	**35 405**
30 September 2013			
Foreign currency			
US Dollar	12 119	10,02	121 404
Euro	9 973	13,21	131 700

2014



2013



ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

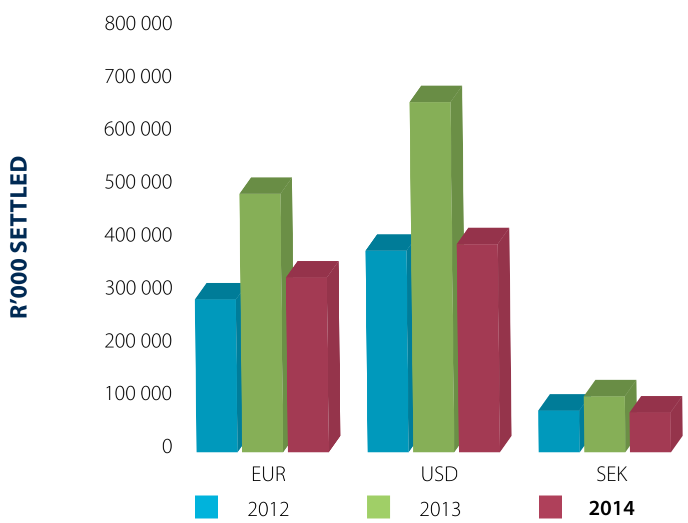
The maturity analysis for the outstanding contracts at:

	US Dollar '000	Rands '000	Euro '000	Rands '000
30 June 2014				
Within 30 days	**2 353**	**25 039**	**1 946**	**28 334**
31 to 60 days	**1 380**	**14 924**	**435**	**6 387**
61 to 90 days	**112**	**1 221**	**–**	**–**
> 90 days	**6**	**72**	**45**	**684**
	3 851	**41 256**	**2 426**	**35 405**
30 September 2013				
Within 30 days	11 478	115 059	7 664	101 593
31 to 60 days	641	6 345	1 953	25 684
61 to 90 days	–	–	250	3 095
> 90 days	–	–	106	1 328
	12 119	121 404	9 973	131 700

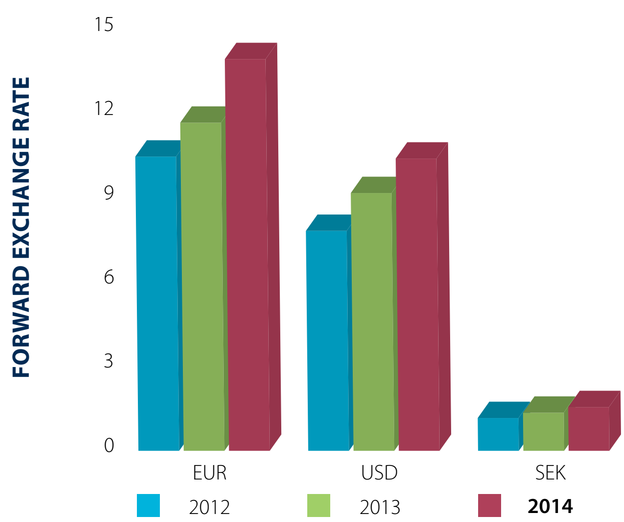
A summary of the material contracts settled during the period/year ended:

	Foreign currency '000	Average forward rate	R'000
30 June 2014			
Foreign currency			
US Dollar	**37 766**	**10,43**	**393 801**
Euro	**23 661**	**13,98**	**330 814**
Swedish Krona	**48 253**	**1,56**	**75 300**
30 September 2013			
Foreign currency			
US Dollar	72 013	9,20	662 650
Euro	41 762	11,71	489 050
Swedish Krona	77 767	1,36	105 951

FOREIGN CURRENCY SETTLED (R'000)



AVERAGE FORWARD RATE



ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 foward exchange contracts and net investment hedges):

	Change in rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
June 2014			
US dollar			
	+10	**193**	**2 957**
	-10	**(193)**	**(2 957)**
Euro			
	+10	**3 882**	**2 544**
	-10	**(3 882)**	**(2 544)**
Swedish Krona			
	+10	**1 107**	**1 165**
	-10	**(1 107)**	**(1 165)**

	Change in rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
September 2013			
US dollar			
	+10	2 475	8 783
	-10	(2 475)	(8 783)
Euro			
	+10	5 845	9 794
	-10	(5 845)	(9 794)
Swedish Krona			
	+10	2 239	3 461
	-10	(2 239)	(3 461)

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 annualised EBITDA, and interest cover.

	June 2014 R'000	September 2013 R'000
Interest-bearing loans and borrowings	**1 329 606**	1 469 458
Less: Cash and short-term deposits	**(247 852)**	(153 733)
Net debt	**1 081 754**	1 285 602
Equity	**2 857 479**	3 763 906
Gearing ratio %	**38**	34

ANNEXURE F – INTEREST IN JOINT VENTURES

INTEREST IN JOINT VENTURES

The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

		June 2014 R'000	September 2013 R'000	September 2012 R'000
1	**ADCOCK INGRAM LIMITED (INDIA)**			
	STATEMENT OF FINANCIAL POSITION			
	Property, plant and equipment	**166 102**	150 190	138 032
	Intangible assets	**–**	–	12
	Non-current assets	**166 102**	150 190	138 044
	Inventories	**66 947**	55 507	41 018
	Trade and other receivables	**210 621**	164 341	64 579
	Cash and cash equivalents	**10 077**	18 711	24 020
	Current assets	**287 645**	238 559	129 617
	Total assets	**453 747**	388 749	267 661
	Post-retirement medical liability	**1 799**	–	–
	Deferred tax	**22 291**	35 074	17 629
	Non-current liabilities	**24 090**	35 074	17 629
	Trade and other payables	**62 909**	63 275	53 984
	Short-term borrowings	**33 537**	59 473	42 880
	Provisions	**579**	834	792
	Taxation payable	**90 865**	41 571	22 519
	Current liabilities	**187 890**	165 153	120 175
	Total liabilities	**211 980**	200 227	137 804
	Equity	**241 767**	188 522	129 857
	Proportion of Group's ownership (%)	**49,9**	49,9	49,9
	Carrying amount of the investment	**120 642**	94 073	64 799
	STATEMENT OF COMPREHENSIVE INCOME*	**9 months June 2014 R'000**	12 months September 2013 R'000	12 months September 2012 R'000
	Turnover	**290 568**	417 415	266 417
	Cost of sales	**(204 776)**	(298 158)	(184 030)
	Gross profit	**85 792**	119 257	82 387
	Selling and distribution expenses	**(263)**	(255)	(431)
	Marketing expenses	**(4)**	–	–
	Fixed and administrative expenses	**(14 340)**	(7 828)	(30 455)
	Operating profit	**71 185**	111 174	51 501
	Finance income	**1 566**	1 042	283
	Finance costs	**(2 445)**	(4 265)	(6 299)
	Profit before taxation	**70 306**	107 951	45 485
	Taxation	**(29 301)**	(34 551)	(14 924)
	Profit for the period/year	**41 005**	73 400	30 561
	Group's share of profit for the period/year	**20 462**	36 627	15 250

* *Before eliminating intercompany transactions.*

ANNEXURE F – INTEREST IN JOINT VENTURES
(continued)

		June 2014 R'000	September 2013 R'000	September 2012 R'000
2	**NATIONAL RENAL CARE (PTY) LIMITED**			
	STATEMENT OF FINANCIAL POSITION			
	Property, plant and equipment	**82 037**	85 620	80 968
	Loans receivable	**33 266**	32 978	32 978
	Investment in associate	**11 483**	5 326	–
	Deferred tax	**11 218**	13 356	–
	Non-current assets	**138 004**	137 280	113 946
	Inventories	**15 132**	15 386	9 094
	Trade and other receivables	**50 903**	40 370	64 910
	Cash and cash equivalents	**108 500**	112 282	93 286
	Taxation receivable	**2 830**	494	–
	Current assets	**177 365**	168 532	167 290
	Total assets	**315 369**	305 812	281 236
	Long-term borrowings	**–**	5 838	6 442
	Non-current liabilities	**–**	5 838	6 442
	Trade and other payables	**100 147**	89 788	109 600
	Short-term borrowings	**–**	5 518	14 098
	Provisions	**11 382**	10 418	–
	Taxation payable	**–**	–	7 532
	Current liabilities	**111 529**	105 724	131 230
	Total liabilities	**111 529**	111 562	137 672
	Non-controlling interests	**40 650**	33 922	24 368
	Equity	**163 190**	160 328	119 196
	Proportion of Group's ownership (%)	**50,0**	50,0	50,0
	Carrying amount of the investment	**81 595**	80 164	59 598

STATEMENT OF COMPREHENSIVE INCOME*	9 months June 2014 R'000	12 months September 2013 R'000	12 months September 2012 R'000
Turnover	**552 069**	689 326	575 954
Cost of sales	**(447 147)**	(542 060)	(498 116)
Gross profit	**104 922**	147 266	77 838
Selling and distribution expenses	**(52 093)**	(66 964)	–
Marketing expenses	**(277)**	–	–
Fixed and administrative expenses	**(16 391)**	23 792	(23 820)
Operating profit	**36 161**	104 094	54 018
Finance income	**3 870**	5 002	3 570
Finance costs	**(978)**	(716)	(9 804)
Equity accounted earnings	**2 871**	5 326	–
Profit before taxation	**41 924**	113 706	47 784
Taxation	**(12 332)**	(33 020)	(16 380)
Profit for the period/year	**29 592**	80 686	31 404
Less: Non-controlling interests	**(6 727)**	(9 554)	–
Profit attributable to owners of the parent	**22 865**	71 132	31 404
Group's share of profit for the period/year	**11 433**	35 566	15 702

* *Before eliminating intercompany transactions.*

ANNEXURE G – IMPAIRMENTS

	9 months June 2014 R'000
A GOODWILL	
NutriLida	**163 607**
The current reporting period showed extremely poor performance within this portfolio with significant decreases in volumes and price. The forecast period reflects some improvement in volumes and price compared to 2014 financial period. The key factors resulting in the impairment were as follows: • change in CAM regulations impacting the NutriLida brands directly. An additional risk premium of 1% was included in the discount rate of 13,5% used in the cashflow forecasts due to this uncertainty; • revenue for the forecast period is different to the original forecasts estimated at the original date of purchase of the business. This is as a result of a decrease in volumes in the current reporting period and market share declines following the relatively constant inflow of new entrants into the market. The forecast period, although reflecting higher volumes than the 2014 financial period as well as slightly better pricing, results in a value in use that necessitates an impairment; • certain product packs are being discontinued which resulted in reduced cashflow forecasts; and • a change in the structure of the business results in additional costs being allocated to the cash generating unit which impacts the overall margins of the business.	
TLC	**13 455**
This brand performed poorly in the current financial period. The forecast period largely reflects negative cashflows which results in the complete impairment of the goodwill. The key factors resulting in the impairment were as follows: • the discontinuation of some product lines; • a higher discount rate of 12.8% was used due to the small size of the business; and • a change in the structure of the business results in additional costs being allocated to the cash generating unit which impacts the overall margins of the business.	
Unique	**8 448**
The Unique brand has been discontinued and it is not expected that any future economic benefit will arise directly or indirectly from the brand resulting in the full impairment of the goodwill.	
Bioswiss	**10 354**
There is significant uncertainty regarding the strategic direction of Bioswiss and the intention of the Group to participate in the future of this business. All scenarios currently under consideration by the Group include the possible discontinuation of the Bioswiss name and brand within the Group's stable.	
Ayrton	**36 063**
The goodwill relating to the Ayrton business has been fully impaired in the current year. The major contributors to this impairment are the regulatory changes which will require significant capital expenditure to upgrade manufacturing facilities to comply with regulatory standards in 2018. This poses a risk to the business as such capital expenditure requires significant cash outflows in the 2018 financial year. In addition, the imposition of Value Added Tax (VAT) on local pharmaceuticals in the current financial period has impacted negatively on sales and is expected to impact the business going forward. Increasing raw material foreign-denominated costs resulting in lower margins also contributed to the impairment of the goodwill.	
India	**66 727**
The goodwill relating to the Cosme business as well as the Cosme corporate brand have been fully impaired in the current year. The major contributor to this impairment is the regulatory changes, including NLEM pricing, which negatively impacted sales in the current financial period and is expected to impact the business going forward.	
	298 654

ANNEXURE G – IMPAIRMENTS
(continued)

		9 months June 2014 R'000
B OTHER INTANGIBLE ASSETS		
Trademarks impaired in the current period relate to the following brands:		
Reportable segment	**Brand**	
OTC	NutriLida	**4 198**
OTC	Tender Loving Care (TLC)	**65 154**
OTC	Addvance	**9 788**
OTC	Unique Formulations	**17 213**
Prescription	Bioswiss	**14 238**
Rest of Africa	Dawanol	**8 598**
Rest of Africa	Ayrton	**13 414**
India	Cosme	**170 532**
		303 135

The key impairment drivers are market and economic factors, changes in internal strategies and changes in regulations. The items are discussed in more detail below:

Changes in market and economic factors

NutriLida, TLC and Addvance have been negatively impacted in the current period by a lower market share following new entrants into the market. These brands have performed particularly poorly in the current financial period and whilst the forecast volumes of products not being discontinued are expected to increase compared to 2014 the outlook over the forecast period has been moderated. With volumes and pricing under pressure these brands are not forecast to achieve the same level of profitability initially expected which has contributed to the impairments in the current financial period.

The **Dawanol** brand was subjected to counterfeiting in previous financial years. This product has battled to recover from the effects of this, and coupled with a generally poor performing market has contributed to an impairment in the current period. Due to the counterfeiting problems encountered, sales forecasts have not been achieved over recent years and whilst the brand has been given sufficient time to recover it has not managed to do so.

Changes in internal strategies

The change in internal strategies for the forecast period has also been a key contributor to the impairments of the abovementioned brands, specifically **TLC, Unique and Bioswiss.**

Decisions were recently taken to discontinue certain products within the **TLC** portfolio. This has contributed to negative cashflows being forecast and the resulting impairments.

The decision to discontinue the **Unique** brand completely has resulted in the full impairment of the brand previously carried in the statement of financial position.

Significant uncertainty regarding the strategic direction of **Bioswiss** and the use of the associated trademark has resulted in the complete impairment of the brand and the related goodwill.

Addvance and **TLC** have been impacted by increased marketing investment in an attempt to regain market share which resulted in lower profit margins.

Changes in the regulatory environment

The changes in CAM regulations will impact the overall performance of certain of the non-SEP brands, but there remains significant uncertainty on the ultimate financial impact of these changes.

Regulatory changes in Ghana, coupled with the imposition of VAT on local pharmaceuticals resulted in the impairment of the intangibles in **Ayrton** as expected cashflows were impacted adversely.

Regulatory changes in India, coupled with the internal strategy to promote the Adcock Ingram brand resulted in the partial impairment of the intangibles in India relating to the **Cosme** brand.

ANNEXURE G – IMPAIRMENTS
(continued)

C PROPERTY, PLANT AND EQUIPMENT

Location	Reportable segment	Category	9 months June 2014 R'000
Wadeville	Southern Africa – Pharmaceuticals	Land and buildings	**21 488**
Wadeville	Southern Africa – Pharmaceuticals	Plant and equipment	**31 761**
Distribution	Southern Africa – Pharmaceuticals	Plant and equipment	**14 671**
Addclin	Southern Africa – Pharmaceuticals	Plant and equipment	**498**
Datlabs	Rest of Africa	Plant and equipment	**825**
			69 243

Wadeville

In the current year, the recoverable amount of certain plant and equipment as well as renovations relating specifically to the production of ARVs reduced as certain parts of the ARV-facility became idle as a result of lower than forecast volumes. The outlook in this regard remains extremely uncertain and an impairment was required. The land and buildings have been revalued based on a capitalisation of income methodology.

Distribution

Specific assets in the Midrand warehouse became idle following a change in strategy and the recoverable amount of these assets was adjusted accordingly.

Addclin

Specific assets in Addclin became redundant following the closure of the business.

Datlabs

Specific assets in the Zimbabwean business became redundant following the cancellation of a manufacturing agreement.

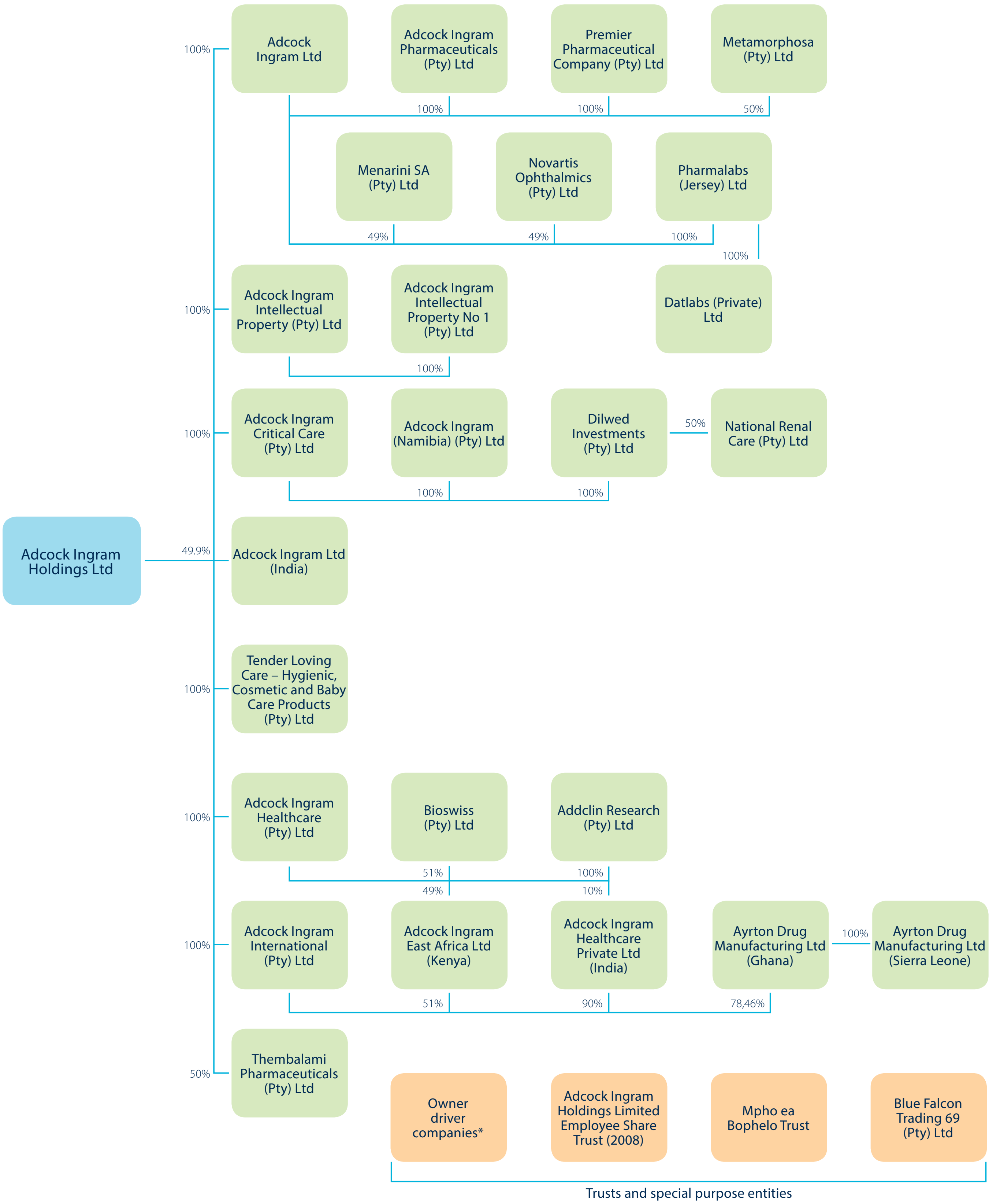
ANNEXURE G – IMPAIRMENTS
(continued)

		9 months June 2014 R'000
D INVENTORIES		
Reportable segment	**Category**	
Prescription	ARVs	**130 966**
Due to high inventory levels in the market, the probability of sales of certain products have become remote, particularly when coupled with short-term expiry dates.		
E OTHER		
Reportable segment	**Asset**	
Southern Africa	BMT investment	**1 121**
India	Long-term receivable	**40 245**
		41 366
The Group considered it prudent to impair a long-term receivable in the Indian operation as the recoverability became uncertain. 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 in the current year. This required an impairment of this asset.		
SUMMARY OF IMPAIRMENTS DURING THE CURRENT FINANCIAL PERIOD		
A	Goodwill	**298 654**
B	Other intangibles	**303 135**
C	Property, plant and equipment	**69 243**
D	Inventories	**130 966**
E	Other	**41 366**
		843 364

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES

	Shareholding June 2014 %	Shareholding September 2013 %
Subsidiaries		
Adcock Ingram Limited	**100**	100
Adcock Ingram Healthcare (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property (Pty) Limited	**100**	100
Adcock Ingram Critical Care (Pty) Limited	**100**	100
Adcock Ingram International (Pty) Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products (Pty) Limited	**100**	100
Joint ventures		
Thembalami Pharmaceuticals (Pty) Limited	**50**	50
Adcock Ingram Limited (India)	**49,9**	49,9
Indirect holdings		
Adcock Ingram Pharmaceuticals (Pty) Limited	**100**	100
Premier Pharmaceutical Company (Pty) Limited	**100**	100
Metamorphosa (Pty) Limited	**50**	50
Menarini SA (Pty) Limited	**49**	49
Novartis Ophthalmics (Pty) Limited	**49**	49
Batswadi Biotech (Pty) Limited	**0**	45
Bioswiss (Pty) Limited	**51**	51
Addclin Research (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property No 1 (Pty) Limited	**100**	100
Dilwed Investments (Pty) Limited	**100**	100
Adcock Ingram Namibia (Pty) Limited	**100**	100
National Renal Care (Pty) Limited	**50**	50
Pharmalabs (Jersey) Limited	**100**	100
Datlabs (Private) Limited	**100**	100
Adcock Ingram Healthcare Private Limited (India)	**100**	100
Adcock Ingram East Africa Limited	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**78,46**	78,32
Ayrton Drug Manufacturing Limited (Sierra Leone)	**78,46**	78,32
Trusts and structured entities		
Adcock Ingram Holdings Limited Employee Share Trust (2008)		
Mpho ea Bophelo Trust		
Blue Falcon Trading 69 (Pty) Limited		
13 Owner driver companies (2013: 12 companies)		

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES



* CONSISTS OF 13 ENTITIES

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, associates 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 impairments.

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.

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. 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.

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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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 Company's functional and the Group's presentational 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 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 date of the statement of financial position. 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 the 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, the Indian Rupee;
- Subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- Subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling; and
- Subsidiary, Ayrton Drug Manufacturing Limited in Ghana, the Ghanaian Cedi.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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. 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 associates and joint ventures.

An associate is an investment over which the Group exercises significant influence through participation in the financial and operating policy decisions, but not control.

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 Proprietary Limited has a 50% indirect interest in National Renal Care Proprietary Limited, a company incorporated in South Africa, which provides renal healthcare services.

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.

Associates and joint ventures are accounted for from the date that significant influence or joint control is obtained to the date that the Group ceases to have significant influence or joint control.

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 an associate or joint venture 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 associate.

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 the equity accounted earnings.

In the Company financial statements, associates and joint ventures are initially accounted for at cost when significant influence or joint control is obtained and subsequently at cost less accumulated impairment losses.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

Upon loss of significant influence over the associate or loss of 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 upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

An equity accounted investment in an associate 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 associate or joint venture prepares financial statements as of the same date as the Group. If this is impracticable, financial statements are used where the date difference is no more than three months. Adjustments are made for significant transactions between the relevant dates.

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 Proprietary Limited is September.

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 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 through profit or loss in the year the asset is derecognised.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognised in profit or loss.

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 and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Where goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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 through 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 financial 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.

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 through 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.

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 through 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 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 annual 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. 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 pre-tax 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 cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

Ten years are used in instances where the Group believes that assets have a value in use of more than ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of profit or loss in non-trading expenses.

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 cash-generating unit'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 as at 30 June (previously 30 September) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group thereof to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

INTANGIBLE ASSETS
Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June (previously 30 September) at the cash-generating unit level or individually, as appropriate, and when circumstances indicate that the carrying value may be impaired.

FINANCIAL ASSETS
INITIAL RECOGNITION AND MEASUREMENT
Financial assets within the scope of IAS 39 are classified as financial assets 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

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 at 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, or determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to profit or loss in the statement of comprehensive income.

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.

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 future 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

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 through 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an existing liability and a recognition of a new financial liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income through profit or loss.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Annexure E for further disclosures.

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.

FAIR VALUE HEDGES

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised immediately in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the change in the fair value of the firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in the fair value of the hedging instrument is also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

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.

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. If the related transaction is not expected to occur, the amount is taken to profit or loss.

HEDGES OF A NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recognised in other comprehensive income are transferred to profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows):

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item;
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract; and
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS
An item 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 probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to dispose.

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 co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the prior year, income and expenses from discontinued operations are reported separately from 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.

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 raw materials.

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 pre-tax 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 financing 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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

INCOME TAXES

The income tax expense represents the sum of current income tax, deferred tax and Dividends Tax.

CURRENT INCOME TAX

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

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income and not in profit or loss. 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.

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
- except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in 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
- except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in 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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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.

DIVIDENDS TAX

A Dividends Tax of 15% of dividend distributions is withheld from shareholders and paid to the South African Revenue Service for dividends paid on or after 1 April 2012, 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 consumes 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.

Remeasurements, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

Current service costs are recognised in the statement of comprehensive income through profit or loss in those expense categories consistent with the function of the employee cost.

Past service costs are expense when it occurs regardless if vested or not.

The defined benefit asset or liability recognised in the statement of financial position comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past service costs and the fair value of plan assets out of which the obligations are to be settled. The value of an asset recognised is restricted to the sum of the unrecognised past service costs and unrecognised actuarial gains or losses and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

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, 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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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 SHARE OPTIONS GRANTED BEFORE 7 NOVEMBER 2002

No expense is recognised in the statement of comprehensive income in profit or loss for such awards.

The Group has taken advantage of the voluntary exemption provision of IFRS 1: *First-time Adoption of International Financial Reporting Standards* in respect of equity-settled awards and has applied IFRS 2: *Share-based Payment* – only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

EQUITY-SETTLED AND CASH-SETTLED SHARE OPTIONS GRANTED AFTER 7 NOVEMBER 2002

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 valuer using a modified version of the Black-Scholes model, further details of which are given in Annexure B.

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 (see Annexure B). 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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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.

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.

CONSOLIDATION OF STRUCTURED ENTITIES

BLUE FALCON TRADING 69 (PTY) LIMITED AND MPHO EA BOPHELO TRUST

Blue Falcon Trading 69 (Pty) Limited and Mpho ea Bophelo Trust are entities incorporated for the purpose of facilitating Adcock Ingram Holdings Limited's BEE transaction and are consolidated into the Group in accordance IFRS 10.

In substance, 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, the Group retains the majority of the residual or ownership risks and rewards related to these entities or their assets in order to obtain benefits from their activities in the form of BEE credentials and therefore it was considered that the Group controls these 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 is insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN 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.

CARRYING VALUE OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Goodwill and indefinite life intangible assets are tested for impairment bi-annually, while property, plant and equipment 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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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 fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transactions. The assumptions and models used are disclosed in Annexure B.

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. The assumptions and models used are disclosed in Annexure B.

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 measured using a Black-Scholes option pricing model.

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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

The following standards and interpretations have not been applied by the Group as the standards and interpretations are not yet effective.

The Group intends to adopt these standards when they become effective.

IFRS 9: *FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments. This standard is part of the IASB's project to replace IAS 39 in its entirety. The Board's work on the subsequent phases is ongoing and includes impairment, hedge accounting and derecognition. On adoption, the Group will need to consider its financial assets and liabilities in light of its business model or managing such assets and liabilities, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items. IFRS 9 will be effective for the Group from 1 July 2018. The Group will quantify the effect once the final standard is issued.

IAS 32: *FINANCIAL INSTRUMENTS: PRESENTATION: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES*

IAS 32 as amended clarifies the meaning of the entity currently having a legally enforceable right to set-off financial assets and financial liabilities. IAS 32 will be effective for the Group from 1 July 2014.

IAS 39: *NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for the Group from 1 July 2014 and the impact, if any, on the Group has not yet been determined.

IAS 16: *PROPERTY, PLANT AND EQUIPMENT AND IAS 38 INTANGIBLE ASSETS*

These amendments prohibit the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. These amendments are effective from 1 July 2016 and are not expected to have any impact on the Group.

IAS 19: *DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS*

This amendment requires contributions from employees or third parties to defined benefit plans, which are linked to service to be attributed to period of service as a negative benefit. This amendment is effective from 1 July 2014 and is not expected to have any impact on the Group.

IFRS 15: *REVENUE FROM CONTRACTS WITH CUSTOMERS*

This standard specifies the accounting treatment where entities enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of Leases. It also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required when this become applicable in 2018 and the impact, if any, on the Group has not yet been determined.

ANNEXURE J – IMPACT OF CHANGES IN ACCOUNTING POLICIES

IFRS 11: *JOINT ARRANGEMENTS AND IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES*

The application of IAS 28 and IFRS11 impacted the Group's recording of its interest in the joint ventures: Adcock Ingram Limited (India) and National Renal Care (Pty) Limited. The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. Prior to the transition to IFRS 11, the Group's share of the assets, liabilities, revenue, income and expenses of these joint ventures was proportionately consolidated in the consolidated financial statements in terms of IAS 31. Upon adoption of IFRS 11, the Group is required to account for its share in Adcock Ingram Limited (India) and National Renal Care (Pty) Limited using the equity method. The transition was applied retrospectively as required by IFRS 11 and the comparative information for the immediately preceding period (2013) is restated. The effect of applying IFRS 11 on the Group's financial statements is as follows:

	Increase/(Decrease) in profit	
STATEMENT OF COMPREHENSIVE INCOME *	**Year ended 30 September 2013 R' 000**	Year ended 30 September 2012 R' 000
Turnover	**(250 454)**	(195 253)
Cost of sales	**117 312**	115 223
Gross profit	**(133 142)**	(80 030)
Selling and distribution expenses	**33 609**	215
Fixed and administrative expenses	**(7 990)**	27 107
Operating profit	**(107 523)**	(52 708)
Finance income	**(3 021)**	(1 926)
Finance costs	**2 486**	8 044
Equity accounted earnings	**(2 663)**	–
Equity accounted profit attributable to joint ventures	**72 193**	27 877
Profit before taxation	**(38 528)**	(18 713)
Taxation	**33 751**	15 637
Profit for the period	**(4 777)**	(3 076)
Profit attributable to:		
Owners of the parent	**–**	–
Non-controlling interests	**(4 777)**	(3 076)
	(4 777)	(3 076)

The transition did not have any impact on either the other comprehensive income for the period or the Group's basic or diluted earnings per share.

** After eliminating intercompany transactions.*

ANNEXURE J – IMPACT OF CHANGES IN ACCOUNTING POLICIES

(continued)

	Increase/(Decrease) in net equity	
STATEMENT OF FINANCIAL POSITION	**30 September 2013 R' 000**	30 September 2012 R' 000
Property, plant and equipment	**(117 755)**	(109 362)
Intangible assets	**–**	(6)
Loans receivable	**(16 489)**	(16 489)
Investment in associate	**(2 663)**	–
Investment in joint ventures	**174 237**	124 397
Deferred tax	**(6 678)**	–
Non-current assets	**30 652**	(1 460)
Inventories	**(35 391)**	(25 015)
Trade and other receivables	**(70 888)**	(64 680)
Taxation receivable	**(247)**	–
Cash and cash equivalents	**(65 478)**	(58 629)
Current assets	**(172 004)**	(148 324)
Total assets	**(141 352)**	(149 784)
Long-term borrowings	**(2 919)**	(3 221)
Deferred tax	**(17 502)**	(8 797)
Non-current liabilities	**(20 421)**	(12 018)
Trade and other payables	**(45 165)**	(81 738)
Short-term borrowings	**(32 436)**	(28 446)
Provisions	**(5 625)**	(395)
Taxation payable	**(20 744)**	(15 003)
Current liabilities	**(103 970)**	(125 582)
Total liabilities	**(124 391)**	(137 600)
Non-controlling interests	**(16 961)**	(12 184)
Net impact on equity	**–**	–

STATEMENT OF CASH FLOWS	**Increase/(Decrease) in cash flows**	
Operating activities	**(28 637)**	(47 100)
Investing activities	**24 796**	16 861
Financing activities	**(3 400)**	7 864
Net foreign exchange difference on cash and cash equivalents	**392**	2
Net increase/(decrease) in cash and cash equivalents	**(6 849)**	(22 373)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**Audited nine-month period ended 30 June 2014 R'000**	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Revenue	2	**3 640 780**	3 635 349	5 229 308
Turnover	2	**3 615 287**	3 617 402	5 195 185
Cost of sales		**(2 475 723)**	(2 113 615)	(3 091 486)
Gross profit		**1 139 564**	1 503 787	2 103 699
Selling and distribution expenses		**(567 435)**	(463 879)	(666 026)
Marketing expenses		**(160 236)**	(143 579)	(211 930)
Research and development expenses		**(81 096)**	(75 318)	(104 941)
Fixed and administrative expenses		**(337 887)**	(225 342)	(311 831)
Trading (loss)/profit		**(7 090)**	595 669	808 971
Non-trading (expenses)/income	3	**(967 645)**	11 092	(25 689)
Operating (loss)/profit		**(974 735)**	606 761	783 282
Finance income	2	**18 987**	10 153	21 510
Finance costs		**(98 620)**	(47 177)	(80 018)
Dividend income	2	**6 506**	7 794	12 613
Equity-accounted earnings		**31 895**	52 027	72 193
(Loss)/Profit for the period/year		**(1 015 967)**	629 558	809 580
Taxation		**53 811**	(166 492)	(213 127)
(Loss)/Profit for the period/year		**(962 156)**	463 066	596 453
Other comprehensive income which will subsequently be recycled to profit or loss		**51 792**	98 968	370
Exchange differences on translation of foreign operations		**52 967**	86 567	(772)
Profit on available-for-sale asset, net of tax		**350**	(80)	247
Movement in cash flow hedge accounting reserve, net of tax		**(1 525)**	12 481	895
Other comprehensive income which will not be recycled to profit or loss subsequently				
Actuarial loss on post-retirement medical liability		**(6 880)**	–	–
Total comprehensive income for the period/year, net of tax		**(917 244)**	562 034	596 823
(Loss)/Profit attributable to:				
Owners of the parent		**(965 343)**	455 034	587 844
Non-controlling interests		**3 187**	8 032	8 609
		(962 156)	463 066	596 453
Total comprehensive income attributable to:				
Owners of the parent		**(914 826)**	551 084	587 203
Non-controlling interests		**(2 418)**	10 950	9 620
		(917 244)	562 034	596 823
Basic (loss)/earnings per ordinary share (cents)		**(572,3)**	269,9	348,6
Diluted basic (loss)/earnings per ordinary share (cents)		**(571,9)**	269,6	348,3
Headline (loss)/earnings per ordinary share (cents)		**(179,5)**	271,7	350,4
Diluted headline (loss)/earnings per ordinary share (cents)		**(179,3)**	271,5	350,2

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES
(continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to holders of the parent						
	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distributable reserves R'000	Total attributable to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2012	16 872	547 400	2 502 510	356 229	3 423 011	125 500	3 548 511
Share issue	36	4 653			4 689		4 689
Movement in treasury shares	(47)	(27 265)			(27 312)		(27 312)
Movement in share-based payment reserve				15 154	15 154		15 154
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(116)		(116)	(224)	(340)
Total comprehensive income			455 034	96 050	551 084	10 950	562 034
Profit for the period			455 034		455 034	8 032	463 066
Other comprehensive income				96 050	96 050	2 918	98 968
Dividends			(195 128)		(195 128)	(6 425)	(201 553)
Balance at 30 June 2013 (Reviewed)	16 861	524 788	2 762 300	467 433	3 771 382	129 801	3 901 183
Share issue	3	407			410		410
Movement in treasury shares	(32)	(21 131)			(21 163)		(21 163)
Movement in share-based payment reserve				(2 077)	(2 077)		(2 077)
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(3)		(3)	1	(2)
Total comprehensive income			132 810	(96 691)	36 119	(1 330)	34 789
Profit for the period			132 810		132 810	577	133 387
Other comprehensive income				(96 691)	(96 691)	(1 907)	(98 598)
Dividends			(145 010)		(145 010)	(555)	(145 565)
Share issue expenses incurred by subsidiary				(3 669)	(3 669)		(3 669)
Balance at 30 September 2013 (Audited)	16 832	504 064	2 750 097	364 996	3 635 989	127 917	3 763 906
Share issue	**46**	**6 856**			**6 902**		**6 902**
Movement in share-based payment reserve				**10 902**	**10 902**		**10 902**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			**(66)**		**(66)**	**(175)**	**(241)**
Total comprehensive income			**(965 343)**	**50 517**	**(914 826)**	**(2 418)**	**(917 244)**
Loss for the period			**(965 343)**		**(965 343)**	**3 187**	**(962 156)**
Other comprehensive income				**50 517**	**50 517**	**(5 605)**	**44 912**
Dividends						**(6 746)**	**(6 746)**
Balance at 30 June 2014 (Audited)	**16 878**	**510 920**	**1 784 688**	**426 415**	**2 738 901**	**118 578**	**2 857 479**

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES

(continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited **30 June 2014** **R'000**	Reviewed 30 June 2013 R'000	Audited Restated 30 September 2013 R'000	Audited Restated 30 September 2012 R'000
ASSETS				
Property, plant and equipment	**1 554 420**	1 609 244	1 648 709	1 450 815
Intangible assets	**836 178**	1 513 251	1 435 716	710 954
Deferred tax	**7 959**	12 544	7 829	5 097
Other financial assets	**138 955**	139 362	139 646	139 751
Investment in joint ventures	**202 237**	169 241	174 237	124 397
Other non-financial asset	**–**	39 707	36 987	–
Loans receivable	**–**	9 388	–	10 571
Non-current assets	**2 739 749**	3 492 737	3 443 124	2 441 585
Inventories	**1 106 261**	1 513 371	1 523 076	931 149
Trade and other receivables	**1 235 674**	1 242 738	1 548 059	1 255 511
Cash and cash equivalents	**247 852**	403 595	153 733	434 087
Taxation receivable	**76 306**	6 425	86 368	85 173
Current assets	**2 666 093**	3 166 129	3 311 236	2 705 920
Total assets	**5 405 842**	6 658 866	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	**16 878**	16 861	16 832	16 872
Share premium	**510 920**	524 788	504 064	547 400
Non-distributable reserves	**426 415**	467 433	364 996	356 229
Retained income	**1 784 688**	2 762 300	2 750 097	2 502 510
Total shareholders' funds	**2 738 901**	3 771 382	3 635 989	3 423 011
Non-controlling interests	**118 578**	129 801	127 917	125 500
Total equity	**2 857 479**	3 901 183	3 763 906	3 548 511
Long-term borrowings	**1 004 861**	108 211	4 841	101 404
Post-retirement medical liability	**22 034**	16 241	15 108	15 341
Deferred tax	**21 047**	104 177	121 564	93 113
Non-current liabilities	**1 047 942**	228 629	141 513	209 858
Trade and other payables	**1 115 563**	1 232 955	1 295 168	901 851
Bank overdraft	**319 613**	1 124 812	1 364 134	–
Short-term borrowings	**5 132**	102 584	100 483	402 922
Cash-settled options	**14 782**	32 675	39 150	39 983
Provisions	**45 331**	36 028	50 006	44 380
Current liabilities	**1 500 421**	2 529 054	2 848 941	1 389 136
Total equity and liabilities	**5 405 842**	6 658 866	6 754 360	5 147 505

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	**59 574**	763 644	1 074 282
Working capital changes	**358 527**	(246 042)	(576 688)
Cash generated from operations	**418 101**	517 602	497 594
Finance income, excluding receivable	**17 287**	12 546	18 699
Finance costs, excluding accrual	**(101 480)**	(36 470)	(71 230)
Dividend income	**20 504**	21 502	34 990
Dividends paid	**(6 746)**	(201 553)	(347 118)
Taxation paid	**(36 869)**	(89 068)	(189 861)
Net cash inflow/(outflow) from operating activities	**310 797**	224 559	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	**–**	291	409
Acquisition of Cosme business, net of cash	**–**	(821 593)	(821 593)
Purchase of property, plant and equipment – Expansion	**(12 278)**	(41 813)	(65 262)
– Replacement	**(83 187)**	(209 380)	(254 315)
Proceeds on disposal of property, plant and equipment	**54**	24	377
Increase in loans receivable	**–**	1 183	–
Net cash outflow from investing activities	**(95 411)**	(1 071 288)	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(241)**	(340)	(342)
Proceeds from issue of share capital	**6 902**	4 690	5 099
Purchase of treasury shares	**–**	(27 313)	(48 475)
Share issue expenses incurred by subsidiary	**–**	–	(3 669)
Increase in borrowings	**1 004 635**	6 188	3 924
Repayment of borrowings	**(100 000)**	(300 000)	(402 980)
Net cash inflow/(outflow) from financing activities	**911 296**	(316 775)	(446 443)
Net increase/(decrease) in cash and cash equivalents	**1 126 682**	(1 163 504)	(1 643 753)
Net foreign exchange difference on cash and cash equivalents	**11 958**	8 200	(735)
Cash and cash equivalents at beginning of period/year	**(1 210 401)**	434 087	434 087
Cash and cash equivalents at end of period/year	**(71 761)**	(721 217)	(1 210 401)

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 2014:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 528	70,1	2 413 534	1,2
1 001 – 10 000 shares	2 362	25,4	7 084 049	3,5
10 001 – 100 000 shares	321	3,4	9 817 517	4,9
100 001 – 1 000 000 shares	84	0,9	26 696 127	13,2
1 000 001 shares and above	16	0,2	155 577 782	77,2
Total	**9 311**	**100**	**201 589 009**	**100**

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*	8	0,08	32 841 024	16,3
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0,01	19 900	0,0
Adcock Ingram Limited	1	0,01	4 285 163	2,1
Blue Falcon Trading 69 (Pty) Limited (A shares)	1	0,01	19 458 196	9,7
Blue Falcon Trading 69 (Pty) Limited (ordinary shares)	1	0,01	1 883 000	0,9
Mpho ea Bophelo Trust (B shares)	1	0,01	6 486 065	3,2
Mpho ea Bophelo Trust (ordinary shares)	1	0,01	688 000	0,4
Directors	2	0,02	20 700	0,0
Public shareholders	9 303	99,92	168 747 987	83,7
Total	**9 311**	**100,00**	**201 589 011**	**100,0**

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 2014:

Investment manager	Total shareholding	%
BB Investment Company (Pty) Ltd	59 266 944	29,40
Public Investment Corp. of South Africa	45 132 289	22,39
Blue Falcon 69 Trading Pty Ltd	21 341 196	10,59
Prudential Portfolio Managers (South Africa)	11 377 769	5,64
Total	**137 118 198**	**68,02**

** Associates of directors do not hold any shares.*

SHAREHOLDER ANALYSIS
(continued)

4 GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	181 680 511	90,12
United States of America and Canada	8 165 655	4,05
United Kingdom	2 166 575	1,08
Rest of Europe	796 706	0,40
Rest of the World[1]	8 779 562	4,35
Total	**201 589 009**	**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
2013 – July	11 510 321	769	70,00	60,00	67,33
2013 – August	6 936 476	465	69,00	65,43	66,10
2013 – September	8 507 055	577	69,55	63,55	68,55
2013 – October	8 961 716	629	72,10	68,50	72,10
2013 – November	18 168 309	1 249	72,50	66,30	70,05
2013 – December	23 822 198	1 676	72,10	70,00	70,90
2014 – January	50 635 855	3 542	71,85	66,71	67,66
2014 – February	7 853 497	467	67,60	55,46	60,20
2014 – March	11 130 709	631	61,82	53,25	59,00
2014 – April	11 207 921	671	64,80	57,50	61,00
2014 – May	5 152 509	307	63,06	55,01	55,01
2014 – June	4 228 333	230	56,59	52,33	53,14

Source: Deutsche Bank

ADCOCK INGRAM INTEGRATED REPORT **2014**

SHAREHOLDERS' diary

Financial year end	30 June 2014
Annual General Meeting (AGM)	21 November 2014
AGM Last Day to Trade	7 November 2014
AGM Voting Record Date	14 November 2014
Proxy forms lodged by 9:00	19 November 2014

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): Mr B Joffe* (Chairman), Mr AG Hall (Deputy CE and Financial Director), Prof M Haus**, Dr T Lesoli, Mr PM Makwana, Dr A Mokgokong*, Mr R Morar*, Mr LP Ralphs*, Mr CD Raphiri, Mr MI Sacks, Dr RI Stewart and Mr KB Wakeford (CEO).

* *Non-independent, non-executive*
** *German*

NOTICE OF ANNUAL GENERAL MEETING OF VOTING MEMBERS ("NOTICE")

All terms defined in, or the definitions of which are incorporated by reference into the Memorandum of Incorporation of Adcock Ingram (the "MOI"), shall bear the same meanings herein unless the term is defined herein or the context requires otherwise.

Notice is hereby given that an Annual General Meeting of voting members will, subject to any cancellation or postponement of the meeting by Adcock Ingram, be convened and held in the auditorium at Adcock Ingram's offices, 1 New Road, Midrand, Gauteng, South Africa commencing a 9:00 on Friday, 21 November 2014.

[This document is important and requires your immediate attention. Your attention is drawn to i) the notes at the end of this Notice, which contain important information regarding participation at the Annual General Meeting, as well as to ii) the Explanatory Notes accompanying this Notice which provide further explanatory material regarding the resolutions set out in this Notice and the other business to be conducted at the Annual General Meeting.]

In terms of section 59(1) of the Companies Act the Board has set the record date to determine which persons are entitled to: (a) receive this Notice of Annual General Meeting as being Friday, 17 October 2014 and (b) participate in and vote at the Annual General Meeting as being Friday, 14 November 2014 ("voting record date"). The last day to trade in the Company's shares, in order to participate in and vote at the Annual General Meeting is Friday, 07 November 2014.

Voting members are reminded that:

- voting members entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy (or concurrent proxies) to attend, participate in and vote (or abstain from voting) at the Annual General Meeting in the place of a voting member and are referred to the attached proxy form;
- a proxy need not also be a voting member; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a company meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as voting member or as proxy for a voting member) has been reasonably verified.

The Annual General Meeting is convened for the purpose of the following business:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The Board will present the audited annual financial statements of the Company and the Group, incorporating, *inter alia*, the reports of the external Auditors, Audit Committee and the directors for the nine-month period ended 30 June 2014, which annual financial statements and reports are included in the Integrated Report to which this Notice of Annual General Meeting is attached.

2. SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Board will present the report of the Social, Ethics and Transformation Committee for the nine-month period ended 30 June 2014, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("Companies Regulations").

3. ELECTION OF DIRECTORS

ORDINARY RESOLUTIONS 1.1 TO 1.4

To elect by way of separate resolutions the directors who are retiring in accordance with paragraph 15.5 of the Company's MOI. These directors are:

1.1 Mr B Joffe; and
1.2 Mr MI Sacks.

To elect the directors who are retiring by rotation in accordance with paragraph 17.1 of the Company's MOI. The directors retiring by rotation are:

1.3 Dr T Lesoli; and
1.4 Prof M Haus.

Messrs Joffe and Sacks as well as Dr Lesoli and Prof Haus, being eligible and available, offer themselves for re-election.

The abbreviated curriculum vitae in respect of each of the directors offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

To be adopted, each of the Ordinary resolutions 1.1 to 1.4 inclusive requires the support of more than 50% of the voting rights exercised on the resolution.

4. RATIFICATION OF APPOINTMENT OF CHIEF EXECUTIVE OFFICER

ORDINARY RESOLUTION 2

To ratify, as required by paragraph 18.2.1 of the Company's MOI and the JSE Listings Requirements, the appointment of Mr KB Wakeford as Chief Executive Officer and executive director of Adcock Ingram.

To be adopted, Ordinary resolution 2 requires the support of more than 50% of the voting rights exercised on the resolution.

5. ELECTION OF AUDIT COMMITTEE MEMBERS

ORDINARY RESOLUTIONS 3.1 TO 3.4

To elect by way of separate resolutions the Audit Committee members for the ensuing year in accordance with the Companies Act. The proposed Audit Committee members listed below currently serve on the same Committee and, accordingly, offer themselves for re-election:

3.1 Mr MI Sacks (Chairman), subject to being re-elected as a director in terms of Ordinary resolution 1.2;
3.2 Prof M Haus, subject to being re-elected as a director in terms of Ordinary resolution 1.4;
3.3 Mr R Morar; and
3.4 Dr RI Stewart.

The abbreviated curriculum vitae in respect of each Audit Committee member offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

To be adopted, each of Ordinary resolutions 3.1 to 3.4 inclusive requires the support of more than 50% of the voting rights exercised on the resolution.

6. RE-APPOINTMENT OF EXTERNAL AUDITORS

ORDINARY RESOLUTION 4

To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr WK Kinnear) 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 5.1 to the annual financial statements.

To be adopted, Ordinary resolution 4 requires the support of more than 50% of the voting rights exercised on the resolution.

7. DELEGATION OF AUTHORITY

ORDINARY RESOLUTION 5

To authorise any one director and/or the Company Secretary to do all such things and sign all such documents as are deemed necessary or advisable to implement those resolutions adopted at the Annual General Meeting.

To be adopted, Ordinary resolution 5 requires the support of more than 50% of the voting rights exercised on the resolution.

8. NON-BINDING ADVISORY VOTE

ORDINARY RESOLUTION 6

To consider and if deemed appropriate endorse, through a non-binding vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out from page 34 of the Integrated Report.

To be adopted, Ordinary resolution 6 requires the support of more than 50% of the voting rights exercised on the resolution.

9. FINANCIAL ASSISTANCE: INTER-COMPANY LOANS

SPECIAL RESOLUTION 1

To consider and if deemed appropriate, sanction, subject to compliance with the provisions of the Companies Act and the Company's MOI, 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 adoption 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 one or more related or inter-related company(ies) or corporation(s), or ii) to any one or more member(s) of a related or inter-related company or corporation, or iii) to any one or more person(s) related to any such company(ies) or corporation(s) or member(s) (as such relations and inter-relationships are defined in the Companies Act 2008), on such terms and conditions as the Board may deem fit, subject to the Companies Act.

To be adopted, Special resolution 1 requires the support of at least 75% of the voting rights exercised on the resolution.

10. PROPOSED REMUNERATION FOR NON-EXECUTIVE DIRECTORS PAYABLE WITH EFFECT FROM 1 DECEMBER 2014

SPECIAL RESOLUTION 2

To consider and if deemed appropriate, sanction, in accordance with sections 66(8) and (9) of the Companies Act, the proposed remuneration payable to non-executive directors for their services as directors with effect from 1 December 2014, as set out in the explanatory notes to this Notice.

To be adopted, Special resolution 2 requires the support of at least 75% of the voting rights exercised on the resolution.

ANY OTHER BUSINESS

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

QUORUM REQUIREMENTS

The Annual General Meeting may not begin until sufficient persons are present at such meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the Annual General Meeting. A matter to be decided at the Annual General Meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% 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. In addition, a quorum shall consist of at least three persons entitled to exercise voting rights at the Annual General Meeting, present at the meeting.

As required by the company's MOI and the JSE Listings Requirements, once a quorum has been established at the Annual General Meeting all the voting members necessary to maintain such quorum must be present at that meeting to consider and vote on any matter.

PROXIES

A voting member who holds certificated securities, or who holds uncertificated securities in own-name, and who is registered as such on the voting record date, is entitled to attend, participate in and vote at the Annual General Meeting and may appoint a proxy or proxies to attend, participate in and speak and vote at the Annual General Meeting in his/her stead. A proxy need not be a holder of securities in the Company. The completion and lodging of a form of proxy will not preclude a voting member from attending, participating in, speaking and voting at the Annual General Meeting to the exclusion of the proxy/ies so appointed.

The form of proxy in respect of the Annual General Meeting should be completed and returned to Computershare Investor Services (Proprietary) Limited (the "transfer secretaries"), at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 12h00 on Wednesday, 19 November 2014, or 48 hours immediately preceding any adjourned or postponed meeting, or handed to the chairperson of the Annual General Meeting by no later than ten minutes before the scheduled time for the commencement or re-commencement of the Annual General Meeting in accordance with the instructions contained therein.

VOTING

On a poll every voting member present in person or represented by proxy shall have one vote for every share held by such voting member. On a show of hands, every voting member present in person or represented by proxy at the Annual General Meeting shall have only one vote, irrespective of how many voting rights or voting members he/she represents.

Voting members who hold uncertificated securities, other than holders of uncertificated securities in their own-name, must inform their central securities depository participant ("CSDP") or their registered broking member (equities) of the JSE ("broker") of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary letters of representation to attend the Annual General Meeting, or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such voting members and their CSDP or broker.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

ELECTRONIC PARTICIPATION

Voting members are advised in terms of section 63(3) of the Companies Act, that:

- while the Annual General Meeting will be held in person, voting members (and/or their proxies) may participate in (but not vote) at the Annual General Meeting by electronic communication, as contemplated in section 63(2) of the Companies Act, and
- voting members and/or their proxies will be able, at their own expense, to participate in (but not vote at) the Annual General Meeting by means of a teleconference facility.

Arrangements to so participate in the Annual General Meeting should be made through the office of the Company Secretary.

By order of the Board

Ntando Simelane
Group Company Secretary

23 October 2014

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 nine-month period ended 30 June 2014 to shareholders, together with the reports of the directors 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.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulation, 2011 requires the Social and Ethics Committee, through 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 is available on the Adcock Ingram website.

ORDINARY RESOLUTIONS 1.1 TO 1.4 – ELECTION OF DIRECTORS

In terms of paragraph 17 of the Company's MOI, one-third of the directors are required to retire at each Annual General Meeting, but may offer themselves for re-election. The MOI of the Company also provides that directors so to retire at each Annual General Meeting shall be, firstly, those appointed by the Board after the last Annual General Meeting and, secondly, any director(s) who at the date of the Annual General Meeting would have held office for a period of 3 (three) years or more since their last election. Where directors have equal tenure since their last election, those directors shall retire in alphabetical order or such other order as the board may determine.

The following directors were appointed to the Board by the Company's Board in February 2014 to fill vacancies or as additional members of the Board and accordingly retire as required by the Company's MOI but offer themselves for re-election:

1.1 Mr B Joffe; and
1.2 Mr MI Sacks.

The following directors would have held office for a period of 3 (three) years or more since their last election and accordingly retire by rotation as required by the Company's MOI but offer themselves for re-election:

1.3 Dr T Lesoli; and
1.4 rof M Haus.

Messrs Joffe and Sacks as well as Dr Lesoli and Prof Haus, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible for re-election.

A brief *curriculum vitae* is set out in respect of each of the above directors and the remaining members of the Board on pages 8 and 9 of the Integrated Report.

ORDINARY RESOLUTION 2 – RATIFICATION OF APPOINTMENT OF CHIEF EXECUTIVE OFFICER

In terms of paragraph 18 of Adcock Ingram's MOI, the Board may from time to time appoint one or more executive directors as the Board deems fit, and such executive director shall not, whilst he continues to hold that position or office, be subject to mandatory retirement in terms of the MOI. However, in compliance with the JSE Listings Requirements, the appointment of such executive director to the office of director shall, in terms of paragraph 18.2.1 of the MOI, terminate if not ratified by ordinary resolution at the next annual general meeting following such appointment.

Mr KB Wakeford was appointed to the position of Chief Executive Officer of Adcock Ingram on 03 April 2014. It is accordingly necessary for his appointment to be ratified by ordinary resolution at the Annual General Meeting.

A brief *curriculum vitae* of Mr Wakeford is set out on page 6 of the Integrated Report.

ORDINARY RESOLUTIONS 3.1 TO 3.4 – ELECTION OF THE AUDIT COMMITTEE MEMBERS

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

3.1 Mr MI Sacks; (Chairman)
3.2 Prof M Haus;
3.3 Mr R Morar; and
3.4 Dr R I Stewart.

The abbreviated *curriculum vitae* in respect of each Audit Committee member offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES
(continued)

ORDINARY RESOLUTION 4 – RE-APPOINTMENT OF EXTERNAL AUDITORS

Ernst & Young has indicated its willingness to continue in office and Ordinary resolution 4 proposes the re-appointment of that firm as the Company's auditors. As required in terms of section 90(1) of the Companies Act, as amended or replaced, the name of the designated auditor, Mr WK Kinnear, 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.

ORDINARY RESOLUTION 5 – DIRECTOR OR COMPANY SECRETARY AUTHORISATION

Any one director or the Company Secretary of the Company be authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the Notice convening the Annual General Meeting at which this ordinary resolution will be considered.

ORDINARY RESOLUTION 6 – REMUNERATION POLICY NON-BINDING ADVISORY VOTE

Chapter 2 paragraph 186 of the King III dealing with boards and directors, requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's remuneration report is contained from page 34 of the Integrated Report. Ordinary resolution 6 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 take the outcome of the vote into account when reviewing the Company's remuneration policy.

SPECIAL RESOLUTION 1 – FINANCIAL ASSISTANCE: INTER-COMPANY LOANS

It is important for the Company and 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/or to on-lend or provide loans to its subsidiaries. It is not possible to detail in advance all instances where inter-company loans 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. 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. The authority under this special resolution, if adopted, would endure for 2 years. Authority in this regard was last sought and obtained at the Annual General Meeting in January 2012.

SPECIAL RESOLUTION 2 – PROPOSED REMUNERATION OF NON-EXECUTIVE DIRECTORS

Shareholders are requested to consider and, if deemed appropriate, sanction the proposed fees and remuneration payable to non-executive directors for their services as directors with effect from 1 December 2014 as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 43 of 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% of the voting rights exercised on the resolution) within the previous two years. The current remuneration was approved in March 2014 with the support of over 99% of the voting rights exercised on the resolution. The directors are not asking for an increase in respect of the remuneration that was approved in March 2014.

Category	Current remuneration R	Proposed remuneration payable with effect from 1 December 2014 R
Board		
Chairman	**1 042 000**	1 042 000
Board member	**238 400**	238 400
Audit Committee		
Chairman	**226 300**	226 300
Committee member	**113 100**	113 100
Risk and Sustainability Committee		
Chairman	**226 300**	226 300
Committee member	**113 100**	113 100
Human Resources, Remuneration and Nominations Committee		
Chairman	**92 900**	92 900
Committee member	**59 000**	59 000
Social, Ethics and Transformation Committee		
Chairman	**87 200**	87 200
Committee member	**47 200**	47 200

Board members are paid an additional R13 000 each when they attend special meetings which last more than three hours. It must be noted that the Chairman of the Board does not get paid additional amount for attending Board Committee meetings.

FORM OF PROXY IN RESPECT OF THE 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")

All terms defined in, or the definitions of which are incorporated by reference into, the Notice of Annual General Meeting of voting members to which this form of proxy is attached shall bear the same meanings herein unless the term is defined herein or unless the context requires otherwise.

For use only by voting members that hold shares in Adcock Ingram in certificated form (Certificated Shareholders) or voting members who have dematerialised their shares (Dematerialised Shareholders) and are registered with "own-name" registration, at the Annual General Meeting of voting members to be held in the auditorium at Adcock Ingram's office, 1 New Road, Midrand, Gauteng, South Africa commencing at 9h00 on Friday, 21 November 2014.

Dematerialised Shareholders holding securities other than with "own-name" registration, must inform their CSDP or their Broker of their intention to attend the Annual General Meeting and request their CSDP or Broker to issue them with the necessary letter of representation and/or proxy form to attend the Annual General Meeting in person and vote (or abstain from voting) or provide their CSDP or Broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Letters of representation must be lodged with the transfer secretaries, by the commencement of the Annual General Meeting (including any adjournment or postponed meeting). Such Dematerialised Shareholders must not use this form of proxy.

Each voting member is entitled to appoint one or more proxies (who need not be a holder of securities in Adcock Ingram but must be natural persons) to attend, speak at and vote (or abstain from voting) in place of that voting member at the meeting.

If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected.

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 professional advisor.

I/We (full name/s in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

being a shareholder of the Company, and entitled to (insert number) ____________________ :

Telephone number (Work) (Area code) ____________________ ,

Mobile number ____________________ ,

being the holders of [   ] shares in Adcock Ingram, and entitled to vote, do hereby appoint (see attached notes):

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairperson of the Annual General Meeting,

as my/our proxy to represent and act for me/us at the Annual General Meeting (including any adjourned or postponed meeting) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof; and to vote for and/or against such resolutions and/or abstain from voting in respect of the Shares registered in my/our name in accordance with the following instructions, and otherwise generally to act as my/our proxy at the Annual General Meeting, in accordance with the Companies Act, the MOI and the terms of the attached notes:

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

	Number of shares		
	In favour of the resolution	Against the resolution	Abstain from voting on the resolution
Ordinary Resolutions 1.1 to 1.4 To elect by way of separate resolutions the following directors who retire in terms of the Company's MOI and make themselves available for re-election:			
1.1 Mr B Joffe			
1.2 Mr MI Sacks			
1.3 Dr T Lesoli			
1.4 Prof M Haus			
Ordinary resolution 2 To ratify the appointment of Mr KB Wakeford as Chief Executive Officer and executive director of Adcock Ingram.			
Ordinary Resolutions 3.1 to 3.4 To elect by way of separate resolutions the following Audit Committee members:			
3.1 Mr MI Sacks (Chairman)			
3.2 Prof M Haus			
3.3 Mr R Morar			
3.4 Dr RI Stewart			
Ordinary Resolution 4 To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr WK Kinnear) and to note the remuneration of the independent external auditors			
Ordinary Resolution 5 To authorise any one director or Company Secretary to do all such things and sign all such documents to implement all the resolutions adopted at this meeting.			
Ordinary Resolution 6 To endorse by way of a non-binding vote the Company's remuneration policy			
Special Resolution 1 To authorise the Company to provide inter-company financial assistance as contemplated in section 45 of the Companies Act to any of the recipients falling within those identified in the Notice of the Annual General Meeting			
Special Resolution 2 To sanction the proposed remuneration payable to non-executive directors			

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

Signed at ______________________ on ______________________ 2014

Capacity ______________________ on ______________________ 2014

Full names of signatory ______________________

Signature ______________________

Assisted by (where applicable) ______________________

Please read the notes following.

NOTES TO THE FORM OF PROXY

1. The form of proxy must only be used by Certificated Shareholders or Dematerialised Shareholders who hold uncertificated securities in their "own-name".
2. Dematerialised Shareholders who hold uncertificated securities other than in their "own-name" and who wish to attend the Annual General Meeting in person may do so by requesting the registered holder, being their CSDP, Broker or nominee, to issue them with a letter of representation and/or form of proxy.
3. Dematerialised Shareholders who hold uncertificated securities other than in their "own-name" and who do not wish to attend the Annual General Meeting in person but wish to vote (or abstain from voting) thereat must provide the registered holder, being the CSDP, Broker or nominee, with their voting instructions. The voting instructions must reach the registered holder in sufficient time to allow the registered holder to exercise such vote on behalf of the voting member.
4. Voting members are reminded that the onus is on them to communicate with their CSDP or Broker.
5. A voting member entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternative proxies of the voting member's choice in the space/s provided, with or without deleting "the chairperson of the Annual General Meeting", but any such deletion or insertion must be initialed by the voting member. Any insertion or deletion not complying with the foregoing will, subject to 10 below, be declared not to have been validly effected. A proxy need not be a voting member. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting 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 chairperson of the Annual General Meeting.
6. Please note that the chairperson of the Annual General Meeting must be reasonably satisfied that the right of that person to participate and vote, either as a voting member, or as a proxy for a voting member, has been reasonably verified. Accordingly, meeting participants (including voting members and proxies) must provide satisfactory identification.
7. A voting member is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A voting member's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the voting member in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that voting member. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the voting member's votes. A voting member or his/her proxy is not obliged to use all the votes exercisable by the voting member or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the voting member or by his/her 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 any 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 is attached.
9. 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.
10. 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.
11. The completion and lodging of this form of proxy will not preclude the relevant voting member from attending the meeting and speaking and voting (or abstain from voting) in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
12. Documentary evidence establishing the authority of a person signing the form of proxy in a representative or other legal capacity must be attached to this form of proxy, unless previously recorded by Adcock Ingram or unless this requirement is waived by the chairperson of the Annual General Meeting.
13. 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.
14. Where there are joint holders of securities:
    - Any one securities-holder may sign the form of proxy.
    - The vote(s) of the senior voting member (for that purpose seniority will be determined by the order in which the names of voting members appear in the securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint voting member(s).
15. To be effective, completed forms of proxy should be:
    (i) lodged with or mailed to the transfer secretaries Computershare Investor Services (Proprietary) Limited

Hand deliveries to:
Ground Floor, 70 Marshall Street
Johannesburg, 2001 Marshalltown, 2107

Postal deliveries to:
PO Box 61051

to be received by 9:00 on Wednesday 19 November 2014, (or not less than 48 hours before any adjourned or postponed meeting); or

(ii) handed to the chairperson of the Annual General Meeting up to 10 minutes before that Annual General Meeting (including any adjourned or postponed meeting) .

16. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialed by the signatory/ies.
17. A proxy may not delegate his/her authority to act on behalf of the voting member to another person.

NOTES TO THE FORM OF PROXY

(continued)

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 71 of 2008 ("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 relevant company's memorandum of incorporation to be delivered by such 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 relevant 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
A ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
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
Blue Falcon 59 Trading (Pty) Limited	BEE-Co owned by Kagiso 62,9%, Kurisani 26,6% and Mookodi 10,5%
B ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
CAMs	Complementary alternative medicines
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
Companies Act	The Companies Act (Act 71 of 2008)
Employee Trust	The Mpho ea Bophelo Trust (Master's reference number IT330/2010)
FDA	The Food and Drug Administration, a regulatory body in the United States
FMCG	Fast moving consumer goods
GMP	Good manufacturing practice
Group	Adcock Ingram and its direct and indirect subsidiaries, joint ventures and associates from time to time
HVL	High-volume liquids, used in the context of the 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
Kagiso	Kagiso Strategic Investments III (Proprietary) Limited (Registration number 2007/023000/07)
Kurisani	Kurisani Youth Development Trust (Master's reference number IT8979/04), a trust set up in accordance with the laws of South Africa to benefit historically disadvantaged South African youth through loveLife's Programmes
kWh	Kilowatt hour
LIBOR	London Interbank Offered Rate
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
Mookodi	The Mookodi Pharma Trust (Master's reference number IT314/2010), a trust set up in accordance with the laws of South Africa and for the benefit of black medical doctors and/or health professionals
MSD	MSD (Pty) Limited, also known as Merck
OTC	Over the Counter products, available without prescription
R&D	Research and Development
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

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COMPANY DETAILS

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:
Mr B Joffe (Non-Executive Chairman)
Mr K Wakeford (Chief Executive Officer)
Mr A Hall (Deputy Chief Executive and Financial Director)
Prof M Haus (Independent Non-Executive Director)
Dr T Lesoli (Independent Non-Executive Director)
Mr M Makwana (Independent Non-Executive Director)
Dr A Mokgokong (Non-Executive Director)
Mr R Morar (Non-Executive Director)
Mr L Ralphs (Non-Executive Director)
Mr C Raphiri (Lead Independent Non-Executive Director)
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 (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

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

Sponsor:
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2146

Bankers:
Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146
Rand Merchant Bank, 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

Attorneys:
Read Hope Phillips, 30 Melrose Boulevard, Melrose Arch, 2196

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Revenue	**3 640 780**	3 635 349	5 229 308
Turnover	**3 615 287**	3 617 402	5 195 185
Cost of sales	**(2 475 723)**	(2 113 615)	(3 091 486)
Gross profit	**1 139 564**	1 503 787	2 103 699
Selling and distribution expenses	**(567 435)**	(463 879)	(666 026)
Marketing expenses	**(160 236)**	(143 579)	(211 930)
Research and development expenses	**(81 096)**	(75 318)	(104 941)
Fixed and administrative expenses	**(337 887)**	(225 342)	(311 831)
Trading (loss)/profit	**(7 090)**	595 669	808 971
Non-trading (expenses)/income	**(967 645)**	11 092	(25 689)
Operating (loss)/profit	**(974 735)**	606 761	783 282
Finance income	**18 987**	10 153	21 510
Finance costs	**(98 620)**	(47 177)	(80 018)
Dividend income	**6 506**	7 794	12 613
Equity-accounted earnings	**31 895**	52 027	72 193
(Loss)/Profit for the period/year	**(1 015 967)**	629 558	809 580
Taxation	**53 811**	(166 492)	(213 127)
(Loss)/Profit for the period/year	**(962 156)**	463 066	596 453
Other comprehensive income which will subsequently be recycled to profit or loss	**51 792**	98 968	370
Exchange differences on translation of foreign operations	**52 967**	86 567	(772)
Profit on available-for-sale asset, net of tax	**350**	(80)	247
Movement in cash flow hedge accounting reserve, net of tax	**(1 525)**	12 481	895
Other comprehensive income which will not be recycled to profit or loss subsequently			
Actuarial loss on post-retirement medical liability	**(6 880)**	–	–
Total comprehensive income for the period/year, net of tax	**(917 244)**	562 034	596 823
(Loss)/Profit attributable to:			
Owners of the parent	**(965 343)**	455 034	587 844
Non-controlling interests	**3 187**	8 032	8 609
	(962 156)	463 066	596 453
Total comprehensive income attributable to:			
Owners of the parent	**(914 826)**	551 084	587 203
Non-controlling interests	**(2 418)**	10 950	9 620
	(917 244)	562 034	596 823
Basic (loss)/earnings per ordinary share (cents)	**(572,3)**	269,9	348,6
Diluted basic (loss)/earnings per ordinary share (cents)	**(571,9)**	269,6	348,3
Headline (loss)/earnings per ordinary share (cents)	**(179,5)**	271,7	350,4
Diluted headline (loss)/earnings per ordinary share (cents)	**(179,3)**	271,5	350,2

The comparative figures have been restated to comply with the new accounting policy and disclosure requirements under IAS 28 and IFRS 11.

TURNOVER

The sales performance during the period under review was disappointing, resulting in turnover of R3 615 million. This was marginally less than the comparative period, with a particularly weak performance in the Over the Counter (OTC) segment in Southern Africa. Price increases accounted for growth of 3,6%, whereas volumes declined by 10,4%. The balance relates to the inclusion of the Datlabs and Cosme businesses for the full nine-month period.

GROSS PROFIT

Gross profit for the nine-month period decreased by 24% to R1 140 million (2013: R1 504 million). Gross profit as a percentage of sales was reduced to 32% (2013: 42%), largely due to the impact of currency weakness (16% depreciation), which negatively affected the import costs of active ingredients and finished goods. This was compounded by input costs inflation (mainly utilities and labour), and the under recovery of fixed costs with certain facilities running below capacity. There was also an unfavourable sales mix, weighted with a higher proportion of low yielding public sector sales and the need for certain inventory provisions. These factors were inadequately compensated by the Single Exit Price (SEP) increase of 5,8% granted in March 2014.

OPERATING EXPENSES

Operating overheads increased by 26% to R1 147 million (2013: R908 million). The increase relates mainly to the inclusion of Datlabs and Cosme costs for the full nine-month period, as these entities were only under the control of the Group for a portion of the comparative period. Group overheads increased by 8% excluding the overhead costs of Datlabs and Cosme.

NON-TRADING EXPENSES

Non-trading expenses of R967,6 million (2013: R11,1 million income), include asset impairments of R843,4 million, R91 million related to the CFR transaction and costs of R33,3 million for retrenchment, redundancy and other related expenditure.

HEADLINE LOSS

The headline loss after adjusting for capital items is R302,7 million (2013: R458,2 million earnings). This translates into a basic loss per share of 572,3 cents (2013: earnings of 269,9 cents) and a headline loss per share of 179,5 cents (2013: earnings of 271,7 cents).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment was impaired by an amount of R69,2 million as the identified assets were no longer regarded as having a realisable value equivalent to the amount at which they were stated.

INTANGIBLE ASSETS

The risks arising through changes in regulation for complementary and alternative medicines (CAMs) and their poor trading performance, necessitated a review of the intangible asset values attributable to products within this portfolio. This comprehensive review resulted in impairments of R281,9 million being recorded at 30 June 2014.

The Prescription segment reflects an impairment of R24,6 million in relation to the Bioswiss trademark. Impairments in the Rest of Africa segment relate to the carrying value of the Dawanol trademark (R8,6 million). Intangibles which arose on the Ghanaian investment (R49,5 million) have also been impaired, substantially due to the recent imposition of Value Added Tax on local pharmaceuticals in Ghana. This has negatively affected sales and the business in Ghana is being reviewed. The India segment reflects impairments of intangible assets of R237,3 million. The Cosme business has generally not performed according to expectations. In addition, the Cosme brand is being phased out of the business with the market increasingly embracing the Adcock Ingram brand and banner.

Following the significant impairments described above, intangible assets, including goodwill, have a carrying value of R836,2 million at 30 June 2014 (September 2013: R1 436 million).

INVENTORIES

ARV inventory has been impaired by an amount of R131,0 million given that state depots and competitors are heavily over-stocked and that the likelihood of selling this inventory prior to the product expiry date is considered to be remote.

	Audited **30 June 2014** **R'000**	Reviewed 30 June 2013 R'000	Audited Restated 30 September 2013 R'000	Audited Restated 30 September 2012 R'000
ASSETS				
Property, plant and equipment	**1 554 420**	1 609 244	1 648 709	1 450 815
Intangible assets	**836 178**	1 513 251	1 435 716	710 954
Deferred tax	**7 959**	12 544	7 829	5 097
Other financial assets	**138 955**	139 362	139 646	139 751
Investment in joint ventures	**202 237**	169 241	174 237	124 397
Other non-financial asset	**–**	39 707	36 987	–
Loans receivable	**–**	9 388	–	10 571
Non-current assets	**2 739 749**	3 492 737	3 443 124	2 441 585
Inventories	**1 106 261**	1 513 371	1 523 076	931 149
Trade and other receivables	**1 235 674**	1 242 738	1 548 059	1 255 511
Cash and cash equivalents	**247 852**	403 595	153 733	434 087
Taxation receivable	**76 306**	6 425	86 368	85 173
Current assets	**2 666 093**	3 166 129	3 311 236	2 705 920
Total assets	**5 405 842**	6 658 866	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	**16 878**	16 861	16 832	16 872
Share premium	**510 920**	524 788	504 064	547 400
Non-distributable reserves	**426 415**	467 433	364 996	356 229
Retained income	**1 784 688**	2 762 300	2 750 097	2 502 510
Total shareholders' funds	**2 738 901**	3 771 382	3 635 989	3 423 011
Non-controlling interests	**118 578**	129 801	127 917	125 500
Total equity	**2 857 479**	3 901 183	3 763 906	3 548 511
Long-term borrowings	**1 004 861**	108 211	4 841	101 404
Post-retirement medical liability	**22 034**	16 241	15 108	15 341
Deferred tax	**21 047**	104 177	121 564	93 113
Non-current liabilities	**1 047 942**	228 629	141 513	209 858
Trade and other payables	**1 115 563**	1 232 955	1 295 168	901 851
Bank overdraft	**319 613**	1 124 812	1 364 134	–
Short-term borrowings	**5 132**	102 584	100 483	402 922
Cash-settled options	**14 782**	32 675	39 150	39 983
Provisions	**45 331**	36 028	50 006	44 380
Current liabilities	**1 500 421**	2 529 054	2 848 941	1 389 136
Total equity and liabilities	**5 405 842**	6 658 866	6 754 360	5 147 505

Full annual financial statements can be found from page 45.

FINANCIAL SUMMARY CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

WORKING CAPITAL CHANGES
Trade and other receivables decreased by R316,9 million (57 days) at 30 June 2014, improving from the 62 days reported at September 2013. Receivables are well-controlled and 88% of receivables are due within 60 days. Government debt at 30 June 2014 is R180 million (September 2013: R176 million). Inventory decreased by R260,2 million and accounts payable decreased by R218,6 million. Creditor days in payables are 74 days (September 2013: 69 days).

CASH GENERATED FROM OPERATIONS
Cash generated from operations was R418 million (2013: R518 million) after working capital decreased by R358,5 million (June 2013: increase of R246 million).

INVESTING ACTIVITIES
Total capital expenditure for the nine-month period under review amounted to R95,4 million.

FINANCING ACTIVITIES
Subsequent to September 2013, the final instalment of R100 million was repaid on the original capex facility. A secured term loan of R1 billion was advanced by Nedbank, replacing a portion of the bank overdraft. The secured term loan attracts interest, payable quarterly in arrears, the capital being due for repayment in December 2018.

	Audited **nine-month period ended 30 June 2014 R'000**	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	**59 574**	763 644	1 074 282
Working capital changes	**358 527**	(246 042)	(576 688)
Cash generated from operations	**418 101**	517 602	497 594
Finance income, excluding receivable	**17 287**	12 546	18 699
Finance costs, excluding accrual	**(101 480)**	(36 470)	(71 230)
Dividend income	**20 504**	21 502	34 990
Dividends paid	**(6 746)**	(201 553)	(347 118)
Taxation paid	**(36 869)**	(89 068)	(189 861)
Net cash inflow/(outflow) from operating activities	**310 797**	224 559	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	**–**	291	409
Acquisition of Cosme business, net of cash	**–**	(821 593)	(821 593)
Purchase of property, plant and equipment – Expansion	**(12 278)**	(41 813)	(65 262)
– Replacement	**(83 187)**	(209 380)	(254 315)
Proceeds on disposal of property, plant and equipment	**54**	24	377
Increase in loans receivable	**–**	1 183	–
Net cash outflow from investing activities	**(95 411)**	(1 071 288)	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(241)**	(340)	(342)
Proceeds from issue of share capital	**6 902**	4 690	5 099
Purchase of treasury shares	**–**	(27 313)	(48 475)
Share issue expenses incurred by subsidiary	**–**	–	(3 669)
Increase in borrowings	**1 004 635**	6 188	3 924
Repayment of borrowings	**(100 000)**	(300 000)	(402 980)
Net cash inflow/(outflow) from financing activities	**911 296**	(316 775)	(446 443)
Net increase/(decrease) in cash and cash equivalents	**1 126 682**	(1 163 504)	(1 643 753)
Net foreign exchange difference on cash and cash equivalents	**11 958**	8 200	(735)
Cash and cash equivalents at beginning of period/year	**(1 210 401)**	434 087	434 087
Cash and cash equivalents at end of period/year	**(71 761)**	(721 217)	(1 210 401)

SEGMENT REPORT
FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2014

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Turnover			
Southern Africa	**3 245 093**	3 368 028	4 809 518
OTC	**1 136 916**	1 359 287	2 002 279
Prescription	**1 387 655**	1 310 806	1 852 759
Hospital	**720 522**	697 935	954 480
Rest of Africa	**206 477**	144 426	220 635
India	**177 709**	113 872	178 041
	3 629 279	3 626 326	5 208 194
Less: Intercompany sales	**(13 992)**	(8 924)	(13 009)
	3 615 287	3 617 402	5 195 185
Contribution after marketing expenses (CAM) and operating (loss)/profit			
Southern Africa	**366 866**	829 091	1 137 098
OTC	**200 446**	478 666	707 403
Prescription	**156 900**	247 309	321 704
Hospital	**9 520**	103 116	107 991
Rest of Africa	**32 054**	33 063	48 253
India	**21 475**	40 987	49 586
	420 395	903 141	1 234 937
Less: Intercompany	**(8 502)**	(6 812)	(9 194)
CAM	**411 893**	896 329	1 225 743
Less: Other operating expenses	**(1 386 628)**	(289 568)	(442 461)
Research and development	**(81 096)**	(75 318)	(104 941)
Fixed and administrative	**(337 887)**	(225 342)	(311 831)
Non-trading (expenses)/income	**(967 645)**	11 092	(25 689)
Operating (loss)/profit	**(974 735)**	606 761	783 282
Total assets			
Southern Africa	**4 261 452**	5 389 332	5 341 345
Pharmaceuticals	**3 645 069**	4 619 779	4 585 199
Hospital	**616 383**	769 553	756 146
Rest of Africa	**195 883**	177 859	286 104
India	**948 507**	1 091 675	1 126 911
	5 405 842	6 658 866	6 754 360

Turnover split 2014

TURNOVER

Overall, the **Southern Africa** region posted a sales decline of 3,7% to R3 245 million (2013: R3 368 million).

A particularly poor performance occurred in the OTC division where revenue was 16,4% below that of 2013.

Prescription revenue of R1 388 million (2013: R1 311 million) is 5,9% ahead of the comparable period, despite a disappointing performance in the generics portfolio.

Hospital turnover increased by 3,2% to R720,5 million (R697,9 million) supported by continued growth in the renal portfolio.

Revenue in **Rest of Africa** increased by 43,0% to R206,5 million (2013: R144,4 million).

In **Ghana** sales increased by 6,3% to R87,1 million (2013: R81,9 million). The introduction of a 17,5% Value Added Tax rate on locally manufactured pharmaceuticals dampened activity in the Ghanaian market.

In **East Africa**, sales increased to R30,8 million (2013: R23,2 million), driven by market expansion out of Kenya into neighbouring countries.

Sales in **Zimbabwe** continue to be adversely impacted by the liquidity crisis in that country.

Sales in **India** for the nine-month period to 30 June 2014 amounted to R177,7 million. This can be compared to R113,9 million in 2013 although this amount only included 5,5 months of trading. Performance to date has not been optimal.

Kevin Wakeford

CA(SA)

CHIEF EXECUTIVE OFFICER

- Joined Adcock Ingram on 3 April 2014

CAREER HIGHLIGHTS

- Chief Executive Officer of Bidvest Travel and Aviation
- Executive at Southern Sun Hotel group
- Group Financial Manager at SA Breweries Limited

Andrew Hall

CA(SA), BPharm

DEPUTY CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

- Joined Adcock Ingram in September 2007 as Chief Financial Officer

CAREER HIGHLIGHTS

- Partner in charge of health sciences at Ernst & Young
- CFO of a listed pharmaceutical company in South Africa
- Roles in sales and marketing at Pfizer, and retail pharmacy experience

Kofi Amegashie

BSc (Hons) (Applied Science), MSc Management (UK)

MANAGING DIRECTOR – REST OF AFRICA

- Joined Adcock Ingram in October 2011

CAREER HIGHLIGHTS

- CEO of Alexander Forbes business on the African continent outside of South Africa
- Director: Consumer Marketing, Strategy and Business Planning for Coca-Cola in Nigeria and Equatorial Africa
- 20 years' broad business experience in emerging and developed markets

Frans Cronje

BSc, NDip (Ind Eng)

IT EXECUTIVE

- Joined Adcock Ingram in December 2007

CAREER HIGHLIGHTS

- Held a variety of IT executive roles at Tiger Brands over a period of 10 years
- Worked for an International IT company as an Applications Consulting and Project Manager
- More than 25 years' IT experience in a variety of industries

EXECUTIVE

Dr Simon Mangcwatywa

MB ChB

MEDICAL DIRECTOR

- Joined Adcock Ingram in October 2014

CAREER HIGHLIGTHS

- Head of Medical Affairs & Business Development Manager at Litha Pharma
- Held various positions in scientific operations and medical affairs at Novartis South Africa

Dorette Neethling

CA(SA), MCom (Taxation)

GROUP FINANCE EXECUTIVE

- Joined Adcock Ingram in August 2007

CAREER HIGHLIGHTS

- Financial Director at Quintiles South Africa
- Financial Manager in FMCG environment in Namibia
- Currently serves as a member of the Financial Reporting Investigation Panel (FRIP)

Ashley Pearce

Dip Pharm, BCom

MANAGING DIRECTOR – PRESCRIPTION

- Joined Adcock Ingram in October 2012

CAREER HIGHLIGHTS

- CEO of MSD/Schering-Plough and Pharmacia in South Africa
- 30 years' experience in production, R&D, business development and sales and marketing in South Africa, Europe and USA
- Headed the Pharmaceutical Industry Association of South Africa (PIASA) and the Pharmaceutical Task Group (PTG)

Colin Sheen

MBA, PDBA, BTech, NDip (Marketing)

MANAGING DIRECTOR – HOSPITAL

- Joined Adcock Ingram in June 2008

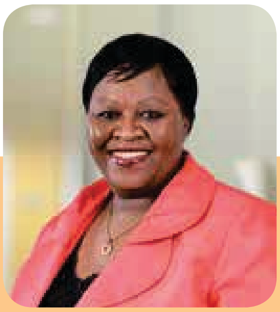
CAREER HIGHLIGHTS

- Head of the South African commercial business at Schering-Plough
- Held various roles at Schering-Plough including Divisional Director and Marketing Director
- Held various commercial roles at 3M Corporation, including Commercial Head of Pharmaceuticals

Pravin Iyer
BCom, ACMA, CMA

MANAGING DIRECTOR – INDIA
- Joined Adcock Ingram in June 2011

CAREER HIGHLIGHTS
- CEO of the Medreich Group, Adcock Ingram's joint venture manufacturing partner in India
- 23 years' experience in the pharmaceutical industry heading operations, finance, business development and international marketing
- Currently serves as Director of Adcock Ingram Healthcare Private Limited, India



Doreen Kosi
MM, MAP

PUBLIC AFFAIRS EXECUTIVE
- Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS
- Chief Director and Head of Strategy and Special Projects in the Office of the Deputy President
- Held various roles in The Presidency (Republic of South Africa) for 14 years
- Held various senior management positions in Government administration

Tobie Krige
BEng (Industrial Engineering), MBA

MANAGING DIRECTOR – LOGISTICS
- Joined Adcock Ingram in January 2012

CAREER HIGHLIGHTS
- More than 15 years' experience in supply chain and logistics
- Worked in extended geographical areas in Europe, Middle East and Africa
- Worked for Nampak and DHL

Basadi Letsoalo
MPsych , CLDP, MLPC

HUMAN CAPITAL EXECUTIVE
- Joined Adcock Ingram in January 2008

CAREER HIGHLIGHTS
- Head of Transformation at Standard Bank SA
- Head of HR information management at ABSA
- Currently serves as a member of the University of KwaZulu-Natal Council

COMMITTEE

Ntando Simelane
B. Juris, LLB, Advanced Company Law

COMPANY SECRETARY AND HEAD OF LEGAL
- Joined Adcock Ingram in April 2009

CAREER HIGHLIGHTS
- Group Legal and Compliance Manager at Adcock Ingram
- Spent nine years at the SABC in various legal roles
- Spent four years at the Advertising Standards Authority of SA (ASA) as a dispute resolution consultant

Vicki St Quintin
BCom (Hons)

CORPORATE AFFAIRS AND INVESTOR RELATIONS MANAGER
- Joined Adcock Ingram in April 2013

CAREER HIGHLIGHTS
- COO of the Pharmaceutical Industry Association (PIASA) for nine years
- Corporate Affairs Director of GlaxoSmithKline
- Held various roles in marketing, business development, corporate affairs and government relations

Werner van Rensburg
MEng (Mechanical Engineering), MBA, EMLog, GCC (ML & OHS)

MANAGING DIRECTOR – OVER THE COUNTER
- Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS
- Managing Director at Formex
- Group Operations Director at Aspen Pharmacare
- Experience in operations, logistics, procurement, IT, operational finance, HR and product development

Juliet Fourie
IMM Grad. Dip.

MANAGING DIRECTOR – CONSUMER
- Joined Adcock Ingram March 2014

CAREER HIGHLIGHTS
- Regional Business Development Director: Africa and Middle East for SunOpta
- Worked for Tiger Brands, National Brands and Sunpac
- In excess of 15 years' experience in FMCG operations, direct marketing and sales

Kevin B Wakeford (54)

CA(SA)

CHIEF EXECUTIVE OFFICER

- Appointed: 3 April 2014
- See page 6 for abridged CV

Andrew G Hall (52)

CA(SA), BPharm

DEPUTY CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

- Appointed: 15 July 2008
- See page 6 for abridged CV

Brian Joffe (67)

CA(SA)

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

- Appointed: 24 February 2014
- Chief executive of The Bidvest Group Limited, an internationally diversified service, trading and distribution group and one of South Africa's most successful entrepreneurs with a 35-year track record as a business leader and wealth creator

OTHER EXPERIENCE

- Director of numerous Bidvest subsidiaries

BOARD AND GOVERNANCE STRUCTURE

Anna Mokgokong (57)

BSc, MB ChB, DCom

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Co-founder and executive chairperson of Community Investment Holdings (Pty) Limited

OTHER EXPERIENCE

- Deputy chairperson of Community Oil and Gas Trading (Pty) Ltd
- Independent non-executive director of Shoprite Holdings Limited
- Non-executive chairperson of Rebosis Property Fund Limited and Jasco Electronics Limited
- Serves on the boards of Afrocentric Limited and Medscheme Limited

Roshan Morar (48)

CA(SA), CFE

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Managing Director of Morar Incorporated

OTHER EXPERIENCE

- Non-executive Deputy Chairman of the Public Investment Corporation (SOC) Limited
- Non-executive Deputy Chairman of the Airports Company South Africa (SOC) Limited
- Non-executive director of the South African National Roads Agency (SOC) Limited

Lindsay P Ralphs (58)

CA(SA)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 10 April 2014
- Chief Executive Officer of Bidvest South Africa

OTHER EXPERIENCE

- Director of various Bidvest's subsidiaries

Matthias Haus (65)

MB ChB, MD, DCH, FCFP, FFPM, Dip OBST

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 1 June 2012
- 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
- Editor in chief at Current Allergology and Clinical Immunology
- Executive at the Allergy Society of South Africa

OTHER 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

Tlalane Lesoli (64)

MB BS, Dip of Child Health

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- 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

OTHER EXPERIENCE

- Co-founded and managed Mother Earth Distributors and Nature Plan
- Non-executive director of Woman Investment Africa Network and Global Africa Resources
- Research in Neonatal Pediatrics at John Radcliffe Hospital Oxford, UK
- Medical Director of Transmed Medical Aid

P Mpho Makwana (44)

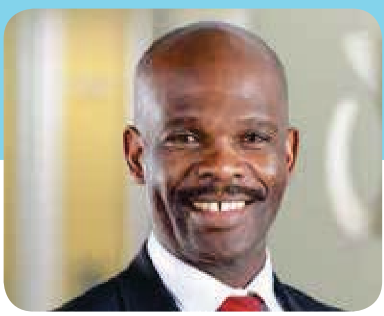
B ADMIN (Honours), Post-Grad Dip (Retailing Management)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 1 February 2012
- Non-executive director of Nedbank Limited and Biotherm Energy (Pty) Limited
- Chairman of Arcelormittal SA Limited
- Chairman of the board of trustees at The New LoveLife Trust
- Trustee of The Business Trust, Vodacom Foundation Trust, the Transaction Advisory Fund and World Wildlife Fund South Africa
- Chairman of ITNA, an IT company

OTHER EXPERIENCE

- Chairman of Eskom Holdings Limited
- Member of the group executive of Edcon Limited



Clifford D Raphiri (51)

BSc (Mechanical Engineering), Grad Dip Engineering, MBA

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- Manufacturing and Technical Director of SA Breweries Limited. Serves on the boards of various SA Breweries Limited subsidiaries

OTHER EXPERIENCE

- Design mechanical consulting engineer at BKS Incorporated
- Project engineer at Metal Box
- Consulting engineer at Andersen Consulting

Motty I Sacks (71)

CA(SA), AICPA (ISR)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 25 February 2014
- A Chartered Accountant who has been active in the professional and corporate sectors for the past 45 years
- After retiring from his consultancy practice in 1994, he co-founded Netcare Limited
- Serves as a non-executive director of several South African listed institutions

OTHER EXPERIENCE

- Chairman of Advtech Limited
- Co-founder of Net 1 (Aplitec Limited)
- Co-founder and mentor to Afrocentric Investment Corporation Limited
- Director and Officer of the International Association of Political Consultants

Roger I Stewart (62)

MB ChB, PhD (Med), Grad Dip Comp Dir, F Inst Directors

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Appointed: 15 July 2008
- Director and shareholder of Business Sculptors (Pty) Limited

OTHER EXPERIENCE

- Associate professor of Physiology at the University of Stellenbosch
- Fellow of the American College of Chest Physicians
- Group executive at the South African Medical Research Council

CORPORATE GOVERNANCE

Corporate governance includes the structures, processes and practices that the Board of Directors (Board) uses to direct and manage the operations of Adcock Ingram Holdings Limited and subsidiaries within the Adcock Ingram Group. These structures, processes and practices help to ensure that authority is exercised and decisions are taken, within an ethical framework that promotes the responsible consideration of all stakeholders and ensures that decision-makers are held appropriately accountable.

BOARD

	AUDIT	HR	SOCIAL	RISK
Composition	Three independent non-executive directors and one non-independent non-executive director	Two independent non-executive directors and two non-independent non-executive directors	Two independent non-executive directors, one non-independent non-executive director, two executive directors and Human Capital Executive	Four independent non-executive directors
Members	MI Sacks (Chairman) M Haus R Morar RI Stewart	CD Raphiri (Chairman) R Morar LP Ralphs MI Sacks	PM Makwana (Chairman) AG Hall T Lesoli A Mokgokong KB Wakeford BJ Letsoalo	RI Stewart (Chairman) M Haus PM Makwana MI Sacks
Responsibilities	Review annual financial statements and recommend their approval to the Board Review accounting policies Nominate for appointment independent auditor in accordance with the Companies Act Determine the fees to be paid to auditors and engagement terms and ensure that the appointment of the auditors complies with the provisions of the Companies Act and other relevant legislation Provide assurances to the Board as to the integrity and appropriateness of the financial management systems	Assist the Board in determining remuneration and performance measures of executive and senior management Determine remuneration policy and appropriate human capital management policies Review terms and conditions of key executive service agreements at least annually Oversee annual performance evaluation of the Board Assist the Board to ensure that the Board is appropriately constituted for it to execute its role and duties effectively and that directors are appointed through a formal, transparent process; and that induction and ongoing training and development of directors takes place The Chairman of the Board chairs the HR, Remuneration and Nominations Committee when constituted as the Nominations Committee	Monitor the Company's activities regarding relevant legislation and codes of best practice Draw matters within its mandate to the attention of the Board and report to the shareholders at the Annual General Meeting Ensure Adcock Ingram's equity ownership and the demographic profile of its employees is representative in the South African context Establish, implement and monitor the framework for the Company's transformation plan	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
Attendance by invitation	Executive directors, Finance executives, internal and external auditors	CEO and Human Capital executive	Human Capital executive, Government relations executive and any relevant members of management	Executive directors, internal and external auditors, insurance and risk advisors and relevant members of management

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE

Adcock Ingram Holdings Limited is committed to the principles of good corporate governance as set out in the King III Report on Corporate Governance for South Africa (King III), the JSE Listings Requirements and the Companies No Act 71 of 2008 (Companies Act).

ETHICS

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

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.

King III provides guidance on acceptable business practices and ethical standards by which Adcock Ingram directors, employees, suppliers and business partners are expected to conduct themselves in their business relationships. Training initiatives relating to ethics include training of employees on ethics by a Certified Ethics Officer, employed by the Group. Employees are encouraged to report any suspected inappropriate, unethical, illegal activity or misconduct through an independently operated Tip-Offs Anonymous line. This whistle-blowing facility is available 24 hours a day, 365 days a year. All complaints lodged through this service are investigated; where appropriate, disciplinary action is instituted and reported to the Board through the Human Resources, Remuneration and Nominations Committee as well as the Social, Ethics and Transformation Committee. Below is an analysis of reports received for the period under review.

A register setting out compliance with King III principles on an "apply or explain" basis can be found on *www.adcock.com*

Analysis of reports received in the nine-month period ended 30 June 2014:

15 REPORTS RECEIVED

2 UNDER INVESTIGATION

3 UNFOUNDED

8 PROVEN ALLEGATIONS

2 INSUFFICIENT EVIDENCE

REASON FOR CALLS: Unethical behaviour, dishonest conduct, complaints relating to human capital and governance

CORPORATE GOVERNANCE CONTINUED

THE BOARD OF DIRECTORS

APPOINTMENT AND RETIREMENT

Adcock Ingram is led by a diverse board of 12 directors, 10 of whom are non-executives. Six of the non-executive directors are independent and four are not independent as defined by King III.

Changes to the board and directors' responsibilities

During the period under review, the following changes to the Board occurred:

DECEMBER 2013

- Prof Matt Haus was appointed as a member of the Audit Committee.

JANUARY 2014

- Mr Andrew Thompson resigned; and
- Mr Leon Schonknecht retired.

FEBRUARY 2014

- Dr Khotso Mokhele resigned as director and Chairman of the Board;
- Mr Brian Joffe was appointed as non-executive Chairman;
- Mr Michael (Motty) Sacks was appointed as an independent, non-executive director and chairman of the Audit Committee and as a member of the HR, Remuneration and Nominations Committee; and
- Mr Clifford Raphiri, an independent, non-executive director was appointed by the Board as the Lead Independent non-executive Director as the Chairman is not independent.

APRIL 2014

- Dr Jonathan Louw resigned as the Chief Executive Officer (CEO) and director;
- Mr Kevin Wakeford was appointed as the CEO and a member of the Social, Ethics and Transformation Committee;
- Shareholders elected Dr Anna Mokgokong, and messrs Roshan Morar and Lindsay Ralphs as non-independent members to the Board;
  - Mr Morar was appointed as a member of the HR, Remuneration and Nominations, and Audit Committees;
  - Mr Ralphs was appointed as a member of the HR, Remunerations and Nominations Committee; and
  - Dr Mokgokong was appointed as a member of the Social, Ethics and Transformation Committee; and
- Mr Sacks was appointed as a member of the Risk and Sustainability Committee.

All the above appointments were done in accordance with Adcock Ingram's Memorandum of Incorporation (MOI), which sets out a formal process for the appointment of directors to the Board. Criteria used in the selection of the directors of the Company include leadership qualities, depth of experience, skills, independence, business acumen, and personal integrity beyond reproach. The directors collectively bring to the Group a wide range of skills and experience which include industry-specific knowledge as well as broader business flair and acumen. The Chairman of the Board chairs the HR, Remuneration and Nominations Committee, when constituted as the Nominations Committee. In instances where the Chairman of the Board is conflicted, the Lead Independent Director of the Board chairs the Nominations Committee.

As required by the Company's MOI and the Companies Act, an Annual General Meeting is held once a year. In accordance with the Company's MOI, at least one-third of the non-executive directors retire by rotation every year. Each non-executive director is therefore rotated at least once every three years. Retiring non-executive directors, who offer themselves for re-election, and if eligible, are evaluated by fellow directors before a recommendation on their re-election is made by the Board to shareholders. 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 appointment which, together with the board charter, form the basis of the director's appointment. The Nominations Committee plays an important role in the identification and removal of under-performing or unsuitable directors.

Brief curricula vitae of each of the directors appear on pages 8 and 9 of this report.

RESPONSIBILITIES AND PROCESSES

The Board is ultimately responsible to shareholders for the performance of the Group. The Board broadly gives strategic direction to the Group, approves and regularly reviews business strategy, budgets and policies, appoints the Chief Executive Officer and ensures that power and authority delegated to management are clearly and comprehensively documented and regularly reviewed, and 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. The Board, through the Risk and Sustainability Committee, monitors the Group's risk tolerance and appetite. Adcock Ingram has a credible enterprise management system which has been rated as "satisfactory" by the internal auditors on its robustness and was approved by the Board.

BOARD CHARTER

The Board is governed by a board charter which sets out, *inter alia,* the principles and process in terms of which directors are appointed, and the duties and responsibilities of the Board. Issues of conflicts of interest are regulated and dealt with regularly in terms of the board charter and the Companies Act. In order to ensure that issues of conflict of interests are properly managed and dealt with, the directors' register of interests is circulated at every scheduled meeting of the Board for directors to confirm its contents. The subject matter together with the declaration of anti-competitive behaviour are standing items on the Board agenda. The board charter complies with the principles of King III 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 work-plan aims to ensure that the Board deals with each of the matters reserved for its consideration during the course of its annual 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 42, 43 and 49 of this report. The Board strives to ensure that non-attendance by directors at scheduled Board meetings is an exception rather than the norm, and directors who are unable to attend meetings are required to communicate their reasons for non-attendance in advance to the Company Secretary for formal notification to the Board through the Chairman. Directors are also required to sign an attendance register at all the meetings of the Board.

Board papers are provided to directors in a timely manner, in advance of meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary. All directors may 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 work plan. 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 Company Secretary attends all Board and committees' meetings and provides the Board and the directors, collectively and individually, with guidance on the execution of their governance role and compliance with the required statutory procedures.

BOARD EDUCATION, TRAINING AND EVALUATION

All directors are required to attend a formal annual governance training session, which is scheduled in the Board's annual calendar, to ensure their knowledge of governance remains relevant. In addition, all 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). On-going director training sessions are held where changes in the legislative, regulatory or business environment of the Group warrant specific focus. Finally, all directors are encouraged to attend external director development and training programmes, at the cost of the Group.

Due to protracted corporate action, which was followed by changes to the composition of the Board and its committees and the change in the year end of the Company, directors were unable to attend formal training, normally offered by the Group, during the period under review. For the same reason, the evaluation of the Board, its committees and the Chairman was also not conducted in the period under review, and will be performed in the new financial year.

BOARD MEETINGS

The following meetings were held during the period under review:

- 4 Board meetings;
- 12 Special Board meetings;
- 3 meetings of the Committee of the Independent board; and
- 12 meetings of the Independent board.

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 independent non-executive directors and the Chairman. The Company Secretary works closely with the Chairman of the Board, Chairmen of the respective Committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes.

In the period under review, the Company Secretary was evaluated by all the directors and his line manager. The evaluation criteria for the Company Secretary include the following:

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

The evaluation questionnaires completed by directors were submitted to an independent assessor for evaluation and compilation of a report. The results of the evaluation were discussed at the meeting of the Board in August 2014. Based on the results of the evaluation, the Board of directors confirmed that the Company Secretary is competent and has relevant experience to discharge his duties. Furthermore, the Company Secretary is suitably qualified for this role, maintains an arm's length relationship with the Board of directors and is not a director.

INFORMATION TECHNOLOGY (IT)

Adcock Ingram subscribes to King III in that IT governance can be considered as a framework that supports effective and efficient management of IT resources to facilitate the achievement of the Group's strategic objectives.

Adcock Ingram has implemented a number of projects with a view to improve its business processes and continues to improve these processes to achieve compliance. The implemented processes include:

- business driven IT strategy;
- standardisation of systems and processes to improve business operations and reporting;
- replacement of outdated and obsolete systems with the Oracle ERP suite of products running on modern energy efficient servers;
- centralisation of IT facilities and upgrades to the IT infrastructure;
- information security systems; and
- disaster recovery systems and procedures.

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, as set out in King III.

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.

In the period under review, the internal audit function was outsourced to an independent audit firm and the responsibility to oversee, manage, inform and take accountability for the effective operation of this function lies with the Company's Deputy Chief Executive and Financial Director. The Board has approved a proposal to move internal audit from an outsourced to an in-house function with effect from 1 October 2014. The Company is in the process of establishing an in-house internal audit function with appropriate resources. In the period under review, the internal audit function operated within a formally defined charter which was approved by the Board.

Furthermore, there has been extensive co-ordination and sharing of information between the Group's external auditor and the internal audit function.

LEADERSHIP STATEMENT

KEVIN WAKEFORD

Chief Executive Officer

ANDREW HALL

Deputy Chief Executive and Financial Director

Adcock Ingram has a long history and heritage going back to the 1890's. The Company has evolved from a purely retail pharmacy model to one of the largest pharmaceutical companies in South Africa and a leading local manufacturer of a wide range of pharmaceuticals and associated products.

The growth has created a widely diversified company in terms of product portfolio and customer base. The product range is marketed to an extensive range of customers, from the retail pharmacy right through private and public hospitals. This diversity requires focus to provide seamless service and a satisfactory customer experience to each and every customer.

The Group was the target in a protracted contest for shareholder control which was finally resolved towards the end of February 2014, but proved a distraction for management during the period under review.

For a better appreciation of the results, shareholders are reminded of the change in year end from September to June, this having been effected for better performance management and other goal-directed operational practicalities.

For a more informed comparison with 2013, reviewed comparative figures have also been provided for the nine-month period ended 30 June 2013.

FOCUS 2015

The Group's strengths include owning, producing and distributing an impressive range of pharmaceutical and medical products including iconic **brands,** and great and committed people.

Panado, our leading brand, as well as many other household brands still make Adcock Ingram the leader in the OTC market. The huge potential of these well-known brands should be capitalised to regain share in this exciting market.

It is clear that our **customers** should be served better. The business was highly centralised, but moving to a decentralised structure will allow for the tailoring of offerings to each and every customer's needs. Relationships as well as service levels with customers will be improved. Strong leadership and key account management will play an important role in the new approach.

The right **products** should be provided, supported by the correct promotional activity, with focus on satisfying customer needs in the Group's target markets. In order to achieve this, further investment and support into the marketing and sales function are required.

EXTERNAL ENVIRONMENT AND REGULATORY ISSUES

The environment is tough and competition is strong. According to IMS, industry growth has slowed under an ever-tightening regulatory framework. This pressure is exacerbated by other stakeholders, in particular funders, in their pursuit of the most economical pharmaceutical option. The general economic environment is not as favourable as could be hoped for and it is evident that customers are trading down where possible.

The call by the honourable Minister of Health for comments on a new methodology for the Single Exit Price (SEP) adjustment is welcomed. It is hoped that the real cost increases experienced by pharmaceutical manufacturers, driven largely by the deteriorating exchange rate, will be fairly compensated for.

Other issues that have arisen include the Complementary and Alternative Medicines regulations published in November 2013 of which Adcock Ingram is supportive, in order to maintain quality and safety within this category. A resolution is sought with the regulatory authority on a number of issues but most importantly the definition of a complementary medicine.

In terms of our product registrations, to the end of the current financial period, we have received registration for eight products. The approach with regards to submissions to the MCC will be reviewed.

GOVERNANCE AND ETHICS

The Board recognises that a corporate culture which promotes ethical behaviour supported by honest and open communication with all stakeholders is integral to good governance.

Ethical behaviour, accountability and transparency are integral to building stakeholder confidence in the Group and the Group's employees are constantly reminded of the ethical culture through dedicated columns in all newsletters, notice boards and ethics training. These behaviours are built into the Company's values.

Risks as well as ways in which to overcome controllable risks are identified and actioned as and when detected to minimise the impact of the uncontrollable risks.

PERFORMANCE

While there are several pharmaceutical sector specific reasons for the Group's weak trading performance, this was aggravated by a poor economic climate in South Africa as well as by Adcock Ingram's executive leadership being immersed in and substantially preoccupied with the corporate activity.
There is no doubt that the poor financial performance for the period under review is disappointing. There are a number of specific reasons including losing market share in the key OTC segment; a severe change in the exchange rate; low capacities in certain of the factories; and increasing input and overhead costs. These are the challenges which must now be addressed.

RESTRUCTURE AND REORGANISATION

Immediately after the change in leadership and the partially reconstituted Board, a process of examination of the business was commenced, with a specific focus into the Group's structure and manner of operating. Substantive changes and a reorganisation of the business into accountable business units were found to be necessary to facilitate greater focus on:

CUSTOMERS

PRODUCTS and

SERVICE

The reassessment which took place revealed and dictated that several substantial impairments were necessary and these have been accounted for in this period.

It was evident that the past should be left behind and a new course set out which will offer the opportunity for improved performance. Focus would be on getting the business basics right and finding a growth path that will lead to the recovery of the fortunes and deliver acceptable shareholder returns. This process is not a quick remedy but if the correct decisions are made on the road to recovery, the business will reap the benefits.

NEW DIVISIONAL STRUCTURE

The new structure came into operation on 1 July 2014 creating a more defined but decentralised structure with focused and specialised commercial divisions.

The changes will *inter alia* create autonomous operating divisions with separate focused strategies to best manage the challenges and opportunities in each of the Adcock Ingram businesses, while at the same time, facilitating full accountability in each case and allow for better measurement of returns. This is intended to give the Company renewed focus and energy and to instil a more entrepreneurial and agile spirit in the business. The structure is ultimately designed to be customer-centric and assist in the recovery of the business.

LEADERSHIP STATEMENT CONTINUED

NEW DIVISIONAL STRUCTURE IN SOUTH AFRICA

CONSUMER

headed by Juliet Fourie

This division will compete in the Fast Moving Consumer Goods (FMCG) space with leading brands across the following categories: Analgesics, Coughs and Colds, Supplements, Digestive, Nutrition and Personal Care. This range comprises largely complementary and schedule 0 medicines.

OTC

headed by Werner van Rensburg

The OTC division will focus primarily on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in product choice. The range of products includes schedule 0 – 2 OTC brands. Leading brands in the portfolio include Adco-Dol, Broncleer, Citro-Soda, Corenza C, Expigen, Liviton, LP299V and Vita-thion. The Clayville factory, which produces most of the OTC brands, is included in this division.

PRESCRIPTION

headed by Ashley Pearce

This division will market products used in conjunction with medical practitioners only. The Adcock Ingram generic and branded product ranges as well as the prescription products of our strategic alliance partners will be marketed by this team. Disease and therapeutic areas included in this portfolio are: Women's health, Urology, ARVs, Dermatology, CNS, Ophthalmic, Cardiovascular and Pain. The Wadeville factory which is predominantly set up as an ARV facility is reflected in this division.

HOSPITAL

headed by Colin Sheen

A long-established, previously stand-alone division within the Group, Critical Care will again operate independently, with the facility in Aeroton falling within the unit and all personnel relocated to Aeroton. The portfolio includes intravenous solutions, renal dialysis systems and pharmaceuticals, transfusion systems for the collection and storage of blood, and infusion systems.

LOGISTICS

headed by Tobie Krige

The logistics operation which moves a significant percentage of pharmaceutical products in South Africa will now act as an independent division, which will contract to the commercial structures on an arm's length basis. The logistics operation also provides a distribution service to the strategic alliance partners.

The Consumer division's management team: (standing, left to right) Azhar Kaka, Head: Sales; Juliet Fourie, Managing Director; Craig Ayre, Operations Manager; **(seated, left to right)** Lauren Shimmin, Financial Director and Christa van Wyk, Category Marketing Manager.

The OTC management team (standing, left to right): Natalie Zaroudoukas, Financial Director; Pierre Linford, Supply Chain Manager; Daminda Senekal, Marketing Manager; Riaan Pelzer, National Sales Manager: Doctor Detailing; Werner van Rensburg, Managing Director; Esayvani Mandiri, Marketing Manager; **(seated, left to right)** Bruce Laubscher, Commercial Sales Manager and Marc Gardiner, Head of Production: Clayville.

BEYOND SOUTH AFRICA: **REST OF AFRICA AND INDIA**

Rest of Africa and India, will continue to be managed as additional divisions within the Group:

REST OF AFRICA

headed by Kofi Amegashie

A basket of products from the Adcock Ingram range as well as specific products in the markets, are promoted in a market-focused way in **Ghana, East Africa,** and **Zimbabwe.** Factories are situated in Ghana and Zimbabwe.

INDIA

headed by Pravin Iyer

Marketing in 26 of the 29 states in India, this operation promotes more than 60 brands. The focus areas are Gastrointestinal, Dermatology, Gynaecology and Orthopaedic.

CONCLUSION

While the road ahead is likely to be challenging, the building blocks have been put in place and our employees have embraced the new structures and business focuses with great vigour. Focus is on the right areas with support behind our brands, divisions and people, to successfully build on the proud history of the Company.

Adcock Ingram is a significant player in the South African pharmaceutical market, with many people relying on its products to improve their lives.

The Prescription division's management team: (standing, left to right) Nick Ford, Financial Director; Ashley Pearce, Managing Director; Zwelethu Bashman, Head: Sales; **(seated left to right)** Gail Solomon, Head: Commercial Prescription and Christian Whiteboy, Head: Manufacturing.

Members of the Hospital division's management team: (standing, left to right) Sheila Keshav, Head: Renal; Mohamed Mangel, Financial Director; Silvia Gounden, Head: Transfusion Therapies and Colin Sheen, Managing Director **(seated)**.

THIS IS OUR MISSION –

TO PROVIDE QUALITY PRODUCTS THAT IMPROVE THE HEALTH AND LIVES OF PEOPLE IN THE MARKETS WE SERVE

Kevin Wakeford
Chief Executive Officer

Andrew Hall
Deputy Chief Executive and Financial Director

OPERATIONAL OVERVIEW – SOUTHERN AFRICA

MARKET OVERVIEW

The South African pharmaceutical market, as measured by IMS is worth R35,6 billion with 8% value growth (June 2014 MAT).

The private sector accounts for 84,2% of this with 4,3% growth in value terms and volume decline of 0,8%. Adcock Ingram's share is 9,4% in value terms (3,3% growth) and 31,3% in volume (1,3% growth).

The public sector which accounts for 15,8% of the total market recorded growth of 33,1% in value and volume. Adcock Ingram's share is 6,8% in value terms (128,3% growth) and 17,1% in volume (103,2% growth).

For further commentary regarding the Over the Counter, Prescription and Hospital segments, please refer to pages 19 to 21 .

MARKET SHARE

Private sector: **9,4%** value
31,3% volume

Public sector: **6,8%** value
17,1% volume

TURNOVER

R3 245 MILLION

EMPLOYEES

2 260

KEY INFORMATION

OFFICE:
Midrand in South Africa, serving as the head office for the Group

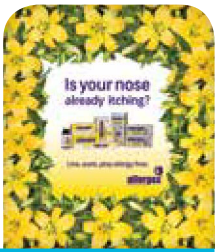
ACTIVITIES:
Research and development, manufacturing, distribution, and sales and marketing

CUSTOMERS:
Wholesale, FMCG retail, independent pharmacies, hospitals, doctors and Government

OVER THE COUNTER (OTC)

Adcock Ingram competes in the following three core areas of the OTC self-medication and wellness market:

- Curative (analgesics, colds and flu, and allergy)
- Wellbeing (digestive wellbeing, supplements and energy)
- Personal care (wipes, facial care, hand and body topical creams and ointments, and feminine care)



Analgesics (pain)

- Adcodol
- Betagesic
- Betapyn
- Compral
- Lotem
- Mypaid
- Panado
- Pynstop
- Spasmend
- Syndol

Pharmacy Rank #1
FMCG Rank #2

Colds and Flu

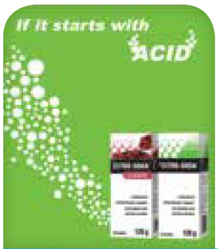
- Adco Linctopent
- Adco Sinal
- Alcophyllex
- Cepacol
- Corenza C
- Dilinct
- DPH
- Expigen
- Grippon
- LCC
- Medi-Keel

Pharmacy Rank #1
FMCG Rank #6

Allergy

- Adco-cetirizine
- Adco-Destoratadine
- Allergex
- Allergex eye drops
- Allergex ND
- Mepyramal Cream
- Mizallen

Pharmacy Rank #1



Digestive Wellbeing

- Adco-Loperamide
- Citro-Soda
- Freshen
- LP299V
- Mayogel
- Medigel
- Pectrolyte
- ProbiFlora
- Scopex

Pharmacy Rank #1
FMCG Rank #1

Supplements and energy

- ArthroGuard
- Bestum
- Bidomak
- Bioplus
- Liviton
- Vita-thion
- ViralGuard

Pharmacy Rank #1
FMCG Rank #2

Personal Care

- Amethaine
- Calesthetic
- Covospor
- Dynexan
- GynaGuard
- Normaspor
- Stopitch
- TLC

Pharmacy Rank #6

Source: IMS TPM MAT 6/2014
Aztec June 2014

MARKET SHARE

VALUE
18,2%

VOLUME
36,9%

TURNOVER

R1 137
MILLION

MARKET TRENDS

- Consumer expectations for improved healthcare are increasing in both developed and developing countries
- Market growth driven by the global trend towards self-care and a growing middle class
- Reimbursement and coverage of medical expenses by insurance companies and employers are on the decline. Customers/patients have to contribute more money resulting in increased focus on preventative products such as vitamins and supplements
- Growth driven by new product formats and a focus on lifestyle disease prevention and treatment
- Consumers are becoming more educated with regards to self-medication options
- Economic factors are causing a shift from premium to economy and house brands, as well as smaller pack size and price formats
- Regulatory environment moving away from industry self-regulation to government control, resulting in increased maintenance and launch costs

BUSINESS FOCUS

- Defend and grow the core
- Drive organic growth in the categories in which the Group competes
- Consumer-led brand positioning and growth
- Development of strategic partnerships
- Portfolio and market expansion
- Reintroduce category and consumer focus
- Operational excellence in marketing, selling and supply chain
- A coordinated sales and marketing approach
- Marketing support will be increased

Panado ranked number

#2

Compral ranked number

#4

in the pain market

SOUTHERN AFRICA CONTINUED

HOSPITAL

Critical Care is a **leading supplier** of **life-saving products** across **multiple categories**. The portfolio includes intravenous solutions, renal dialysis systems and pharmaceuticals, transfusion systems for the collection and storage of blood and infusion systems.

RENAL

- Partnership with Netcare through National Renal Care (NRC)

MEDICINE DELIVERY

- Adco Ceftriaxone
- Adco Granisetron
- Sabax Ciprofloxacin
- Sabax Intravenous solutions
- Sabax Irrigation solutions
- Sabax Metronidazole
- Sabax Mini-Bags
- Sabax Pour Bottles

NUTRITION

- Cernevit
- Oliclinomel N4
- Oliclinomel N6
- Oliclinomel N7
- Oliclinomel N8
- Potassium Phosphate
- TPN filter sets
- Vitafusal

TRANSFUSION THERAPIES

- AccuVein
- Anticoagulant solution
- Blood packs
- Blood sets
- Leucodepletion filters
- Platelet additive solution
- T-Sol

TURNOVER

R721 MILLION

BUSINESS FOCUS

- Maintaining market leading position in categories where the business is already well established
- Regaining lost share in categories where focus has been distracted
- Maximising efficiencies in operations including automation
- Uncompromised attention to supply and service
- Innovation through entering adjacent categories and expanding into new categories
- Focus on mix to support sustained profitable sales growth
- Maintain close relationship with Government to support national demand

RENAL

Adcock Ingram has maintained its market leading position across all therapy areas including haemodialysis, peritoneal dialysis and continuous renal replacement therapy (CRRT). This leading position is currently being enhanced with multiple new initiatives across all therapy areas to support increased patient recruitment through market development and technology enhancements.

MEDICINE DELIVERY

The business is the largest supplier of large volume intravenous solutions within South Africa and the largest supplier to Government.

Adcock Ingram currently has a low share of the small volume parenteral market which presents opportunity in this attractive segment.

NUTRITION

The Nutrition business has not reflected growth to expectation in an attractive market.

TRANSFUSION THERAPIES

Adcock Ingram has been successful in securing a large component of the newly awarded tender for supply of product to the South African Blood Transfusion Services (SANBS). Although the tender has placed increased pressure on margins, the three year contract supports business sustainability and provides opportunities for business expansion into adjacent categories.

PRESCRIPTION

Deals with drugs and treatment used in conjunction with healthcare professionals only.

The therapies reflect medicines prescribed by a registered physician and thereafter dispensed with a prescription by a licensed professional.

The business is split into:

- strategic alliance brands;
- own intellectual property; and
- generic brands.

These are further segmented into therapeutic areas with the objective of specialisation.

TURNOVER

R1 388 MILLION

BUSINESS FOCUS

- Protect and grow the core business
- Regain market share in generics through increased focus
- Re-evaluate the portfolio and pipeline
- Ensure profitable ARV franchise
- Evaluate strategy on location of manufacturing

MARKET TRENDS

- Highly regulated market
- Funders encourage patients to switch to lower cost generic brands
- Significant HIV disease burden in South Africa
- Number of products reaching the end of patent protection are increasing
- Decline in new product registrations

MARKET SHARE

VALUE

5,8%

VOLUME

16,6%

#1

WOMEN'S HEALTH AND UROLOGY

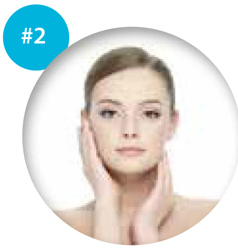
- Activelle
- Estalis
- Estradot
- Estrofem
- Estro-Pause
- Kliogest
- Novofem
- Trisequens
- Urizone
- Urispas
- Vagifem
- Novofem

#7

ARVs

- Adco-Abacavir
- Adco-Efavirenz
- Adco-Lamivudine
- Adco-Nevirapine
- Adco-Zidovudine
- Temecit
- Tenofovir
- Trivenz

#2



DERMATOLOGY

- Acnetane
- Dovobet
- Elidel cream
- Famvir
- Fucidin Topical
- Lamisil
- Roaccutane
- Xamiol

#3

OPHTHALMIC

- Atropine
- Covostet
- Fucithalmic
- Ocuprost
- Phenylephrine
- Spersadex
- Spersadex Comp
- Spersallerg
- Spersatear
- Voltaren
- Zaditen

#3

CARDIOVASCULAR

- Akrinor
- Burinex
- Co-Migroben
- Lescol
- Metforal
- Migroben
- Xenical
- Zetomax
- Zetomax-co
- Zildem

#2

PAIN

- Brexecam
- Carbocaine
- Fastum
- Mypaid Forte
- Myprocam
- Myprodol
- Remicaine
- Sosensol
- Synaleve
- Tenston
- Tramgesic
- Xylotox

#2

GENERICS

- Adco-Alzam
- Adco-Atenolol
- Adco-Atorvastatin
- Adco-Bisocor
- Adco-Omeprazole
- Adco-Simvastatin
- Adco-Zetomax
- Adco-Zolpidem
- Genpayne

#3

CNS

- Azilect
- Clopixol
- Cipralex
- Cipramil
- Ebixa
- Fluanxol
- Mirteron
- Stresam
- Venlafaxine adco

LOGISTICS

LOCATION	CAPACITY		ACCREDITATION
GAUTENG	22 500	PALLETS	South Africa (MCC)
DURBAN	11 000	PALLETS	South Africa (MCC)
CAPE TOWN	4 800	PALLETS	South Africa (MCC)
PORT ELIZABETH	1 500	PALLETS	South Africa (MCC)
CLAYVILLE	6 200	PALLETS	South Africa (MCC)

CHALLENGES

Being cost competitive and maintaining service level targets remain the biggest challenges.

PROGRESS 2014

- The owner-driver scheme was implemented in Critical Care. Six owners set up private companies, equipped with 17 branded vehicles in total.
- CAMs and Consumer products were transferred from third party warehouses to in-house depots.
- The Durban distribution centre was extended by 6 600 pallet positions.
- Fourth party logistics were implemented in the Midrand distribution centre, to enhance real time "proof of delivery" reporting.
- Appointed a single service provider for freight forwarding services.

Fourth party logistics – an arrangement in which a firm contracts out (outsources) its logistical operations to two or more specialist firms (the third party logistics) and hires another specialist firm (the fourth party) to coordinate the activities of the third parties.

FUTURE FOCUS

With the new structure in place from 1 July 2014, the Logistics division's key focus areas will be:

- improving service levels and maintaining cost competitiveness; and
- the implementation of a fully integrated warehouse management system across all the distribution centres to support service delivery.

TARGETS 2015

- Improve service levels
- Ocean imports will be routed to the Durban distribution centre
- Insource cold chain distribution
- Migrate all shipping routes to the new single service provider
- Standardisation on warehouse management system

MANUFACTURING

LOCATION	CAPACITY PER ANNUM	ACCREDITATIONS	STATUS 2014	TARGETS 2015
WADEVILLE	Liquids: **6** MILLION LITRES Creams/Ointments: **500 000** KILOGRAMS Tablets and capsules: **2** BILLION	South Africa (MCC), Ghana (FDB), Botswana (DRU), Malawi (PMPB), Kenya (PPB), and United States of America (FDA)	The tablet manufacturing upgrade was completed, but the unpredictable order pattern and poor demand for ARVs resulted in inefficiencies and subsequent impairments	Ensure profitability on upcoming ARV tender
CLAYVILLE	Effervescents: **28** MILLION TABLETS Effervescent granules and powders: **400 000** KILOGRAMS Liquids: **12** MILLION LITRES	South Africa (MCC), Ghana (FDB), Malawi (PMPB), Kenya (PPB), Zimbabwe (MCAZ), Ethiopia (FMHACA), and Tanzania (pending)	Some outsourced liquid manufacturing and contract manufacturing moved back to Clayville The facility is running under capacity resulting in under recoveries impacting on overall margins	Improve efficiencies and throughput
AEROTON	Large volume parenterals: **28,5** MILLION UNITS Small volume parenterals: **25** MILLION UNITS Pour bottles: **2,3** MILLION UNITS Blood collection bags: **1** MILLION UNITS	South Africa (MCC), SANS ISO 9001: 2008 The only medical grade plastics manufacturing facility in Africa that allows for primary manufacture of bags for fluids	The facility is running at capacity Automation of certain lines investigated and relevant machinery ordered	Implementation of cost-efficiencies
BANGALORE (JV facility)	Tablets and capsules: **3,5** BILLION UNITS	UK (MHRA), Australia (TGA), South Africa (MCC), France (ANSES), Tanzania (TFDA), Kenya (PPB), Ghana (FDB), Namibia (NMRC), Uganda (UNDA), Romania (RNAMMD), and Ethiopia (FMHACA)	Several initiatives in progress to reduce costs and increase efficiencies	Achieve service levels above 97%

OPERATIONAL OVERVIEW – INDIA

KEY INFORMATION

OFFICES:
Bangalore, Mumbai and Goa

ACTIVITIES:
Selling and marketing
Regulatory and Transactional support for African operations
Manufacturing in joint venture (JV)

CUSTOMERS:
Wholesale, retail and pharmaceutical multinationals

JOINT VENTURE FACTORY ACCREDITATIONS:
UK, Australia, South Africa, France, Tanzania, Kenya, Ghana, Namibia, Uganda, Ethiopia and Romania

EMPLOYEES:
1 330 permanent employees in sales and marketing, administration and transactional service office in Bangalore, Mumbai, Goa and in the field.

TURNOVER
R178
MILLION

THE LARGE SALES AND MARKETING FIELD FORCE OF
1 157
PEOPLE
REACH AROUND
150 000
OF THE
500 000
MEDICAL PRACTITIONERS IN 29 STATES IN INDIA, PROMOTING A WIDE RANGE OF PRODUCTS INCLUDING AROUND 50 ESTABLISHED BRANDS.

BUSINESS OVERVIEW

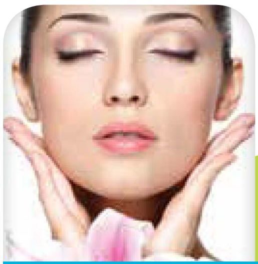
Turnover of R178 million was achieved in the nine months ended June 2014 compared to R114 million in the comparative period. Growth was supported primarily by solid performance from established brands like Cosmelite, Reglan, Jectocos and Menabol. The new drug price control has eroded sales to some extent. The new rule for product licenses to be issued by the Central Government has slowed down the ability to bring new products to market. The 11 new products launched during this period added sales of R4,1 million. As per June 2014 IMS data the business was ranked 77th in the Indian pharmaceutical market.

Manufacturing synergies were achieved by transferring production of 30 million tablets from third party manufacturers to the JV manufacturing facility.

The warehouse in Goa was relocated to a new warehouse in Bangalore in September 2014. The new larger warehouse also has designated place to sort and pack samples for distribution to the field across India and will also accommodate the sales promotion items for customers.

The office in Bangalore continues to provide transactional support and services to the regulatory team in South Africa, including stability studies, vendor audits, regulatory services, medical affairs and pharmacovigilance.

PORTFOLIO



Derma

- Cosmelite
- Flucos
- Cosvate
- Efatop-PE
- Cosglo
- Zoray
- Hirudoid

Gynaecology

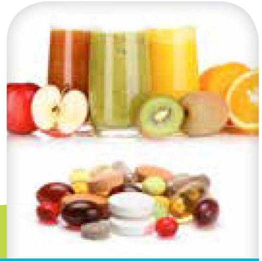
- Cosklot
- Metopar

Pain

- Aceron
- Chymogram

Gastro Intestinal

- Reglan
- Ondance
- Metopar
- Coslyte
- Gutplus
- Pentatstar



Supplement

- Ferose
- Jectoocos
- Menabol
- Denisical
- Adco D3

Adcock Ingram is a market leader in therapy segments like injectable iron supplements, dermatological and gastro-intestinal in India and certain brands are ranked amongst the top 3 in their respective segments.

GDP GROWTH IN INDIA IS DRIVEN BY **THE POPULATION OF 1,21** BILLION PEOPLE, with an emerging middle class and a skilled workforce.

MARKET TRENDS

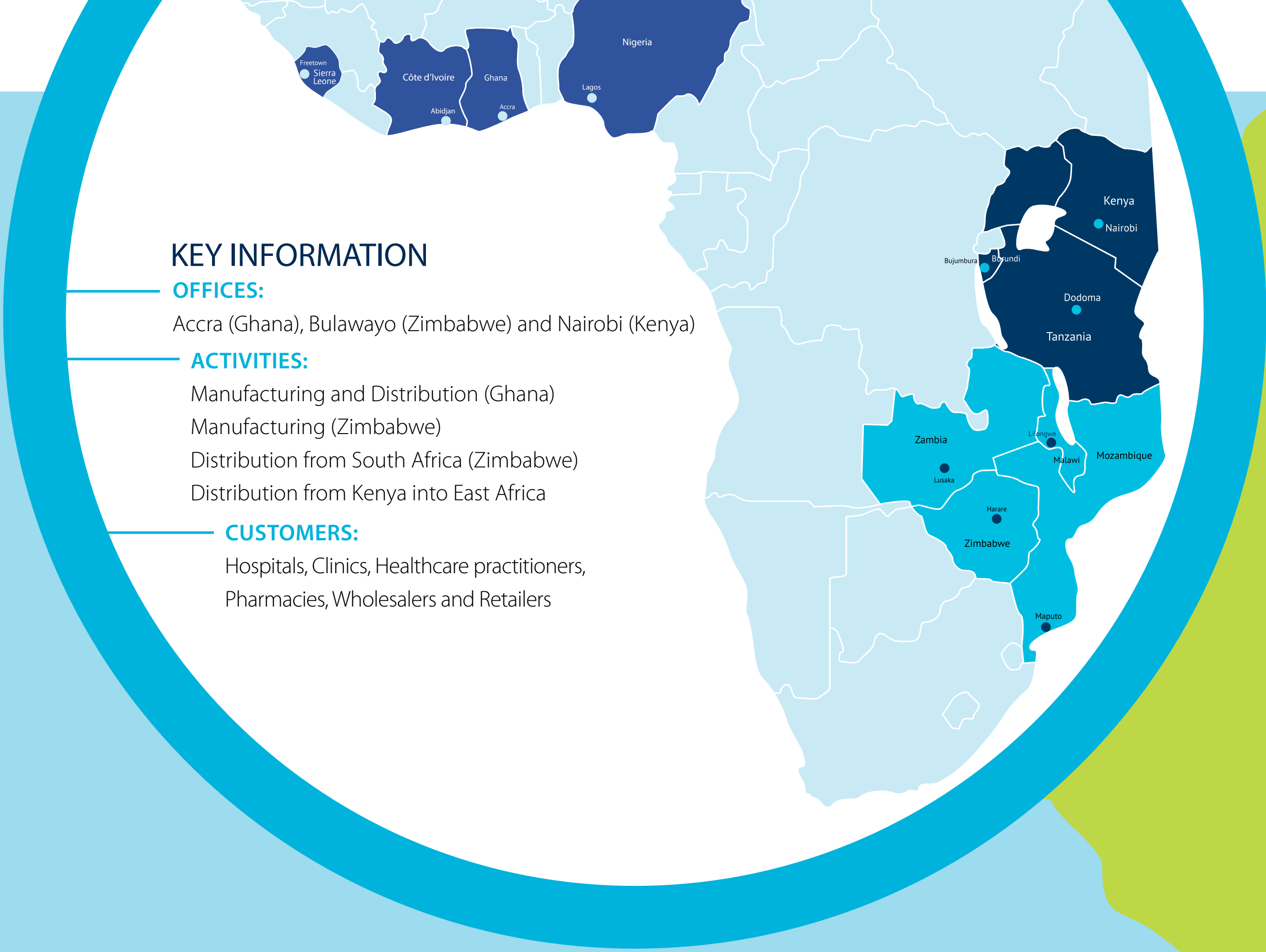
The market presents some challenges:

- GDP growth has slowed down;
- the Indian Rupee has devalued;
- around 30% of the population are living below the poverty line;
- poor infrastructure;
- large scale unemployment is the biggest macro-economic challenge facing the country;
- the pharmaceutical industry is facing a slew of regulatory changes;
- a skills shortage exists in the medical representative area as the opportunities in other sectors, including IT and retail, are more lucrative; and
- the Company's attrition rate is high, relative to industry benchmarks.

GROWTH OF **11,6%** WAS ACHIEVED IN **2014** IN THE PHARMACEUTICAL MARKET WHICH IS DOMINATED BY TRADE THROUGH PHARMACIES FOLLOWING SCRIPTS ISSUED BY DOCTORS.

BUSINESS FOCUS

- Strengthen the portfolio with additional products in Gynaecology and Orthopeadics; and
- Rationalise and stabilise the sales force.



KEY INFORMATION

OFFICES:

Accra (Ghana), Bulawayo (Zimbabwe) and Nairobi (Kenya)

ACTIVITIES:

Manufacturing and Distribution (Ghana)
Manufacturing (Zimbabwe)
Distribution from South Africa (Zimbabwe)
Distribution from Kenya into East Africa

CUSTOMERS:

Hospitals, Clinics, Healthcare practitioners, Pharmacies, Wholesalers and Retailers

TURNOVER

R206 MILLION

	1 WEST AFRICA GHANA AYRTON DRUG MANUFACTURING LIMITED	2 SOUTHERN AFRICA ZIMBABWE datlabs Enhancing the quality of life	3 EAST AFRICA KENYA adcock ingram
EMPLOYEES	502	172	24
ACCREDITATION	Food and Drugs Board (FDB) The Economic Community of West African States (ECOWAS)	Medicines Control Authority of Zimbabwe (MCAZ) Health Professions Authority	Pharmacy and Poisons Board
MANUFACTURING CAPABILITIES AND CAPACITY PER ANNUM	Tablets and capsules 695 million Liquids 2 million litres Powders 1,2 million sachets Creams/Ointments 1,24 million tubes	Tablets and capsules 120 million Liquids 290 000 litres Creams/Ointments 1,2 million kg	
KEY PRODUCTS	• Citro-Soda • Myprodol • Medi-Keel • Betapyn • Ferrodex • Carvo • Paralex-D	• Propain • Pynstop • Solphyllex • Adco Linctopent • Camphacare • Teejel	• Dawanol • Betapyn • Citro-Soda • Medi-Keel • Locaine • Myprodol • Fucicort

GHANA

The short-term outlook for Ghana is not encouraging given the depreciation of the Cedi and the resulting increase in input costs like raw materials, utilities and transportation. In addition to this, the government's newly introduced 17,5% VAT rate, creates a challenge to increase prices to fully recover input cost increases. The Ghanaian regulator has indicated that operating licenses for manufacturers who are non-compliant with cGMP by 2018 will not be renewed.

KENYA

On the anniversary of the terrorist attack in Kenya, it is clear that the Kenyan economy has struggled to recovery, with the lowest tourism volumes recorded in two decades. The knock-on effect on consumer spending continues to adversely affect the FMCG sector. This notwithstanding, the Kenyan Shilling has remained relatively stable given Kenya's pivotal logistical role into the land-locked countries such as Uganda and Southern Sudan. The continued development of infrastructure – transportation, power and water – despite the headwinds, is a clear commitment by the government to prepare the country for calmer times to come when Kenya will fully exploit its unique role in the regional economy. The surrounding economies of the region are growing well with the fledgling oil industry in Uganda and the use of Dar es Salaam in Tanzania as the alternative port to Mombasa in Kenya for regional trade.

ZIMBABWE

Yet another year of poor liquidity in the economy has taken its toll on business with the only compensation being the utilisation of the US$ as the national currency. The political environment remains fluid despite the partial lifting of sanctions by the European Union with the government turning increasingly eastward to China for balance of payments support. This notwithstanding, the remittances from diaspora Zimbabweans continue to shore-up transactions at the consumer level.

PERFORMANCE

The **Rest of Africa** business recorded a **43%** increase in sales over the same period last year.

The **Ghana** business unit continues to record positive sales growth. There was however a significant loss of sales due to the expiry of the temporary registration of certain imported products. Re-registration of the products has since been granted by ***Ghana FDA.***

During the year the local government introduced a new ***17,5% VAT*** rate replacing the zero VAT rating enjoyed by local pharmaceutical manufacturing companies. This resulted in a significant price increase on locally manufactured pharmaceuticals. This has dampened local activity in the market place and impacted negatively on sales throughout the period.

The **Kenya** sales performance exceeded that of the same period last year despite lower Dawanol sales. Regional expansion continued in Uganda and Rwanda.

Zimbabwe is experiencing a cash crisis with low government spending and delayed settlement of invoices. This has resulted in stricter controls and reduced invoicing to customers with outstanding balances which negatively impacted sales.

BUSINESS FOCUS

The high inflation climate and accompanying headwinds in **Ghana** pose significant challenges for the business in the short term. The emphasis remains on regulatory compliance in our manufacturing facilities, increasing the portfolio of higher margin products as well as overall efficiency in the value chain of activities.

In **Kenya,** pressure on discretionary FMCG consumer spend is expected to remain in the short term. Consequently, emphasis on the FMCG segment has been reduced by decreasing the sales force and increasing the focus on the regional expansion of our well-established pharmaceutical brands such as Betapyn. Cost control through the reorganisation of our local distribution arrangements is expected to improve profitability.

The stagnant **Zimbabwe** economy necessitates a cautious ***"wait and see"*** approach with innovative methods of increasing profitable sales whilst keeping a rigorous control of costs.

Overall, 2015 will be a pivotal year for the Rest of Africa business given the increasing risk of doing business in the geographies, including currency, regulatory compliance, affordability and pricing. It will be important to explore risk mitigating and/or risk sharing strategies such as alliances, mergers or portfolio re-alignments.

MARKET TRENDS

- Relative economic stability in the markets in which the Company has a presence
- Emerging middle class offers attractive growth prospects
- Affordability remains an issue
- Greater health awareness and rise of consumerism
- Currency fluctuations remain a risk
- Growth constrained by sub-optimal infrastructures in most countries

AREAS OF RISK

- Regulatory compliance
- Increasing competition
- Counterfeit medicines
- Exchange rate fluctuations
- Political instability in East Africa
- Infrastructure challenges

PEOPLE

People management is a key factor in the sustainability of the Group. Efforts are therefore focused on attracting and retaining high calibre people with the critical skills, motivation and leadership qualities required to take the Group forward.

Our people management strategies are based on:

- competitive and market-related total reward strategies;
- a stimulating work environment;
- career development opportunities;
- transformation and empowerment;
- a process of continuous improvement in strategies such as reward practices, learning and development, talent management, succession planning and culture development;
- a safe and healthy working environment.

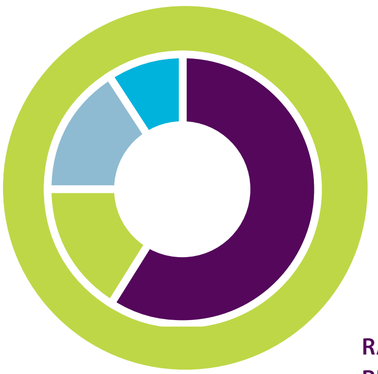
The foundation of a successful human capital strategy includes:

- the creation of a stimulating work environment;
- opportunities for development and personal growth;
- defined performance and talent management processes; and
- alignment to business goals.

The business has undergone significant changes since the 2013 year-end. These changes necessitated a review of the mission and values to underpin the desired culture.

The total reward strategy is integrated with people management processes including performance management, talent management and succession planning.

Remuneration practices aim to recruit and retain the best people in a highly competitive market. A comprehensive review of remuneration and reward strategies can be found on page 34.



- African (59%)
- White (16%)
- Coloured (16%)
- Indian (9%)

RACE REPRESENTATION

Adcock Ingram's headcount details for **2014** are as follows:

TOTAL HEADCOUNT **4 293**
(2013: 4 413)

SOUTH AFRICA **2 260** (2013: 2 317)

INDIA **1 330** (2013: 1 374)

GHANA **502** (2013: 518)

KENYA **29** (2013: 31)

ZIMBABWE **172** (2013: 173)

PERMANENT **3 727** (2013: 3 640)

TEMPORARY **454** (2013: 602)

CONTRACTS **112** (2013: 171)

STAFF COMPOSITION
SOUTH AFRICA

FEMALE **50%**

MALE **50%**

BLACK FEMALE **41%**

WHITE FEMALE **10%**

BLACK MALE **43%**

WHITE MALE **6%**

DISABLED EMPLOYEES
SOUTH AFRICA

15 (2013: 7)

FEMALE **5** (2013: 4)

MALE **10** (2013: 3)

TALENT MANAGEMENT

The talent management process aims to ensure a continuous supply of highly productive people in the right job at the right time. The process aligns human capital with current and future business goals and changing market conditions.

Talent review is a rigorous competency-based assessment of employees which is conducted between line managers and their human capital business partner. The process aims to align human capital with business priorities by:

- identifying high potential employees and future leaders;
- determining depth and strength at a particular level (e.g. critical positions);
- identifying talent gaps, organisational vulnerabilities and risks. A risk-criticality analysis forecasts the likelihood of an identified successor in a strategy-critical job role exiting the organisation during the next 12–18 months; and
- developing a view of organisational capability (within the context of a chosen business strategy).

The evaluation takes into account, race, gender, years of service, age, leadership ability, performance potential and flight risk. 59 employees were evaluated during the 2014 process.

SUCCESSION MANAGEMENT

The talent management process supports succession planning. Challenges in succession management are flight risk, and the resultant loss of continuity, and bridging the development gaps to enable individuals to successfully fulfill their future roles. Such development gaps have been identified for 36% of the top talent pool and developmental plans must be put in place to ensure that these individuals are well prepared and able to succeed in their new roles as required.

EMPLOYEE WELLNESS

The employee wellness programme is outsourced to specialists in this area, through ICAS. Core services offered include a 24 hour call centre which operates 365 days of the year. A professional team of 42 registered professionals provide a multilingual service. This is in addition to counselling services offered at Company sites to deal with issues ranging from substance abuse to marital difficulties.

The overall engagement rate of all services provided was 32% compared to 25,7% in the comparable period. Annualised individual usage of the core counselling and advisory services of 10,8% reflects a significant improvement from 5,3% during the previous period and compares with 16% across all ICAS client companies during the most recent review period.

The most commonly utilised service was professional counselling which constituted 60% of the total engagement (74% in the previous period).

HIV/AIDS

The HIV/AIDS Disease Management programme, offers HIV education and awareness programmes, as well as counseling, both pre and post-screening, at workplace sites. Employees diagnosed with HIV, either through screening or by a private practitioner, are encouraged to enroll on this programme which assists them to manage their condition optimally.

LEARNING AND DEVELOPMENT

The 2014 plan aimed to train at least 50% of employees in South Africa. This number was extended to an actual of 64% of employees. Total direct expenditure on training for the current period amounted to R15 million.

The total number of people trained on various courses/ interventions/coaching sessions and compliance training can be split as follows:

African Male 33%
African Female 36%
Coloured 11%
White 11%
Indian 9%

The workplace skills plan and annual training report were submitted to the Chemical Industries Education and Training Authority (CHIETA) for which the Group received a grant of R3,5 million. The levy period for CHIETA runs from April 2013 – March 2014.

The Group has established a talent pipeline as part of its commitment to B-BBEE and the need to accelerate development of previously disadvantaged people. Participants in these programmes are intended to participate in the talent pipeline:

	African		Indian		Coloured		White		TOTAL
Programme	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	
ABET	14	24	–	–	–	5	–	–	**43**
Interns	–	4	–	1	–	–	1	–	**6**
Graduates	2	1	2	–	–	–	–	–	**5**
Disabled learners	5	4	–	–	–	–	–	–	**9**
Study assistance	5	6	1	1	–	–	–	2	**15**
Pharmacy assistants	18	25	1	–	1	–	–	–	**45**
Apprenticeship	5	3	–	–	1	–	–	–	**9**
Leadership development	1	–	1	2	–	–	1	3	**8**
Total	50	67	5	4	2	5	2	5	140

SUSTAINABILITY CONTINUED

EMPLOYEE HEALTH AND SAFETY

Following the statistics for the period 1 October 2013 to 30 June 2014 for the South African sites:

	Wadeville	Clayville	Aeroton	Midrand	R&D	Total
Number of fatalities (injuries on duty leading to death)	0	0	0	0	0	0
Number of first aid cases (injuries on duty leading to minor treatments)	63	81	16	0	2	162
Number of medical treatment cases (injuries on duty leading to medical treatment, but no lost days)	8	12	8	1	3	32
Number of lost time injuries (injuries on duty leading to at least one lost day)	3	2	10	6	1	22
Lost time injury frequency rate	0,65	1,18	0,87	0,92	1,91	1,11
Total recordable injury frequency rate	2,37	4,12	1,95	1,07	7,62	3,43

HEALTH AND SAFETY AT FACILITIES

During the period between 1 October 2013 and 30 June 2014 risk control grading audits were conducted at the South African manufacturing and distribution facilities as well as international operations located in Accra, Ghana; Bulawayo, Zimbabwe; and Bangalore, India.

The overall score of the South African manufacturing facilities improved to 98% (2013: 97%) whilst the distribution facilities (98%) maintained their score.

The overall score of the audited international operations dropped to 88% (2013: 96%). Ghana was audited for the first time and achieved a rating of 73%. Bangalore and Bulawayo maintained their respective scores of 96% and 95%.

Factors measured during the risk grading compliance audits included risk control management; fire defence systems; security systems; emergency planning; safety and health compliance and motor fleet management.

FUTURE FOCUS

The Group aims to build on its successes in all areas of human capital management and to focus on aligning people management and development activities with business goals.

Transformation remains an important business imperative. Efforts will be directed towards addressing the challenges of the revised B-BBEE codes of practice scheduled for implementation in 2015, especially in terms of skills development, preferential procurement and the training and employment of disabled people and black females.

CARBON FOOTPRINT

The Carbon Footprint results, determined by "Carbon Calculated" are as follows:

	9 months June 2014 Tonnes	12 months September 2013 Tonnes
Scope 1		
Company owned/controlled vehicles	**4 813**	3 684
Stationary fuels	**8 437**	13 177
Fugitive emissions (Kyoto)	**69**	33
Scope 2		
Electricity	**38 623**	50 538
Total Scope 1 and 2	**51 942**	67 432
Scope 3		
Business travel	**1 721**	4 684
Employee commute	**5 672**	4 955
Outsourced distribution (import and export)	**12 814**	11 137
Packaging materials	**11 867**	20 612
Paper use	**48**	70
Waste	**470**	523
Water (embedded CO_2e)	**516**	628
Total Scope 3	**33 111**	42 609
Total Scope 1, 2 and 3	**85 053**	110 041
Non-Kyoto gas	**1 116**	2 130
Grand total	**86 169**	112 171

Carbon footprint calculation done in both periods on operations in South Africa, Ghana, India and Kenya.

TRANSFORMATION

B-BBEE (Broad-Based Black Economic Empowerment) is regarded as a business imperative that aims to realise South Africa's full economic potential whilst accelerating the development of previously disadvantaged communities. The Group's commitment to this philosophy is confirmed in the Level 3 B-BBEE rating achieved, as audited by an independent rating agency.

It is expected that the Level 3 rating will be maintained in 2014. The revised and more challenging B-BBEE codes, which combine certain categories, will apply to the Group in 2015.

Enterprise development

The owner-driver enterprise development project was extended to Critical Care, resulting in the appointment of six independent enterprises with a total of 17 vehicles. This initiative created employment for 34 people. A management service, sponsored by the Group, is available to these enterprises for the next five years to ensure that the owner-drivers acquire the necessary management skills.

Preferential procurement

Priority attention was given to procuring services from qualifying enterprises. This resulted in an 85% achievement of the target in the nine-month reporting period. R1,2 billion of procurement expenditure was included as qualifying expenditure for rating purposes. 35% of qualifying expenditure was placed with black-owned business and black women-owned enterprises.

Socio-economic development

The Company invested R3,5 million in four community development projects in South Africa. These include the long-standing partnership with the Smile Foundation in the Western Cape as well as a partnership with the Gauteng Department of Health at the Leratong Hospital.

Two projects were undertaken in the Eastern Cape. The first project is to increase awareness of safer male circumcision in the traditional initiation process in rural areas. The second project supported improvements to the Lutshaya Senior Secondary School.

STAKEHOLDER ENGAGEMENT

Adcock Ingram recognises the necessity to involve stakeholders in the activities and decision-making processes of its business. Key stakeholders have been identified based on their influence on the Group and are kept top-of-mind on a daily basis.

Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders. Interacting with stakeholders assists the Group in identifying what to report.

KEY STAKEHOLDERS	HOW WE ENGAGE	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS
SHAREHOLDERS AND INVESTOR COMMUNITY	Media releases, Stock Exchange News Service (SENS) Presentation and/or meetings subsequent to the interim and annual results publications Meetings, including regular site tours, with investment analysts, institutional investors and journalists Corporate website	To keep shareholders and the investment community updated on our financial and operational performance, strategy, risks and opportunities in a transparent way To understand the expectations of the investor community and enhance our communication with the members thereof	Corporate action: CFR and Bidvest share acquisition Delivery of sustainable and market-related returns Impact of the exchange rate on the business Strategy and structure of business Product launches and pipeline Impact of regulatory issues on the business
CUSTOMERS/ CONSUMERS	Daily interaction with many of the Group's customers through personal visits by our sales personnel, managers and executives Continuing professional education Customer surveys Call centre Advertising Consumer focus groups Consumer education campaigns Corporate website Social media	To solicit feedback on our products and services, promote and provide education on our products, ensure effective product stewardship and obtain feedback on customer and consumer needs To provide continuing professional education	Product quality and effectiveness Long-term security of supply Service delivery Corporate action and how it could impact on our relationship with customers
MULTINATIONAL PARTNERS AND LICENSORS	Personal contact and annual road shows *Ad hoc* meetings	To ensure that the Group retains a high profile with existing and prospective business partners	Cost-effective sales and marketing Regulatory and distribution capabilities Successful promotion of their products
MEDIA	Distribution of press releases Reactive media engagement Personal interviews with key executives and Board members	To build positive relationships with the media To maintain a positive profile in the media	CFR transaction Bidvest/PIC share acquisition Engagement on topical issues affecting the industry and the Company
LOCAL COMMUNITIES AND NGOs	Corporate social investment programmes	To provide social upliftment and improve healthcare To develop positive relationships with NGOs in the communities	Community upliftment programmes Requests for support for various activities

The Group aims to develop mutually beneficial relationships with its stakeholders, built on a foundation of effective communication strategies tailored to meet the needs of each stakeholder. We aim to engage stakeholders effectively with the objective of not only enhancing the performance for the business, but for the benefit of stakeholders and society as a whole.

Creating trust and goodwill with stakeholders will ultimately foster a positive business environment that facilitates business growth while building the Group's image and brand as an ethical, responsible and concerned corporate citizen. Long-term sustainability objectives are supported through engaging with stakeholders.

KEY STAKEHOLDERS	HOW WE ENGAGE	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS
REGULATORY AUTHORITIES AND GOVERNMENTS	Regular contact, including personal visits, with regulatory bodies, particularly the MCC Proactive government relations engagement strategy is in place for contact at executive and Board level with key government ministers and officials in various departments Membership of various industry associations	To ensure that Adcock Ingram continues to comply with relevant legislation and regulations in our effort to provide South Africans with quality, affordable medicines To facilitate registration of our products in all countries in which we operate To maintain a viable and sustainable local pharmaceutical industry To maintain visibility and enhance identity with the Company corporate brand	Corporate action: CFR and Bidvest Accessibility and affordability of medicines Efficiency of supply Product registrations Investment in South Africa Empowerment and transformation Corporate social investment initiatives
EMPLOYEES AND UNIONS	Intranet, big screens, newsletters, presentations and briefings, performance reviews, internal staff surveys Training and development initiatives Site management/shop steward meetings National transformation forum/site transformation forums	To communicate effectively on Group strategy, performance and developments To develop a positive working relationship and environment To facilitate negotiations on conditions of employment for industry with direct influence on the workplace To discuss, drive and monitor transformation in particular, employment equity and skills development objectives and initiatives	Provision of market-related remuneration and benefits Job grading Job security and morale Ongoing training and development Workforce transformation Succession and talent management Retention of key talent
SUPPLIERS AND SERVICE PROVIDERS	Personal contact at executive and management level Regular interaction with suppliers Proactive participation in South Africa's B-BBEE policy	To understand and address their concerns and ensure they adopt and adhere to required standards and service levels To present a balanced and comprehensive assessment of the Group and to address matters of mutual interest, in pursuit of long-term sustainability. To proactively develop suppliers in alignment with and support of the objectives of South Africa's B-BBEE policy	Sustained demand and long-term relationships Payment terms
INDUSTRY GROUPS	Interaction and participation in: SMASA, SAMED and the PTG	To contribute to an industry viewpoint on regulatory issues and health policy to all healthcare stakeholders	Sustainability and viability of the local pharmaceutical industry

REMUNERATION REPORT

PHILOSOPHY AND POLICY

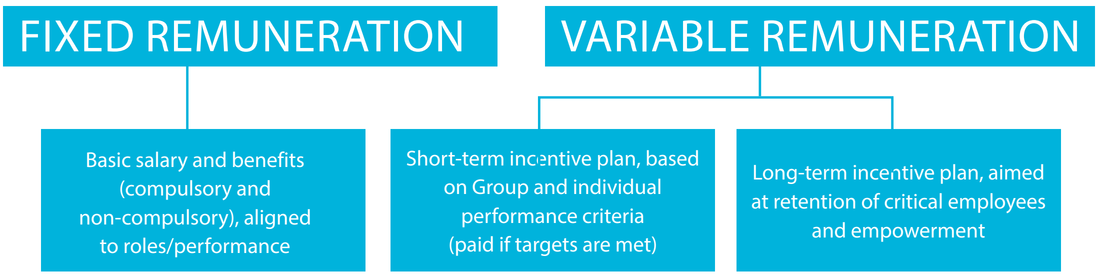
Adcock Ingram strives to provide employees with a competitive remuneration package, based on a combination of benefits. The principle of "performance-based remuneration" is one of the cornerstones of our reward philosophy which is underpinned by sound remuneration, management and governance principles. These principles are promoted throughout the business to ensure consistent application.

Performance conditions are designed to:

- align with the business strategy to enhance shareholder value;
- ensure remuneration arrangements are equitable, fair and transparent;
- encourage long-term business performance and sustainability.

Adcock Ingram promotes a total remuneration philosophy, where employees are rewarded through a mix of financial rewards, comprising elements such as remuneration (fixed and variable), benefits, performance-based incentives, development and career opportunities. This philosophy is integrated into our people management processes such as transformation, performance, recognition, employee wellness and talent management.

COMPONENTS OF TOTAL REMUNERATION FOR PERMANENT EMPLOYEES



FIXED REMUNERATION

Permanent employees

Basic remuneration levels are reviewed and revised annually. The criteria that have been adopted for determining pay increases are as follows:

- experience and skills related to the position;
- CPI (inflation);
- market comparison/salary survey;
- individual performance agreement (IPA) scores; and
- Company performance.

Bargaining unit employees

41% of employees in South Africa and 65% in Zimbabwe belong to bargaining units. Remuneration for employees forming part of the bargaining unit is based on annual negotiations between the relevant Company and unions. Salary increments are in accordance with the relevant settlement agreements for the given period. Bargaining units in South Africa were awarded a 7,5% increase with effect from 1 July 2014 and an additional 0,5% effective 1 December 2014.

Fixed-term contract remuneration

Employees who join the Company on fixed-term contracts are remunerated at a total remuneration package (TRP) value similar to a permanent employee of the same level and job title, based on the premise that such employment will be on the same terms as a permanent employee (with reference to working hours per month/shift). In India it is customary to remunerate an individual under a fixed-term contract at approximately 80% of a permanent employee.

Temporary worker remuneration

The Company employs temporary workers, mainly in the South African manufacturing plants and distribution network, to provide flexibility to its workforce capacity as a result of fluctuations in demand, upgrades to facilities, tender awards and market volatility. Employees who join the Company on a temporary basis are remunerated on an hourly basis.

Remuneration consists of the following guaranteed components and is applicable to all levels in the organisation:

COMPONENT	OBJECTIVE	SOUTH AFRICA	INDIA	REST OF AFRICA
Basic salary	To align salaries with roles/performance For comparative roles, ensure internal pay equity. Salaries are benchmarked against the market Annual salary increases are approved by the Remuneration Committee	Management is given discretion to apply increases within the stipulated range to staff members dependent on individual performance		
	The average increase for 2014 was:	6%	8,5%	12%
Provident fund	To ensure financial security and dignity to employees and their beneficiaries. The fund covers Group life, disability cover and funeral benefits	For bargaining unit employees, contributions by employees vary between 7% and 7,5% and the contribution by the employer from 10% to 11% of the basic salary, as negotiated with the unions For non-bargaining unit employees, contributions are currently 18% of retirement funding income, which is set at not less than 75% of the total remuneration package	This is governed by statutory requirements in India Contributions are currently 12% of the basic salary at all levels	In Kenya, employer contributions amount to 10% of basic pay and employees can contribute voluntarily In Zimbabwe, employer contributions amount to 15% and employee contributions to 7% of the basic salary In Ghana, equal contributions (5% of the basic salary) are made by the employer and employees. There is also a provision for the statutory pension scheme where employees contribute 5,5% and the company 13% of basic salary
Medical aid fund	To cater for ill-health and hospitalisation	Optional, but highly encouraged Adcock Ingram offers a range of independent medical aid schemes as choices for employees	Compulsory Employees are covered under Group Personal Accident and Group Medi-claim	Compulsory Zimbabwe and Kenya have contributory medical schemes. In Ghana employees rely on a statutory scheme (National Health Insurance)

REMUNERATION REPORT CONTINUED

VARIABLE REMUNERATION

Variable remuneration aims to maximise the performance of people, promote a culture of excellence and provide rewards that attract and retain quality staff. This includes:

- a 13th cheque for bargaining unit employees;
- short-term incentives;
- sales commissions;
- retention agreements; and
- various long-term incentive mechanisms.

13th Cheque for bargaining unit employees

In accordance with the relevant settlement agreements, bargaining unit employees in South Africa receive 13th cheques.

Short-term incentives

Annual incentive bonuses are conditional and only paid if certain targets are met. These targets are linked to the achievement of the Group and/or Business Unit performance and the goals of individual employees.

For the nine-month period ended 30 June 2014, as well as for the year ended 30 September 2013, no short-term incentives were paid as the Group failed to meet its financial targets.

Sales commissions

Sales employees are incentivised through sales target arrangements and receive incentives if certain sales targets are achieved during the year. These targets are reviewed on a quarterly basis to ensure that they reflect the business unit targets.

Retention agreements

As part of the Group's strategy to retain highly mobile and talented employees, the Group selectively, under exceptional circumstances, enters into agreements in terms of which retention payments are made. Retention payments must be repaid if the individual concerned leaves within a stipulated period. Certain of the retention agreements concluded in the prior year expired in June 2014.

Long-term incentives

Various share options schemes exist in the Group and have been implemented for specific purposes.

SHARE OPTION SCHEMES

Adcock Ingram has share option schemes in place for executives, key management and other critical employees in the Group. Long-term share incentive participation helps to align the interests of management and shareholders.

Up to the current period, this scheme was "cash settled" with one-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date. The options expire six years from the grant date if not exercised.

The cash settlement amount of an option is equal to the difference between the closing price of Adcock Ingram's shares on the date upon which an option is exercised and the offer price. The participants receive the amount due as a cash payment, net of taxation.

During the current financial period, an "equity settled" scheme was utilised with one-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date. These options expire ten years from the grant date if not exercised.

A portion of share options offered to the executive directors include performance criteria. Targets are determined by the Board and are reviewed annually.

TIGER BRANDS BLACK MANAGERS SHARE TRUST

In terms of the Tiger Brands Limited BEE transaction implemented in 2005, vested rights were issued to black managers of the Tiger Brands Group (which at that time included the Adcock Ingram Group).

The allocation of vested rights entitles beneficiaries to receive shares after making capital contributions to the Trust at any time after the defined lock-in period, i.e. from 1 January 2015. These vested rights are non-transferable.

MPHO EA BOPHELO

Adcock Ingram implemented its Black Economic Empowerment staff scheme in South Africa during 2011. This scheme is "equity settled" and although some share option allocations vested on 31 March 2014, they can only be exercised from 31 March 2018 onwards.

For more details on the share schemes, refer to Annexure B.

SERVICE CONTRACTS

It is Group policy to employ each executive director, senior manager and employee in a critical position under a service contract which is subject to a one to three month notice period. The contract provides for salary to be paid for any unexpired period of notice. All other employees are on a 30-day notice period.

EXECUTIVE AND KEY MANAGEMENT REMUNERATION

The executive and key management's remuneration is structured to include guaranteed remuneration, and short-term and long-term incentives to drive performance. The level of guaranteed remuneration aims to competitively attract high caliber leadership.

The short-term incentive component rewards employees for achieving key performance targets, based on Group and individual performance criteria, as agreed upon at the start of each financial year. In respect of the period under review no short-term incentives were paid to executive directors or key management as financial targets set at the start of the year were not met. Similarly no incentives were paid in relation to the previous financial year.

The long-term share incentive scheme is a retention mechanism for key employees only, as well as linking executive reward with the Group's performance.

EXECUTIVE DIRECTORS' REMUNERATION

The Group aims to adhere to the broad guidelines of executive remuneration set out in King III. The overall principles applied comprise:

- establishment of an appropriate and competitive balance between fixed and variable remuneration to achieve performance excellence;
- establishment of a culture of pay-for-performance which aligns with sustainable shareholder value;
- appropriate use of market and industry benchmarks to ensure competitive remuneration associated to the market median; and
- drive sustainable business results through short-term and long-term performance based incentives.

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

TOP THREE EARNERS

The following resolution has been taken by the Board:

"The Company will comply with the requirement of section 30(4) of the Companies Act to disclose remuneration of directors (non-executive and executive) in its annual financial statements and in the manner set out in sections 30(4)(b) to (e) of the Companies Act and with King III to the extent that it requires disclosure of the remuneration for the three most highly paid employees, who are not directors of the Company".

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

	9 months 2014 R'000 Total	12 months 2013 R'000 Total
Salary	**5 721**	6 013
Contributions to defined contribution plan	**893**	925
Gross remuneration	**6 614**	6 938

In addition to the remuneration disclosed above, the top three earners received retention bonuses to the amount of R2 640 000 of which the full amount has been expensed through profit and loss in the current period (September 2013: R3 166 800, of which two-thirds was expensed through profit and loss in 2013, and one-third in the current period).

KEY MANAGEMENT

Key management comprises the Executive Committee of the Group including the executive directors. As the executive directors' details have been disclosed separately, they are excluded from the figures below. The details show the apportioned annual remuneration of key management for the period the incumbents held the position during the year.

REMUNERATION

	9 months 2014 R'000 Total	12 months 2013 R'000 Total
Salary	**22 364**	26 152
Contributions to defined contribution plan	**3 534**	3 894
Gross remuneration	**25 898**	30 046

In addition to the remuneration disclosed above, key management received retention bonuses to the amount of R8 488 560 of which the full amount has been expensed through profit or loss in the current period (2013: R8 503 175), of which two-thirds has been expensed through profit or loss in 2013 and one-third in the current period). Separation packages to the amount of R1 583 145 were also expensed through profit and loss in the current period.

KEY MANAGEMENT (continued)

LONG-TERM INCENTIVES

Details of cash-settled share options in Adcock Ingram granted to key management are set out below:

	Offer date	Offer price R	Balance at the beginning of the period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	17/06/2014	52,20	–	–	762 000	762 000
Phantom	22/01/2008	34,69	20 329	(20 329)	–	–
	01/10/2008	34,78	107 615	(88 771)	–	18 844
	02/01/2009	33,38	124 429	(104 801)	–	19 628
	04/01/2010	51,12	156 663	(45 481)	–	111 182
	01/08/2010	51,12	25 430	–	–	25 430
	03/01/2011	62,29	185 787	–	–	185 787
	26/09/2011	60,38	29 811	–	–	29 811
	01/10/2011	61,30	39 152	–	–	39 152
	03/01/2012	60,15	292 840	–	–	292 840
	01/05/2012	60,70	82 373	–	–	82 373
	01/10/2012	59,56	26 666	–	–	26 666
	02/01/2013	53,52	456 321	–	–	456 321
	01/05/2013	60,55	79 273	–	–	79 273
			1 626 689	(259 382)	–	1 367 307

Details of options exercised by key management are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
Phantom	**2014**	22/01/2008	34,69	70,67	20 329	731 437
		01/10/2008	34,78	58,18	88 771	2 077 268
		02/01/2009	33,38	58,18	104 801	2 598 701
		04/01/2010	51,12	58,56	45 481	338 155
					259 382	5 745 562
	2013	22/01/2007	34,69	60,21	23 188	591 799
		01/10/2008	34,78	58,71	54 109	1 294 614
		01/02/2009	33,38	59,08	45 271	1 163 489
		01/04/2010	51,12	61,73	14 061	149 241
					87 252	2 374 717

[1] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS 2, in respect of long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(572)	5 961

EXECUTIVE DIRECTORS
JJ LOUW

REMUNERATION

	6 months[1] 2014 R'000	12 months 2013 R'000
Salary	1 868	3 587
Contributions to defined benefit contribution plan	340	658
Gross remuneration	2 208	4 245

[1] *Resigned 1 April 2014.*

In addition to the remuneration disclosed above, JJ Louw received compensation to the amount of R5 526 190 in the current period following his resignation from the Company. He also received a retention bonus to the amount of R2 122 750 during the previous year, of which two-thirds was expensed through profit or loss in 2013 and the balance in the current period.

LONG-TERM INCENTIVES

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

	Offer date	Offer price R	Balance at the beginning of the period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	29/01/2004	13,62	7 700	(7 700)	–	–
	25/01/2005	19,96	11 400	(11 400)	–	–
			19 100	(19 100)	–	–
Phantom	22/01/2008	34,69	25 729	(25 729)	–	–
	01/04/2008	28,27	63 212	(63 212)	–	–
	01/10/2008	34,78	101 799	(101 799)	–	–
	02/01/2009	33,38	106 099	(106 099)	–	–
	04/01/2010	51,12	134 969	(89 979)	–	44 990
	03/01/2011	62,29	119 627	–	–	119 627
	03/01/2012	60,15	131 316	–	–	131 316
	02/01/2013	53,52	158 651	–	–	158 651
			841 402	(386 818)	–	454 584

As part of the arrangement between the Company and Dr Louw outstanding share options were not forfeited immediately, but can be exercised up to 1 October 2014 in case of a change of control.

Details of options exercised are as follows. No options were exercised during the previous year.

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[2] R
Equity	29/01/2004	13,62	56,75	7 700	332 101
	25/01/2005	19,96	59,80	11 400	454 176
				19 100	786 277
Phantom	22/01/2008	34,69	59,80	25 729	646 055
	01/04/2008	28,27	59,80	63 212	1 993 074
	01/10/2008	34,78	59,80	101 799	2 547 011
	02/01/2009	33,38	59,80	106 099	2 803 136
	04/01/2010	51,12	59,80	89 979	781 018
				386 818	8 770 294

[2] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS 2[3], in respect of long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(311)	2 344

SHAREHOLDING

	Number of shares June 2014	Number of shares September 2013
Direct and indirect	–	39 300

[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. Please refer to the tables detailing the gain before taxation, realised on the exercise of options.*

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS (continued)

AG HALL

REMUNERATION

	9 months 2014 R'000	12 months 2013 R'000
Salary	2 236	2 896
Contributions to defined benefit contribution plan	485	531
Gross remuneration	2 721	3 427

In addition to the remuneration disclosed above, AG Hall received a retention bonus to the amount of R1 713 650 of which the full amount has been expensed through profit or loss in the current period (2013: R1 713 650, of which two-thirds has been expensed through profit or loss in 2013 and one-third in the current period).

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 period/year	Exercised during the period/year	Issued during the period/year	Balance at the end of the period/year
Equity	17/06/2014	52,20	–	–	175 000	175 000
Phantom	01/10/2008	34,78	33 572	(33 572)	–	–
	02/01/2009	33,38	34 980	(34 980)	–	–
	04/01/2010	51,12	76 744	–	–	76 744
	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	–	–	78 786
	02/01/2013	53,52	96 057	–	–	96 057
			472 075	(68 552)	–	403 523

Details of options exercised are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
Phantom	**2014**	01/10/2008	34,78	57,40	33 572	759 399
		01/01/2009	33,38	57,40	34 980	840 220
					68 552	1 599 619
	2013	01/10/2008	34,78	58,00	33 571	779 519
		02/01/2009	33,38	58,00	34 979	861 183
		22/01/2008	34,69	58,00	16 200	377 646
					84 750	2 018 348

[1] *Amounts are shown before taxation.*

The following (income)/charges were (recognised)/expensed through profit or loss during the period/year under review, in terms of IFRS2[2], in respect of the long-term incentive scheme awards.

	9 months 2014 R'000	12 months 2013 R'000
Total	(419)	1 389

[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. Please refer to the tables detailing the gain before taxation, realised on the exercise of options.*

SHAREHOLDING

	Number of shares	
	June 2014	September 2013
Direct and indirect	–	9 150

KB WAKEFORD

REMUNERATION

	3 months[(1)] 2014 R'000
Salary	813
Contributions to defined benefit contribution plan	132
Gross remuneration	945

(1) *Appointed 3 April 2014.*

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 period	Exercised during the period	Issued during the period	Balance at the end of the period
Equity	17/06/2014	52,20	–	–	200 000	200 000

The following charges were expensed through profit or loss during the period under review, in terms of IFRS2[(2)], in respect of long-term incentive scheme award.

	3 months 2014 R'000
Total	39

(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.*

SHAREHOLDING

No shares were held in the Company.

OTHER FEES

No fees for services as directors, consulting or other fees were paid to the executive directors in the current or prior year. Directors do not participate in any commission, gain or profit-sharing arrangements.

REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION

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 directors skills, years of experience etc. The survey is conducted on 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.

CURRENT ANNUAL FEES

	From 1 February 2012[1] R
Board: Chairman	973 875
Board: Member	222 823
Audit Committee: Chairman	211 470
Audit Committee: Member	105 735
Risk Committee: Chairman	211 470
Risk Committee: Member	105 735
Remuneration Committee: Chairman	86 814
Remuneration Committee: Member	55 094
Social, Ethics and Transformation Committee: Chairman	81 472
Social, Ethics and Transformation Committee: Member	44 075
Special meeting[2]	13 000

(1) The fees have remained unchanged since 1 February 2012.
(2) The fee for special meetings is only paid for meetings exceeding three hours in duration.

TERMS FOR NON-EXECUTIVE DIRECTORS

All non-executive directors have been elected or appointed on fixed terms of three years, subject to at least 1/3 (one-third) of the directors retiring by rotation at the AGM held in each year and being eligible for re-election at the same meeting. Between AGM's, the Board may make interim appointments either to fill a casual vacancy or to appoint additional members to the Board. Any person so appointed to fill a casual vacancy or as an addition to the Board shall retain office only until the next AGM of the Company and shall then retire and be eligible for re-election. There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for the re-elections are based on individual performance and contribution.

MEETING ATTENDANCE

Social, Ethics and Transformation Committee

Committee member	
PM Makwana (Chairman)	2/2
AG Hall	2/2
T Lesoli	2/2
JJ Louw	1/1
A Mokgokong	0/1
KDK Mokhele	1/1
AM Thompson	1/1
KB Wakeford	1/1

Risk and Sustainability Committee

Committee member	
RI Stewart (Chairman)	2/2
M Haus	2/2
PM Makwana	2/2
MI Sacks	1/1
LE Schonknecht	1/1
Invitees	
AG Hall	2/2
JJ Louw	1/1
KB Wakeford	1/1

Human Resources, Remuneration and Nominations Committee

Committee member	
CD Raphiri (Chairman)	1/2
KDK Mokhele	1/2
R Morar	2/2
LP Ralphs	1/2
MI Sacks	2/2
AM Thompson	
Invitees	2/2
JJ Louw	1/2
KB Wakeford	1/2

Nominations Committee[3]

Committee member	
CD Raphiri (Chairman)	1/1
PM Makwana	1/1
T Lesoli	1/1

(3) The Nominations Committee is only constituted by independent non-executive directors and is chaired by the Chairman of the Board or the Lead Independent Director and meets only when it considers new directors' appointments.

REMUNERATION PAID

During 2013, an Independent Board was constituted in terms of the Companies Act. The Independent Board constituted a working committee of six independent directors with the authority to act for the Independent Board and to brief the Independent Board from time to time. The meetings of the Independent Board and its working committee are considered to be special board meetings and members were paid R13 000 per meeting for meetings which lasted in excess of three hours.

	Nine-month period ended 30 June 2014			Year ended September 2013
	Regular board meetings R'000	Additional meetings R'000	Total R'000	Total R'000
Diack	–	–	–	270
Joffe[1]	336	–	336	–
Haus	308	130	438	497
Lesoli	200	104	304	306
Makwana	308	52	360	553
Mokgokong	60	–	60	–
Mokhele	380	117	497	1 169
Morar	86	–	86	–
Ralphs[1]	63	–	63	–
Raphiri	232	65	297	336
Sacks	190	–	190	–
Schönknecht	145	104	249	568
Stewart	405	117	522	696
Thompson	178	117	295	662
	2 891	806	3 697	5 057

[1] Fees are paid to Bidvest Corporate Services (Pty) Ltd.

Non-executive directors receive no benefits from their office other than fees and do not participate in the Group's incentive bonus plan or any of its share options schemes.

		Board	Special Board	Committee of the Independent Board		Independent Board	
JJ Louw	**Member**	2/2	11/11	**Invitee**	2/3	**Invitee**	4/4
KB Wakeford	**Member**	2/2	–	–	–	–	–
AG Hall	**Member**	4/4	12/12	**Invitee**	3/3	**Invitee**	4/4
KDK Mokhele	**Chairman**	2/2	7/7	**Member**	3/3	**Member**	11/11
B Joffe	**Chairman**	2/2	3/3	–	–	–	–
M Haus	**Member**	4/4	10/12	**Member**	3/3	**Member**	11/12
PM Makwana	**Member**	4/4	7/12	**Member**	1/3	**Member**	10/12
T Lesoli	**Member**	4/4	10/12	–	–	**Member**	10/12
CD Raphiri	**Member**	4/4	9/12	–	–	**Member**	7/12
LE Schonknecht	**Member**	2/2	4/4	**Member**	3/3	**Member**	11/11
RI Stewart	**Member**	4/4	11/12	**Member**	3/3	**Member**	10/12
AM Thompson	**Member**	2/2	4/4	**Member**	3/3	**Member**	11/11
LP Ralphs	**Member**	1/1	–	–	–	–	–
MI Sacks	**Member**	2/2	1/2	–	–	–	–
R Morar	**Member**	1/1	–	–	–	–	–
A Mokgokong	**Member**	1/1	–	–	–	–	–

For details regarding the Audit Committee refer to page 49 .

RISK MANAGEMENT

The management of risk is the responsibility of the Chief Executive Officer, with oversight by the Risk and Sustainability Committee on behalf of the Board, whilst executive management is responsible for the day-to-day controlling of risk. The Board assesses the effectiveness of risk management on a regular basis.

Adcock Ingram's key risks are classified based on impact and probability, and categorised as being uncontrollable, able to influence, or controllable. A register listing all significant current and future risks facing the Company is discussed at the Risk and Sustainability Committee's meetings, together with agreed actions by management to mitigate the possible impact if under their control. Some risks may be unknown at present and other risks, currently regarded as immaterial, may become material.

At present, the following major operational and strategic risks facing Adcock Ingram, among a wide range of potential exposures, are evident:

REGAINING MARKET SHARE

The Company has lost market share, particularly in the Consumer and OTC divisions and investment in sales and marketing is being made in order to regain share. These issues are being addressed with the development of new brand marketing and selling campaigns.

CUSTOMER RELATIONSHIPS

The appropriate multi-level customer relationships are not in place. Customers have been identified as a key area of focus and the executive directors are visiting all major customers on a systematic basis.

SERVICE LEVELS

There have been complaints of certain inventory lines not being available and low order infill rates. Service delivery has been given top priority to the distribution division. Service delivery focuses on achieving the desired frequency of delivery and a greater than 95% order infill rate.

FACTORY CAPACITIES

Certain facilities are running at significantly lower than expected capacities. An assessment of the geographical location of product manufacturing is underway.

REGULATORY

These are well known and an inevitable part of operating in the pharmaceutical industry. The most significant current risks are the new regulations on complementary and alternative medicines (CAMs) which were gazetted in November 2013 and various pricing initiatives, the eventual outcome of which remain uncertain.

DIVISIONALISATION AND REORGANISATION

The business has been reorganised into a structure which is designed to establish accountability and create a focus on customers, service and products.

COMPETING FOR TALENT AND KEY PERSONNEL

Skills shortages and the ability to recruit top talent in certain areas of the business are exacerbated by the drive to employ suitably qualified employment equity candidates. A long-term incentive scheme, being a share option scheme for key employees, has been implemented and communicated.

FOREIGN EXCHANGE

Uncontrollable currency volatility and the ongoing Rand weakness impact the purchase price of active pharmaceutical ingredients (API) and finished goods sourced internationally, putting margins under pressure despite forward cover being taken on all imports.

SUPPLY AND COST PRESSURE

There are a limited number of suppliers of APIs and most of these supply in a foreign-denominated currency. The stockholding of strategic active ingredients are therefore maintained, which increases overall working capital levels.

Regulated price increases are not keeping pace with input cost increases of pharmaceutical companies. Upscheduling and increasing regulatory demands, may result in it not being viable to continue manufacturing many products in South Africa. The Group is considering alternative sources of supply and evaluating the impact of diversifying away from regulated products.

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 period and the profit for the period then ended.

The Board of directors (Board) of Adcock Ingram Holdings Limited is responsible for the integrity of the annual financial statements of the Company and consolidated subsidiaries, joint ventures, associates 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. 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 composed predominately of independent non-executive directors and 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.

Mr Andrew Hall (CA(SA)), Deputy Chief Executive and Financial Director, is responsible for this set of financial results and has supervised the preparation thereof in conjunction with the Group Finance Executive, Ms Dorette Neethling (CA(SA)).

The annual financial statements for the nine-month period ended 30 June 2014, which appear on pages 50 to 125, which are in agreement with the books of account at that date, and the related Group annual financial statements, were approved by the Board on 27 August 2014 and signed on its behalf by:

Kevin Wakeford

B Joffe
Chairman

KB Wakeford
Chief Executive Officer

AG Hall
Deputy Chief Executive and Financial Director

27 August 2014

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

27 August 2014

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ADCOCK INGRAM HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements and annual financial statements of Adcock Ingram Holdings Limited set out on pages 52 to 125 which comprise the consolidated and separate statements of financial position as at 30 June 2014, the consolidated and separate statements of comprehensive income, statement of changes in equity and statements of cash flows for the nine-month period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Adcock Ingram Holdings Limited at 30 June 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the nine-month period then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the nine-month period ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Warren Kenneth Kinnear
Registered Auditor
Chartered Accountant (SA)

27 August 2014

AUDIT COMMITTEE REPORT

This report is presented by the Company's Audit Committee (the "Committee") appointed by the board and elected by the shareholders in respect of the nine-month period ended 30 June 2014. It is prepared in accordance with the recommendations of King III and the requirements of the South African Companies Act, 71 of 2008, as amended, and describes how the Committee discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the reporting period.

COMPOSITION AND MEETINGS

The Committee consists of four non-executive directors, three of whom are independent who are suitably skilled and experienced. Two Committee meetings were held during the period. The attendance of the Committee meetings was as follows:

Committee member		Invitees	
MI Sacks (Chairman)	**1/2**	AG Hall	**2/2**
AM Thompson (Chairman)	**1/2**	JJ Louw	**1/2**
M Haus	**2/2**	KB Wakeford	**1/2**
R Morar	**1/2**		
RI Stewart	**2/2**		

The Executive Directors and representatives of both the internal and external auditors are invited to attend Committee meetings. Delegates of each attended both meetings

ROLE AND FUNCTION OF THE COMMITTEE

The responsibilities and functioning of the Committee are governed by a formal mandate approved by the Board, which is reviewed annually.

Given the partial reconstitution of the Board and the approved changes to the Committee during the period under review, no formal evaluation of the Committee was carried out or reviewed by the Board. Nevertheless, the Committee is satisfied that it has fulfilled all statutory duties, including those duties assigned by the Board during the period under review, as further detailed below.

EXTERNAL AUDIT

The Committee nominated Ernst and Young Inc., as independent external auditors, determined and approved their terms of engagement as well as their fees. The nomination of external auditors is presented to shareholders each year at the annual general meeting for approval. The Committee is satisfied that the Company's external auditors can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence.

The Committee is responsible for determining the nature and extent of any non-audit services that the external auditors may provide to the Group and the Committee pre-approve any proposed contract with the external auditors for the provision of such non-audit services. The Committee can report that its working relationship with the designated partner is professional and functional.

INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Committee is responsible for assessing the Group's systems of internal financial and accounting controls. The Committee has considered the reports from the internal and external auditors and is satisfied that the reports confirm the adequacy and effectiveness of the Group's systems of internal control. Furthermore, after a formal review, the Committee has satisfied itself on the expertise, resources, diligence and experience of the Deputy Chief Executive and Financial Director.

INTERNAL AUDIT

The Committee also evaluated the effectiveness and performance of KPMG Services (Pty) Limited, in regard to the outsourced internal audit function. The Committee concluded that it was satisfied with their independence, including the quality of their internal audit processes and reporting.

COMPLIANCE

The Committee is responsible for reviewing whether any material breach of a relevant legal and/or regulatory requirement has taken place. No evidence of any such non compliance has been brought to the attention of the Committee by either the internal or external auditors.

ANNOUNCEMENTS

The Committee is also responsible for considering and making recommendations to the Board relating to the Group's financial data for distribution or publication required by any regulatory or statutory authority. The integrated report of the Group covering the period under review was considered by the Committee and subsequently approved by the Board based upon recommendations of the Committee.

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

MI Sacks
Chairman

27 August 2014

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the nine-month period ended 30 June 2014.

CHANGE IN YEAR END

The Group has implemented substantive changes to its internal structures and processes in order to create more focused and decentralised business units. The changes created autonomous operating divisions with separate focused strategies to best manage the challenges and opportunities in each of the Adcock Ingram businesses, while at the same time, facilitating full accountability in each case. These changes were implemented on 1 July 2014 and for better performance management and other goal-directed operational practicalities, the Company's financial year end has been changed from September to June.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Adcock Ingram Group is a leading South African healthcare group, operating in three geographical areas, namely Southern Africa, Rest of Africa and India. The Southern African business now consists of four principal divisions: a Consumer division selling a range of products mainly at FMCG retailers; 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. Up to 30 June 2014 the Consumer and OTC divisions were managed as one business.

The Companies Act requires that the Company produces a fair review of the business of the Group including a description of the major risks, its development and performance during the period and the financial position of the Group at the end of the financial year. These are set out in the financial commentaries on pages 2 to 4 of the integrated report. Other key performance indicators and information relating to sustainability are set out on pages 28 to 31 of the integrated report.

ACQUISITIONS

In January 2013, the Group acquired the assets of Cosme, a division of the Cosme Group, based in Goa, India as detailed in note 1.1 to the financial statements on page 57. No material acquisitions were concluded in the period under review.

DISPOSALS

There was no material disposal of a business during the current period or the prior year.

SUBSEQUENT EVENTS

Details about subsequent events are set out in note 30 to the annual financial statements.

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.

During the period under review:

- the number of shares in issue increased by 461 000 (2013: 392 530) ordinary shares to meet the obligations of the Adcock Ingram Holdings Limited Employee Share Trust (2008); and
- no additional ordinary shares were bought back and held as treasury shares.

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

	30 June 2014	30 September 2013
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust	**688 000**	688 000
Blue Falcon Trading 69 Proprietary Limited	**1 883 000**	1 883 000

SHAREHOLDERS

Please refer to the Shareholder analysis on pages 130 and 131 of the integrated report.

DIVIDENDS

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.

DISTRIBUTION

No interim distribution per share (2013: 86 cents) was declared based upon the results of the six-month period ended 31 March 2014.

No final dividend in respect of the nine-month period ended 30 June 2014 or the year ended 30 September 2013 was declared by the directors.

GOING CONCERN

Page 46 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 2014, 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, JOINT VENTURES AND ASSOCIATES

Information concerning the names and holdings of subsidiaries, joint ventures and associates 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 8 and 9 of the integrated report. Changes to directors as well as changes to certain directors' responsibilities are detailed on page 12.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. The directors beneficially hold, directly and indirectly, 20 700 (2013: 48 450) ordinary shares in the Company. There has been no change in the holdings since the end of the financial period and up to the date of approval of the integrated report.

Details of the direct directors' shareholdings are reflected below. There are no indirect shareholdings by directors.

Director	**Number of shares 2014**	Number of shares 2013
B Joffe	**19 200**	Note 1
JJ Louw	**Nil**	39 300 (Note 2)
AG Hall	**Nil**	9 150
R Morar	**1 500**	Note 1

Note 1: Mr Joffe and Mr Morar were not directors during 2013.

Note 2: These shares were subject to loans.

SPECIAL RESOLUTIONS

The following special resolution was passed on 19 March 2014 at the Company's extraordinary general meeting:

Resolution number 1: Remuneration payable to non-executive directors for their services as directors for the period 1 February 2013 to 31 January 2014.

Resolution number 2: Remuneration payable to non-executive directors for their services as directors from 1 February 2014.

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 37 to 43 of the integrated report, as part of the Remuneration report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	9 months June 2014 R'000	12 months September 2013 R'000
Revenue	2	**3 640 780**	5 229 308
Turnover	2	**3 615 287**	5 195 185
Cost of sales		**(2 475 723)**	(3 091 486)
Gross profit		**1 139 564**	2 103 699
Selling and distribution expenses		**(567 435)**	(666 026)
Marketing expenses		**(160 236)**	(211 930)
Research and development expenses		**(81 096)**	(104 941)
Fixed and administrative expenses		**(337 887)**	(311 831)
Trading (loss)/profit	5	**(7 090)**	808 971
Non-trading expenses	3	**(967 645)**	(25 689)
Operating (loss)/profit		**(974 735)**	783 282
Finance income	4.1	**18 987**	21 510
Finance costs	4.2	**(98 620)**	(80 018)
Dividend income	2	**6 506**	12 613
Equity-accounted earnings		**31 895**	72 193
(Loss)/Profit before taxation		**(1 015 967)**	809 580
Taxation	6	**53 811**	(213 127)
(Loss)/Profit for the period/year		**(962 156)**	596 453
Other comprehensive income which will subsequently be recycled to profit or loss		**51 792**	370
Exchange differences on translation of foreign operations		**52 967**	(772)
Profit on available-for-sale asset, net of tax	20	**350**	247
Movement in cash flow hedge accounting reserve, net of tax	20	**(1 525)**	895
Other comprehensive income which will not be recycled to profit or loss subsequently			
Actuarial loss on post-retirement medical liability	20	**(6 880)**	–
Total comprehensive income for the period/year, net of tax		**(917 244)**	596 823
(Loss)/Profit attributable to:			
Owners of the parent		**(965 343)**	587 844
Non-controlling interests		**3 187**	8 609
		(962 156)	596 453
Total comprehensive income attributable to:			
Owners of the parent		**(914 826)**	587 203
Non-controlling interests		**(2 418)**	9 620
		(917 244)	596 823
Basic (loss)/earnings per ordinary share (cents)	7	**(572,3)**	348,6
Diluted basic (loss)/earnings per ordinary share (cents)	7	**(571,9)**	348,3
Headline (loss)/earnings per ordinary share (cents)	7	**(179,5)**	350,4
Diluted headline (loss)/earnings per ordinary share (cents)	7	**(179,3)**	350,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to holders of the parent						
	Note	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distributable reserves R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2012		16 872	547 400	2 502 510	356 229	3 423 011	125 500	3 548 511
Share issue	18, 19	39	5 060			5 099		5 099
Movement in treasury shares	18, 19	(79)	(48 396)			(48 475)		(48 475)
Movement in share-based payment reserve	20				13 077	13 077		13 077
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2			(119)		(119)	(223)	(342)
Total comprehensive income				587 844	(641)	587 203	9 620	596 823
Profit for the year				587 844		587 844	8 609	596 453
Other comprehensive income					(641)	(641)	1 011	370
Dividends	8			(340 138)		(340 138)	(6 980)	(347 118)
Share issue expenses incurred by subsidiary	20				(3 669)	(3 669)		(3 669)
Balance at 30 September 2013		16 832	504 064	2 750 097	364 996	3 635 989	127 917	3 763 906
Share issue	18, 19	**46**	**6 856**			**6 902**		**6 902**
Movement in share-based payment reserve	20				**10 902**	**10 902**		**10 902**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2			**(66)**		**(66)**	**(175)**	**(241)**
Total comprehensive income				**(965 343)**	**50 517**	**(914 826)**	**(2 418)**	**(917 244)**
Loss for the period				**(965 343)**		**(965 343)**	**3 187**	**(962 156)**
Other comprehensive income					**50 517**	**50 517**	**(5 605)**	**44 912**
Dividends	8			**–**		**–**	**(6 746)**	**(6 746)**
Balance at 30 June 2014		**16 878**	**510 920**	**1 784 688**	**426 415**	**2 738 901**	**118 578**	**2 857 479**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	June 2014 R'000	September 2013 R'000	September 2012 R'000
ASSETS				
Property, plant and equipment	9	**1 554 420**	1 648 709	1 450 815
Intangible assets	10	**836 178**	1 435 716	710 954
Deferred tax	11	**7 959**	7 829	5 097
Other financial assets	12	**138 955**	139 646	139 751
Other non-financial asset	13	**–**	36 987	–
Investment in joint ventures	14.2	**202 237**	174 237	124 397
Loans receivable		**–**	–	10 571
Non-current assets		**2 739 749**	3 443 124	2 441 585
Inventories	15	**1 106 261**	1 523 076	931 149
Trade and other receivables	16	**1 235 674**	1 548 059	1 255 511
Cash and cash equivalents	17	**247 852**	153 733	434 087
Taxation receivable	26.4	**76 306**	86 368	85 173
Current assets		**2 666 093**	3 311 236	2 705 920
Total assets		**5 405 842**	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	18	**16 878**	16 832	16 872
Share premium	19	**510 920**	504 064	547 400
Non-distributable reserves	20	**426 415**	364 996	356 229
Retained income		**1 784 688**	2 750 097	2 502 510
Total shareholders' funds		**2 738 901**	3 635 989	3 423 011
Non-controlling interests		**118 578**	127 917	125 500
Total equity		**2 857 479**	3 763 906	3 548 511
Long-term borrowings	21	**1 004 861**	4 841	101 404
Post-retirement medical liability	22	**22 034**	15 108	15 341
Deferred tax	11	**21 047**	121 564	93 113
Non-current liabilities		**1 047 942**	141 513	209 858
Trade and other payables	23	**1 115 563**	1 295 168	901 851
Bank overdraft	17	**319 613**	1 364 134	–
Short-term borrowings	21	**5 132**	100 483	402 922
Cash-settled options	24	**14 782**	39 150	39 983
Provisions	25	**45 331**	50 006	44 380
Current liabilities		**1 500 421**	2 848 941	1 389 136
Total equity and liabilities		**5 405 842**	6 754 360	5 147 505

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	**9 months June 2014 R'000**	12 months September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	**59 574**	1 074 282
Working capital changes	26.2	**358 527**	(576 688)
Cash generated from operations		**418 101**	497 594
Finance income, excluding receivable		**17 287**	18 699
Finance costs, excluding accrual		**(101 480)**	(71 230)
Dividend income		**20 504**	34 990
Dividends paid	26.3	**(6 746)**	(347 118)
Taxation paid	26.4	**(36 869)**	(189 861)
Net cash inflow/(outflow) from operating activities		**310 797**	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	26.6	**–**	409
Acquisition of Cosme business, net of cash	26.5	**–**	(821 593)
*Purchase of property, plant and equipment – Expansion		**(12 278)**	(65 262)
– Replacement		**(83 187)**	(254 315)
Proceeds on disposal of property, plant and equipment		**54**	377
Net cash outflow from investing activities		**(95 411)**	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		**(241)**	(342)
Proceeds from issue of share capital		**6 902**	5 099
Purchase of treasury shares		**–**	(48 475)
Share issue expenses incurred by subsidiary		**–**	(3 669)
Increase in borrowings		**1 004 635**	3 924
Repayment of borrowings		**(100 000)**	(402 980)
Net cash inflow/(outflow) from financing activities		**911 296**	(446 443)
Net increase/(decrease) in cash and cash equivalents		**1 126 682**	(1 643 753)
Net foreign exchange difference on cash and cash equivalents		**11 958**	(735)
Cash and cash equivalents at beginning of period/year		**(1 210 401)**	434 087
Cash and cash equivalents at end of period/year	17	**(71 761)**	(1 210 401)

**Includes interest capitalised in accordance with IAS 23 of R0,4 million (2013: R11,4 million).*

CHANGE IN YEAR END

The Group has implemented substantive changes to its internal structures and processes in order to create more defined and decentralised business units. These changes were fully implemented on 1 July 2014 and for better performance management and other goal-directed operational practicalities, the Company's financial year end has been changed from September to June. Therefore, amounts presented in the financial statements are not entirely comparable.

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the Company) and Adcock Ingram Holdings Limited and its subsidiaries, joint ventures, associates and structured entities (the Group) for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 27 August 2014. 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 the following new and amended IFRS and IFRIC interpretations during the year. When the adoption of the standard or interpretation is deemed to have an impact on the financial performance or position of the Group, its impact is described below:

(a) The adoption of the following standards and interpretations did not have any effect on the financial performance or position of the Group:
- **IFRS 10:** *Consolidated Financial Statements;*
- **IAS 27:** *Consolidated and Separate Financial Statements.*

(b) The adoption of the following standards impacts the disclosure of the financial position of the Group, but does not impact the performance of the Group:
- **IFRS 12:** *Disclosure on Interest in Other Entities;*
- **IFRS 13:** *Fair Value Measurement;*
- **IAS 28:** *Investments in Associates and Joint Ventures;*
- **IFRS 11:** *Joint Arrangements; and*
- **IFRS 11 and IFRS 12:** *Transition guidance amendments.*

The application of IAS 28 and IFRS 11 impacted the Group's recording of its interest in the joint ventures: Adcock Ingram Limited (India) and National Renal Care (Pty) Limited. Prior to the transition, the Group's share of the assets, liabilities, revenue, income and expenses of these joint ventures were proportionately consolidated. Upon adoption of IAS 28 and IFRS 11, the Group is required to account for its interest in these entities using the equity method. This was applied retrospectively and the comparative information for the reporting periods in 2013 is restated.

(c) The adoption of *IAS 19 Employee Benefits* impacts the performance of the Group as the re-measurement gains and losses on defined benefit plans are now recognised in other comprehensive income and transferred immediately to retained earnings compared to being previously recognised in profit or loss.

(d) The Group has elected to early adopt *IAS 36 Amendment – Recoverable amount disclosures for non-financial assets.* This had no impact on the financial position or performance of the Company.

The nature and the impact of each new standard and amendment are detailed in Annexure J.

	September 2013 R'000

1 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

1.1 COSME FARMA LABORATORIES LIMITED (COSME)

On 17 January 2013, the Group acquired certain assets of Cosme, a division of the Cosme Group, based in Goa, India. Cosme is a mid-sized sales and marketing pharmaceutical business which has been operating in the Indian domestic pharmaceutical market for the past 40 years. At the time of acquisition it was ranked in the top 70 in India, per IMS Health, with a sales force of approximately 1 000 staff.

The fair value of the identifiable assets as at the date of acquisition was:

	September 2013 R'000
Assets	
Property, plant and equipment	130
Marketing-related intangible assets	618 748
Customer-related intangible assets	87 368
Contract-related intangible assets	13 040
Manufacturing-related intangible assets	1 630
Total identifiable net assets at fair value	720 916
Goodwill arising on acquisition	61 484
Purchase consideration	782 400
VAT recoverable and deposits	39 193
Included in cash flows from investing activities	821 593

The significant factors that contributed to the recognition of goodwill of R61,5 million include, but are not limited to, the establishment of a presence within the domestic Indian market, with local management and expertise to drive the company's product sales into the various channels and customers that exist within this market.

From the date of acquisition to 30 September 2013, Cosme contributed R168,8 million towards revenue.

As the assets purchased were fully integrated into the Indian business, it is not possible to determine the exact contribution towards profit before income tax.

Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	4 248
Cash outflow on acquisition	4 248

Transaction costs of R4,2 million were expensed during the prior year and included in fixed and administrative expenses.

The purchase consideration includes an amount of R48,1 million which was paid into an escrow account to cover any possible breaches of warranties as per the asset purchase agreement. The total escrow amount is still unsettled at 30 June 2014.

Refer to Annexure G for impairment of intangibles during the current financial period.

1.2 AYRTON DRUG MANUFACTURING LIMITED (AYRTON)

Acquisition of additional interest in Ayrton

On 1 April 2010, Adcock Ingram International (Pty) Limited, a wholly owned subsidiary of Adcock Ingram Holdings Limited, acquired a 65,59% stake in a leading listed Ghanaian pharmaceutical company, Ayrton Drug Manufacturing Limited (Ayrton) for R121 million, to establish a presence in West Africa. The fair value of the net assets of Ayrton (excluding goodwill on the original acquisition) was R63 million. Refer Annexure G for impairment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

1 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

Following the initial transaction, Adcock Ingram International acquired the following additional shares in Ayrton:

	% shares	Cash consideration paid to non-controlling shareholders	Carrying value	Recognised in retained earnings within equity
On acquisition	65,59	33 636	33 636	–
2011	5,76	10 336	5 294	5 042
2012	6,79	11 060	8 912	2 148
2013	0,18	342	223	119
2014	0,14	241	175	66
Total	78,46	55 615	48 240	7 375

	9 months June 2014 R'000	12 months September 2013 R'000
2 REVENUE		
Turnover	**3 615 287**	5 195 185
Finance income	**18 987**	21 510
Dividend income – Black Managers Share Trust	**6 506**	12 613
	3 640 780	5 229 308
3 NON-TRADING (EXPENSES)/INCOME		
Impairments*	**(843 364)**	–
– Intangible assets	**(601 789)**	–
– Inventories	**(130 966)**	–
– Property, plant and equipment	**(69 243)**	–
– Long-term receivable and non-financial asset	**(41 366)**	–
Transaction costs	**(91 000)**	(34 630)
Retrenchment costs and separation package	**(16 505)**	–
Share-based payment expenses	**(10 016)**	(33 478)
– Cash-settled	**3 973**	(11 748)
– Equity-settled	**(326)**	–
– Black Managers Share Trust - equity-settled	**(1 267)**	70
– Black Managers Share Trust - cash-settled	**(2 313)**	(6 720)
– Mpho ea Bophelo Trust - equity-settled	**(10 083)**	(15 080)
Scrapping of property, plant and equipment	**(5 561)**	–
Lease cancellation expense	**(1 199)**	–
Foreign exchange gain on Cosme acquisition	**–**	42 419
	(967 645)	(25 689)
4 FINANCE INCOME AND FINANCE COSTS		
4.1 FINANCE INCOME		
Bank	**18 559**	19 265
Receiver of Revenue	**16**	–
Imputed interest	**–**	2 064
Other	**412**	181
	18 987	21 510
4.2 FINANCE COSTS		
Bank	**55 499**	63 277
Borrowings	**40 708**	14 809
Commitment fees	**289**	280
Finance leases	**96**	435
Receiver of Revenue	**1 998**	1 177
Other	**30**	40
	98 620	80 018

** Refer Annexure G.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June 2014 R'000	12 months September 2013 R'000
5 TRADING (LOSS)/PROFIT		
5.1 TRADING (LOSS)/PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING EXPENSES/(INCOME):		
External auditors' remuneration		
– Audit fees current year	**9 239**	8 961
– Audit fees (over)/under provision prior year	**(890)**	210
– Taxation services	**44**	296
– Other services	**2 168**	1 948
Internal auditors' remuneration	**701**	2 873
Depreciation		
– Freehold land and buildings	**14 675**	17 292
– Leasehold improvements	**7 473**	8 216
– Plant, equipment and vehicles	**63 473**	72 294
– Computers	**16 683**	31 890
– Furniture and fittings	**5 032**	4 363
Amortisation of intangible assets	**49 782**	50 519
Inventories written off	**93 170**	38 283
Royalties paid	**19 459**	25 940
Operating lease charges		
– Equipment	**825**	985
– Property	**31 139**	36 547
Foreign exchange loss	**10 473**	–
Fees paid to related parties (refer to note 29)	**18 014**	–
Loss on disposal of property, plant and equipment	**1 447**	3 750
5.2 TOTAL STAFF COSTS*	**704 569**	856 401
Included in cost of sales	**224 629**	284 765
Salaries and wages	**199 884**	254 836
Employers' contribution to:	**24 745**	29 929
Medical	**8 197**	10 118
Retirement	**16 548**	19 811
Included in operating expenses	**479 940**	571 636
Salaries and wages	**423 934**	506 383
Employers' contribution to:	**56 006**	65 253
Medical	**11 518**	14 086
Retirement	**44 488**	51 167

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

	9 months June 2014 R'000	12 months September 2013 R'000
5.3 DIRECTORS' EMOLUMENTS		
Executive directors	**14 393**	10 230
Non-executive directors	**3 697**	5 057
Total	**18 090**	15 287

For more details, please refer to pages 39 to 43.

	9 months June 2014 R'000	12 months September 2013 R'000
5.4 KEY MANAGEMENT		
Salaries	**35 270**	26 152
Retirement, medical and other benefits	**3 534**	9 563
Total	**38 804**	35 715

Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 37 and 38.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

	9 months June 2014 R'000	12 months September 2013 R'000
6 TAXATION		
South African taxation		
Current income tax		
– current year	**42 506**	189 972
– prior year under provision	**4 474**	2 530
Deferred tax		
– current year	**(100 083)**	23 109
– prior year over provision	**(1 927)**	(3 062)
– utilisation of tax loss	**3 903**	(1 584)
Dividends tax	**–**	2 119
	(51 127)	213 084
Foreign taxation	**–**	–
Current income tax		
– current year	**(286)**	2 450
– prior year under/(over) provision	**585**	(662)
Deferred tax		
– current year	**(2 983)**	(1 745)
	(2 684)	43
Total tax charge	**(53 811)**	213 127
In addition to the above, deferred tax amounting to R0,6 million has been charged to other comprehensive income (2013: R0,3 million released). Refer note 20.		
	%	%
Reconciliation of the taxation rate:		
Effective rate	**5,3**	26,3
Adjusted for:		
Exempt income	**–**	0,7
Non-realisation of deferred tax	**0,1**	–
Non-deductible expenses	**21,8**	1,0
Prior year underprovision	**0,3**	0,1
Dividends tax	**–**	(0,3)
Loss utilisation	**0,5**	0,2
South African normal tax rate	**28,0**	28,0

	9 months June 2014 R'000	12 months September 2013 R'000
7 EARNINGS PER SHARE		
Headline (loss)/earnings is determined as follows:		
(Loss)/Earnings attributable to owners of Adcock Ingram	**(965 343)**	587 844
Adjusted for:		
Impairment of property, plant and equipment	**69 243**	–
Impairment of intangible assets	**601 789**	–
Tax effect on loss on impairment of intangible assets	**(15 823)**	–
Loss on disposal/scrapping of property, plant and equipment	**7 008**	3 750
Tax effect on loss on disposal of property, plant and equipment	**405**	(685)
Headline (loss)/earnings	**(302 721)**	590 909
	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 period/year	**175 183 748**	174 791 218
– Effect of ordinary shares issued during the period/year	**351 728**	264 979
– Effect of ordinary treasury shares held within the Group	**(6 856 435)**	(6 438 325)
Weighted average number of ordinary shares outstanding	**168 679 041**	168 617 872
Potential dilutive effect of outstanding share options	**109 433**	134 790
Diluted weighted average number of shares outstanding	**168 788 474**	168 752 662

Basic earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the period/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 period/year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur if all of the Group's outstanding share options were exercised and the effects of all dilutive potential shares resulting from the Mpho ea Bophelo 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 period/year, after appropriate adjustments are made, by the weighted average number of shares in issue.

	9 months June 2014 cents	12 months September 2013 cents
(Loss)/Earnings		
Basic (loss)/earnings per share	**(572,3)**	348,6
Diluted basic (loss)/earnings per share	**(571,9)**	348,3
Headline earnings		
Headline (loss)/earnings per share	**(179,5)**	350,4
Diluted headline (loss)/earnings per share	**(179,3)**	350,2
Distribution per share		
Interim	**–**	86
Final	**–**	–

	9 months June R'000	12 months September R'000
8 DISTRIBUTIONS PAID AND PROPOSED		
Declared and paid during the period/year		
Dividends on ordinary shares		
Final dividend for 2012: 115 cents		231 941
Interim dividend for 2013: 86 cents		172 947
Total paid to equity holders of parent company		404 888
Less: Dividends relating to treasury shares		(64 750)
Total dividends declared and paid to the public		340 138
Dividends paid to non-controlling shareholders	6 746	6 980
Total dividend declared and paid to the public	6 746	347 118

9 PROPERTY, PLANT AND EQUIPMENT	Freehold land and buildings R'000	Leasehold improve-ments R'000	Plant, equipment and vehicles R'000	Computer equip-ment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
June 2014							
Carrying value at beginning of period							
Cost	868 903	101 474	851 556	187 864	32 652	84 888	2 127 337
Accumulated depreciation	(59 963)	(34 299)	(233 544)	(131 243)	(19 579)	–	(478 628)
Net book value at beginning of period	808 940	67 175	618 012	56 621	13 073	84 888	1 648 709
Current period movements – cost							
Additions [(1)]	6 388	2 078	12 523	4 809	4 295	65 372	95 465
Transfer	(471)	112	79 523	854	4 716	(84 734)	–
Impairments [(2)]	(21 488)	–	(48 805)	(478)	(534)	–	(71 305)
Exchange rate adjustments	(6 234)	(68)	(6 607)	448	1 083	–	(11 378)
Disposals	–	(1 179)	(15 896)	(20 730)	(3 515)	–	(41 320)
Cost movement for current period	(21 805)	943	20 738	(15 097)	6 045	(19 362)	(28 538)
Current period movements – accumulated depreciation							
Depreciation	(14 675)	(7 473)	(63 473)	(16 683)	(5 032)	–	(107 336)
Impairments [(2)]	–	–	1 249	310	503	–	2 062
Exchange rate adjustments	325	(22)	5 016	49	(103)	–	5 265
Disposals	–	687	9 464	20 619	3 488	–	34 258
Accumulated depreciation movement for current period	(14 350)	(6 808)	(47 744)	4 295	(1 144)	–	(65 751)
Carrying value at end of period							
Cost	847 098	102 417	872 294	172 767	38 697	65 526	2 098 799
Accumulated depreciation	(74 313)	(41 107)	(281 288)	(126 948)	(20 723)	–	(544 379)
Net book value at end of period	772 785	61 310	591 006	45 819	17 974	65 526	1 554 420

[(1)] *Additions include interest capitalised, in accordance with IAS 23, of R0,4 million. Refer to note 21 for details regarding specific borrowings including the capitalisation rate.*
[(2)] *Refer to Annexure G for impairments.*

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improve-ments R'000	Plant, equipment and vehicles R'000	Computer equip-ment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
September 2013							
Carrying value at beginning of year							
Cost	776 868	84 393	757 416	149 206	27 856	59 155	1 854 894
Accumulated depreciation	(42 623)	(30 659)	(213 164)	(101 503)	(16 130)	–	(404 079)
Net book value at beginning of year	734 245	53 734	544 252	47 703	11 726	59 155	1 450 815
Current year movements – cost							
Additions through business combinations (note 1.1)	–	–	–	130	–	–	130
Additions [(1) (2)]	89 605	10 497	128 398	36 330	6 129	61 067	332 026
Transfer	–	11 174	19 080	4 780	300	(35 334)	–
Exchange rate adjustments	2 556	77	2 287	(77)	(58)	–	4 785
Disposals	(126)	(4 667)	(55 625)	(2 505)	(1 575)	–	(64 498)
Cost movement for current year	92 035	17 081	94 140	38 658	4 796	25 733	272 443
Current year movements – accumulated depreciation							
Depreciation	(17 292)	(8 216)	(72 294)	(31 890)	(4 363)	–	(134 055)
Exchange rate adjustments	(55)	1	(804)	(20)	12	–	(866)
Disposals	7	4 575	52 718	2 170	902	–	60 372
Accumulated depreciation movement for current year	(17 340)	(3 640)	(20 380)	(29 740)	(3 449)	–	(74 549)
Carrying value at end of year							
Cost	868 903	101 474	851 556	187 864	32 652	84 888	2 127 337
Accumulated depreciation	(59 963)	(34 299)	(233 544)	(131 243)	(19 579)	–	(478 628)
Net book value at end of year	808 940	67 175	618 012	56 621	13 073	84 888	1 648 709

[(1)] *Additions include interest capitalised in accordance with IAS 23, of R11,4 million. Refer to note 21.*

[(2)] *Additions include an expansion of plant, equip d vehicles to the value of R12,4 million for which there was no cash outflow in the 2013 financial year.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

10 INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Manu-facturing-related intangibles R'000	Total R'000
June 2014					
Carrying value at beginning of period					
Cost	**321 394**	**969 208**	**239 420**	**1 605**	**1 531 627**
Accumulated amortisation	**–**	**(59 174)**	**(35 607)**	**(1 130)**	**(95 911)**
Net balance at beginning of period	**321 394**	**910 034**	**203 813**	**475**	**1 435 716**
Current period movements – cost					
Impairment [(1)]	**(298 654)**	**(295 128)**	**(8 007)**	**–**	**(601 789)**
Exchange rate adjustments	**(10 160)**	**38 781**	**23 341**	**–**	**51 962**
Cost movement for the period	**(308 814)**	**(256 347)**	**15 334**	**–**	**(549 827)**
Current period movements – accumulated amortisation					
Charge for the period	**–**	**(34 977)**	**(14 295)**	**(510)**	**(49 782)**
Exchange rate adjustments	**–**	**359**	**(323)**	**35**	**71**
Accumulated amortisation movement for the period	**–**	**(34 618)**	**(14 618)**	**(475)**	**(49 711)**
Carrying value at end of period					
Cost	**12 580**	**712 861**	**254 754**	**1 605**	**981 800**
Accumulated amortisation	**–**	**(93 792)**	**(50 225)**	**(1 605)**	**(145 622)**
Net balance at end of period	**12 580**	**619 069**	**204 529**	**–**	**836 178**
September 2013					
Carrying value at beginning of year					
Cost	258 102	358 631	140 013	–	756 746
Accumulated amortisation	–	(22 321)	(23 471)	–	(45 792)
Net balance at beginning of year	258 102	336 310	116 542	–	710 954
Current year movements – cost					
Business combination (note 1.1)	61 484	618 748	100 408	1 630	782 270
Exchange rate adjustments	1 808	(8 171)	(1 001)	(25)	(7 389)
Cost movement for the year	63 292	610 577	99 407	1 605	774 881
Current year movements – accumulated amortisation					
Charge for the year	–	(37 080)	(12 280)	(1 159)	(50 519)
Exchange rate adjustments	–	227	144	29	400
Accumulated amortisation movement for the year	–	(36 853)	(12 136)	(1 130)	(50 119)
Carrying value at end of year					
Cost	321 394	969 208	239 420	1 605	1 531 627
Accumulated amortisation	–	(59 174)	(35 607)	(1 130)	(95 911)
Net balance at end of year	321 394	910 034	203 813	475	1 435 716

[(1)] *Intangible assets have been impaired where the Group does not expect these assets to generate any future economic benefit. Refer Annexure G.*

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

10 INTANGIBLE ASSETS (continued)

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.

The carrying amount of goodwill and other intangible assets allocated to each of the segments:

	Pharmaceuticals		Hospital		Southern Africa		India and Rest of Africa		Total	
	June 2014	September 2013	**June 2014**	September 2013	**June 2014**	September 2013	**June 2014**	September 2013	**June 2014**	September 2013
Carrying amount of goodwill	**–**	196 225	**12 580**	12 580	**12 580**	208 805	**–**	112 589	**12 580**	321 394
Carrying amount of other intangibles with indefinite useful lives	**174 895**	248 647	**–**	–	**174 895**	248 647	**–**	154 722	**174 895**	403 369
Carrying amount of other intangibles with finite useful lives	**110 832**	166 061	**–**	–	**110 832**	166 061	**537 871**	544 892	**648 703**	710 953
Total	**285 727**	610 933	**12 580**	12 580	**298 307**	623 513	**537 871**	812 203	**836 178**	1 435 716

IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between three and 15 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 up to a ten-year period when management believes that products have a value in use of more than ten years and that these projections, based on past experience, are reliable.

The discount rate applied to cash flow projections, before adjusting for risk, is 16,5% (September 2013: 16,5%) for intangible assets relating to the Cosme acquisition, included in India, and 11,9% (September 2013: 10,1%) for the remainder of the intangible assets. The cash flows beyond the ten-year period are discounted using the discount rate applied to cash flow projections of 16,5% (September 2013: 16,5%) for intangible assets relating to the Cosme acquisition, included in India, and 11,9% (September 2013: 10,1%) for the remainder of the intangible assets. The cash flows beyond the ten-year period are discounted using a 8,5% (2013: 8,5%) for Cosme and 0,5% long-term growth rate (2013: 0,5%) for the remainder of the intangible assets.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value in use for all individual assets or cash generating units of the business is most 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 forecast period.

Gross margin

Gross margins are based on average values achieved 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 ten-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 have been used as an indicator of the future price movements.

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 ten-year period is management's best estimate taking market conditions into account.

10 INTANGIBLE ASSETS (continued)

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 a further impairment of intangibles.

Discount rates

A material increase in the pre-tax 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 a further 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 a further 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.

11 DEFERRED TAX

	June 2014 R'000	September 2013 R'000
Balance at beginning of period/year	**(113 735)**	(88 016)
Movement through profit or loss	**101 090**	(18 299)
Exchange rate adjustments	**(956)**	(7 486)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**593**	123
Revaluation of available-for-sale asset to fair value	**(80)**	(57)
Balance at end of period/year	**(13 088)**	(113 735)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(29 294)**	(28 195)
Property, plant and equipment	**(114 778)**	(125 358)
Pre-payments	**(1 930)**	(3 561)
Provisions	**68 900**	33 565
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**1 478**	885
Tax loss available for future use	**62 693**	–
Other	**(157)**	8 929
	(13 088)	(113 735)
Disclosed as follows:		
Deferred tax asset	**7 959**	7 829
Deferred tax liability	**(21 047)**	(121 564)

	June 2014 R'000	September 2013 R'000
12 OTHER FINANCIAL ASSETS		
12.1 LONG-TERM RECEIVABLE (AT AMORTISED COST)		
Black Managers Share Trust (BMT)		
Balance at 1 October	**137 312**	137 430
Proceeds from sale	**–**	(118)
Impairment (Refer Annexure G)	**(1 121)**	–
	136 191	137 312

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options from 1 January 2015 until 30 September 2024 when the scheme is due to end or when any beneficiary dies. The impairment charge during the current period 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 on-distributed to the beneficiaries). Refer to note B in Annexure B for further details of the capital contribution.

	June 2014 R'000	September 2013 R'000
12.2 INVESTMENT		
Group Risk Holdings (Pty) Limited		
Balance at 1 October	**2 334**	2 321
Disposal of shares	**–**	(291)
Revaluation of investment through other comprehensive income	**430**	304
	2 764	2 334
	138 955	139 646

13 OTHER NON-FINANCIAL ASSET

	June 2014 R'000	September 2013 R'000
VAT recoverable	**–**	36 987

The non-financial asset arose on the acquisition of Cosme. Refer note 1.1.

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

14.1 INVESTMENT IN ASSOCIATES

	June 2014 R'000	September 2013 R'000
Batswadi Biotech (Pty) Limited		
Cost of investment	**–**	12 200
Impairment of investment	**–**	(12 200)
	–	–

The investment in Batswadi Biotech (Pty) Limited was impaired in 2011 as there was significant uncertainty as to the extent and probability of future cash flows, and was disposed of during the current period at zero consideration.

14.2 INVESTMENT IN JOINT VENTURES

The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. The Group's interest in Adcock Ingram Limited (India) and National Renal Care (Pty) Limited is accounted for using the equity method in the consolidated financial statements and the carrying value of the investment is set out below.

	June 2014 R'000	September 2013 R'000
Adcock Ingram Limited (India)	**120 642**	94 073
National Renal Care (Pty) Limited	**81 595**	80 164
	202 237	174 237

Refer to Annexure F for further details.

	June 2014 R'000	September 2013 R'000
15 INVENTORIES		
Raw materials	**296 944**	301 123
Work-in-progress	**31 449**	139 874
Finished goods	**777 868**	1 082 079
Inventory value, net of provisions	**1 106 261**	1 523 076
Inventories written down and recognised as an expense in profit or loss:		
Cost of sales	**93 170**	38 283
Non-trading expenses	**130 966**	–
	224 136	38 283

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.

	June 2014 R'000	September 2013 R'000
16 TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 104 453**	1 407 052
Less: Provision for credit notes	**(8 835)**	(17 035)
Provision for impairment	**(8 192)**	(8 900)
	1 087 426	1 381 117
Derivative asset at fair value	**–**	6 012
Other receivables	**74 424**	89 859
Bank interest receivable	**5 307**	3 607
Sundry receivables	**69 117**	86 252
The maximum exposure to credit risk in relation to trade and other receivables	**1 161 850**	1 476 988
Pre-payments	**58 234**	56 754
VAT recoverable	**15 590**	14 317
	1 235 674	1 548 059

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.

No trade receivables were impaired in both the reporting periods. Trade debtors are impaired when the event of recoverability is highly unlikely.

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 October 2012	(5 847)	(6 823)	(12 670)
Charge for the year	(3 053)	(17 550)	(20 603)
Utilised during the year	–	7 338	7 338
At 30 September 2013	(8 900)	(17 035)	(25 935)
Charge for the period	**–**	**(7 549)**	**(7 549)**
Utilised during the period	**–**	**15 749**	**15 749**
Unused amounts reversed	**708**	**–**	**708**
At 30 June 2014	**(8 192)**	**(8 835)**	**(17 027)**

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	June 2014 R'000	September 2013 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	**596 087**	933 465
31 – 60 days	**364 414**	349 401
61 – 90 days	**56 621**	67 959
Past due after impairments		
91 – 180 days	**63 745**	14 143
>180 days	**6 559**	16 149
Total	**1 087 426**	1 381 117
Sundry receivables		
Neither past due nor impaired		
<30 days	**45 652**	54 485
31 – 60 days	**9 030**	10 370
61 – 90 days	**782**	8 206
>90 days	**13 653**	13 191
Total	**69 117**	86 252

VAT recoverable and bank interest receivable will be received within one month.

62% (September 2013: 56%) 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.

17 CASH AND CASH EQUIVALENTS

	June 2014 R'000	September 2013 R'000
Cash at banks	**247 852**	153 733
Bank overdraft	**(319 613)**	(1 364 134)
	(71 761)	(1 210 401)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances incur interest at rates varying between 6,75% and 7,75%.

The fair value of the net bank overdraft is R71,8 million (2013: R1 210,4 million).
There are no restrictions over any of the cash balances and all balances are available for use.

18 SHARE CAPITAL

18.1 AUTHORISED

	June 2014 R'000	September 2013 R'000
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
19 458 196 A shares of 10 cents each	**1 946**	1 946
6 486 065 B shares of 10 cents each	**649**	649

18.2 ISSUED

	June 2014 R'000	September 2013 R'000
Ordinary share capital		
Opening balance of 168 327 585 ordinary shares (2013: 168 724 055) of 10 cents each	**16 832**	16 872
Issue of 461 000 ordinary shares (2013: 392 530) of 10 cents each	**46**	39
Movement in ordinary treasury shares	**–**	(79)
	16 878	16 832

The following ordinary shares were issued during the period/year:

(i) In various tranches, 461 000 (2013: 392 530) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008), refer to Annexure B; and

(ii) No ordinary shares were bought back by the Group (2013: 789 000).

18 SHARE CAPITAL(continued)

18.2 ISSUED (continued)

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

A and B ordinary shares rank *pari passu* with the ordinary shares, save that:

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE, the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE; and

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

	June 2014 R'000	September 2013 R'000
18.3 TREASURY SHARES		
Shares held by the BEE participants		
– number of A shares	**19 458 196**	19 458 196
– number of B shares	**6 486 065**	6 486 065
– number of ordinary shares	**2 571 000**	2 571 000
Shares held by Group company		
– number of ordinary shares	**4 285 163**	4 285 163
	32 800 424	32 800 424

As required by IFRS, both Blue Falcon Trading 69 (Pty) Limited and the Mpho ea Bophelo Trust have been consolidated into the Group's annual financial statements and all A, B and ordinary shares held by them are accounted for as treasury shares. Shares bought back and held by a Group company are also regarded as treasury shares.

	Number of shares	
18.4 RECONCILIATION OF ISSUED SHARES		
Number of shares in issue	**201 589 009**	201 128 009
Number of A and B shares held by the BEE participants	**(25 944 261)**	(25 944 261)
Number of ordinary shares held by the BEE participants	**(2 571 000)**	(2 571 000)
Number of ordinary shares held by the Group company	**(4 285 163)**	(4 285 163)
Net shares in issue	**168 788 585**	168 327 585

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.

	June 2014 R'000	September 2013 R'000
19 SHARE PREMIUM		
Balance at the beginning of the period/year	**504 064**	547 400
Issue of 461 000 ordinary shares (2013: 392 530)	**6 856**	5 060
Movement in ordinary treasury shares	**–**	(48 396)
	510 920	504 064

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 October 2012	352 877	447	3 919	(27 387)	26 373	356 229
Movement during the year, net of tax	13 077	895	–	(1 783)	(3 422)	8 767
Movement for the year	15 010	1 243	–	(1 783)	304	14 774
Accelerated Mpho ea Bophelo Trust payment	(1 933)					(1 933)
Movement due to share issue costs					(3 669)	(3 669)
Tax effect of net movement on cash flow hedge and investment		(348)			(57)	(405)
Balance at 30 September 2013	365 954	1 342	3 919	(29 170)	22 951	364 996
Movement during the period, net of tax	**10 902**	**(1 525)**	**–**	**58 572**	**(6 530)**	**61 419**
Movement for the period	**11 676**	**(2 118)**	**–**	**58 572**	**430**	**68 560**
Accelerated Mpho ea Bophelo Trust payment	**(774)**					**(774)**
Actuarial loss on post-retirement medical liability					**(6 880)**	**(6 880)**
Tax effect of net movement on cash flow hedge and investment		**593**			**(80)**	**513**
Balance at 30 June 2014	**376 856**	**(183)**	**3 919**	**29 402**	**16 421**	**426 415**

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 period 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. This also includes share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India), actuarial losses on the Group's defined benefit plan and a fair value adjustment on the Group's investment in Group Risk Holdings (Pty) Limited.

	June 2014 R'000	September 2013 R'000
21 LONG-TERM BORROWINGS		
Unsecured		
Loan bearing interest at a fixed rate of 9% [1]	**4 325**	3 925
Loan bearing interest at a fixed rate of 13% [2]	**4 627**	–
Secured		
Loan bearing interest at JIBAR(*) + 265 basis points [3]	**–**	63 750
Loan bearing interest at JIBAR(*) + 180 basis points [4]	**–**	36 250
Finance leases	**1 041**	1 399
Loan bearing interest at JIBAR(*) + 176 basis points [5]	**1 000 000**	–
	1 009 993	105 324
Less: Current portion included in short-term borrowings	**(5 132)**	(100 483)
	1 004 861	4 841

(1) This unsecured loan bears interest at a fixed rate of 9% per annum and is repayable upon termination of C&F Agency contracts in India.

(2) This unsecured loan bears interest at a fixed rate of 13% per annum and is repayable in September 2014.

(3) September 2013: A secured loan bearing interest at JIBAR plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013. During the period, no interest (2013: R3,8 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has not been met.*

(4) September 2013: A secured loan, bearing interest at JIBAR plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013. During the period interest of R0,4 million (2013: R7,6 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has been met.*

(5) 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.*

Financial covenants, including a debt service cover ratio, net debt: EBITDA ratio and interest cover ratio are applicable over loans (3), (4) and (5). These covenants were breached due to the poor financial results during the current period and written condonation was received from the lenders.

The shares in Group companies are pledged as security for loans (3), (4) and (5).

** JIBAR – Johannesburg Interbank Agreed Rate. On 30 June 2014: 5,8000% (30 September 2013: 5,1330%).*

21 LONG-TERM BORROWINGS (continued)

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

	Unsecured loans at fixed interest rates R'000	Secured loans at variable interest rates R'000	Finance leases R'000	Total R'000
June 2014				
Capital repayment on loans				
– payable within 12 months	**4 627**	**–**	**505**	**5 132**
– payable within 12–24 months	**–**	**–**	**536**	**536**
– payable thereafter	**4 325**	**1 000 000**	**–**	**1 004 325**
	8 952	**1 000 000**	**1 041**	**1 009 993**
Interest payment on loans*				
– payable within 12 months	**439**	**75 600**	**89**	**76 128**
– payable within 12–24 months	**389**	**75 807**	**34**	**76 230**
– payable thereafter	**778**	**189 104**	**–**	**189 882**
	1 606	**340 511**	**123**	**342 240**
September 2013				
Capital repayment on loans				
– payable within 12 months	–	100 000	483	100 483
– payable within 12–24 months	–	–	916	916
– payable thereafter	3 925	–	–	3 925
	3 925	100 000	1 399	105 324
Interest payment on loans*				
– payable within 12 months	353	1 884	124	2 361
– payable within 12–24 months	353	–	96	449
– payable thereafter	706	–	–	706
	1 412	1 884	220	3 516

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

	June 2014 R'000	September 2013 R'000
22 POST-RETIREMENT MEDICAL LIABILITY		
Balance at beginning of the period/year	**15 108**	15 341
Charged/(Released) to operating profit	**46**	(233)
Charged to other comprehensive income	**6 880**	–
Balance at the end of the period/year	**22 034**	15 108

For more details refer to Annexure D.

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		June 2014 R'000	September 2013 R'000
23	**TRADE AND OTHER PAYABLES**		
	Trade accounts payable	**624 281**	791 754
	Derivative liability at fair value [(1)]	**617**	–
	Other payables	**482 861**	455 802
	Accrued expenses	**378 184**	339 544
	Deferred portion of purchase price of business combination	**–**	1 250
	Sundry payables	**104 677**	115 008
	VAT payable	**1 207**	38 155
	Interest accrued	**6 597**	9 457
		1 115 563	1 295 168

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

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

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

	June 2014 R'000	September 2013 R'000
Trade payables		
<30 days	**374 445**	407 556
31–60 days	**160 370**	143 382
61–90 days	**28 589**	146 229
>90 days	**60 877**	94 587
Total	**624 281**	791 754
Other payables		
<30 days	**193 122**	199 847
31–60 days	**51 515**	42 044
61–90 days	**25 390**	35 919
>90 days	**212 834**	177 992
Total	**482 861**	455 802

		June 2014 R'000	September 2013 R'000
24	**CASH-SETTLED OPTIONS**		
	Opening balance	**39 150**	39 983
	(Released from)/Charged to operating profit	**(3 973)**	11 748
	Payments made	**(20 395)**	(12 581)
		14 782	39 150
25	**PROVISIONS**		
	Leave pay		
	Balance at beginning of period/year	**50 006**	44 380
	Arising during the period/year	**47 136**	47 633
	Utilised during the period/year	**(48 162)**	(37 819)
	Unused amounts reversed	**(3 712)**	(4 236)
	Exchange rate adjustments	**63**	48
	Balance at end of period/year	**45 331**	50 006

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 60 days. The obligation is reviewed annually. The timing of the cash flow, if any, is uncertain. In excess of 95% of the balance represents the liability for employees in South Africa.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

		9 months June 2014 R'000	12 months September 2013 R'000
26	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
26.1	**OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES**		
	(Loss)/Profit before taxation	**(1 015 967)**	809 580
	Adjusted for:		
	– amortisation of intangibles	**49 782**	50 519
	– depreciation	**107 336**	134 055
	– loss on disposal/scrapping of property, plant and equipment	**7 008**	3 750
	– dividend income	**(6 506)**	(12 613)
	– net finance costs	**79 633**	58 508
	– equity accounted earnings	**(31 895)**	(72 193)
	– share-based payment expenses	**10 016**	33 478
	– accelerated Mpho ea Bophelo settlement	**(774)**	(1 933)
	– inventories written off	**93 170**	38 283
	– provision for accounts receivable impairment and credit notes	**(8 908)**	20 127
	– increase in provisions and post retirement medical liability	**(4 945)**	5 330
	– straight-lining of leases	**4 605**	7 391
	– impairment of property, plant and equipment and intangible assets	**671 032**	–
	– impairment of long-term receivable and non-financial asset	**41 366**	–
	– increase in inventory provisions	**54 148**	–
	– foreign exchange loss	**10 473**	–
		59 574	1 074 282
26.2	**WORKING CAPITAL CHANGES**		
	Decrease/(Increase) in inventories	**260 232**	(626 700)
	Decrease/(Increase) in trade and other receivables	**316 896**	(285 126)
	(Decrease)/Increase in trade and other payables	**(218 601)**	335 138
		358 527	(576 688)
26.3	**DIVIDENDS PAID**		
	Dividends paid to equity holders of the parent	**–**	(340 138)
	Dividends paid to non-controlling shareholders	**(6 746)**	(6 980)
		(6 746)	(347 118)
26.4	**TAXATION PAID**		
	Amounts overpaid at beginning of period/year	**86 368**	85 173
	Amounts charged to profit or loss	**53 811**	(213 127)
	Movement in deferred tax	**(101 090)**	24 537
	Exchange rate adjustments	**348**	(76)
	Amounts overpaid at end of period/year	**(76 306)**	(86 368)
		(36 869)	(189 861)
26.5	**ACQUISITION OF BUSINESS, NET OF CASH**		
	Property, plant and equipment		(130)
	Intangible assets		(720 786)
	VAT recoverable and deposits		(39 193)
	Fair value of net assets		(760 109)
	Goodwill acquired		(61 484)
	Cash outflow on business combination		(821 593)
26.6	**DECREASE IN OTHER FINANCIAL ASSETS**		
	Proceeds from sale of additional interest in Group Risk Holdings (Pty) Limited	**–**	291
	Decrease in Black Managers Share Trust	**–**	118
		–	409

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
(continued)

27 CONTINGENT LIABILITIES

The Group provides surety for the obligations of Adcock Ingram Healthcare (Pty) Limited and Adcock Ingram Critical Care (Pty) Limited.

28 COMMITMENTS AND CONTINGENCIES

28.1 OPERATING LEASE COMMITMENTS

The Group has entered into the following material lease agreements in South Africa and India 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	Lease 4 Bangalore (Ground and 1st floors)	Lease 5 Bangalore (2nd and 3rd floors)	Lease 6 Goa	Lease 7 Mumbai
Initial lease period (years)	10	12	10	8	9	5	5
Ending	30 November 2021	31 October 2022	31 August 2022	15 April 2021	30 November 2020	9 April 2018	14 January 2014
Renewal option period (years)	10	10	5	By mutual consensus	By mutual consensus	By mutual consensus	By mutual consensus
Ending	30 November 2031	31 October 2032	31 August 2027	n/a	n/a	n/a	n/a
Escalation (%)	7,3%	8,5%	7,0%	16,3% after 3 years	16,3% after 3 years	15% after 3 years	15% after 3 years

	9 months June 2014 R'000	12 months September 2013 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**30 977**	27 909
After one year but not more than five years	**145 379**	127 272
More than five years	**111 127**	137 163
	287 483	292 344
28.2 CAPITAL COMMITMENTS		
Commitments contracted for		
Within one year	**57 278**	34 737
Approved but not contracted for		
Within one year	**23 880**	117 342
	81 158	152 079

These commitments relate to property, plant and equipment.

28.3 GUARANTEES

The Group has provided guarantees to the amount of R15,3 million at 30 June 2014 (September 2013: R13,5 million)

29 RELATED PARTIES

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

The following entities are considered to be related parties in the current period 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.

	9 months June 2014 R'000
Purchase of services	
The Bidvest Group Limited	**18 014**
Public Investment Corporation	**–**

Payments to directors and key management are disclosed in notes 5.3 and 5.4.

30 SUBSEQUENT EVENTS

There are no material events which have occurred subsequent to the reporting date and up until the issue of these results which require additional disclosure.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Note	9 months June 2014 R'000	12 months September 2013 R'000
Revenue	A	**68 345**	464 590
Operating expenses		**(185)**	(266)
Finance income	B.1	**64 348**	47 213
Finance costs	B.2	**(56 615)**	(39 532)
Dividend income	A	**3 997**	417 377
Profit before taxation		**11 545**	424 792
Taxation	C	**(2 126)**	(2 203)
Profit for the period/year		**9 419**	422 589
Other comprehensive income			
Revaluation of available-for-sale asset, net of tax		**350**	247
Total comprehensive income for the period/year, net of tax		**9 769**	422 836

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Issued share capital R'000	Share premium R'000	Accumulated loss R'000	Non-distributable reserves R'000	Total R'000
As at 1 October 2012		20 073	935 947	(189 445)	269 286	1 035 861
Share issue		39	5 060			5 099
Total comprehensive income				422 589	247	422 836
Profit for the year				422 589		422 589
Other comprehensive income				–	247	247
Dividends	D.1			(404 888)		(404 888)
Balance at 30 September 2013		20 112	941 007	(171 744)	269 533	1 058 908
Share issue	I.2	**46**	**6 856**			**6 902**
Total comprehensive income				**9 419**	**350**	**9 769**
Profit for the period				**9 419**		**9 419**
Other comprehensive income				**–**	**350**	**350**
Balance at 30 June 2014		**20 158**	**947 863**	**(162 325)**	**269 883**	**1 075 579**

COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	June 2014 R'000	September 2013 R'000
ASSETS			
Investments	E	**3 369 650**	3 369 220
Non-current assets		**3 369 650**	3 369 220
Amounts owing by Group companies	G.1	**518 380**	511 928
Other receivables	H	**–**	1 042
Taxation receivable	O.3	**–**	505
Current assets		**518 380**	513 475
Total assets		**3 888 030**	3 882 695
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	I.2	**20 158**	20 112
Share premium	J	**947 863**	941 007
Non-distributable reserves	K	**269 883**	269 533
Accumulated loss		**(162 325)**	(171 744)
Total equity		**1 075 579**	1 058 908
Amounts owing to Group companies	G.2	**2 155 994**	2 155 994
Deferred tax	M	**137**	57
Non-current liabilities		**2 156 131**	2 156 051
Short-term borrowings	L	**–**	100 000
Bank overdraft	F	**652 216**	567 010
Other payables	N	**3 553**	726
Taxation payables	O.3	**551**	–
Current liabilities		**656 320**	667 736
Total equity and liabilities		**3 888 030**	3 882 695

COMPANY STATEMENTS OF CASH FLOWS

	Note	**9 months June 2014 R'000**	12 months September 2013 R'000
Cash flows from operating activities			
Operating loss before working capital changes	O.1	**(185)**	(266)
Working capital changes	O.2	**52**	(248)
Cash utilised in operations		**(133)**	(514)
Finance income, excluding receivable		**65 390**	46 171
Finance costs, excluding accrual		**(53 840)**	(39 532)
Dividend income	A	**3 997**	417 377
Dividends paid	D.1	**–**	(404 888)
Taxation paid	O.3	**(1 070)**	(1 891)
Net cash inflow from operating activities		**14 344**	16 723
Cash flows from investing activities			
Decrease in investments	O.4	**–**	291
Net increase in amounts owing by Group companies		**(6 452)**	(11 928)
Net cash (outflow)/inflow from investing activities		**(6 452)**	(11 637)
Cash flows from financing activities			
Proceeds from issue of share capital		**6 902**	5 099
Decrease in amounts owing to Group companies		**–**	(739)
Repayment of borrowings		**(100 000)**	(400 000)
Net cash outflow from financing activities		**(93 098)**	(395 640)
Net decrease in cash and cash equivalents		**(85 206)**	(390 554)
Cash and cash equivalents at beginning of period/year		**(567 010)**	(176 456)
Cash and cash equivalents at end of period/year	F	**(652 216)**	(567 010)

		9 months June 2014 R'000	12 months September 2013 R'000
A	**REVENUE**		
	Finance income	**64 348**	47 213
	Dividend income	**3 997**	417 377
		68 345	464 590
B	**FINANCE INCOME AND FINANCE COSTS**		
B.1	**FINANCE INCOME**		
	Bank	**38 657**	7 681
	Inter-Group interest	**25 691**	39 532
		64 348	47 213
B.2	**FINANCE COSTS**		
	Borrowings	**56 615**	39 532
C	**TAXATION**		
	South African taxation		
	Current income tax		
	– current period/year	**2 126**	2 203
	Total tax charge	**2 126**	2 203
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**18,4**	0,5
	Adjusted for:		
	Exempt income	**9,6**	27,5
	South African normal tax rate	**28,0**	28,0
D	**DISTRIBUTIONS PAID AND PROPOSED**		
D.1	**DIVIDENDS**	**R'000**	R'000
	Declared and paid during the year		
	Dividends on ordinary shares		
	Final dividend for 2012: 115 cents		231 941
	Interim dividend for 2013: 86 cents		172 947
	Total declared and paid		404 888

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
(continued)

		2014 Effective holding %	2013 Effective holding %	June 2014 R'000	September 2013 R'000
E	**INVESTMENTS**				
	Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
	Adcock Ingram Healthcare (Pty) Limited	**100**	100	**815 390**	815 390
	Adcock Ingram Intellectual Property (Pty) Limited	**100**	100	**104 000**	104 000
	Adcock Ingram Critical Care (Pty) Limited	**100**	100	**284 979**	284 979
	Adcock Ingram Limited India	**49,9**	49,9	**31 930**	31 930
	Adcock Ingram International (Pty) Limited	**100**	100	*****	*
	Thembalami Pharmaceuticals (Pty) Limited	**50**	50	*****	*
	Group Risk Holdings (Pty) Limited[1]	**7**	7	**2 764**	2 334
				3 369 650	3 369 220

** Less than R1 000.*

	June 2014 R'000	September 2013 R'000
(1) Group Risk Holdings (Pty) Limited		
Balance at 1 October	**2 334**	2 321
Disposal	**–**	(291)
Revaluation of investment to fair value	**430**	304
	2 764	2 334

F CASH AND CASH EQUIVALENTS

	June 2014 R'000	September 2013 R'000
Bank overdraft	**652 216**	567 010

Balances incur interest at rates varying between 6,75% and 7,75%.

G AMOUNTS OWING BY/(TO) GROUP COMPANIES

G.1 AMOUNTS OWING BY GROUP COMPANIES

	June 2014 R'000	September 2013 R'000
Included in current assets:		
Adcock Ingram Critical Care (Pty) Limited	**–**	36 250
Adcock Ingram Healthcare (Pty) Limited	**351 216**	308 175
Adcock Ingram International (Pty) Limited	**167 154**	167 154
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**–**	339
Mpho ea Bophelo Trust	**10**	10
	518 380	511 928

Adcock Ingram Critical Care (Pty) Limited
September 2013: A secured loan of R36,25 million, bearing interest at JIBAR[1] plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012, with the final instalment paid in December 2013.

Adcock Ingram Healthcare (Pty) Limited
An unsecured loan of R351,22 million (September 2013: R244,43 million) which is interest-free and has no fixed terms of repayment.

September 2013: A secured loan of R63,75 million bearing interest at JIBAR[1] plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013.

Adcock Ingram International (Pty) Limited
The loan is unsecured, interest-free, and has no fixed terms of repayment.

Capital repayment on loans
– payable within 12 months
Interest repayments on loans[2]
– payable within 12 months

(1) JIBAR – Johannesburg Interbank Agreed Rate. On 30 September 2013: 5,1330%
(2) Interest repayments have been calculated using the interest rate at the reporting date

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

(continued)

	June 2014 R'000	September 2013 R'000
G AMOUNTS OWING BY/(TO) GROUP COMPANIES (continued)		
G.2 AMOUNTS OWING TO GROUP COMPANIES		
Included in non-current liabilities:		
Adcock Ingram Limited[3]	**2 155 994**	2 155 994

The loan is unsecured, interest-free and has no fixed term of repayment.

[3] *It is not expected that the subsidiary would call on payment within the next 12 months.*

	June 2014 R'000	September 2013 R'000
H OTHER RECEIVABLES		
Bank interest receivable	**–**	1 042
I SHARE CAPITAL		
I.1 AUTHORISED		
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
19 458 196 A shares of 10 cents each	**1 946**	1 946
6 486 065 B shares of 10 cents each	**649**	649

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

A and B ordinary shares rank *pari passu* with the ordinary shares, save that:

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE, the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE; and

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

	June 2014 R'000	September 2013 R'000
I.2 ISSUED		
Ordinary share capital		
Opening balance of 201 128 011 ordinary shares (2013: 200 735 481) of 10 cents each	**20 112**	20 073
Issue of 461 000 ordinary shares (2013: 392 530) of 10 cents each	**46**	39
	20 158	20 112

The following ordinary shares were issued during the period/year:

(i) In various tranches, 461 400 (2013: 392 530) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

I.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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
(continued)

		June 2014 R'000	September 2013 R'000
J	**SHARE PREMIUM**		
	Balance at beginning of the period/year	**941 007**	935 947
	Issues of 461 400 ordinary shares (2013: 392 530)	**6 856**	5 060
		947 863	941 007

		Share-based payment reserve R'000	Other reserves R'000	Total R'000
K	**NON-DISTRIBUTABLE RESERVES**			
	Balance at 1 October 2012	269 000	286	269 286
	Movement during the year	–	247	247
	Balance at 30 September 2013	269 000	533	269 533
	Movement during the period	**–**	**350**	**350**
	Balance at 30 June 2014	**269 000**	**883**	**269 883**

		June 2014 R'000	September 2013 R'000
L	**LONG-TERM BORROWINGS**		
	A secured loan, bearing interest at JIBAR plus 180 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012, with the final instalment paid in December 2013.	–	36 250
	A secured loan bearing interest at JIBAR plus 265 basis points. Interest was payable quarterly in arrears and the capital was repaid in quarterly instalments from March 2012 with the final instalment paid in December 2013.	–	63 750
	Total	–	100 000
	Less: Current portion included in short-term borrowings	–	(100 000)
	Capital repayments on loans		
	– payable within 12 months	–	100 000
	Interest repayments on loans*		
	– payable within 12 months	–	1 884
	** Interest repayments have been calculated using the interest rates at the reporting dates*		
M	**DEFERRED TAX**		
	Balance at beginning of period/year	**(57)**	–
	Other comprehensive income movement	**(80)**	(57)
	Balance at end of period/year	**(137)**	(57)
	Analysis of deferred tax		
	This balance comprises the following temporary difference:		
	Revaluations of available-for-sale financial asset	**(137)**	(57)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

(continued)

		June 2014 R'000	September 2013 R'000
N	**OTHER PAYABLES**		
	Interest accrued	**2 775**	–
	Other	**778**	726
		3 553	726
O	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
O.1	**OPERATING LOSS BEFORE WORKING CAPITAL CHANGES**		
	Profit before taxation	**11 545**	424 792
	Adjusted for:		
	– dividend income	**(3 997)**	(417 377)
	– net finance income	**(7 733)**	(7 681)
		(185)	(266)
O.2	**WORKING CAPITAL CHANGES**		
	Increase/(Decrease) in other payables (excluding accrual)	**52**	(248)
		52	(248)
O.3	**TAXATION PAID**		
	Amounts overpaid at beginning of the period/year	**505**	817
	Amounts charged to the statement of comprehensive income	**(2 126)**	(2 203)
	Amount underpaid/(overpaid) at end of the period/year	**551**	(505)
		(1 070)	(1 891)
O.4	**DECREASE IN INVESTMENTS**		
	Proceeds on sale of 1,0% interest in Group Risk Holdings (Pty) Limited	**–**	291
P	**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 (Pty) Limited	**25 277**	30 740
	Adcock Ingram Critical Care (Pty) Limited	**413**	8 792
	Dividends received		
	Adcock Ingram Limited	**–**	300 000
	Adcock Ingram Healthcare (Pty) Limited	**–**	110 000
	Adcock Ingram Limited (India)	**3 997**	7 377
	Dividends paid		
	Adcock Ingram Limited	**–**	8 612
	Blue Falcon Trading 69 (Pty) Limited	**–**	42 009
	Mpho ea Bophelo Trust	**–**	14 127
	Refer to Annexure H for nature of the relationships of related parties.		

Q FINANCIAL INSTRUMENTS

Fair value hierarchy

Classification of financial instruments and fair value hierarchy is as follows:

Financial instruments	Classification per IAS 39	June 2014 R'000	September 2013 R'000
Investment in Group Risk Holdings (Pty) Limited[1]	Available-for-sale	**2 764**	2 334
Amounts owing by Group companies	Loans and receivables	**518 380**	511 928
Amounts owing to Group companies	Loans and borrowings	**2 155 994**	2 155 994
Other payables	Loans and borrowings	**778**	726
Short-term borrowings	Loans and borrowings	**–**	100 000
Bank overdraft	Loans and borrowings	**652 216**	567 010

[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. There are no significant unobservable inputs that are used in the valuation.

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

Level 1: quoted prices in active markets;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, bank overdraft and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

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	Decrease in profit before tax	
	%	June 2014 R'000	September 2013 R'000
Cash and cash equivalents			
Bank overdraft	+1	**6 522**	5 670

No sensitivity analysis is performed on the borrowings as terms of these and amounts owed by Group companies are linked.

ANNEXURE A – SEGMENT REPORT

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

In Southern Africa, the principal segments have been identified by grouping similar-type products resulting in the following three reportable operating segments for financial performance purposes:

- Over the Counter, which comprises pharmaceutical products available without prescription as well as personal care products;
- Prescription, which comprises products available on prescription only; and
- Hospital.

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.

	9 months June 2014 R'000	12 months September 2013 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Turnover		
Southern Africa	**3 245 093**	4 809 518
OTC	**1 136 916**	2 002 279
Prescription	**1 387 655**	1 852 759
Generics	**594 587**	865 444
Branded	**793 068**	987 315
Hospital	**720 522**	954 480
Rest of Africa	**206 477**	220 635
India	**177 709**	178 041
	3 629 279	5 208 194
Less: Intercompany sales	**(13 992)**	(13 009)
	3 615 287	5 195 185
The South African Government represent more than 10% of the Group's turnover, arising in the following segments:		
Prescription	**291 669**	395 161
Hospital	**319 227**	421 747
	610 896	816 908
CONTRIBUTION AFTER MARKETING EXPENSES (CAM)		
Southern Africa	**366 866**	1 137 098
OTC	**200 446**	707 403
Prescription	**156 900**	321 704
Generics	**40 663**	145 029
Branded	**116 237**	176 675
Hospital	**9 520**	107 991
Rest of Africa	**32 054**	48 253
India	**21 475**	49 586
	420 395	1 234 937
Less: Intercompany	**(8 502)**	(9 194)
	411 893	1 225 743
Less: Other operating expenses	**(1 386 628)**	(442 461)
Research and development	**(81 096)**	(104 941)
Fixed and administrative	**(337 887)**	(311 831)
Non-trading expenses	**(967 645)**	(25 689)
Operating (loss)/profit	**(974 735)**	783 282

Other operating expenses and Group financing (including finance costs and finance income) are managed on a central basis and are not allocated to operating segments.

ANNEXURE A – SEGMENT REPORT
(continued)

As the assets and liabilities of the Over the Counter and Prescription products are integrated and managed in the Pharmaceutical division in Southern Africa, the Group regards this as a single primary business segment for statement of financial position purposes.

	June 2014 R'000	September 2013 R'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Southern Africa	**4 261 452**	5 341 345
Pharmaceuticals	**3 645 069**	4 585 199
Hospital	**616 383**	756 146
Rest of Africa	**195 883**	286 104
India	**948 507**	1 126 911
	5 405 842	6 754 360
Current liabilities		
Southern Africa	**1 294 348**	2 672 101
Pharmaceuticals	**717 250**	2 046 680
Hospital	**577 098**	625 421
Rest of Africa	**94 889**	77 012
India	**111 184**	99 828
	1 500 421	2 848 941
Capital expenditure [1]		
Southern Africa	**82 296**	274 279
Pharmaceuticals	**72 381**	200 974
Hospital	**9 915**	73 305
Rest of Africa	**6 870**	42 236
India	**6 299**	15 511
	95 465	332 026

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

	9 months June 2014 R'000	12 months September 2013 R'000
Other		
Impairment losses [2]		
Southern Africa	**506 960**	
Pharmaceuticals	**506 692**	–
Hospital	**268**	–
Rest of Africa	**58 900**	–
India	**277 504**	–
	843 364	–

[2] *Impairment losses include impairments of long-term receivables, intangible assets, inventories and property, plant and equipment.*

	9 months June 2014 R'000	12 months September 2013 R'000
Depreciation and amortisation		
Southern Africa	**109 894**	140 054
Pharmaceuticals	**88 349**	111 777
Hospital	**21 545**	28 277
Rest of Africa	**7 169**	7 617
India	**40 055**	36 902
	157 118	184 573

ANNEXURE B – SHARE-BASED PAYMENT 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. During the current year, the equity-settled scheme was re-introduced, and certain senior employees were granted options on 17 June 2014.

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

Original equity-settled (issued whilst part of Tiger Brands)	**June 2014**		September 2013	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the period/year	**570 300**	**16,20**	944 630	14,87
Reinstatement	**–**	**–**	18 200	16,63
Exercised and paid in full[(1)]	**(461 000)**	**15,14**	(392 530)	12,99
Forfeited	**(6 000)**	**19,96**	–	–
Outstanding at the end of the period/year	**103 300**	**20,42**	570 300	16,20
Exercisable at the end of the period/year	**103 300**	**20,42**	570 300	16,20

[(1)] *The weighted average share price at the date of exercise, for the options exercised is R69,18 (September 2013: R56,57).*

	June 2014	September 2013
Weighted average remaining contractual life for the share options outstanding at reporting date	**0 years**	0 years
Range of offer prices for options outstanding at the end of the period/year	**R19,95 – R28,33**	R13,62 – R28,33

A loan to the amount of R124 421 relating to a former Adcock Ingram employee was outstanding at the end of the period (September 2013: R433 756).

Adcock Ingram equity-settled	**June 2014**	
	Number	**WAOP**
Outstanding at the beginning of the period	**–**	**–**
Granted during the period	**1 665 000**	**52,20**
Outstanding at the end of the period	**1 665 000**	**52,20**
Exercisable at the end of the period	**–**	**–**

Weighted average remaining contractual life for the share options outstanding at reporting date	**10 years**
Offer price for options outstanding at the end of the period	**R52,20**

Share options are fair valued using a Black-Scholes model. The expected dividend yield was estimated using a 2-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.

Cash-settled
The following table illustrates the number and weighted average offer prices (WAOP) of and movements in Adcock Ingram share options during the period/year.

	June 2014		September 2013	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the period/year	**3 868 514**	**52,06**	3 463 690	49,62
Granted	**–**	**–**	1 327 148	53,99
Forfeited	**(70 992)**	**57,91**	(394 880)	54,56
Exercised	**(891 450)**	**37,56**	(527 444)	36,58
Outstanding at the end of the period/year	**2 906 072**	**26,61**	3 868 514	52,06
Vested and exercisable at the end of the period/year	**384 460**	**53,17**	515 710	38,37

ANNEXURE B – SHARE-BASED PAYMENT PLANS
(continued)

A GENERAL EMPLOYEE SHARE OPTION PLAN (continued)

Cash-settled (continued)	**June 2014**	September 2013
Weighted average remaining contractual life for the share options outstanding at reporting date	**2,22 years**	3,52 years
Range of offer prices for options outstanding at the end of the period/year	**R34,78 – R62,29**	R28,27 – R62,29
Carrying amount of the liability relating to the cash-settled options at reporting date (R million)	**14,78**	39,15

The income recognised for employee services received during the period to 30 June 2014 is R4,0 million (September 2013: expense of R11,7 million).

Share price volatility is based on the historical volatility of the Adcock Ingram share price matching the remaining life of each option or the longest available period where sufficient historical data was not available. 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 an European expiry profile, i.e. with a single exercise date at maturity.

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.

From 1 January 2015, the beneficiaries may exercise their vested rights, in which event the beneficiary may:

- instruct the trustees to sell all of their shares and distribute the proceeds to them, net of the funds required to pay the capital contribution, taxation (including employees' tax), costs and expenses;
- instruct the trustees to sell sufficient shares to fund the capital contribution, pay the taxation (including employees' tax), costs and expenses and distribute to them the remaining shares to which they are entitled; or
- fund the capital contribution, taxation (including employees' tax), costs and expenses themselves and receive the shares to which they are entitled.

	June 2014	September 2013
Expense recognised for employee services received during the period/year (R million)	**3,6**	6,7
Number of participation rights allocated to Adcock Ingram employees at reporting date	**1 054 232**	1 068 982
Weighted average remaining contractual life for the share options outstanding at reporting date	**0,86 years**	1,55 years

No weighted average exercise price has been calculated as there were no options exercised.

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.

C 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.

BEE participants

The entities which participated in the transaction are:

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

Blue Falcon's shareholders are as follows:

- Kagiso Strategic Investments III (Pty) Limited (62,9%)
- Kurisani Youth Development Trust (26,6%)
- Mookodi Pharma Trust (10,5%)

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Estimated economic costs

The total value of the transaction was R1,321 million, based on the 10-day VWAP of R50,91 per ordinary share on the JSE as at the close of trade on Thursday, 19 November 2009, being the date when the Memorandum of Understanding was signed.

IFRS 2 sets out the basis for calculating the economic cost shown above and the valuation uses the following key inputs or assumptions:

- the Black-Scholes model for valuing options;
- the actual or likely conversion dates attached to the A and B ordinary shares; and
- using available open-market data, estimated expected future ordinary share prices as determined using option pricing models and an estimation of the future dividends at given dates.

These calculations derive an expected future cost associated with the transaction that is then discounted to the present.

The expense recognised for employee services during the period amounts to R10,1 million (September 2013: R15,1 million) after allocations were made to staff on 31 March 2014 at a fair value of R6,04 per option.

The following table illustrates the movement in units issued to employees during the period/year:

Equity-settled	June 2014 Number	September 2013 Number
Outstanding at the beginning of the period/year	**4 636 100**	4 979 100
Granted	**322 000**	321 300
Forfeited	**(158 200)**	(203 000)
Paid out[1]	**(131 600)**	(461 300)
Outstanding at the end of the period/year	**4 668 300**	4 636 100
Vested at the end of the period/year	**2 534 700**	1 698 900
Exercisable at the end of the period/year[2]	**49 000**	100 100
Available for future distribution to qualifying employees	**1 226 265**	1 388 665

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

[2] *Became exercisable as a result of death, disability, retirement or retrenchment.*

Key terms and contractual obligations

The key terms of the A and B ordinary shares and the key contractual obligations of the holders of A and B ordinary shares are as follows:

- Adcock Ingram has the right to repurchase all or some of these shares at the end of the respective transaction terms in accordance with the call option formula;
- these shares will not be listed but will be considered in determining a quorum and will be entitled to vote on any or all resolutions proposed at general/annual general meetings;
- the shares will automatically convert into ordinary shares at the end of the respective transaction terms;
- the shares will be entitled to ordinary dividends and dividends *in specie pari passu* with the ordinary shares;
- during the lock-in period, Blue Falcon will be entitled to retain 15% of the ordinary dividends received by it in respect of the A ordinary shares. The Bophelo Trust will not be entitled to retain any of the ordinary dividends received in respect of the B ordinary shares;
- the balance of the ordinary dividends received by Blue Falcon and all ordinary dividends received by the Bophelo Trust, will on a compulsory basis be used, within a period of 30 business days after receipt, to purchase ordinary shares;
- 100% of the dividends received on the ordinary shares compulsorily acquired by Blue Falcon and the Bophelo Trust must likewise be utilised to purchase ordinary shares;
- all such ordinary shares compulsorily acquired will also be subject to the call option, to the extent required;
- Blue Falcon may deal with any dividends *in specie* received as it deems fit while the Bophelo Trust will hold any *in specie* dividends received for the benefit of the beneficiaries;
- A and B ordinary shares and compulsorily acquired ordinary shares will not be entitled to receive special dividends until such time as the notional loan outstanding has reduced to zero; and
- an equivalent amount of the special dividends which would otherwise have been received by the BEE participants shall be offset against the notional outstanding loan with effect from the date on which such special dividends are paid to ordinary shareholders.

ANNEXURE C – DEFINED BENEFIT 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 R62.8 million (2013: R72.5 million). Contributions to the defined contribution plan expected in the following year are R62.8 million (2013: R72.5 million). In addition, the Company and its subsidiaries contribute 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 last full actuarial valuation was done as at 30 September 2013.

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

	9 months June 2014 R'000	12 months September 2013 R'000
Net benefit expense		
Interest cost on benefit obligation	**165**	376
Return on plan assets	**(621)**	(645)
Effect of paragraph 64	**456**	269
Net benefit expense	**–**	–
Actual return on plan assets	**492**	1 690
Benefit liability		
Defined benefit obligation	**(1 523)**	(2 612)
Fair value of plan assets	**10 206**	9 765
	8 683	7 153
Unrecognised due to paragraph 64 limit	**(8 683)**	(7 153)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 October	**(2 612)**	(5 226)
Interest cost	**(165)**	(376)
Benefits paid	**51**	317
Actuarial gains on obligation	**1 203**	2 673
Defined benefit obligation at 30 June/September	**(1 523)**	(2 612)
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 October	**9 765**	11 772
Return	**621**	645
Benefits paid	**(51)**	(317)
Actuarial loss	**(129)**	(2 335)
Fair value of plan assets at 30 June/September	**10 206**	9 765
Asset coverage over liabilities (times)	**6,7**	3,7
The fair values of the assets have not materially changed upon the adoption of IFRS 13.		
The assumptions used in the valuations are as follows:	**%**	%
Discount rate	**8,60**	8,50
Future salary increases	**7,50**	7,10
Future pension increases	**6,50**	6,10
	%	%
Estimated asset composition		
Cash	**97,10**	72,80
Bonds	**2,90**	27,20
Total	**100,00**	100,00

	Valuation R'000	**+1% R'000**	**-1% R'000**
Sensitivity as at June 2014			
The liability was recalculated to show the effect of:			
A one percentage point variance in the discount rate assumption	**(1 523)**	**(1 427)**	**(1 636)**
A one percentage point variance in the inflation rate	**(1 523)**	**(1 636)**	**(1 424)**

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 2014.

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

	9 months June 2014 R'000	12 months September 2013 R'000
Net benefit expense		
Current service cost	**20**	27
Interest cost on benefit obligation	**932**	1 068
	952	1 095
Defined benefit obligation at 1 October	**(15 108)**	(15 341)
Interest cost	**(932)**	(1 068)
Current service cost	**(20)**	(27)
Benefits paid	**906**	1 138
Actuarial (losses)/gains on obligation	**(6 880)**	190
Defined benefit obligation at 30 June/September	**(22 034)**	(15 108)
The following payments are expected contributions to the defined benefit plan obligation in future years:		
Within the next 12 months	**21**	29

The assumptions used in the valuations are as follows:	**%**	%
Discount rate	**8,60**	8,60
CPI increase	**6,50**	6,00
Healthcare cost inflation	**8,50**	8,00
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity	**R'000**	R'000
A one percentage point increase in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:		
Increase of the interest cost	**224**	136
Increase of the liability	**2 502**	1 500
A one percentage point decrease in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:		
Decrease of the interest cost	**189**	116
Decrease of the liability	**2 121**	1 277

ANNEXURE E – FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

Classification of financial instruments and fair value hierarchy

Financial instruments	Classification per IAS 39	Statement of financial position line item	June 2014 R'000	September 2013 R'000
Investments [1]	Available-for-sale	Other financial assets	**2 764**	2 334
Black Managers Share Trust	Loans and receivables	Other financial assets	**136 191**	137 312
Trade and sundry receivables	Loans and receivables	Trade and other receivables	**1 156 543**	1 467 369
Foreign exchange contracts – derivative asset [2]	Fair value cash flow hedge	Trade and other receivables	**–**	6 012
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	**247 852**	153 733
Long-term borrowings	Loans and borrowings	Long-term borrowings	**1 004 861**	4 841
Trade and other payables	Loans and borrowings	Trade and other payables	**1 107 142**	1 247 556
Foreign exchange contracts – derivative liability [2]	Fair value cash flow hedge	Trade and other payables	**617**	–
Short-term borrowings	Loans and borrowings	Short-term borrowings	**5 132**	100 483
Bank overdraft	Loans and borrowings	Bank overdraft	**319 613**	1 364 134

[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. There are no significant unobservable inputs that are used in the valuation.

[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 the 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.

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 prices in active markets;

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2014, 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 South Africa, India, Ghana and Zimbabwe:

- 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, the South African prime and Indian bank lending rates.

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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):

	Change in rate	(Decrease)/Increase in profit before tax	
	%	**June 2014 R'000**	September 2013 R'000
Liabilities			
Indian rupee loans	+1	**(43)**	(39)
US dollar loans	+1	**(46)**	–
South African loans at variable rates	+1	**(10 010)**	(1 014)
Cash balances			
Cash and cash equivalents	+1	**2 479**	1 537
Bank overdraft	+1	**(3 196)**	(13 641)

Credit risk

Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loan 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 credit worthy.

The Group trades only with recognised, credit worthy 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, 68% of all debtors 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 12,6% (R139.4 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

Although the Group is in a net debt position it has limited exposure to liquidity risk as all obligations in the foreseeable future will be met.

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 maturity profile of the Group's long-term financial liabilities at 30 June 2014, based on contractual undiscounted payments, is shown in note 21 and the maturity profile of the trade and other payables in note 23.

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 assets/liabilities

In converting foreign denominated assets and liabilities, the following exchange rates were used:

	Assets Rand	**Liabilities Rand**
June 2014		
US Dollar	**10,63**	**10,62**
Euro	**14,52**	**14,51**
September 2013		
US Dollar	10,05	10,05
Euro	13,61	13,59

ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign operations

In translating the foreign operations, the following exchange rates were used:

	June		September	
	2014	**2014**	2013	2013
	Income/ Expenses	**Assets/ Liabilities**	Income/ Expenses	Assets/ Liabilities
	Average (Rand)	**Spot (Rand)**	Average (Rand)	Spot (Rand)
Kenyan Shilling	**0,1209**	**0,1215**	0,1069	0,1168
Ghanaian Cedi	**4,0748**	**3,1959**	4,6638	4,6125
United States Dollar	**10,5474**	**10,6253**	9,3092	10,0505
Indian Rupee	**0,1725**	**0,1769**	0,1647	0,1605

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.

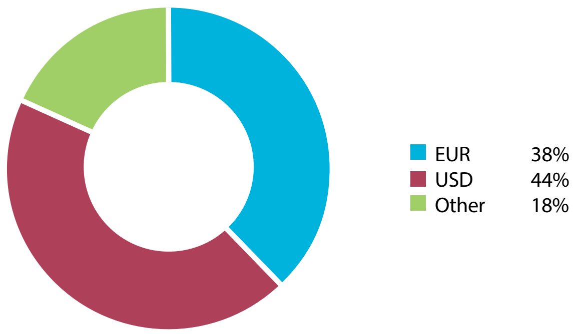
The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Forward exchange contracts are entered into to cover import exposures. The fair value is determined using the applicable foreign exchange spot rates at reporting dates.

At 30 June 2014, 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 2014 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.

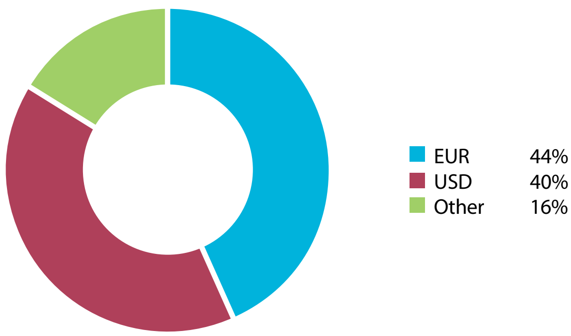
A summary of the material contracts, comprising at least 82% of the total contracts outstanding at:

	Foreign currency '000	**Average forward rate**	**R'000**
30 June 2014			
Foreign currency			
US Dollar	**3 851**	**10,71**	**41 256**
Euro	**2 426**	**14,59**	**35 405**
30 September 2013			
Foreign currency			
US Dollar	12 119	10,02	121 404
Euro	9 973	13,21	131 700

2014



2013



ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

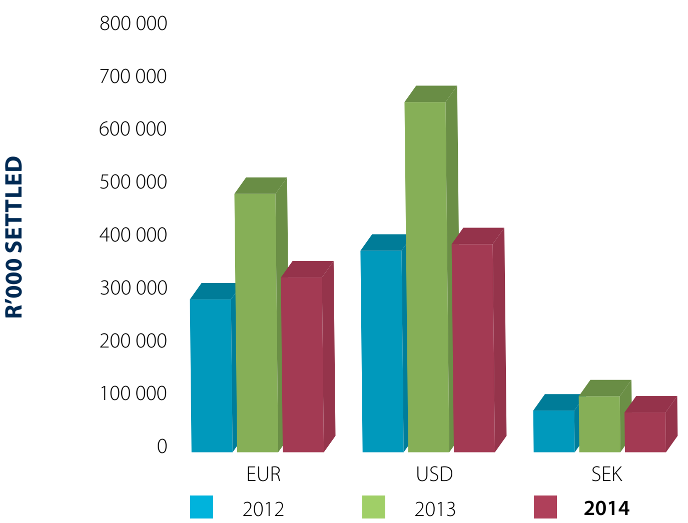
The maturity analysis for the outstanding contracts at:

	US Dollar '000	Rands '000	Euro '000	Rands '000
30 June 2014				
Within 30 days	**2 353**	**25 039**	**1 946**	**28 334**
31 to 60 days	**1 380**	**14 924**	**435**	**6 387**
61 to 90 days	**112**	**1 221**	**–**	**–**
> 90 days	**6**	**72**	**45**	**684**
	3 851	**41 256**	**2 426**	**35 405**
30 September 2013				
Within 30 days	11 478	115 059	7 664	101 593
31 to 60 days	641	6 345	1 953	25 684
61 to 90 days	–	–	250	3 095
> 90 days	–	–	106	1 328
	12 119	121 404	9 973	131 700

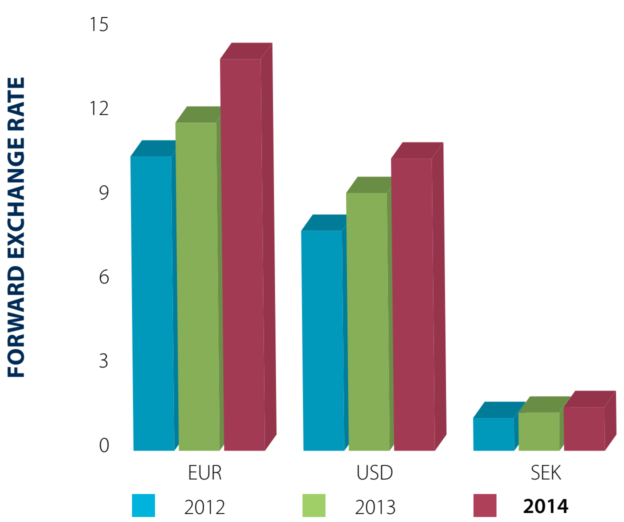
A summary of the material contracts settled during the period/year ended:

	Foreign currency '000	Average forward rate	R'000
30 June 2014			
Foreign currency			
US Dollar	**37 766**	**10,43**	**393 801**
Euro	**23 661**	**13,98**	**330 814**
Swedish Krona	**48 253**	**1,56**	**75 300**
30 September 2013			
Foreign currency			
US Dollar	72 013	9,20	662 650
Euro	41 762	11,71	489 050
Swedish Krona	77 767	1,36	105 951

FOREIGN CURRENCY SETTLED (R'000)



AVERAGE FORWARD RATE



ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 foward exchange contracts and net investment hedges):

	Change in rate %	**Increase/ (Decrease) in profit before tax R'000**	**Increase/ (Decrease) in other comprehensive income R'000**
June 2014			
US dollar			
	+10	**193**	**2 957**
	-10	**(193)**	**(2 957)**
Euro			
	+10	**3 882**	**2 544**
	-10	**(3 882)**	**(2 544)**
Swedish Krona			
	+10	**1 107**	**1 165**
	-10	**(1 107)**	**(1 165)**

	Change in rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
September 2013			
US dollar			
	+10	2 475	8 783
	-10	(2 475)	(8 783)
Euro			
	+10	5 845	9 794
	-10	(5 845)	(9 794)
Swedish Krona			
	+10	2 239	3 461
	-10	(2 239)	(3 461)

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 annualised EBITDA, and interest cover.

	June 2014 R'000	September 2013 R'000
Interest-bearing loans and borrowings	**1 329 606**	1 469 458
Less: Cash and short-term deposits	**(247 852)**	(153 733)
Net debt	**1 081 754**	1 285 602
Equity	**2 857 479**	3 763 906
Gearing ratio %	**38**	34

ANNEXURE F – INTEREST IN JOINT VENTURES

INTEREST IN JOINT VENTURES

The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

		June 2014 R'000	September 2013 R'000	September 2012 R'000
1	**ADCOCK INGRAM LIMITED (INDIA)**			
	STATEMENT OF FINANCIAL POSITION			
	Property, plant and equipment	**166 102**	150 190	138 032
	Intangible assets	**–**	–	12
	Non-current assets	**166 102**	150 190	138 044
	Inventories	**66 947**	55 507	41 018
	Trade and other receivables	**210 621**	164 341	64 579
	Cash and cash equivalents	**10 077**	18 711	24 020
	Current assets	**287 645**	238 559	129 617
	Total assets	**453 747**	388 749	267 661
	Post-retirement medical liability	**1 799**	–	–
	Deferred tax	**22 291**	35 074	17 629
	Non-current liabilities	**24 090**	35 074	17 629
	Trade and other payables	**62 909**	63 275	53 984
	Short-term borrowings	**33 537**	59 473	42 880
	Provisions	**579**	834	792
	Taxation payable	**90 865**	41 571	22 519
	Current liabilities	**187 890**	165 153	120 175
	Total liabilities	**211 980**	200 227	137 804
	Equity	**241 767**	188 522	129 857
	Proportion of Group's ownership (%)	**49,9**	49,9	49,9
	Carrying amount of the investment	**120 642**	94 073	64 799
	STATEMENT OF COMPREHENSIVE INCOME*	**9 months June 2014 R'000**	12 months September 2013 R'000	12 months September 2012 R'000
	Turnover	**290 568**	417 415	266 417
	Cost of sales	**(204 776)**	(298 158)	(184 030)
	Gross profit	**85 792**	119 257	82 387
	Selling and distribution expenses	**(263)**	(255)	(431)
	Marketing expenses	**(4)**	–	–
	Fixed and administrative expenses	**(14 340)**	(7 828)	(30 455)
	Operating profit	**71 185**	111 174	51 501
	Finance income	**1 566**	1 042	283
	Finance costs	**(2 445)**	(4 265)	(6 299)
	Profit before taxation	**70 306**	107 951	45 485
	Taxation	**(29 301)**	(34 551)	(14 924)
	Profit for the period/year	**41 005**	73 400	30 561
	Group's share of profit for the period/year	**20 462**	36 627	15 250

* *Before eliminating intercompany transactions.*

ANNEXURE F – INTEREST IN JOINT VENTURES
(continued)

		June 2014 R'000	September 2013 R'000	September 2012 R'000
2	**NATIONAL RENAL CARE (PTY) LIMITED**			
	STATEMENT OF FINANCIAL POSITION			
	Property, plant and equipment	**82 037**	85 620	80 968
	Loans receivable	**33 266**	32 978	32 978
	Investment in associate	**11 483**	5 326	–
	Deferred tax	**11 218**	13 356	–
	Non-current assets	**138 004**	137 280	113 946
	Inventories	**15 132**	15 386	9 094
	Trade and other receivables	**50 903**	40 370	64 910
	Cash and cash equivalents	**108 500**	112 282	93 286
	Taxation receivable	**2 830**	494	–
	Current assets	**177 365**	168 532	167 290
	Total assets	**315 369**	305 812	281 236
	Long-term borrowings	**–**	5 838	6 442
	Non-current liabilities	**–**	5 838	6 442
	Trade and other payables	**100 147**	89 788	109 600
	Short-term borrowings	**–**	5 518	14 098
	Provisions	**11 382**	10 418	–
	Taxation payable	**–**	–	7 532
	Current liabilities	**111 529**	105 724	131 230
	Total liabilities	**111 529**	111 562	137 672
	Non-controlling interests	**40 650**	33 922	24 368
	Equity	**163 190**	160 328	119 196
	Proportion of Group's ownership (%)	**50,0**	50,0	50,0
	Carrying amount of the investment	**81 595**	80 164	59 598

	9 months June 2014 R'000	12 months September 2013 R'000	12 months September 2012 R'000
STATEMENT OF COMPREHENSIVE INCOME*			
Turnover	**552 069**	689 326	575 954
Cost of sales	**(447 147)**	(542 060)	(498 116)
Gross profit	**104 922**	147 266	77 838
Selling and distribution expenses	**(52 093)**	(66 964)	–
Marketing expenses	**(277)**	–	–
Fixed and administrative expenses	**(16 391)**	23 792	(23 820)
Operating profit	**36 161**	104 094	54 018
Finance income	**3 870**	5 002	3 570
Finance costs	**(978)**	(716)	(9 804)
Equity accounted earnings	**2 871**	5 326	–
Profit before taxation	**41 924**	113 706	47 784
Taxation	**(12 332)**	(33 020)	(16 380)
Profit for the period/year	**29 592**	80 686	31 404
Less: Non-controlling interests	**(6 727)**	(9 554)	–
Profit attributable to owners of the parent	**22 865**	71 132	31 404
Group's share of profit for the period/year	**11 433**	35 566	15 702

* *Before eliminating intercompany transactions.*

ANNEXURE G – IMPAIRMENTS

	9 months June 2014 R'000
A GOODWILL	
NutriLida	**163 607**
The current reporting period showed extremely poor performance within this portfolio with significant decreases in volumes and price. The forecast period reflects some improvement in volumes and price compared to 2014 financial period. The key factors resulting in the impairment were as follows: • change in CAM regulations impacting the NutriLida brands directly. An additional risk premium of 1% was included in the discount rate of 13,5% used in the cashflow forecasts due to this uncertainty; • revenue for the forecast period is different to the original forecasts estimated at the original date of purchase of the business. This is as a result of a decrease in volumes in the current reporting period and market share declines following the relatively constant inflow of new entrants into the market. The forecast period, although reflecting higher volumes than the 2014 financial period as well as slightly better pricing, results in a value in use that necessitates an impairment; • certain product packs are being discontinued which resulted in reduced cashflow forecasts; and • a change in the structure of the business results in additional costs being allocated to the cash generating unit which impacts the overall margins of the business.	
TLC	**13 455**
This brand performed poorly in the current financial period. The forecast period largely reflects negative cashflows which results in the complete impairment of the goodwill. The key factors resulting in the impairment were as follows: • the discontinuation of some product lines; • a higher discount rate of 12.8% was used due to the small size of the business; and • a change in the structure of the business results in additional costs being allocated to the cash generating unit which impacts the overall margins of the business.	
Unique	**8 448**
The Unique brand has been discontinued and it is not expected that any future economic benefit will arise directly or indirectly from the brand resulting in the full impairment of the goodwill.	
Bioswiss	**10 354**
There is significant uncertainty regarding the strategic direction of Bioswiss and the intention of the Group to participate in the future of this business. All scenarios currently under consideration by the Group include the possible discontinuation of the Bioswiss name and brand within the Group's stable.	
Ayrton	**36 063**
The goodwill relating to the Ayrton business has been fully impaired in the current year. The major contributors to this impairment are the regulatory changes which will require significant capital expenditure to upgrade manufacturing facilities to comply with regulatory standards in 2018. This poses a risk to the business as such capital expenditure requires significant cash outflows in the 2018 financial year. In addition, the imposition of Value Added Tax (VAT) on local pharmaceuticals in the current financial period has impacted negatively on sales and is expected to impact the business going forward. Increasing raw material foreign-denominated costs resulting in lower margins also contributed to the impairment of the goodwill.	
India	**66 727**
The goodwill relating to the Cosme business as well as the Cosme corporate brand have been fully impaired in the current year. The major contributor to this impairment is the regulatory changes, including NLEM pricing, which negatively impacted sales in the current financial period and is expected to impact the business going forward.	
	298 654

ANNEXURE G – IMPAIRMENTS
(continued)

		9 months June 2014 R'000
B OTHER INTANGIBLE ASSETS		
Trademarks impaired in the current period relate to the following brands:		
Reportable segment	**Brand**	
OTC	NutriLida	**4 198**
OTC	Tender Loving Care (TLC)	**65 154**
OTC	Addvance	**9 788**
OTC	Unique Formulations	**17 213**
Prescription	Bioswiss	**14 238**
Rest of Africa	Dawanol	**8 598**
Rest of Africa	Ayrton	**13 414**
India	Cosme	**170 532**
		303 135

The key impairment drivers are market and economic factors, changes in internal strategies and changes in regulations. The items are discussed in more detail below:

Changes in market and economic factors

NutriLida, TLC and Addvance have been negatively impacted in the current period by a lower market share following new entrants into the market. These brands have performed particularly poorly in the current financial period and whilst the forecast volumes of products not being discontinued are expected to increase compared to 2014 the outlook over the forecast period has been moderated. With volumes and pricing under pressure these brands are not forecast to achieve the same level of profitability initially expected which has contributed to the impairments in the current financial period.

The **Dawanol** brand was subjected to counterfeiting in previous financial years. This product has battled to recover from the effects of this, and coupled with a generally poor performing market has contributed to an impairment in the current period. Due to the counterfeiting problems encountered, sales forecasts have not been achieved over recent years and whilst the brand has been given sufficient time to recover it has not managed to do so.

Changes in internal strategies

The change in internal strategies for the forecast period has also been a key contributor to the impairments of the abovementioned brands, specifically **TLC, Unique and Bioswiss.**

Decisions were recently taken to discontinue certain products within the **TLC** portfolio. This has contributed to negative cashflows being forecast and the resulting impairments.

The decision to discontinue the **Unique** brand completely has resulted in the full impairment of the brand previously carried in the statement of financial position.

Significant uncertainty regarding the strategic direction of **Bioswiss** and the use of the associated trademark has resulted in the complete impairment of the brand and the related goodwill.

Addvance and **TLC** have been impacted by increased marketing investment in an attempt to regain market share which resulted in lower profit margins.

Changes in the regulatory environment

The changes in CAM regulations will impact the overall performance of certain of the non-SEP brands, but there remains significant uncertainty on the ultimate financial impact of these changes.

Regulatory changes in Ghana, coupled with the imposition of VAT on local pharmaceuticals resulted in the impairment of the intangibles in **Ayrton** as expected cashflows were impacted adversely.

Regulatory changes in India, coupled with the internal strategy to promote the Adcock Ingram brand resulted in the partial impairment of the intangibles in India relating to the **Cosme** brand.

ANNEXURE G – IMPAIRMENTS
(continued)

			9 months June 2014 R'000
C PROPERTY, PLANT AND EQUIPMENT			
Location	**Reportable segment**	**Category**	
Wadeville	Southern Africa – Pharmaceuticals	Land and buildings	**21 488**
Wadeville	Southern Africa – Pharmaceuticals	Plant and equipment	**31 761**
Distribution	Southern Africa – Pharmaceuticals	Plant and equipment	**14 671**
Addclin	Southern Africa – Pharmaceuticals	Plant and equipment	**498**
Datlabs	Rest of Africa	Plant and equipment	**825**
			69 243

Wadeville

In the current year, the recoverable amount of certain plant and equipment as well as renovations relating specifically to the production of ARVs reduced as certain parts of the ARV-facility became idle as a result of lower than forecast volumes. The outlook in this regard remains extremely uncertain and an impairment was required. The land and buildings have been revalued based on a capitalisation of income methodology.

Distribution

Specific assets in the Midrand warehouse became idle following a change in strategy and the recoverable amount of these assets was adjusted accordingly.

Addclin

Specific assets in Addclin became redundant following the closure of the business.

Datlabs

Specific assets in the Zimbabwean business became redundant following the cancellation of a manufacturing agreement.

ANNEXURE G – IMPAIRMENTS
(continued)

		9 months June 2014 R'000
D INVENTORIES		
Reportable segment	**Category**	
Prescription	ARVs	**130 966**

Due to high inventory levels in the market, the probability of sales of certain products have become remote, particularly when coupled with short-term expiry dates.

		9 months June 2014 R'000
E OTHER		
Reportable segment	**Asset**	
Southern Africa	BMT investment	**1 121**
India	Long-term receivable	**40 245**
		41 366

The Group considered it prudent to impair a long-term receivable in the Indian operation as the recoverability became uncertain.

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 in the current year. This required an impairment of this asset.

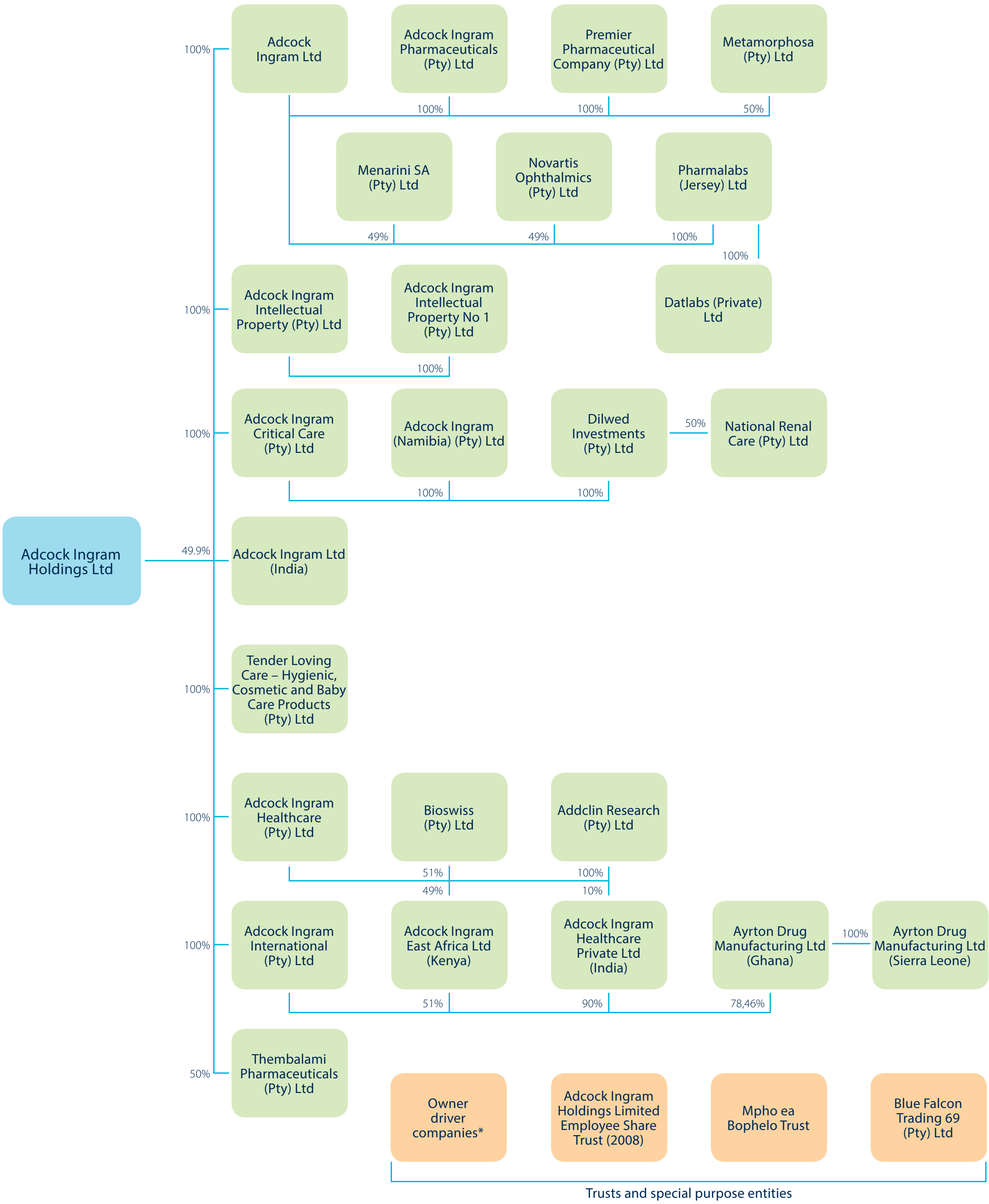
SUMMARY OF IMPAIRMENTS DURING THE CURRENT FINANCIAL PERIOD

		9 months June 2014 R'000
A	Goodwill	**298 654**
B	Other intangibles	**303 135**
C	Property, plant and equipment	**69 243**
D	Inventories	**130 966**
E	Other	**41 366**
		843 364

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES

	Share-holding June 2014 %	Share-holding September 2013 %
Subsidiaries		
Adcock Ingram Limited	**100**	100
Adcock Ingram Healthcare (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property (Pty) Limited	**100**	100
Adcock Ingram Critical Care (Pty) Limited	**100**	100
Adcock Ingram International (Pty) Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products (Pty) Limited	**100**	100
Joint ventures		
Thembalami Pharmaceuticals (Pty) Limited	**50**	50
Adcock Ingram Limited (India)	**49,9**	49,9
Indirect holdings		
Adcock Ingram Pharmaceuticals (Pty) Limited	**100**	100
Premier Pharmaceutical Company (Pty) Limited	**100**	100
Metamorphosa (Pty) Limited	**50**	50
Menarini SA (Pty) Limited	**49**	49
Novartis Ophthalmics (Pty) Limited	**49**	49
Batswadi Biotech (Pty) Limited	**0**	45
Bioswiss (Pty) Limited	**51**	51
Addclin Research (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property No 1 (Pty) Limited	**100**	100
Dilwed Investments (Pty) Limited	**100**	100
Adcock Ingram Namibia (Pty) Limited	**100**	100
National Renal Care (Pty) Limited	**50**	50
Pharmalabs (Jersey) Limited	**100**	100
Datlabs (Private) Limited	**100**	100
Adcock Ingram Healthcare Private Limited (India)	**100**	100
Adcock Ingram East Africa Limited	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**78,46**	78,32
Ayrton Drug Manufacturing Limited (Sierra Leone)	**78,46**	78,32
Trusts and structured entities		
Adcock Ingram Holdings Limited Employee Share Trust (2008)		
Mpho ea Bophelo Trust		
Blue Falcon Trading 69 (Pty) Limited		
13 Owner driver companies (2013: 12 companies)		

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES



* CONSISTS OF 13 ENTITIES

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, associates 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 impairments.

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.

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. 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.

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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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 Company's functional and the Group's presentational 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 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 date of the statement of financial position. 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 the 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, the Indian Rupee;
- Subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- Subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling; and
- Subsidiary, Ayrton Drug Manufacturing Limited in Ghana, 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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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. 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 associates and joint ventures.

An associate is an investment over which the Group exercises significant influence through participation in the financial and operating policy decisions, but not control.

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 Proprietary Limited has a 50% indirect interest in National Renal Care Proprietary Limited, a company incorporated in South Africa, which provides renal healthcare services.

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.

Associates and joint ventures are accounted for from the date that significant influence or joint control is obtained to the date that the Group ceases to have significant influence or joint control.

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 an associate or joint venture 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 associate.

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 the equity accounted earnings.

In the Company financial statements, associates and joint ventures are initially accounted for at cost when significant influence or joint control is obtained and subsequently at cost less accumulated impairment losses.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

Upon loss of significant influence over the associate or loss of 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 upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

An equity accounted investment in an associate 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 associate or joint venture prepares financial statements as of the same date as the Group. If this is impracticable, financial statements are used where the date difference is no more than three months. Adjustments are made for significant transactions between the relevant dates.

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 Proprietary Limited is September.

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 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 through profit or loss in the year the asset is derecognised.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognised in profit or loss.

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 and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Where goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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 through 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 financial 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.

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 through 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.

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 through 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 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 annual 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. 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 pre-tax 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 cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

Ten years are used in instances where the Group believes that assets have a value in use of more than ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of profit or loss in non-trading expenses.

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 cash-generating unit'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 as at 30 June (previously 30 September) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group thereof to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June (previously 30 September) at the cash-generating unit level or individually, as appropriate, and when circumstances indicate that the carrying value may be impaired.

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets within the scope of IAS 39 are classified as financial assets 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

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 at 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, or determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to profit or loss in the statement of comprehensive income.

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.

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 future 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

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 through 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an existing liability and a recognition of a new financial liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income through profit or loss.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Annexure E for further disclosures.

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

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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.

FAIR VALUE HEDGES
Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised immediately in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the change in the fair value of the firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in the fair value of the hedging instrument is also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

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.

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. If the related transaction is not expected to occur, the amount is taken to profit or loss.

HEDGES OF A NET INVESTMENT
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recognised in other comprehensive income are transferred to profit or loss.

CURRENT VERSUS NON-CURRENT CLASSIFICATION
Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows):
- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item;
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract; and
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An item 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 probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to dispose.

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 co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the prior year, income and expenses from discontinued operations are reported separately from 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.

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 raw materials.

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 pre-tax 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 financing 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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

INCOME TAXES

The income tax expense represents the sum of current income tax, deferred tax and Dividends Tax.

CURRENT INCOME TAX

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

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income and not in profit or loss. 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.

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
- except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in 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
- except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in 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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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.

DIVIDENDS TAX
A Dividends Tax of 15% of dividend distributions is withheld from shareholders and paid to the South African Revenue Service for dividends paid on or after 1 April 2012, 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 consumes 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.

Remeasurements, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

Current service costs are recognised in the statement of comprehensive income through profit or loss in those expense categories consistent with the function of the employee cost.

Past service costs are expense when it occurs regardless if vested or not.

The defined benefit asset or liability recognised in the statement of financial position comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past service costs and the fair value of plan assets out of which the obligations are to be settled. The value of an asset recognised is restricted to the sum of the unrecognised past service costs and unrecognised actuarial gains or losses and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

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, 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 SHARE OPTIONS GRANTED BEFORE 7 NOVEMBER 2002

No expense is recognised in the statement of comprehensive income in profit or loss for such awards.

The Group has taken advantage of the voluntary exemption provision of IFRS 1: *First-time Adoption of International Financial Reporting Standards* in respect of equity-settled awards and has applied IFRS 2: *Share-based Payment* – only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

EQUITY-SETTLED AND CASH-SETTLED SHARE OPTIONS GRANTED AFTER 7 NOVEMBER 2002

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 valuer using a modified version of the Black-Scholes model, further details of which are given in Annexure B.

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 (see Annexure B). 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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

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.

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.

CONSOLIDATION OF STRUCTURED ENTITIES
BLUE FALCON TRADING 69 (PTY) LIMITED AND MPHO EA BOPHELO TRUST
Blue Falcon Trading 69 (Pty) Limited and Mpho ea Bophelo Trust are entities incorporated for the purpose of facilitating Adcock Ingram Holdings Limited's BEE transaction and are consolidated into the Group in accordance IFRS 10.

In substance, 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, the Group retains the majority of the residual or ownership risks and rewards related to these entities or their assets in order to obtain benefits from their activities in the form of BEE credentials and therefore it was considered that the Group controls these 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 is insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN 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.

CARRYING VALUE OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS
Goodwill and indefinite life intangible assets are tested for impairment bi-annually, while property, plant and equipment 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.

ANNEXURE I – ACCOUNTING POLICIES

(continued)

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 fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transactions. The assumptions and models used are disclosed in Annexure B.

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. The assumptions and models used are disclosed in Annexure B.

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 measured using a Black-Scholes option pricing model.

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.

ANNEXURE I – ACCOUNTING POLICIES
(continued)

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

The following standards and interpretations have not been applied by the Group as the standards and interpretations are not yet effective.

The Group intends to adopt these standards when they become effective.

IFRS 9: *FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments. This standard is part of the IASB's project to replace IAS 39 in its entirety. The Board's work on the subsequent phases is ongoing and includes impairment, hedge accounting and derecognition. On adoption, the Group will need to consider its financial assets and liabilities in light of its business model or managing such assets and liabilities, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items. IFRS 9 will be effective for the Group from 1 July 2018. The Group will quantify the effect once the final standard is issued.

IAS 32: *FINANCIAL INSTRUMENTS: PRESENTATION: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES*

IAS 32 as amended clarifies the meaning of the entity currently having a legally enforceable right to set-off financial assets and financial liabilities. IAS 32 will be effective for the Group from 1 July 2014.

IAS 39: *NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for the Group from 1 July 2014 and the impact, if any, on the Group has not yet been determined.

IAS 16: *PROPERTY, PLANT AND EQUIPMENT AND IAS 38 INTANGIBLE ASSETS*

These amendments prohibit the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. These amendments are effective from 1 July 2016 and are not expected to have any impact on the Group.

IAS 19: *DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS*

This amendment requires contributions from employees or third parties to defined benefit plans, which are linked to service to be attributed to period of service as a negative benefit. This amendment is effective from 1 July 2014 and is not expected to have any impact on the Group.

IFRS 15: *REVENUE FROM CONTRACTS WITH CUSTOMERS*

This standard specifies the accounting treatment where entities enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of Leases. It also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required when this become applicable in 2018 and the impact, if any, on the Group has not yet been determined.

ANNEXURE J – IMPACT OF CHANGES IN ACCOUNTING POLICIES

IFRS 11: *JOINT ARRANGEMENTS AND IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES*

The application of IAS 28 and IFRS11 impacted the Group's recording of its interest in the joint ventures: Adcock Ingram Limited (India) and National Renal Care (Pty) Limited. The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care (Pty) Limited. Prior to the transition to IFRS 11, the Group's share of the assets, liabilities, revenue, income and expenses of these joint ventures was proportionately consolidated in the consolidated financial statements in terms of IAS 31. Upon adoption of IFRS 11, the Group is required to account for its share in Adcock Ingram Limited (India) and National Renal Care (Pty) Limited using the equity method. The transition was applied retrospectively as required by IFRS 11 and the comparative information for the immediately preceding period (2013) is restated. The effect of applying IFRS 11 on the Group's financial statements is as follows:

	Increase/(Decrease) in profit	
STATEMENT OF COMPREHENSIVE INCOME *	**Year ended 30 September 2013 R' 000**	Year ended 30 September 2012 R' 000
Turnover	**(250 454)**	(195 253)
Cost of sales	**117 312**	115 223
Gross profit	**(133 142)**	(80 030)
Selling and distribution expenses	**33 609**	215
Fixed and administrative expenses	**(7 990)**	27 107
Operating profit	**(107 523)**	(52 708)
Finance income	**(3 021)**	(1 926)
Finance costs	**2 486**	8 044
Equity accounted earnings	**(2 663)**	–
Equity accounted profit attributable to joint ventures	**72 193**	27 877
Profit before taxation	**(38 528)**	(18 713)
Taxation	**33 751**	15 637
Profit for the period	**(4 777)**	(3 076)
Profit attributable to:		
Owners of the parent	**–**	–
Non-controlling interests	**(4 777)**	(3 076)
	(4 777)	(3 076)

The transition did not have any impact on either the other comprehensive income for the period or the Group's basic or diluted earnings per share.

** After eliminating intercompany transactions.*

ANNEXURE J – IMPACT OF CHANGES IN ACCOUNTING POLICIES
(continued)

STATEMENT OF FINANCIAL POSITION

	Increase/(Decrease) in net equity 30 September 2013 R'000	30 September 2012 R'000
Property, plant and equipment	**(117 755)**	(109 362)
Intangible assets	**–**	(6)
Loans receivable	**(16 489)**	(16 489)
Investment in associate	**(2 663)**	–
Investment in joint ventures	**174 237**	124 397
Deferred tax	**(6 678)**	–
Non-current assets	**30 652**	(1 460)
Inventories	**(35 391)**	(25 015)
Trade and other receivables	**(70 888)**	(64 680)
Taxation receivable	**(247)**	–
Cash and cash equivalents	**(65 478)**	(58 629)
Current assets	**(172 004)**	(148 324)
Total assets	**(141 352)**	(149 784)
Long-term borrowings	**(2 919)**	(3 221)
Deferred tax	**(17 502)**	(8 797)
Non-current liabilities	**(20 421)**	(12 018)
Trade and other payables	**(45 165)**	(81 738)
Short-term borrowings	**(32 436)**	(28 446)
Provisions	**(5 625)**	(395)
Taxation payable	**(20 744)**	(15 003)
Current liabilities	**(103 970)**	(125 582)
Total liabilities	**(124 391)**	(137 600)
Non-controlling interests	**(16 961)**	(12 184)
Net impact on equity	**–**	–

STATEMENT OF CASH FLOWS

	Increase/(Decrease) in cash flows	
Operating activities	**(28 637)**	(47 100)
Investing activities	**24 796**	16 861
Financing activities	**(3 400)**	7 864
Net foreign exchange difference on cash and cash equivalents	**392**	2
Net increase/(decrease) in cash and cash equivalents	**(6 849)**	(22 373)

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**Audited** **nine-month period ended 30 June 2014** **R'000**	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Revenue	2	**3 640 780**	3 635 349	5 229 308
Turnover	2	**3 615 287**	3 617 402	5 195 185
Cost of sales		**(2 475 723)**	(2 113 615)	(3 091 486)
Gross profit		**1 139 564**	1 503 787	2 103 699
Selling and distribution expenses		**(567 435)**	(463 879)	(666 026)
Marketing expenses		**(160 236)**	(143 579)	(211 930)
Research and development expenses		**(81 096)**	(75 318)	(104 941)
Fixed and administrative expenses		**(337 887)**	(225 342)	(311 831)
Trading (loss)/profit		**(7 090)**	595 669	808 971
Non-trading (expenses)/income	3	**(967 645)**	11 092	(25 689)
Operating (loss)/profit		**(974 735)**	606 761	783 282
Finance income	2	**18 987**	10 153	21 510
Finance costs		**(98 620)**	(47 177)	(80 018)
Dividend income	2	**6 506**	7 794	12 613
Equity-accounted earnings		**31 895**	52 027	72 193
(Loss)/Profit for the period/year		**(1 015 967)**	629 558	809 580
Taxation		**53 811**	(166 492)	(213 127)
(Loss)/Profit for the period/year		**(962 156)**	463 066	596 453
Other comprehensive income which will subsequently be recycled to profit or loss		**51 792**	98 968	370
Exchange differences on translation of foreign operations		**52 967**	86 567	(772)
Profit on available-for-sale asset, net of tax		**350**	(80)	247
Movement in cash flow hedge accounting reserve, net of tax		**(1 525)**	12 481	895
Other comprehensive income which will not be recycled to profit or loss subsequently				
Actuarial loss on post-retirement medical liability		**(6 880)**	–	–
Total comprehensive income for the period/year, net of tax		**(917 244)**	562 034	596 823
(Loss)/Profit attributable to:				
Owners of the parent		**(965 343)**	455 034	587 844
Non-controlling interests		**3 187**	8 032	8 609
		(962 156)	463 066	596 453
Total comprehensive income attributable to:				
Owners of the parent		**(914 826)**	551 084	587 203
Non-controlling interests		**(2 418)**	10 950	9 620
		(917 244)	562 034	596 823
Basic (loss)/earnings per ordinary share (cents)		**(572,3)**	269,9	348,6
Diluted basic (loss)/earnings per ordinary share (cents)		**(571,9)**	269,6	348,3
Headline (loss)/earnings per ordinary share (cents)		**(179,5)**	271,7	350,4
Diluted headline (loss)/earnings per ordinary share (cents)		**(179,3)**	271,5	350,2

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES
(continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to holders of the parent						
	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distributable reserves R'000	Total attributable to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2012	16 872	547 400	2 502 510	356 229	3 423 011	125 500	3 548 511
Share issue	36	4 653			4 689		4 689
Movement in treasury shares	(47)	(27 265)			(27 312)		(27 312)
Movement in share-based payment reserve				15 154	15 154		15 154
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(116)		(116)	(224)	(340)
Total comprehensive income			455 034	96 050	551 084	10 950	562 034
Profit for the period			455 034		455 034	8 032	463 066
Other comprehensive income				96 050	96 050	2 918	98 968
Dividends			(195 128)		(195 128)	(6 425)	(201 553)
Balance at 30 June 2013 (Reviewed)	16 861	524 788	2 762 300	467 433	3 771 382	129 801	3 901 183
Share issue	3	407			410		410
Movement in treasury shares	(32)	(21 131)			(21 163)		(21 163)
Movement in share-based payment reserve				(2 077)	(2 077)		(2 077)
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(3)		(3)	1	(2)
Total comprehensive income			132 810	(96 691)	36 119	(1 330)	34 789
Profit for the period			132 810		132 810	577	133 387
Other comprehensive income				(96 691)	(96 691)	(1 907)	(98 598)
Dividends			(145 010)		(145 010)	(555)	(145 565)
Share issue expenses incurred by subsidiary				(3 669)	(3 669)		(3 669)
Balance at 30 September 2013 (Audited)	16 832	504 064	2 750 097	364 996	3 635 989	127 917	3 763 906
Share issue	**46**	**6 856**			**6 902**		**6 902**
Movement in share-based payment reserve				**10 902**	**10 902**		**10 902**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			**(66)**		**(66)**	**(175)**	**(241)**
Total comprehensive income			**(965 343)**	**50 517**	**(914 826)**	**(2 418)**	**(917 244)**
Loss for the period			**(965 343)**		**(965 343)**	**3 187**	**(962 156)**
Other comprehensive income				**50 517**	**50 517**	**(5 605)**	**44 912**
Dividends						**(6 746)**	**(6 746)**
Balance at 30 June 2014 (Audited)	**16 878**	**510 920**	**1 784 688**	**426 415**	**2 738 901**	**118 578**	**2 857 479**

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES

(continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30 June 2014 R'000	Reviewed 30 June 2013 R'000	Audited Restated 30 September 2013 R'000	Audited Restated 30 September 2012 R'000
ASSETS				
Property, plant and equipment	**1 554 420**	1 609 244	1 648 709	1 450 815
Intangible assets	**836 178**	1 513 251	1 435 716	710 954
Deferred tax	**7 959**	12 544	7 829	5 097
Other financial assets	**138 955**	139 362	139 646	139 751
Investment in joint ventures	**202 237**	169 241	174 237	124 397
Other non-financial asset	**–**	39 707	36 987	–
Loans receivable	**–**	9 388	–	10 571
Non-current assets	**2 739 749**	3 492 737	3 443 124	2 441 585
Inventories	**1 106 261**	1 513 371	1 523 076	931 149
Trade and other receivables	**1 235 674**	1 242 738	1 548 059	1 255 511
Cash and cash equivalents	**247 852**	403 595	153 733	434 087
Taxation receivable	**76 306**	6 425	86 368	85 173
Current assets	**2 666 093**	3 166 129	3 311 236	2 705 920
Total assets	**5 405 842**	6 658 866	6 754 360	5 147 505
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	**16 878**	16 861	16 832	16 872
Share premium	**510 920**	524 788	504 064	547 400
Non-distributable reserves	**426 415**	467 433	364 996	356 229
Retained income	**1 784 688**	2 762 300	2 750 097	2 502 510
Total shareholders' funds	**2 738 901**	3 771 382	3 635 989	3 423 011
Non-controlling interests	**118 578**	129 801	127 917	125 500
Total equity	**2 857 479**	3 901 183	3 763 906	3 548 511
Long-term borrowings	**1 004 861**	108 211	4 841	101 404
Post-retirement medical liability	**22 034**	16 241	15 108	15 341
Deferred tax	**21 047**	104 177	121 564	93 113
Non-current liabilities	**1 047 942**	228 629	141 513	209 858
Trade and other payables	**1 115 563**	1 232 955	1 295 168	901 851
Bank overdraft	**319 613**	1 124 812	1 364 134	–
Short-term borrowings	**5 132**	102 584	100 483	402 922
Cash-settled options	**14 782**	32 675	39 150	39 983
Provisions	**45 331**	36 028	50 006	44 380
Current liabilities	**1 500 421**	2 529 054	2 848 941	1 389 136
Total equity and liabilities	**5 405 842**	6 658 866	6 754 360	5 147 505

ANNEXURE K – SUMMARISED FINANCIALS INCLUDING JUNE 2013 COMPARATIVES
(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited nine-month period ended 30 June 2014 R'000	Reviewed nine-month period ended 30 June 2013 R'000	Audited Restated year ended 30 September 2013 R'000
Cash flows from operating activities			
Operating profit before working capital changes	**59 574**	763 644	1 074 282
Working capital changes	**358 527**	(246 042)	(576 688)
Cash generated from operations	**418 101**	517 602	497 594
Finance income, excluding receivable	**17 287**	12 546	18 699
Finance costs, excluding accrual	**(101 480)**	(36 470)	(71 230)
Dividend income	**20 504**	21 502	34 990
Dividends paid	**(6 746)**	(201 553)	(347 118)
Taxation paid	**(36 869)**	(89 068)	(189 861)
Net cash inflow/(outflow) from operating activities	**310 797**	224 559	(56 926)
Cash flows from investing activities			
Decrease in other financial assets	**–**	291	409
Acquisition of Cosme business, net of cash	**–**	(821 593)	(821 593)
Purchase of property, plant and equipment – Expansion	**(12 278)**	(41 813)	(65 262)
– Replacement	**(83 187)**	(209 380)	(254 315)
Proceeds on disposal of property, plant and equipment	**54**	24	377
Increase in loans receivable	**–**	1 183	–
Net cash outflow from investing activities	**(95 411)**	(1 071 288)	(1 140 384)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(241)**	(340)	(342)
Proceeds from issue of share capital	**6 902**	4 690	5 099
Purchase of treasury shares	**–**	(27 313)	(48 475)
Share issue expenses incurred by subsidiary	**–**	–	(3 669)
Increase in borrowings	**1 004 635**	6 188	3 924
Repayment of borrowings	**(100 000)**	(300 000)	(402 980)
Net cash inflow/(outflow) from financing activities	**911 296**	(316 775)	(446 443)
Net increase/(decrease) in cash and cash equivalents	**1 126 682**	(1 163 504)	(1 643 753)
Net foreign exchange difference on cash and cash equivalents	**11 958**	8 200	(735)
Cash and cash equivalents at beginning of period/year	**(1 210 401)**	434 087	434 087
Cash and cash equivalents at end of period/year	**(71 761)**	(721 217)	(1 210 401)

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 2014:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 528	70,1	2 413 534	1,2
1 001 – 10 000 shares	2 362	25,4	7 084 049	3,5
10 001 – 100 000 shares	321	3,4	9 817 517	4,9
100 001 – 1 000 000 shares	84	0,9	26 696 127	13,2
1 000 001 shares and above	16	0,2	155 577 782	77,2
Total	**9 311**	**100**	**201 589 009**	**100**

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*	8	0,08	32 841 024	16,3
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0,01	19 900	0,0
Adcock Ingram Limited	1	0,01	4 285 163	2,1
Blue Falcon Trading 69 (Pty) Limited (A shares)	1	0,01	19 458 196	9,7
Blue Falcon Trading 69 (Pty) Limited (ordinary shares)	1	0,01	1 883 000	0,9
Mpho ea Bophelo Trust (B shares)	1	0,01	6 486 065	3,2
Mpho ea Bophelo Trust (ordinary shares)	1	0,01	688 000	0,4
Directors	2	0,02	20 700	0,0
Public shareholders	9 303	99,92	168 747 987	83,7
Total	**9 311**	**100,00**	**201 589 011**	**100,0**

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 2014:

Investment manager	Total shareholding	%
BB Investment Company (Pty) Ltd	59 266 944	29,40
Public Investment Corp. of South Africa	45 132 289	22,39
Blue Falcon 69 Trading Pty Ltd	21 341 196	10,59
Prudential Portfolio Managers (South Africa)	11 377 769	5,64
Total	**137 118 198**	**68,02**

** Associates of directors do not hold any shares.*

SHAREHOLDER ANALYSIS
(continued)

4 GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	181 680 511	90,12
United States of America and Canada	8 165 655	4,05
United Kingdom	2 166 575	1,08
Rest of Europe	796 706	0,40
Rest of the World[1]	8 779 562	4,35
Total	**201 589 009**	**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
2013 – July	11 510 321	769	70,00	60,00	67,33
2013 – August	6 936 476	465	69,00	65,43	66,10
2013 – September	8 507 055	577	69,55	63,55	68,55
2013 – October	8 961 716	629	72,10	68,50	72,10
2013 – November	18 168 309	1 249	72,50	66,30	70,05
2013 – December	23 822 198	1 676	72,10	70,00	70,90
2014 – January	50 635 855	3 542	71,85	66,71	67,66
2014 – February	7 853 497	467	67,60	55,46	60,20
2014 – March	11 130 709	631	61,82	53,25	59,00
2014 – April	11 207 921	671	64,80	57,50	61,00
2014 – May	5 152 509	307	63,06	55,01	55,01
2014 – June	4 228 333	230	56,59	52,33	53,14

Source: Deutsche Bank

ADCOCK INGRAM INTEGRATED REPORT **2014**

SHAREHOLDERS' diary

Financial year end	30 June 2014
Annual General Meeting (AGM)	21 November 2014
AGM Last Day to Trade	7 November 2014
AGM Voting Record Date	14 November 2014
Proxy forms lodged by 9:00	19 November 2014

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): Mr B Joffe* (Chairman), Mr AG Hall (Deputy CE and Financial Director), Prof M Haus**, Dr T Lesoli, Mr PM Makwana, Dr A Mokgokong*, Mr R Morar*, Mr LP Ralphs*, Mr CD Raphiri, Mr MI Sacks, Dr RI Stewart and Mr KB Wakeford (CEO).

* *Non-independent, non-executive*
** *German*

NOTICE OF ANNUAL GENERAL MEETING OF VOTING MEMBERS ("NOTICE")

All terms defined in, or the definitions of which are incorporated by reference into the Memorandum of Incorporation of Adcock Ingram (the "MOI"), shall bear the same meanings herein unless the term is defined herein or the context requires otherwise.

Notice is hereby given that an Annual General Meeting of voting members will, subject to any cancellation or postponement of the meeting by Adcock Ingram, be convened and held in the auditorium at Adcock Ingram's offices, 1 New Road, Midrand, Gauteng, South Africa commencing a 9:00 on Friday, 21 November 2014.

[This document is important and requires your immediate attention. Your attention is drawn to i) the notes at the end of this Notice, which contain important information regarding participation at the Annual General Meeting, as well as to ii) the Explanatory Notes accompanying this Notice which provide further explanatory material regarding the resolutions set out in this Notice and the other business to be conducted at the Annual General Meeting.]

In terms of section 59(1) of the Companies Act the Board has set the record date to determine which persons are entitled to: (a) receive this Notice of Annual General Meeting as being Friday, 17 October 2014 and (b) participate in and vote at the Annual General Meeting as being Friday, 14 November 2014 ("voting record date"). The last day to trade in the Company's shares, in order to participate in and vote at the Annual General Meeting is Friday, 07 November 2014.

Voting members are reminded that:

- voting members entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy (or concurrent proxies) to attend, participate in and vote (or abstain from voting) at the Annual General Meeting in the place of a voting member and are referred to the attached proxy form;
- a proxy need not also be a voting member; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a company meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as voting member or as proxy for a voting member) has been reasonably verified.

The Annual General Meeting is convened for the purpose of the following business:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The Board will present the audited annual financial statements of the Company and the Group, incorporating, *inter alia*, the reports of the external Auditors, Audit Committee and the directors for the nine-month period ended 30 June 2014, which annual financial statements and reports are included in the Integrated Report to which this Notice of Annual General Meeting is attached.

2. SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Board will present the report of the Social, Ethics and Transformation Committee for the nine-month period ended 30 June 2014, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("Companies Regulations").

3. ELECTION OF DIRECTORS

ORDINARY RESOLUTIONS 1.1 TO 1.4

To elect by way of separate resolutions the directors who are retiring in accordance with paragraph 15.5 of the Company's MOI. These directors are:

1.1 Mr B Joffe; and
1.2 Mr MI Sacks.

To elect the directors who are retiring by rotation in accordance with paragraph 17.1 of the Company's MOI. The directors retiring by rotation are:

1.3 Dr T Lesoli; and
1.4 Prof M Haus.

Messrs Joffe and Sacks as well as Dr Lesoli and Prof Haus, being eligible and available, offer themselves for re-election.

The abbreviated curriculum vitae in respect of each of the directors offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

To be adopted, each of the Ordinary resolutions 1.1 to 1.4 inclusive requires the support of more than 50% of the voting rights exercised on the resolution.

4. RATIFICATION OF APPOINTMENT OF CHIEF EXECUTIVE OFFICER

ORDINARY RESOLUTION 2

To ratify, as required by paragraph 18.2.1 of the Company's MOI and the JSE Listings Requirements, the appointment of Mr KB Wakeford as Chief Executive Officer and executive director of Adcock Ingram.

To be adopted, Ordinary resolution 2 requires the support of more than 50% of the voting rights exercised on the resolution.

5. ELECTION OF AUDIT COMMITTEE MEMBERS

ORDINARY RESOLUTIONS 3.1 TO 3.4

To elect by way of separate resolutions the Audit Committee members for the ensuing year in accordance with the Companies Act. The proposed Audit Committee members listed below currently serve on the same Committee and, accordingly, offer themselves for re-election:

3.1 Mr MI Sacks (Chairman), subject to being re-elected as a director in terms of Ordinary resolution 1.2;
3.2 Prof M Haus, subject to being re-elected as a director in terms of Ordinary resolution 1.4;
3.3 Mr R Morar; and
3.4 Dr RI Stewart.

The abbreviated curriculum vitae in respect of each Audit Committee member offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

To be adopted, each of Ordinary resolutions 3.1 to 3.4 inclusive requires the support of more than 50% of the voting rights exercised on the resolution.

6. RE-APPOINTMENT OF EXTERNAL AUDITORS

ORDINARY RESOLUTION 4

To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr WK Kinnear) 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 5.1 to the annual financial statements.

To be adopted, Ordinary resolution 4 requires the support of more than 50% of the voting rights exercised on the resolution.

7. DELEGATION OF AUTHORITY

ORDINARY RESOLUTION 5

To authorise any one director and/or the Company Secretary to do all such things and sign all such documents as are deemed necessary or advisable to implement those resolutions adopted at the Annual General Meeting.

To be adopted, Ordinary resolution 5 requires the support of more than 50% of the voting rights exercised on the resolution.

8. NON-BINDING ADVISORY VOTE

ORDINARY RESOLUTION 6

To consider and if deemed appropriate endorse, through a non-binding vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out from page 34 of the Integrated Report.

To be adopted, Ordinary resolution 6 requires the support of more than 50% of the voting rights exercised on the resolution.

9. FINANCIAL ASSISTANCE: INTER-COMPANY LOANS

SPECIAL RESOLUTION 1

To consider and if deemed appropriate, sanction, subject to compliance with the provisions of the Companies Act and the Company's MOI, 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 adoption 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 one or more related or inter-related company(ies) or corporation(s), or ii) to any one or more member(s) of a related or inter-related company or corporation, or iii) to any one or more person(s) related to any such company(ies) or corporation(s) or member(s) (as such relations and inter-relationships are defined in the Companies Act 2008), on such terms and conditions as the Board may deem fit, subject to the Companies Act.

To be adopted, Special resolution 1 requires the support of at least 75% of the voting rights exercised on the resolution.

10. PROPOSED REMUNERATION FOR NON-EXECUTIVE DIRECTORS PAYABLE WITH EFFECT FROM 1 DECEMBER 2014

SPECIAL RESOLUTION 2

To consider and if deemed appropriate, sanction, in accordance with sections 66(8) and (9) of the Companies Act, the proposed remuneration payable to non-executive directors for their services as directors with effect from 1 December 2014, as set out in the explanatory notes to this Notice.

To be adopted, Special resolution 2 requires the support of at least 75% of the voting rights exercised on the resolution.

ANY OTHER BUSINESS

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

QUORUM REQUIREMENTS

The Annual General Meeting may not begin until sufficient persons are present at such meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the Annual General Meeting. A matter to be decided at the Annual General Meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% 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. In addition, a quorum shall consist of at least three persons entitled to exercise voting rights at the Annual General Meeting, present at the meeting.

As required by the company's MOI and the JSE Listings Requirements, once a quorum has been established at the Annual General Meeting all the voting members necessary to maintain such quorum must be present at that meeting to consider and vote on any matter.

PROXIES

A voting member who holds certificated securities, or who holds uncertificated securities in own-name, and who is registered as such on the voting record date, is entitled to attend, participate in and vote at the Annual General Meeting and may appoint a proxy or proxies to attend, participate in and speak and vote at the Annual General Meeting in his/her stead. A proxy need not be a holder of securities in the Company. The completion and lodging of a form of proxy will not preclude a voting member from attending, participating in, speaking and voting at the Annual General Meeting to the exclusion of the proxy/ies so appointed.

The form of proxy in respect of the Annual General Meeting should be completed and returned to Computershare Investor Services (Proprietary) Limited (the "transfer secretaries"), at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 12h00 on Wednesday, 19 November 2014, or 48 hours immediately preceding any adjourned or postponed meeting, or handed to the chairperson of the Annual General Meeting by no later than ten minutes before the scheduled time for the commencement or re-commencement of the Annual General Meeting in accordance with the instructions contained therein.

VOTING

On a poll every voting member present in person or represented by proxy shall have one vote for every share held by such voting member. On a show of hands, every voting member present in person or represented by proxy at the Annual General Meeting shall have only one vote, irrespective of how many voting rights or voting members he/she represents.

Voting members who hold uncertificated securities, other than holders of uncertificated securities in their own-name, must inform their central securities depository participant ("CSDP") or their registered broking member (equities) of the JSE ("broker") of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary letters of representation to attend the Annual General Meeting, or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such voting members and their CSDP or broker.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

ELECTRONIC PARTICIPATION

Voting members are advised in terms of section 63(3) of the Companies Act, that:

- while the Annual General Meeting will be held in person, voting members (and/or their proxies) may participate in (but not vote) at the Annual General Meeting by electronic communication, as contemplated in section 63(2) of the Companies Act, and
- voting members and/or their proxies will be able, at their own expense, to participate in (but not vote at) the Annual General Meeting by means of a teleconference facility.

Arrangements to so participate in the Annual General Meeting should be made through the office of the Company Secretary.

By order of the Board

Ntando Simelane
Group Company Secretary

23 October 2014

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 nine-month period ended 30 June 2014 to shareholders, together with the reports of the directors 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.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulation, 2011 requires the Social and Ethics Committee, through 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 is available on the Adcock Ingram website.

ORDINARY RESOLUTIONS 1.1 TO 1.4 – ELECTION OF DIRECTORS

In terms of paragraph 17 of the Company's MOI, one-third of the directors are required to retire at each Annual General Meeting, but may offer themselves for re-election. The MOI of the Company also provides that directors so to retire at each Annual General Meeting shall be, firstly, those appointed by the Board after the last Annual General Meeting and, secondly, any director(s) who at the date of the Annual General Meeting would have held office for a period of 3 (three) years or more since their last election. Where directors have equal tenure since their last election, those directors shall retire in alphabetical order or such other order as the board may determine.

The following directors were appointed to the Board by the Company's Board in February 2014 to fill vacancies or as additional members of the Board and accordingly retire as required by the Company's MOI but offer themselves for re-election:

1.1 Mr B Joffe; and
1.2 Mr MI Sacks.

The following directors would have held office for a period of 3 (three) years or more since their last election and accordingly retire by rotation as required by the Company's MOI but offer themselves for re-election:

1.3 Dr T Lesoli; and
1.4 rof M Haus.

Messrs Joffe and Sacks as well as Dr Lesoli and Prof Haus, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible for re-election.

A brief *curriculum vitae* is set out in respect of each of the above directors and the remaining members of the Board on pages 8 and 9 of the Integrated Report.

ORDINARY RESOLUTION 2 – RATIFICATION OF APPOINTMENT OF CHIEF EXECUTIVE OFFICER

In terms of paragraph 18 of Adcock Ingram's MOI, the Board may from time to time appoint one or more executive directors as the Board deems fit, and such executive director shall not, whilst he continues to hold that position or office, be subject to mandatory retirement in terms of the MOI. However, in compliance with the JSE Listings Requirements, the appointment of such executive director to the office of director shall, in terms of paragraph 18.2.1 of the MOI, terminate if not ratified by ordinary resolution at the next annual general meeting following such appointment.

Mr KB Wakeford was appointed to the position of Chief Executive Officer of Adcock Ingram on 03 April 2014. It is accordingly necessary for his appointment to be ratified by ordinary resolution at the Annual General Meeting.

A brief *curriculum vitae* of Mr Wakeford is set out on page 6 of the Integrated Report.

ORDINARY RESOLUTIONS 3.1 TO 3.4 – ELECTION OF THE AUDIT COMMITTEE MEMBERS

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

3.1 Mr MI Sacks; (Chairman)
3.2 Prof M Haus;
3.3 Mr R Morar; and
3.4 Dr R I Stewart.

The abbreviated *curriculum vitae* in respect of each Audit Committee member offering themselves for re-election are contained on pages 8 and 9 of the Integrated Report.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES
(continued)

ORDINARY RESOLUTION 4 – RE-APPOINTMENT OF EXTERNAL AUDITORS

Ernst & Young has indicated its willingness to continue in office and Ordinary resolution 4 proposes the re-appointment of that firm as the Company's auditors. As required in terms of section 90(1) of the Companies Act, as amended or replaced, the name of the designated auditor, Mr WK Kinnear, 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.

ORDINARY RESOLUTION 5 – DIRECTOR OR COMPANY SECRETARY AUTHORISATION

Any one director or the Company Secretary of the Company be authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the Notice convening the Annual General Meeting at which this ordinary resolution will be considered.

ORDINARY RESOLUTION 6 – REMUNERATION POLICY NON-BINDING ADVISORY VOTE

Chapter 2 paragraph 186 of the King III dealing with boards and directors, requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's remuneration report is contained from page 34 of the Integrated Report. Ordinary resolution 6 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 take the outcome of the vote into account when reviewing the Company's remuneration policy.

SPECIAL RESOLUTION 1 – FINANCIAL ASSISTANCE: INTER-COMPANY LOANS

It is important for the Company and 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/or to on-lend or provide loans to its subsidiaries. It is not possible to detail in advance all instances where inter-company loans 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. 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. The authority under this special resolution, if adopted, would endure for 2 years. Authority in this regard was last sought and obtained at the Annual General Meeting in January 2012.

SPECIAL RESOLUTION 2 – PROPOSED REMUNERATION OF NON-EXECUTIVE DIRECTORS

Shareholders are requested to consider and, if deemed appropriate, sanction the proposed fees and remuneration payable to non-executive directors for their services as directors with effect from 1 December 2014 as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 43 of 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% of the voting rights exercised on the resolution) within the previous two years. The current remuneration was approved in March 2014 with the support of over 99% of the voting rights exercised on the resolution. The directors are not asking for an increase in respect of the remuneration that was approved in March 2014.

Category	**Current remuneration R**	Proposed remuneration payable with effect from 1 December 2014 R
Board		
Chairman	**1 042 000**	1 042 000
Board member	**238 400**	238 400
Audit Committee		
Chairman	**226 300**	226 300
Committee member	**113 100**	113 100
Risk and Sustainability Committee		
Chairman	**226 300**	226 300
Committee member	**113 100**	113 100
Human Resources, Remuneration and Nominations Committee		
Chairman	**92 900**	92 900
Committee member	**59 000**	59 000
Social, Ethics and Transformation Committee		
Chairman	**87 200**	87 200
Committee member	**47 200**	47 200

Board members are paid an additional R13 000 each when they attend special meetings which last more than three hours. It must be noted that the Chairman of the Board does not get paid additional amount for attending Board Committee meetings.

FORM OF PROXY IN RESPECT OF THE 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")

All terms defined in, or the definitions of which are incorporated by reference into, the Notice of Annual General Meeting of voting members to which this form of proxy is attached shall bear the same meanings herein unless the term is defined herein or unless the context requires otherwise.

For use only by voting members that hold shares in Adcock Ingram in certificated form (Certificated Shareholders) or voting members who have dematerialised their shares (Dematerialised Shareholders) and are registered with "own-name" registration, at the Annual General Meeting of voting members to be held in the auditorium at Adcock Ingram's office, 1 New Road, Midrand, Gauteng, South Africa commencing at 9h00 on Friday, 21 November 2014.

Dematerialised Shareholders holding securities other than with "own-name" registration, must inform their CSDP or their Broker of their intention to attend the Annual General Meeting and request their CSDP or Broker to issue them with the necessary letter of representation and/or proxy form to attend the Annual General Meeting in person and vote (or abstain from voting) or provide their CSDP or Broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Letters of representation must be lodged with the transfer secretaries, by the commencement of the Annual General Meeting (including any adjournment or postponed meeting). Such Dematerialised Shareholders must not use this form of proxy.

Each voting member is entitled to appoint one or more proxies (who need not be a holder of securities in Adcock Ingram but must be natural persons) to attend, speak at and vote (or abstain from voting) in place of that voting member at the meeting.

If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected.

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 professional advisor.

I/We (full name/s in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

being a shareholder of the Company, and entitled to (insert number) ____________________ :

Telephone number (Work) (Area code) ____________________ ,

Mobile number ____________________ ,

being the holders of [__________] shares in Adcock Ingram, and entitled to vote, do hereby appoint (see attached notes):

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairperson of the Annual General Meeting,

as my/our proxy to represent and act for me/us at the Annual General Meeting (including any adjourned or postponed meeting) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof; and to vote for and/or against such resolutions and/or abstain from voting in respect of the Shares registered in my/our name in accordance with the following instructions, and otherwise generally to act as my/our proxy at the Annual General Meeting, in accordance with the Companies Act, the MOI and the terms of the attached notes:

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

	Number of shares		
	In favour of the resolution	Against the resolution	Abstain from voting on the resolution
Ordinary Resolutions 1.1 to 1.4 To elect by way of separate resolutions the following directors who retire in terms of the Company's MOI and make themselves available for re-election:			
1.1 Mr B Joffe			
1.2 Mr MI Sacks			
1.3 Dr T Lesoli			
1.4 Prof M Haus			
Ordinary resolution 2 To ratify the appointment of Mr KB Wakeford as Chief Executive Officer and executive director of Adcock Ingram.			
Ordinary Resolutions 3.1 to 3.4 To elect by way of separate resolutions the following Audit Committee members:			
3.1 Mr MI Sacks (Chairman)			
3.2 Prof M Haus			
3.3 Mr R Morar			
3.4 Dr RI Stewart			
Ordinary Resolution 4 To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr WK Kinnear) and to note the remuneration of the independent external auditors			
Ordinary Resolution 5 To authorise any one director or Company Secretary to do all such things and sign all such documents to implement all the resolutions adopted at this meeting.			
Ordinary Resolution 6 To endorse by way of a non-binding vote the Company's remuneration policy			
Special Resolution 1 To authorise the Company to provide inter-company financial assistance as contemplated in section 45 of the Companies Act to any of the recipients falling within those identified in the Notice of the Annual General Meeting			
Special Resolution 2 To sanction the proposed remuneration payable to non-executive directors			

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

Signed at ______________________ on ______________________ 2014

Capacity ______________________ on ______________________ 2014

Full names of signatory ______________________

Signature ______________________

Assisted by (where applicable) ______________________

Please read the notes following.

NOTES TO THE FORM OF PROXY

1. The form of proxy must only be used by Certificated Shareholders or Dematerialised Shareholders who hold uncertificated securities in their "own-name".
2. Dematerialised Shareholders who hold uncertificated securities other than in their "own-name" and who wish to attend the Annual General Meeting in person may do so by requesting the registered holder, being their CSDP, Broker or nominee, to issue them with a letter of representation and/or form of proxy.
3. Dematerialised Shareholders who hold uncertificated securities other than in their "own-name" and who do not wish to attend the Annual General Meeting in person but wish to vote (or abstain from voting) thereat must provide the registered holder, being the CSDP, Broker or nominee, with their voting instructions. The voting instructions must reach the registered holder in sufficient time to allow the registered holder to exercise such vote on behalf of the voting member.
4. Voting members are reminded that the onus is on them to communicate with their CSDP or Broker.
5. A voting member entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternative proxies of the voting member's choice in the space/s provided, with or without deleting "the chairperson of the Annual General Meeting", but any such deletion or insertion must be initialed by the voting member. Any insertion or deletion not complying with the foregoing will, subject to 10 below, be declared not to have been validly effected. A proxy need not be a voting member. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting 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 chairperson of the Annual General Meeting.
6. Please note that the chairperson of the Annual General Meeting must be reasonably satisfied that the right of that person to participate and vote, either as a voting member, or as a proxy for a voting member, has been reasonably verified. Accordingly, meeting participants (including voting members and proxies) must provide satisfactory identification.
7. A voting member is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A voting member's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the voting member in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that voting member. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the voting member's votes. A voting member or his/her proxy is not obliged to use all the votes exercisable by the voting member or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the voting member or by his/her 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 any 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 is attached.
9. 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.
10. 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.
11. The completion and lodging of this form of proxy will not preclude the relevant voting member from attending the meeting and speaking and voting (or abstain from voting) in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
12. Documentary evidence establishing the authority of a person signing the form of proxy in a representative or other legal capacity must be attached to this form of proxy, unless previously recorded by Adcock Ingram or unless this requirement is waived by the chairperson of the Annual General Meeting.
13. 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.
14. Where there are joint holders of securities:
    - Any one securities-holder may sign the form of proxy.
    - The vote(s) of the senior voting member (for that purpose seniority will be determined by the order in which the names of voting members appear in the securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint voting member(s).
15. To be effective, completed forms of proxy should be:
    (i) lodged with or mailed to the transfer secretaries Computershare Investor Services (Proprietary) Limited

Hand deliveries to:
Ground Floor, 70 Marshall Street
Johannesburg, 2001 Marshalltown, 2107

Postal deliveries to:
PO Box 61051

to be received by 9:00 on Wednesday 19 November 2014, (or not less than 48 hours before any adjourned or postponed meeting); or

(ii) handed to the chairperson of the Annual General Meeting up to 10 minutes before that Annual General Meeting (including any adjourned or postponed meeting) .

16. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialed by the signatory/ies.
17. A proxy may not delegate his/her authority to act on behalf of the voting member to another person.

NOTES TO THE FORM OF PROXY

(continued)

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 71 of 2008 ("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 relevant company's memorandum of incorporation to be delivered by such 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 relevant 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
A ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
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
Blue Falcon 59 Trading (Pty) Limited	BEE-Co owned by Kagiso 62,9%, Kurisani 26,6% and Mookodi 10,5%
B ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
CAMs	Complementary alternative medicines
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
Companies Act	The Companies Act (Act 71 of 2008)
Employee Trust	The Mpho ea Bophelo Trust (Master's reference number IT330/2010)
FDA	The Food and Drug Administration, a regulatory body in the United States
FMCG	Fast moving consumer goods
GMP	Good manufacturing practice
Group	Adcock Ingram and its direct and indirect subsidiaries, joint ventures and associates from time to time
HVL	High-volume liquids, used in the context of the 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
Kagiso	Kagiso Strategic Investments III (Proprietary) Limited (Registration number 2007/023000/07)
Kurisani	Kurisani Youth Development Trust (Master's reference number IT8979/04), a trust set up in accordance with the laws of South Africa to benefit historically disadvantaged South African youth through loveLife's Programmes
kWh	Kilowatt hour
LIBOR	London Interbank Offered Rate
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
Mookodi	The Mookodi Pharma Trust (Master's reference number IT314/2010), a trust set up in accordance with the laws of South Africa and for the benefit of black medical doctors and/or health professionals
MSD	MSD (Pty) Limited, also known as Merck
OTC	Over the Counter products, available without prescription
R&D	Research and Development
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 DETAILS

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:
Mr B Joffe (Non-Executive Chairman)
Mr K Wakeford (Chief Executive Officer)
Mr A Hall (Deputy Chief Executive and Financial Director)
Prof M Haus (Independent Non-Executive Director)
Dr T Lesoli (Independent Non-Executive Director)
Mr M Makwana (Independent Non-Executive Director)
Dr A Mokgokong (Non-Executive Director)
Mr R Morar (Non-Executive Director)
Mr L Ralphs (Non-Executive Director)
Mr C Raphiri (Lead Independent Non-Executive Director)
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 (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

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

Sponsor:
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2146

Bankers:
Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146
Rand Merchant Bank, 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

Attorneys:
Read Hope Phillips, 30 Melrose Boulevard, Melrose Arch, 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.

ENQUIRIES:

For questions regarding this report, contact

Ntando Simelane
Company Secretary
Email: Ntando.simelane@adcock.com
Tel: +27 11 6350143

More detailed information is also available on www.adcock.com

Adcock Ingram welcomes feedback from stakeholders
at investor.relations@adcock.com

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