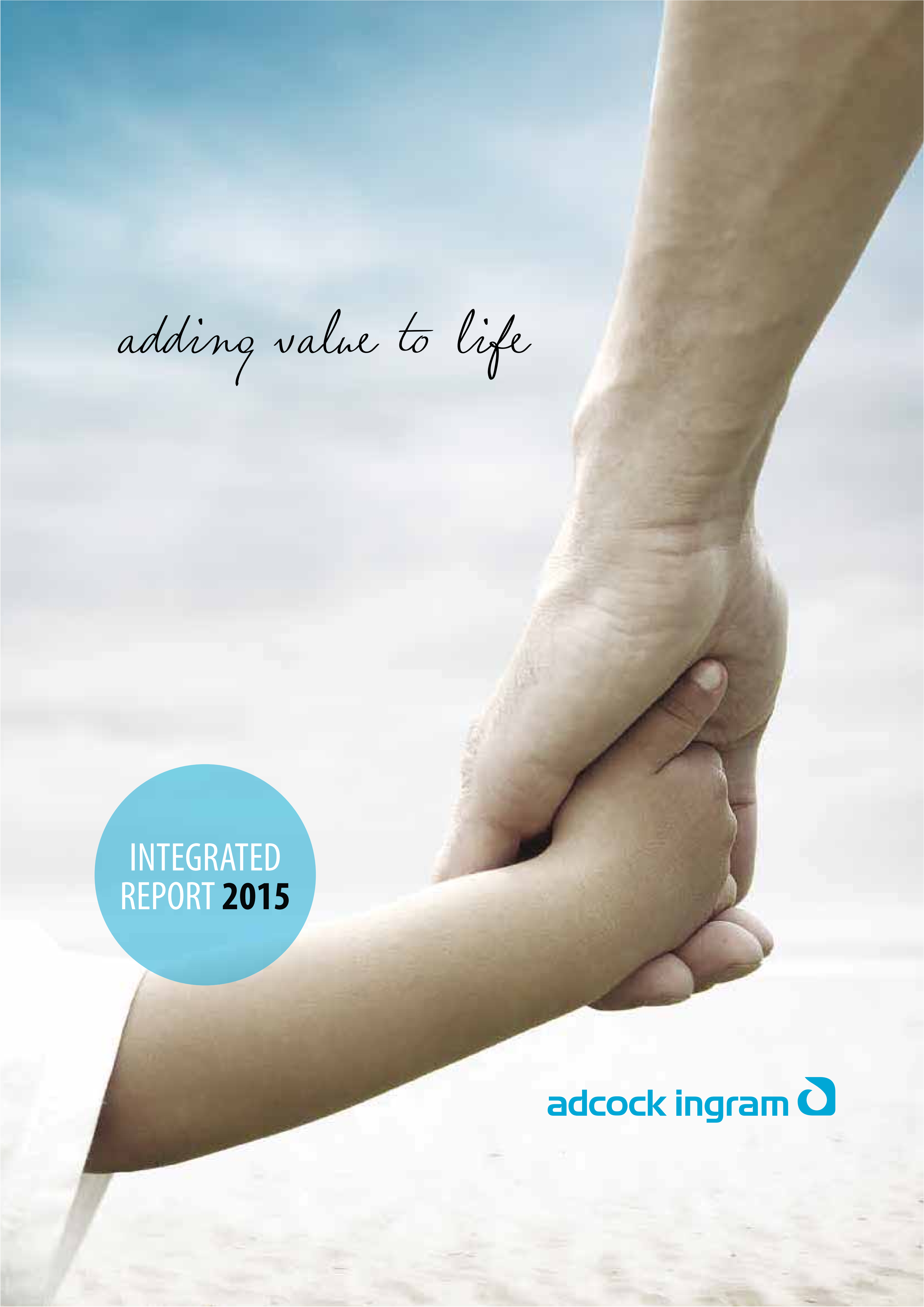

adding value to life

INTEGRATED REPORT **2015**

adcock ingram

INTEGRATED REPORT FOR THE YEAR ENDED **30 JUNE 2015**

About this report

Adcock Ingram regards this report, the first consecutive 12-month period to be reported on, since the general business restructure commenced in 2014, as a valuable opportunity to engage with its stakeholders and to respond to issues raised by them. The matters reported on in the integrated report are considered by leadership throughout the year as being vital to the sustainability of the Group and include all material aspects up to the date of issue of this report.

For a better appreciation of the Group's relative performance against a more meaningful comparable period, in addition to the statutory disclosure of the last reported period of nine months to 30 June 2014, a reviewed set of comparative figures has been provided for the twelve months ended 30 June 2014, in the summary of financial highlights presented on pages 2 to 5. A full set of annual financial statements is included with the integrated report.

Adcock Ingram has continued the journey towards providing a more comprehensive picture of the Group in one document, working towards producing a more integrated report as recommended in the revised King Code on Governance Principles for South Africa (King III).

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.

Scope and boundary of this report

Adcock Ingram's integrated report covers the financial year 1 July 2014 to 30 June 2015. The report is released at least 15 business days prior to its Annual General Meeting to be held on 19 November 2015. Comparatives are for the period 1 October 2013 to 30 June 2014, unless otherwise indicated.

The report provides a general narrative on the performance of the Group which includes the holding company, and its subsidiaries and joint ventures across all territories. The business in South Africa has a material impact on the overall sustainability of the Group. The Group's presence in Kenya, Ghana and Zimbabwe individually and collectively constitutes a small percentage of the Group's operations and together with India, the investment in which the Board of directors (Board) has resolved to seek to realise at the earliest convenience, are for that reason excluded from the operational review. Data 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 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 2015

The annual financial statements for the year ended 30 June 2015 were approved by the Board on 25 August 2015. 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 2015.

B-BBEE STATUS

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the 2014 financial year. Through the external verification process conducted by the agency, the Group has been assessed as a Level 3 contributor in terms of the B-BBEE Act. This rating is valid until 9 November 2015, after which the status will be measured in terms of the revised scorecard.

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OUR MISSION

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

OUR VALUES

We:

Are committed to providing **Quality** products and services

Act with **Integrity** at all times

Believe in **Transparency** and open **Communication**

Believe in **Empowerment** of our people, thus encouraging entrepreneurship, innovation and accountability

Practise **non-discrimination** and offer equal opportunity

Have **Respect** for people, society and the environment

OUR PROFILE

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.

ing value to life

OUR HERITAGE

Some milestones in the history of Adcock Ingram include:

1890 EJ Adcock Pharmacy opened its doors in Krugersdorp.

1937 Ingram's Camphor Cream was launched.

1948 Relationship established with Baxter Healthcare.

1950 Adcock Ingram, first pharmaceutical company, listed on the Johannesburg Stock Exchange (JSE).

1978 Tiger Oats Limited acquired 74% shareholding in Adcock Ingram.

1979 The Critical Care division commissioned South Africa's first medical grade plastics facility.

1987 Adcock Ingram acquired the Mer-National Division from Dow Chemicals Africa and Sterling Winthrop. These acquisitions strengthened the Group's range in the Over the Counter (OTC) market with brands such as Panado.

Adcock Ingram also launched Myprodol, a locally developed and patented analgesic and anti-inflammatory.

1994 Adcock Ingram acquired Leppin, Laser, Pharmatec, Zurich Pharmaceuticals, Covan Pharmaceuticals and Salters, and leading OTC brands in Zimbabwe.

1996 The merger with Premier Pharmaceuticals created South Africa's leading supplier of healthcare products.

1999 Construction of a R25 million research and development centre at Aeroton.

2000 Adcock Ingram became a wholly-owned subsidiary of Tiger Brands and was delisted from the JSE.

2003 Acquisition of Citro-Soda. Bought cardiovascular and central nervous system portfolio (Parke-Med) from Pfizer Laboratories.

2007 Adcock Ingram launches its range of generic ARV products.

2008 Adcock Ingram unbundled from Tiger Brands and relisted on the JSE.

2008 Joint venture with an Indian partner leads to formation of Adcock Ingram in Bangalore.

2010 Concluded BEE equity transaction which raised Adcock Ingram to a Level 4 empowerment contributor.

2010 Entered into strategic collaboration with various multinational companies.

2012 Completion of the Group's high-volume liquids facility in Clayville.

2014 The Bidvest Group limited acquires 29.4% of the shares in the Group.

2015 Implemented a new BEE equity transaction in July.

The journey and transformation of the Company over the years has been remarkable with 2015 marking the celebration of 125 years of 'Adding value to life'.

PRODUCT RANGES

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

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

The **Prescription** portfolio comprises products prescribed by medical practitioners and includes a range of quality and affordable generic medicines which includes a comprehensive portfolio of anti-retroviral medicines (ARVs).

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

FACILITIES

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

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

FINANCIAL HIGHLIGHTS*

TURNOVER

increased 6,46% to

R5 528 MILLION

(2014: R5 193m)

GROSS PROFIT

increased 19,67% to

R2 082 MILLION

(2014: R1 739m)

TRADING PROFIT

increased 118,70% to

R451 MILLION

(2014: R206m)

SHARE STATISTICS FOR THE YEAR

HIGH

5 730 CENTS

LOW

4 046 CENTS

CLOSING

5 045 CENTS

* *Compared to 12-month period ended 30 June 2014.*

NON-FINANCIAL HIGHLIGHTS (SOUTH AFRICA ONLY)

SOCIAL

B-BBEE scorecard

LEVEL 3

TRAINING

86% **spent on previously disadvantaged employees**

EMPLOYEES

2 374

ENVIRONMENTAL**

ENERGY USAGE (KWH)

2015: 50 181 415
2014: 32 838 485

WATER USAGE (Kℓ)

2015: 351 308
2014: 317 661

CARBON EMISSIONS (TONNES)

2015: 115 479
2014: 70 538

CARBON EMISSIONS (SCOPE 1 AND 2) PER FULL-TIME EMPLOYEE (TONNES)

2015: 32,56
2014: 23,23

** *2015 represents 12 months.*
** *2014 represents nine months.*

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited year ended 30 June 2015 R'000	Reviewed 12-month period ended 30 June 2014 R'000	Audited nine-month period ended 30 June 2014 R'000
Revenue	**5 558 926**	5 234 739	3 640 780
Turnover	**5 528 369**	5 193 070	3 615 287
Cost of sales	**(3 446 714)**	(3 453 594)	(2 475 723)
Gross profit	**2 081 655**	1 739 476	1 139 564
Selling, distribution and marketing expenses	**(1 115 231)**	(998 169)	(727 671)
Drug management and regulatory expenses	**(119 288)**	(110 719)	(81 096)
Fixed and administrative expenses	**(396 153)**	(424 376)	(337 887)
Trading profit/(loss)	**450 983**	206 212	(7 090)
Non-trading expenses	**(106 325)**	(1 004 426)	(967 645)
Operating profit/(loss)	**344 658**	(798 214)	(974 735)
Finance income	**19 887**	30 344	18 987
Finance costs	**(100 983)**	(131 461)	(98 620)
Dividend income	**10 670**	11 325	6 506
Equity-accounted earnings	**65 608**	52 061	31 895
Profit/(Loss) before taxation	**339 840**	(835 945)	(1 015 967)
Taxation	**(141 031)**	7 176	53 811
Profit/(Loss) for the year/period	**198 809**	(828 769)	(962 156)
Other comprehensive income which will subsequently be recycled to profit or loss	**61 722**	(46 806)	51 792
Other comprehensive income which will not be recycled to profit or loss	**(442)**	(6 880)	(6 880)
Total comprehensive income for the year/period, net of tax	**260 089**	(882 455)	(917 244)
Basic earnings/(loss) per ordinary share (cents)	**117,2**	(493,7)	(572,3)
Diluted basic earnings/(loss) per ordinary share (cents)	**117,2**	(493,4)	(571,9)
Headline earnings/(loss) per ordinary share (cents)	**160,1**	(100,8)	(179,5)
Diluted headline earnings/(loss) per ordinary share (cents)	**160,1**	(100,8)	(179,3)

TURNOVER

Turnover of R5 528 million is 6,5% higher than the comparative twelve months, driven by an increase in volumes, particularly in OTC, and the Single Exit Price increases. Mix resulted in an adverse variance following the discontinuation of certain uneconomic product lines, particularly in the Consumer business unit, and repatriation of some products to multinational partners.

GROSS PROFIT

The impact of increased throughput, improved factory efficiencies, cost engineering applications and savings on raw material cost, resulted in an increase in the gross profit percentage from 33% in 2014 to 38% in this year.

OPERATING EXPENSES

Operating expenses for the year are R1 631 million, R97 million (6,4%) higher than the comparative period (R1 533 million). The expenses in the current year are a reflection of the significant investments made in sales and marketing on the top brands, and the increasingly complex regulatory environment.

TRADING PROFIT

Trading profit increased by 119% from R206,2 million in 2014 to R451,0 million in the current year.

NON-TRADING EXPENSES

Given the continuing disappointing performance of the Cosme business in India, it was deemed prudent to impair the investment value by a further R74,4 million in this year. A total amount of R106,3 million is recorded as non-trading expenses (2014: R1 004 million) and this includes corporate activity costs of R13,7 million and share based payments of R15,1 million.

TAX

The high effective tax rate is a consequence of the non-recognition of deferred tax assets on the foreign loss-making entities, and the non-deductibility for tax purposes of certain impairments and other expenditure.

HEADLINE EARNINGS

Headline earnings for the year amounted to R270,4 million (2014: loss of R170,0 million). This translates into headline earnings per share of 160,1 cents (2014: loss of 100,8 cents).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30 June 2015 R' 000	Audited 30 June 2014 R' 000
ASSETS		
Property, plant and equipment	**1 490 828**	1 554 420
Intangible assets	**743 156**	836 178
Deferred tax	**12 091**	7 959
Other financial assets	**91 106**	138 955
Investment in joint ventures	**279 135**	202 237
Non-current assets	**2 616 316**	2 739 749
Inventories	**1 207 581**	1 106 261
Trade and other receivables	**1 408 728**	1 235 674
Cash and cash equivalents	**147 379**	247 852
Taxation receivable	**77 948**	76 306
Current assets	**2 841 636**	2 666 093
Total assets	**5 457 952**	5 405 842
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	**16 888**	16 878
Share premium	**512 938**	510 920
Non-distributable reserves	**505 000**	426 415
Retained income	**1 982 589**	1 784 688
Total shareholders' funds	**3 017 415**	2 738 901
Non-controlling interests	**99 509**	118 578
Total equity	**3 116 924**	2 857 479
Long-term borrowings	**513 753**	1 004 861
Post-retirement medical liability	**22 796**	22 034
Deferred tax	**81 854**	21 047
Non-current liabilities	**618 403**	1 047 942
Trade and other payables	**1 328 431**	1 115 563
Bank overdraft	**304 210**	319 613
Short-term borrowings	**13 273**	5 132
Cash-settled options	**6 519**	14 782
Provisions	**70 192**	45 331
Current liabilities	**1 722 625**	1 500 421
Total equity and liabilities	**5 457 952**	5 405 842

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounts to R1 491 million. The movement of R63 million since June 2014 includes additions of R80 million and depreciation of R136 million.

INVENTORIES

Inventory management and demand planning are key focus areas across all business units in the Group in 2016, to reduce inventory levels and improve the amount of stock write-offs.

TRADE AND OTHER RECEIVABLES

Days in receivables are 65 compared to 64 days at June 2014. The book remains well-controlled and 88% of receivables are within 60 days due. There were no material bad debt write-offs or recoveries in the period.

LONG-TERM BORROWINGS

Long term borrowings of R514 million mainly consists of a term loan of R500 million, bearing interest at JIBAR +176 basis points payable quarterly in arrears, with the capital due for repayment in December 2018.

The debt:equity ratio at June 2015 is 22%, with net debt of R684 million.

NON-DISTRIBUTABLE RESERVES

The non-distributable reserves have increased by R79 million to R505 million since June 2014, mainly as a result of the R62 million movement in the foreign currency translation reserve. The balance of the movement relates to an increase in the share based payment reserve.

FINANCIAL SUMMARY CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOW

	Audited year ended 30 June 2015 R'000	Reviewed 12-month period ended 30 June 2014 R'000	Audited nine-month period ended 30 June 2014 R'000
Cash flows from operating activities			
Operating profit/(loss)	**344 658**	(798 214)	(974 735)
Non-cash items	**379 892**	1 277 267	1 165 275
Operating profit before working capital changes	**724 550**	479 053	190 540
Working capital changes	**(126 423)**	(80 960)	227 561
Cash generated from operations	**598 127**	398 093	418 101
Finance income, excluding receivable	**14 409**	23 440	17 287
Finance costs, excluding accrual	**(103 871)**	(136 240)	(101 480)
Dividend income	**10 670**	33 992	20 504
Dividends paid	**(4 537)**	(152 311)	(6 746)
Taxation paid	**(87 312)**	(137 662)	(36 869)
Net cash inflow from operating activities	**427 486**	29 312	310 797
Cash flows from investing activities			
Decrease in other financial assets	**37 962**	118	–
Disposal of business	**(2 663)**	–	–
Purchase of property, plant and equipment – Expansion	**(23 560)**	(35 727)	(12 278)
– Replacement	**(56 304)**	(128 122)	(83 187)
Proceeds on disposal of property, plant and equipment	**2 243**	407	54
Increase in loans receivable	**–**	(1 183)	–
Net cash outflow from investing activities	**(42 322)**	(164 507)	(95 411)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(132)**	(243)	(241)
Proceeds from issue of share capital	**2 028**	7 311	6 902
Increase in borrowings	**23 915**	1 002 371	1 004 635
Repayment of borrowings	**(506 031)**	(202 980)	(100 000)
Purchase of treasury shares	**–**	(21 162)	–
Share issue expenses incurred by subsidiary	**–**	(3 669)	–
Net cash (outflow)/inflow from financing activities	**(480 220)**	781 628	911 296
Net (decrease)/increase in cash and cash equivalents	**(95 056)**	646 433	1 126 682
Net foreign exchange difference on cash and cash equivalents	**9 986**	3 023	11 958
Cash and cash equivalents at beginning of year/period	**(71 761)**	(721 217)	(1 210 401)
Cash and cash equivalents at end of year/period	**(156 831)**	(71 761)	(71 761)

Cash generated from operations was R598 million (2014: R398 million) despite working capital increasing by R126 million (June 2014: R81,0 million).

This cash flow improvement has enabled the Group to reduce net debt by just short of R400 million during the year.

SEGMENT REPORT

	Audited year ended 30 June 2015 R'000	Reviewed 12-month period ended 30 June 2014 R'000	Audited nine-month period ended 30 June 2014 R'000
Turnover			
Southern Africa	**5 022 770**	4 719 144	3 268 441
OTC	**1 454 224**	1 247 689	835 605
Consumer	**628 991**	583 502	327 464
Prescription	**1 812 735**	1 860 382	1 348 422
Hospital	**1 126 820**	1 027 571	756 950
Rest of Africa	**259 196**	250 124	183 130
India	**269 237**	241 878	177 708
	5 551 203	5 211 146	3 629 279
Less: Intercompany sales	**(22 834)**	(18 076)	(13 992)
	5 528 369	5 193 070	3 615 287
Trading and operating profit/(loss)			
Southern Africa	**520 894**	289 889	62 820
OTC	**260 717**	164 255	77 095
Consumer	**79 301**	63 467	(25 280)
Prescription	**148 099**	94 974	45 170
Hospital	**32 777**	(32 808)	(34 165)
Rest of Africa	**(13 161)**	(29 019)	(23 171)
India	**(56 750)**	(54 659)	(46 739)
Trading profit/(loss)	**450 983**	206 211	(7 090)
Less: Non-trading expenses	**(106 325)**	(1 004 425)	(967 645)
Operating profit/(loss)	**344 658**	(798 214)	(974 735)

OTC turnover of R1 454 million (2014: R1 248 million) is 16,6% ahead of the comparable period, supported by renewed focus and more aggressive marketing. This business unit, which focuses on pharmacy in the pain, colds and flu, and anti-histamine therapeutic areas, posted an improvement in market share, with double-digit growth in the majority of its top ten brands. Gross margin as a percentage of sales improved with better volumes in the Clayville factory, cost engineering projects, efficiencies from raw material procurement and the sales mix of products, which supported the increase of almost 60% in trading profit to R260,7 million (2014: R164,3 million).

Prescription turnover of R1 813 million (2014: R1 860 million) is 2,6% behind the comparable period, this the result of a reduction in the low margin ARV and tender portfolios, and repatriation of certain products to multinational partners. Gross margin improvements arose from better than expected production recoveries and stringent control over foreign raw material and finished goods procurement. This resulted in trading profit of R148,1 million well ahead of the comparative figure of R95,0 million.

Consumer turnover of R629 million (2014: R584 million) is 7,8% ahead of the comparable period with Panado, Bioplus and Compral all posting healthy growth. However the performance of the complementary and personal care portfolios within this business unit was disappointing. Trading profit nevertheless improved by 25% to R79,3 million (2014: R63,5 million).

Hospital turnover increased by 9,7% to R1 127 million (2014: R1 028 million) in an increasingly competitive environment. Medicine delivery sales, mainly large-volume parenterals have been the biggest contributor to this improvement. The business unit's profitability was restored during the period under review with a trading profit of R32,8 million having been achieved. Notwithstanding the change-of-control clause in the Baxter agreements, the association between the parties remains sound, with the long-standing commercial relationship having been strengthened and Baxter providing additional support to the business.

Rest of Africa – the Group's presence in Zimbabwe, Kenya and Ghana individually and collectively constitutes a small percentage of the Group's assets. During the year under review, although the results suggest a positive turn of direction, these businesses still incurred losses of R13,2 million (2014: R29,0 million).

India – the losses incurred in the current financial year increased to R56,8 million and while these losses include the current year's amortisation, the reviewed asset valuation dictated that a further impairment of R74,4 million should be applied.

EXECUTIVE COMMITTEE

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1. 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

2. 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

3. 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

4. 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

5. 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

6. 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

7. 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

8. 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

9. 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

10. 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)

11. 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)

12. 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

13. 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

14. 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

15. 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, finance and commerce

BOARD AND GOVERNANCE STRUCTURE

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1. KEVIN B WAKEFORD (55)

CA(SA)

Chief Executive Officer

Appointed: 3 April 2014

See page 7 for abridged CV

2. ANDREW G HALL (53)

CA(SA), BPharm

Deputy Chief Executive and Financial Director

Appointed: 15 July 2008

See page 7 for abridged CV

3. BRIAN JOFFE (68)

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

4. MATTHIAS HAUS (66)

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

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

5. TLALANE LESOLI (65)

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

OTHER EXPERIENCE

Co-founded and managed Mother Earth Distributors and Nature Plan

6. P MPHO MAKWANA (45)

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

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

7. ANNA MOKGOKONG (58)

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

Non-executive chairperson of Rebosis Property Fund Limited and Jasco Electronics Limited

Serves on the boards of Afrocentric Limited and Medscheme Limited

8. ROSHAN MORAR (49)

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

Chairman of the South African National Roads Agency (SOC) Limited

9. LINDSAY P RALPHS (59)

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

10. CLIFFORD D RAPHIRI (52)

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

11. MOTTY I SACKS (72)

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

12. ROGER I STEWART (63)

MB ChB, PhD (Med), Grad Dip Comp Dir

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

OUR GOVERNANCE FRAMEWORK

	Board		Special Board		Independent board	
Committee composition	Six independent, non-executive directors Four non-independent, non-executive directors Two executive directors		Six independent, non-executive directors Four non-independent, non-executive directors Two executive directors		Six independent, non-executive directors	
Members and meeting attendance	B Joffe (Chairman)	4/4	B Joffe (Chairman)	3/3	CD Raphiri (Chairman)	2/2
	AG Hall	4/4	AG Hall	3/3	M Haus	2/2
	M Haus	4/4	M Haus	3/3	T Lesoli	1/2
	T Lesoli	4/4	T Lesoli	3/3	PM Makwana	2/2
	PM Makwana	4/4	PM Makwana	1/3	MI Sacks	2/2
	AT Mokgokong	4/4	AT Mokgokong	2/3	RI Stewart	2/2
	R Morar	3/4	R Morar	1/3		
	LP Ralphs	3/4	LP Ralphs	2/3		
	CD Raphiri	4/4	CD Raphiri	3/3		
	MI Sacks	4/4	MI Sacks	3/3		
	RI Stewart	4/4	RI Stewart	3/3		
	KB Wakeford	4/4	KB Wakeford	3/3		
Permanent invitees and meeting attendance					AG Hall	2/2
					KB Wakeford	2/2
Responsibilities	Ultimately responsible to shareholders for the performance of the Group. Broadly gives strategic direction to the Group, approves and regularly reviews business strategy, budgets and policies. Appoints the Chief Executive Officer and ensures that power and authority delegated to management are clearly and comprehensively documented and regularly reviewed. Ensures that the governance framework and strategic direction of the Group remain appropriate and relevant. The Board retains control over the Group, monitors risk and oversees the implementation of approved strategies through a structured approach ie reporting and accountability.		These are meetings that were convened outside of the scheduled Board Meetings.		The Independent Board was constituted in accordance with Regulation 108(9) of the Companies Regulations, 2011, following the announcement of The Bidvest Group Limited's (Bidvest) offer. Bidvest made an offer to acquire the entire issued ordinary share capital of Adcock Ingram that Bidvest did not already own.	
Attendance by invitation	Managing Directors of Business Units					

(1) *The only change to directors' responsibilities and duties was the establishment of this committee in November 2014.*
(2) *Executive Committee member.*

Audit	Human Resources, Remuneration and Nominations	Social, Ethics and Transformation	Risk and Sustainability	Acquisitions[1]
Three independent, non-executive directors One non-independent, non-executive director	Two independent, non-executive directors Two non-independent, non-executive directors	Two independent, non-executive directors One non-independent, non-executive director Two executive directors Human capital executive[2]	Four independent, non-executive directors	Two independent, non-executive directors Three non-independent, non-executive directors
MI Sacks (Chairman) 4/4 M Haus 4/4 R Morar 2/4 RI Stewart 4/4	CD Raphiri (Chairman) 3/3 R Morar 2/3 LP Ralphs 2/3 MI Sacks 3/3 The Chairman of the Board chairs the HR, Remuneration and Nominations Committee when constituted as the Nominations Committee.	PM Makwana (Chairman) 4/4 AG Hall 4/4 T Lesoli 4/4 B Letsoalo[2] 4/4 AT Mokgokong 2/4 KB Wakeford 4/4	RI Stewart (Chairman) 4/4 M Haus 4/4 PM Makwana 2/4 MI Sacks 3/4	B Joffe (Chairman) 1/1 R Morar 0/1 LP Ralphs 0/1 CD Raphiri 0/1 MI Sacks 1/1
AG Hall 4/4 KB Wakeford 4/4	KB Wakeford 3/3		AG Hall 4/4 KB Wakeford 4/4	AG Hall 1/1 KB Wakeford 0/1
Review annual financial statements and recommend their approval to the Board. Review accounting policies. Nominate for appointment of the 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 the remuneration policy and appropriate human capital management policies. 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.	Monitor the Company's activities regarding relevant legislation and codes of best practice. Draw matters within its mandate to the attention of the Board. 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.	Monitor and strengthen the objectivity and credibility of the Company's acquisition strategy and plans. Consider and make recommendations to the Board on major acquisition plans and terms applicable to these acquisitions.
Group finance executive Head of internal audit External auditors	Human capital executive	Government relations executive Relevant members of management	Head of internal audit External auditors Insurance and risk advisors Relevant members of management	Relevant members of management

CORPORATE GOVERNANCE

Adcock Ingram Holdings Limited and its subsidiaries (Group or Adcock Ingram Group) are committed to the principles of good corporate governance as set out in the King III Report on Corporate Governance for South Africa (King III Report), the JSE Listings Requirements and the Companies Act No 71 of 2008 (Companies Act). A register setting out compliance with King III principles on an "apply or explain" basis can be found on www.adcock.com.

The Board of directors of Adcock Ingram (the Board) is the custodian of corporate governance and ensures that the Adcock Ingram Group adheres to the highest standards of accountability and ethical standard. Corporate governance is about the structures, processes and practices that the Board uses to direct and manage the operations of Adcock Ingram Holdings Limited and subsidiaries within the Adcock Ingram Group and help to ensure that authority is exercised and decisions are taken, within an ethical framework and ensure that decision-makers are held appropriately accountable.

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. Adcock Ingram's Board, assisted by its various committees, is responsible for setting the ethical tone "at the top" and monitors its implementation, 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.

The King III Report 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. 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 per day, 365 days per year. All complaints lodged through this service are investigated and where appropriate disciplinary action is instituted and reported to the Board through the Social, Ethics and Transformation Committee.

Information Technology (IT)

Adcock Ingram subscribes to the statement in the King III Report 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;
- Upgrading of software and hardware to ensure continuous support and licence compliance;
- 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 the King III Report.

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.

With effect from 1 October 2014, the Internal Audit function has been in-house and the responsibility to oversee, manage, inform and take accountability for the effective operation of this function lies with the Deputy Chief Executive and Financial Director. The Internal Audit function operated within a formally defined charter and annual audit plan which is approved by the Audit Committee.

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

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 these are non-executive directors are independent and four are non-independent as defined in the King III Report.

As required by the Company's Memorandum of Incorporation (MOI) and the Companies Act, an Annual General Meeting is held once every calendar year. In accordance with the Company's MOI, at least one-third of the non-executive directors retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders. Thus, each non-executive director is rotated at least once every three years in accordance with the MOI. Retiring non-executive directors who offer themselves for re-election are evaluated by fellow directors before a recommendation on their re-election is made by the Board to shareholders. 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, forms the basis of the director's appointment. The Nominations Committee plays an important role in the identification and removal of underperforming or unsuitable directors.

Brief *curricula vitae* of each of the directors appear on page 9 of this report.

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 all the scheduled meetings of the Board for directors to confirm its contents and 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 the King III Report wherever appropriate.

The meetings of the Board and its committees are scheduled annually in advance. In addition to regular consideration of the Group's operational and financial performance at each of its meetings, the Board's annual 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 10 and 11 of this report.

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 are afforded the opportunity to propose further matters for inclusion on the agenda of Board meetings. The Board is given unrestricted access to all Group information, records, documents and facilities through the office of the Company Secretary. The Company Secretary is the secretary to all committees of the Board and ensures that the committees operate within the limits of their respective mandates and in terms of an agreed annual 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.

BOARD EDUCATION AND TRAINING

All directors are required to attend a formal annual governance training session, which is formally 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). In the year under review, the Company's sponsor trained the directors on the JSE Listings Requirements. Finally, all directors are encouraged to attend external director development and training programmes, at the cost of the Group.

BOARD EVALUATION

The Board evaluated the Audit, Risk and Sustainability and HR, Remuneration and Nominations committees. The Board has considered the outcome of the evaluation and is currently working on addressing adverse outcomes. The Board has undertaken to continue to support good corporate governance areas.

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 any director, including 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.

The Board can confirm that it has considered and satisfied itself with regard to the competence, qualifications and experience of the Company Secretary. In the year under review, the Company Secretary was evaluated by all the directors and his line manager. The evaluation criteria included the following areas: requisite qualifications; knowledge of, or experience with, relevant laws; ability to provide comprehensive practical support and guidance to the directors; and ability to provide the Board collectively and individually with guidance as to their duties, responsibilities and powers. The evaluation questionnaires were collated and analysed by independent advisors and the results thereof shared with the Board. Based on the results of the evaluation, the Board can confirm that the Company Secretary is competent 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 and is not a director.

LEADERSHIP STATEMENT

KEVIN WAKEFORD
Chief Executive Officer

ANDREW HALL
Deputy Chief Executive and Financial Director

PROSPECTS

Considering the economic conditions and uncertainties in South Africa at this time and elsewhere, the currency errosion, an erratic electricity supply and an unpredictable market, the Board is satisfied with the direction and progress achieved during the past year. The Board remains optimistic on the Group's medium-term prospects, which view is tempered by the recent material devaluation of the Rand.

A refocused senior management team, together with the recently structured divisional management, fully understand what needs to be done to restore the Group to its former status in the industry. They have already diligently demonstrated their commitment to that objective and have practically put the Group on a profit path which will hopefully continue if efficiencies and markets improve.

It is indeed a pleasure to report back to you after a year of settling in the new divisionalised structure of the Adcock Ingram business, which was presented in our previous integrated report. This was done as the Company reaches a key milestone in its long history, the 125th anniversary. The E.J. Adcock retail pharmacy was founded in Krugersdorp in 1890, which business was the foundation of the Company eventually floated on the Johannesburg Stock Exchange, as Adcock Ingram, in 1949. The journey and transformation of Adcock Ingram over the years has been remarkable, which is evident in where the Company is positioned today, as a leader in the local pharmaceutical industry.

The key focus for the past year was the reorganisation of the business into divisions, each focused on a specific market segment and product range. In order to realise improved business results, this change was essential to put a widely diversified company on the road to recovery and restore profitability. Change is never easy and it is amazing how well all the Group's stakeholders reacted to the divisionalisation of the business and rapidly embraced the new business philosophy. Our customers have responded positively, as have our staff at all levels. The sentiment is positive throughout, creating the right environment for business growth.

It was necessary to move focus from energy-consuming internal processes to being externally focused with the customer uppermost in the mind of every employee. Management accountability is the most valuable attitude shift seen under the new structure, which is propelling the business forward to achieve improved results.

The business focus for the past year was all about customers, products and service. Negative growth trends had to be arrested and the right investment put behind the household names with which everyone associates the name Adcock Ingram. The results show that this investment strategy, including significant above the line expenditure, is bearing fruit, resulting in growth for our leading brands.

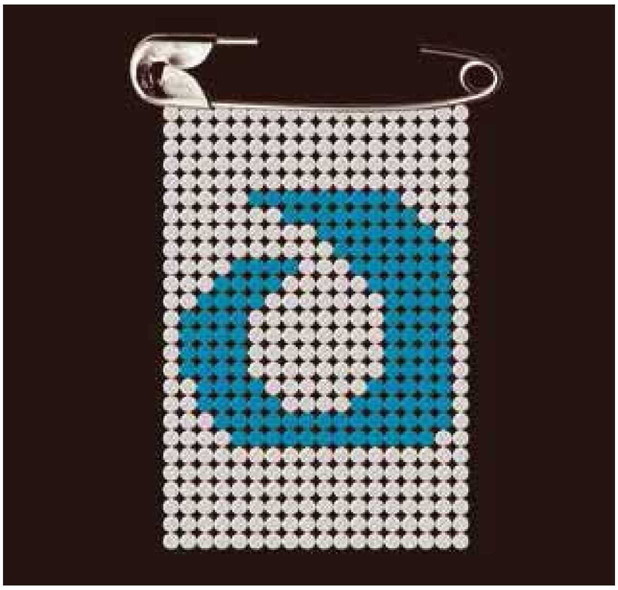
So often there is resistance to change and one of the concerns about introducing the divisionalised structure related to the stability of the workforce, especially in key management positions. It has been most encouraging to see how empowered staff, across the board, have embraced the new level of responsibility afforded them. Staff turnover was minimal, assisted by the placement of existing staff in different job functions. Taking on responsibilities foreign to their career experience has encouraged fresh thinking and brought amazing results from these individuals.

As a result of divisionalisation and the increased management accountability, those responsible are looking closely at their businesses and initiating appropriate action to achieve growth. An example is better efficiencies in manufacturing, which although a standard business practice, is making a difference for the business in general. Attention to product pipeline and portfolios offer another illustration of the manner in which the business value can be increased.

The same macro environmental factors affect everyone in the local business sector, with exchange rate and the reliable supply of electricity and water being uppermost on the Company's list of risk factors. The industry-specific annual adjudication of the single exit price increase is always of concern, as annually determined increases have failed to cover the cost increases faced by the industry, resulting in margin erosion. A tightening regulatory framework within an already highly regulated industry, creates new and ongoing challenges for the business.

Results presented at this time are pleasing and show signs of a turnaround in the business in a relatively short period of time. It is encouraging to consider that trading profits have more than doubled. Most important is the generation of cash in the business, almost R600 million in cash from operations. The challenges faced in the off-shore business segments imply that profit was generated entirely by the South African businesses. After necessary write-offs, carrying values of assets related to the operations are appropriate. We are proud to have created additional jobs, mainly in our factories in South Africa, during the year under review.

All divisions in South Africa performed well and it could be said that the Over the Counter division, focusing on retail pharmacy, excelled. Despite this encouraging situation, caution should lead us to keep a tight control on operating expenses and continue with careful management of assets. Attention now needs to be given to the investments in the rest of Africa and India, while consolidating our position in South Africa.



The business has been totally transformed, with openness and candour prevailing throughout. Our mission, *'to provide quality products that improve the health and lives of people in the markets we serve'*, is the guiding light which is embraced by all. There is openness and most important of all, fun, in the daily business activities. Our motto, *'Adding value to life'*, drives our focus on customers, products and service. It is appropriate at this time to review the business portfolio and to plan for appropriate acquisitions which will enrich the business and product offerings.

In parallel, the Bidvest offer has removed the overhang on the share price and uncertainty about their intentions. The new B-BBEE transaction has now been successfully implemented. As things settle, it is important to understand that there is true intent to realise value for our BEE partners despite the uncertainty created by the changes to the B-BBEE codes. The recent corporate action also triggered a 'change of control' discussion with Baxter regarding our Critical Care business, which resulted in enhanced support from Baxter and a deepening of the commercial relationship between the two parties.

An improving business performance opens the door for greater investment in important areas of sustainability such as socio-economic development and education through learnerships, in which there has been a significant investment during the past year, as well as ongoing training.

This has been a year of great change with the restructuring of the business, and the stakeholders' support, understanding and patience during this process is appreciated. The goals were simple, focus on our customers, products and services, and simplify the business in making it more agile and accountable through empowering the people. With the support of all, this has been achieved to a significant extent. Sincere gratitude is extended to all the people of Adcock Ingram who walked the road of great change with such enthusiasm and who inspired us through their efforts.

OPERATIONAL OVERVIEW

SOUTHERN AFRICA

Market overview

The South African private pharmaceutical market, as measured by IMS MAT June 2015, is worth R33 billion, with 8,2 % value and 5,4% volume growth.

For further commentary regarding Over the Counter, Prescription, Hospital and Consumer, refer to pages 18 to 25.

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

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

ACTIVITIES: Manufacturing, distribution, and sales and marketing

MARKET SHARE (including MNC)

Private sector

9,6%
in value

21,1%
in volume

TURNOVER

Increased 6,4% to

R5 023 MILLION
(2014: R4 719 million)

TRADING PROFIT

Increased 79,7% to

R521 MILLION

(2014: R290 million)

LOGISTICS

LOCATION	CAPACITY	ACCREDITATION
MIDRAND	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)

MANUFACTURING (INDIA)

LOCATION	CAPACITY PER ANNUM	ACCREDITATIONS
BANGALORE (JV facility)	**Tablets and capsules:** 3,5 BILLION	UK (MHRA), Australia (TGA), South Africa (MCC), France (ANSES), Tanzania (TFDA), Kenya (PPB), Ghana (FDB), Namibia (NMRC), Uganda (UNDA), Romania (RNAMMD), and Ethiopia (FMHACA)

OPERATIONAL REVIEW – SOUTHERN AFRICA (CONTINUED)

OVER THE COUNTER (OTC)

MARKET SHARE

#1 [(1)]
Adcock OTC volume market position

#1 [(1)]
Adcock OTC value market position

36,7% [(1)]
Adcock OTC volume market share

22,6% [(1)]
Adcock OTC value market share

25,5% [(2)]
Adcock OTC script share

[(1)] IMS MAT June 2015
[(2)] Impact Rx June 2015

MANUFACTURING

LOCATION

Clayville

CAPACITY PER ANNUM

Effervescent tablets:
28 MILLION
Effervescent granules and powders:
400 000 KILOGRAMS
Liquids:
12 MILLION LITRES

ACCREDITATIONS

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

FINANCIAL PERFORMANCE

TURNOVER
R1 454 MILLION
(2014: R1 248m)

TOP 10 BRANDS TURNOVER
R842 MILLION

TRADING PROFIT
R261 MILLION
(2014: R164m)

SALES
15,5%
Non-SEP

84,5%
SEP

NUMBER OF EMPLOYEES

144
Sales, marketing and administration

301
Factory

Natalie Zaroudoukas (Financial Director) and Werner van Rensburg (Managing Director)

OVERVIEW

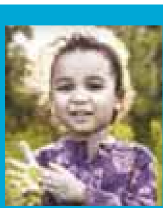
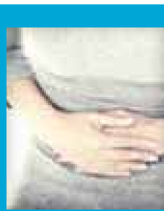
OTC services patients in South Africa's private and public sector, competing primarily in the self-medication Pharmacy market, and to a lesser extent the FMCG sector, with a portfolio of 90 brands.

It has increased its volume and value market leadership position, growing ahead of the market (8,4%) at 11,4%. Two in every five packs of S1-S2 products sold in the private sector, is an Adcock Ingram product.

The business competes in the following core categories within the market:

- Curative (analgesics, cough and cold, allergy and dermatology); and
- Wellbeing (digestive and energy).

The top brands and category ranking include:

					
ANALGESICS	**COUGH AND COLD**	**ALLERGY**	**DIGESTIVE**	**ENERGY**	**DERMATOLOGY**
• Adco-dol • Betapyn • Mypaid • Paediatric syrups (Lotem, Stopayne) • Pynstop • Spasmend • Syndol	• Adco-Flupain • Adco Linctopent • Alcophyllex • Broncleer • Corenza • Dilinct • DPH • Expigen • Medi-Keel • Solphyllex	• Allergex • Covancaine • Gemini • Naphensyl • Nazene **Launched in May 2015** • Adco-Desloratadine • Ceticit	• Adco-Cyclizine • Adco-Loperamide • Citro-Soda • LP299V • Mayogel • Medigel • Pectrolyte • Scopex	• Bidomak • Liviton • Vita-thion	• Adco-Acyclovir • Dynexan • Stopitch
#1 #1	#1 #1	#1 #1	#2 #4	#2 #3	

Source: IMS TPM MAT 6/2014 Aztec June 2014

PHARMACY RANK | FMCG RANK | SCRIPT SHARE RANK

PERFORMANCE

Analgesics

The pain portfolio is the market leader in pharmacy with a 37% volume share and 41% value share.

Adco-dol is the top ranked brand in pharmacy with a 19,4% value share and 21,3% volume share.

Five of the top 10 OTC pain pharmacy brands are Adcock Ingram products.

Cought and cold

In a mature market, the cough and cold portfolio has posted double digit growth, maintaining and stretching the leadership in the pharmacy market.

Digestive

Citro-soda is the top ranked product in the urinary tract infection category in both Pharmacy and FMCG and is taking on a new challenge by entering new markets including indigestion, heartburn and gout.

Mayogel is ranked number two in volume in Pharmacy for heartburn and indigestion. The FMCG market was recently entered.

Allergy

Allergex is the market leader in the systemic oral antihistamine market with a 50% volume share, growing at 20%. With the launch of Ceticit and Adco-Desloratidine in May 2015, the business now competes in 75% of the systemic oral antihistamine market.

Energy

Vita-thion and Liviton are in third and fourth position respectively in the Pharmacy energy market. Vita-thion, growing at 14,6%, holds the third positon in the FMCG market.

BUSINESS FOCUS

- Protect and build heritage brands;
- Develop and expand categories and channels;
- Ensure compliance in a complex and evolving regulatory environment;
- Development of strategic customer partnerships;
- Gain further consumer, shopper and customer insight to support marketing plans; and
- Increase production and improve efficiencies in manufacturing plant.

MARKET TRENDS

- Growth driven by the global trend towards wellness and self-care in a more healthcare-educated, and growing middle class;
- Innovation remains an important growth driver;
- Economic factors are causing a shift from premium brands to economy brands, house brands and smaller pack sizes;
- Consumers are favouring more convenience – optimal availability has become key; and
- Health tracking is happening digitally and consumers expect their brands to be part of the conversation.

OPERATIONAL REVIEW – SOUTHERN AFRICA (CONTINUED)

PRESCRIPTION (Rx)

MARKET SHARE

#5[1]
Adcock Rx
value market position

#2[1]
Adcock Rx
volume market position

6,2%[1]
Adcock Rx
value market share

10,8%[1]
Adcock Rx
volume market share

8,1%[1]
Adcock generics
volume market position

11,6%[1]
Adcock generics
volume market share

13,1%[2]
Adcock Rx
script share

[1] *IMS MAT June 2015*
[2] *Impact Rx June 2015*

FINANCIAL PERFORMANCE

TURNOVER
R1 813 MILLION
(2014: R1 860m)

TOP 10 BRANDS TURNOVER
R728 MILLION

TRADING PROFIT
R148 MILLION
(2014: R95m)

SALES

86,3%
Private sector

13,7%
Public sector

MANUFACTURING

LOCATION

Wadeville

CAPACITY PER ANNUM	ACCREDITATIONS
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). Tanzania and Ethiopia (pending).

NUMBER OF EMPLOYEES

170
Sales, marketing
and administration

364
Factory

OVERVIEW

Deals with drugs and treatment in conjunction with healthcare professionals. The therapies reflect medicines prescribed by a registered medical practitioner and thereafter dispensed with a prescription by licensed professional.

The portfolio is aligned into therapeutic areas with the objective of specialisation:

WOMEN'S HEALTH
Estradot, Estalis, Estro-pause, Estrofem, Novofem, Kliogest, Trisequens, Vagifem, Activelle, Boniva, Clomid

UROLOGY
Urispas, Urizone

OPHTHALMICS
Zaditen, Spersadex, Voltaren Ophtha, Spersallerg, Ocuprost

DERMATOLOGY
Roaccutane, Acnetane, Xamiol, Dovobet, Fucidin, Fucidin H, Fucibet

CARDIO-VASCULAR
Migrogen, Co-Migroben, Burinex, Zetomax, Zildem

GENERICS
Adco-Zolpidem, Adco-Simvastatin, Adco-Mirteron, Adco-Alzam, Ponstel, Adco-Sporazole

CNS
Stresam, Cipralex, Cipramil, Ebixa, Venlafaxine, Serez, Rivotril

PAIN
Myprodol, Xylotox, Brexecam, Mypaid Forte, Synaleve, Myprocam, Genpayne, Veltex

ARV
Trivenz, Adco-Efavirenz, Adco-Lamivudine, Adco- Abacavir, Adco-Nevirapine, Adco-Zidovudine

GASTRO-INTESTINAL
Mezevant

PERFORMANCE

Generics

Two of the leading brands, Adco-Zolpidem and Adco-Alzam grew respectively by 24% and 15%, despite being mature brands in highly cluttered markets.

Despite competing in a highly genericised market, Adco-Simvastatin remains the market leader in volume and is ranked third in value.

Adco-Mirteron regained its number 1 position in the Mirtazapine market.

Women's health

Adcock Ingram (including principal brands) is ranked first in the total private Hormone Replacement Therapy Market in value, with Vagifem and Estradot as market leaders in their respective categories.

Urispas is growing ahead of the Total Urinary Incontinence Market by 20% in value and Urizone continues its growth trend in the Urinary Anti-Infectives market, growing at 23% in value.

Pain

The Pain category has five brands in the top 13 brands in a market with over 55 competing brands.

Gen-Payne and Myprodol combined have a market share of 23% in the script non-narcotic and anti-pyretic market.

Myprocam is fifth in the muscle relaxant market within 10 months of the launch. Myprocam has the second highest prescription share, as measured by Impact Rx, at 19%.

ARVs

Trivenz currently has a 5% volume share and 4% value share in the private market.

Cardiovascular

In the past year, Zildem has moved in ranking from number six to number five in the Calcium Antagonist plain with a market share of 5,1%, growing at 9%. Zetomax/Co is the market leading lisinopril.

CNS

Adcock Ingram (including principal brands) is ranked third in the South African CNS market with Cipralex remaining the market leader in the face of 13 generics.

Dermatology

Adcock Ingram's portfolio is ranked fourth in the South African market with Fucidin the fastest growing originator topical antibacterial with growth of 13,4%.

Dovobet and Xamiol are market leaders with a combined market share of 72% in the psoriasis market.

Acnetane and Adco-Sporozole are currently the fastest growing products in their respective categories.

Ref : Impact Rx July 2015
IMS : TPM June 2015

BUSINESS FOCUS

- Evaluation of portfolio and pipeline;
- Evaluation of strategic partnerships;
- Protect and grow core portfolio;
- Optimisation of factory throughput; and
- Supply chain focus.

MARKET TRENDS

Prescription ethical brands

- Increased regulatory intervention;
- Saturated South African market with global multinationals focusing on Africa;
- Global decline in the new product pipeline;
- Increasing number of products reaching the end of patent protection;
- Funders encourage switching from brands to low cost generics;
- Significant HIV disease burden;
- Intensely competitive environment creates coalition opportunities; and
- Consolidation and mergers of large companies within the industry.

Generics

- Competitive market focused on price, supply, range, access and promotion;
- Positive market growth rate underpinned by increased medical aid memberships and funder intervention;
- Regulations supporting generic substitution;
- Access to newer therapies as patents expire;
- Consolidation of large generic players in the market;
- Multiple launches of brands with the same molecules;
- Due to the pipeline drought, multinational companies are launching clones of their own generic brands; and
- Globally generic industries are moving beyond incremental innovation towards re-innovation.

Ashley Pearce (Managing Director) and
Nick Ford (Financial Director)

OPERATIONAL REVIEW – SOUTHERN AFRICA (CONTINUED)

HOSPITAL

MANUFACTURING

LOCATION

Aeroton

CAPACITY PER ANNUM	ACCREDITATIONS
Large volume parenterals: 28,5 MILLION UNITS **Small volume parenterals:** 28 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 plant in Africa that allows for primary manufacture of bags of fluids.*

NUMBER OF EMPLOYEES

234	574
Sales, marketing and administration	Factory

FINANCIAL PERFORMANCE

TURNOVER

R1 127 MILLION

(2014: R1 028m)

TRADING PROFIT

R33 MILLION

(2014: loss of R33m)

SALES

66,8%

Private sector

33,2%

Public sector

OVERVIEW

Critical Care is a leading supplier of hospital and life-saving products across multiple categories and varied customer channels. The business commercialises a broad product offering, including manufacture of a comprehensive range of large-volume parenterals (LVP's), small-volume parenterals (SVP's) and renal dialysis solutions, from extrusion of pharmaceutical grade plastic to automated filling of the finished product.

The association with Baxter remains sound, with the long-standing commercial relationship having been strengthened and Baxter providing additional support to the business.

The portfolio includes, intravenous solutions, renal products across including renal pharmaceuticals, transfusion products for the collection and storage of blood, infusion systems, and nutrition.

A broader segmental definition can be defined as follows:

RENAL

- In partnership with Netcare, National Renal Care (NRC) remains the largest service provider for renal care in South Africa.
- Critical Care remains the biggest supplier of:
  - goods and services within Peritoneal Dialysis (PD);
  - products for Haemodialysis (HD); and
  - within Continuous Renal Replacement Therapy (CRRT).
- A leading supplier within Renal Pharmaceuticals

MEDICINE DELIVERY

- Largest supplier of LVP's within South Africa.
- A leading supplier of SVP's within South Africa.
- Largest fleet of Infusion Pumps within South Africa.
- Market leader in regional anaesthesia and in sterile water for irrigation (pour water).
- Comprehensive range of SVP's across multiple therapeutic areas including anti-infectives, anti-emetics, respiratory and hypnotics.

TRANSFUSION THERAPIES

- Fully integrated manufacturing facility supporting the manufacture of blood bags and tubing.
- Largest supplier of free flowing leucodepletion sets and blood bags in South Africa.
- Largest supplier to the SANBS (South African National Blood Services).

SPECIALISED PHARMACEUTICALS

- A leader in the supply of product for Haemophilia.

BUSINESS FOCUS

- Uncompromising attention to customer service in supply, service and communication;
- Maintaining and growing the market leading position where the business is well established;
- Expansion within categories where the business currently competes through varied in-sourcing mechanisms;
- Expansion into adjacent categories through licensing, partnerships and strategic alliances;
- Maximising operations with a keen focus on yield, waste, efficiencies and automation;
- Maintaining close relationship with Government to support national demand; and
- Maintaining close relationship with all stakeholders to build trust, demonstrate commitment and deliver to expectation.

Mohamed Mangel (Financial Director) and Colin Sheen (Managing Director)

OPERATIONAL REVIEW – SOUTHERN AFRICA (CONTINUED)

CONSUMER

MARKET SHARE[1]

27,3%
Analgesics value market share

3,3%
Cough, Colds and Flu value market share

7,5%
Laxatives value market share

9,6%
Vitamins and supplements value market share

[1] *Source: ACNielsen.*

FINANCIAL PERFORMANCE

TURNOVER

R629 MILLION
(2014: R584m)

TOP 10 BRANDS TURNOVER

R575 MILLION

NUMBER OF EMPLOYEES

66
Sales, marketing and administration

TRADING PROFIT

R79 MILLION
(2014: R63m)

AWARDS

Ask Afrika Icon Brands Survey (national representation)	Panado is the winner of the Over the Counter Medicines Category
Ask Afrika Kasi Star Brands Survey (township representation)	Panado is the winner of the Over-the-Counter Medicines Category
Baby Expo	The Consumer division won the 'Best designed stand'

Lauren Shimmin (Financial Director) and Juliet Fourie (Managing Director)

OVERVIEW

Consumer competes in the Fast Moving Consumer Goods (FMCG) space with leading brands across the following categories:

ANALGESICS	COUGH, COLDS, FLU AND CONGESTION	ENERGY
VMS	**DIGESTIVE WELLBEING**	**TOILETRIES**

PERFORMANCE

Analgesics

The category has seen growth this year in both volume (2,5%) and value (10%), driven by Adcock Ingram brands which ended the year with growth ahead of the category in both volume and value. Panado holds the number two position in the market with Compral at number four.

Cough, colds, flu and congestion

LCC has seen good turnaround growth in the market across retailers and has grown slightly ahead of the market at 12%.

Energy supplements

Bioplus is growing ahead of the market in FMCG and continues to lead the single sachet/application market in South Africa in the FMCG arena in both volume and value. Bioplus is the top ranked brand in both volume and value in the energy segment.

Vitamins, minerals and supplements (VMS)

Probiflora leads the "gut" health segment of the market in FMCG and retains its leading position in this market segment.

Feminine Hygiene

Gyna Guard is the market leader in this sub-segment.

BUSINESS FOCUS

- Grow market share in FMCG and independent wholesale channels;
- Ensure regulatory compliance, specifically CAMs;
- Expand product portfolio to include non-regulated products; and
- Improve stock management.

MARKET TRENDS

- Competitive environment with a proliferation of brands and products;
- CAMs legislation puts growth in this category at risk;
- General state of the economic environment suggests consumer spending power continues to be under pressure;
- Increased middle-class has improved income levels which creates opportunities for growth;
- Economic factors are driving lower emerging market consumers to trade down. Pack size and price formats are key growth factors;
- Growth driven by new product formats and a focus on lifestyle disease prevention and treatment; and
- Consumers are becoming more educated with regards to self-medication options.

SUSTAINABILITY

PEOPLE

"Believe in Empowerment of our people, thus encouraging entrepreneurship, innovation and accountability".

The Group's performance is determined by every employee as they are the cornerstone of the business and a critical component to enable the business to execute its strategy and sustainability initiatives. The sustainability of our business is reliant on meeting the following value proposition for employees:

- inspirational leadership;
- competitive remuneration;
- career development and succession opportunities;
- entrepreneurial and innovative culture;
- effective employee relations; and
- a healthy and safe work environment.

Much of the performance of this year has been directly due to the incredible efforts of the staff and the ability of the business to deliver on the above criteria.

Employee headcount

Adcock Ingram's headcount details for 2015 are as follows:

	2015		2014	
TOTAL HEADCOUNT	**4 090**		4 293	
South Africa	**2 374**	**58%**	2 260	53%
India	**1 105**	**27%**	1 330	31%
Ghana	**406**	**10%**	502	12%
Zimbabwe	**176**	**4%**	172	4%
Kenya	**29**	**1%**	29	1%

Further details regarding employees in South Africa:

	2015		2014	
Permanent	**2 141**	**90%**	1 899	84%
Contracts/Temporary	**233**	**10%**	361	16%
TOTAL HEADCOUNT	**2 374**		2 260	

During the year, significant progress was made to convert temporary employees to permanent employment in accordance with the amendments to the Labour Relations Act (section 186).

During the year, 27 employees from a labour broker and 274 temporary workers were converted to permanent employment. Further conversions from temporary employment were done during the new financial year and only a small base of temporary workers will remain. The latter are required to assist with supply demands at peak periods and are remunerated on an hourly basis.

Composition of permanent employees in South Africa:

	2015		2014	
Male	**1 032**	**48%**	920	48%
Female	**1 109**	**52%**	979	52%
Black	**1 810**	**85%**	1 595	86%
White	**331**	**15%**	304	14%

The age profile of permanent employees in South Africa:

	2015	2014
<26 years old	**53**	47
26 – 35 years old	**675**	569
36 – 45 years old	**580**	482
46 – 55 years old	**547**	535
>55 years old	**286**	266

Disabled employees in South Africa:

	2015	2014
Female	**6**	5
Male	**9**	10
	15	15

Employee turnover for the past year was 9.7%.

The number of person days lost due to industrial action was 1 633.

Talent management

The talent management process attempts to recruit, develop and retain the most talented employees. The process aligns human capital with current and future strategic business goals and ever changing market conditions.

Adcock Ingram has managed to mitigate the effects of the war for talent by refining the value proposition discussed above, learning and development interventions, enhancing the incentive framework and instilling a supportive culture. The Human Capital team continually conducts "health check" interviews to determine overall engagement levels and include post placement interviews, stay discussions and exit interviews.

Succession management

Succession management is crucial for the organisation's effectiveness and its sustainability, as it is a means of ensuring that the interventions and plans that are crucial to its operation are sustained beyond the tenure of the individual currently responsible for it.

A succession planning approach focuses on building the pipeline of internal talent through the five-point model of which the following two steps have been completed:

a) Establish strategic direction by identifying the critical positions and talent pool available; and
b) Analyse the talent pool and identify the gaps based on the business requirements.

Employee wellness

INDEPENDENT COUNSELLING AND ADVISORY SERVICES (ICAS)

Adcock Ingram's employee wellness programme is outsourced to ICAS, a specialist in this area.

The aim of the employee wellness programme is to enhance Adcock Ingram's health and wellness strategy, to inform, empower and provide employees with the skills to take ownership of their wellbeing. The wellness programme supports employees with the necessary interventions and self-management tools to better manage their lifestyles and to make informed decisions regarding their health.

ICAS offers access to services via a 24-hour, 365 day-per-year toll-free helpline, SMS or a "please call me" facility. They provide general counselling and consultation (face-to-face and/or telephonic), trauma management services for an individual or a group (including on-site management should the need arise), communication and health promotion information, appropriate referral and managerial services, and family care advice and resources to all employees.

BLOOD SERVICE

Employees in the Midrand offices are offered the opportunity to voluntarily donate blood to the South African National Blood Service (SANBS) and on average, 30 employees donate blood every three months.

HIV/AIDS PROGRAMME

Employees who are infected with the HIV virus can partake in the chronic disease management programme. Currently there are 18 participants in this voluntary support programme.

Learning and development

During the year under review, our commitment to develop our employees continued:

South Africa

Total spend:	R14 million
Training interventions*:	3 441
Employees receiving compliance training:	86% of all staff
Employees receiving skills development training:	14% of permanent staff

**An employee may attend more than one intervention and be counted more than once.*

In managing employee development and growth, we diagnose skills, knowledge and attributes to ensure sustained levels of competence. Depicted below is the talent pipeline and related proportion of expenditure. The talent pipeline is intended to address the transformation needs of our business whilst also providing a consistent supply of skills needed in the healthcare sector.

ABET
Improve the literacy of employees
1% of spend

LEADERSHIP DEVELOPMENT
Business acumen, leadership and strategic direction
1% of spend

GENERIC MANAGEMENT AND SUPERVISORY
Improve management skills
6% of spend

LEARNERSHIPS
Improve and contribute to the supply of skills
20% of spend

INTERNSHIPS, GRADUATE DEVELOPMENT PROGRAMME & APPRENTICESHIP
Talent pool for business sustainability
26% of spend

DEPARTMENTAL AND COMPLIANCE TRAINING
46% of spend

SUSTAINABILITY (CONTINUED)

HEALTH AND SAFETY

FACILITIES

The annual risk control standards grading audits were conducted by Marsh (Pty) Limited at all Adcock Ingram sites, except Ghana, with pleasing results. The scores confirm compliance with the requirements of the Health and Occupational Safety Act. All sites in South Africa and India (Bangalore) scored above 95%, and Zimbabwe (Bulawayo) scored 93%. India and Zimbabwe are rated on the same basic audit principles with appropriate amendments for local legislation.

Shortcomings identified were all minor and were addressed as soon as the grading audit reports were issued.

At the four main sites, a Lost Time Frequency Ratio tracker was compiled consisting of a number of elements of the Grading Audit. These are items that, if not managed correctly, may lead to Lost Time Injuries. Manufacturing facilities in Aeroton, Clayville and Wadeville achieved 100% scores for these items.

The environmental risk control system measures compliance with the administrative requirements of the various acts that apply to the maintenance and preservation of the environment which include water and air management, management of waste, control of emissions and effluent. No environmental legislation contraventions were noted or brought to the attention of management. No environmental risk control audits have been done during the financial year, but will be completed by the end of September 2015.

EMPLOYEES

Following are the statistics for the year 1 July 2014 to 30 June 2015:

	Aeroton	Wadeville	Clayville	Midrand	R&D	Durban*	Port Elizabeth*	Cape Town*	Total
Number of lost time injuries (injuries on duty leading to at least one lost day)	19	2	9	2	–	1	–	–	33
Lost time injury frequency rate	2,18	0,55	1,95	0,32	–	0,85	–	–	0,73

**Warehouse*

No fatalities (injuries on duty leading to death) have occurred during the year, with 68 medical treatment cases (injury on duty leading to medical treatment, but no lost days).

ENVIRONMENT

Protecting the environment is a key consideration for Adcock Ingram. As a responsible citizen and healthcare company, Adcock Ingram is committed to the sustainable management and conservation of the environment. Throughout its operations the Company focuses on providing a quality service that creates a safe and healthy workplace for employees while minimising the potential impact on the environment.

Committed to an independent audit process, key areas of focus are water management, electricity consumption, carbon emissions, and stakeholder education and awareness.

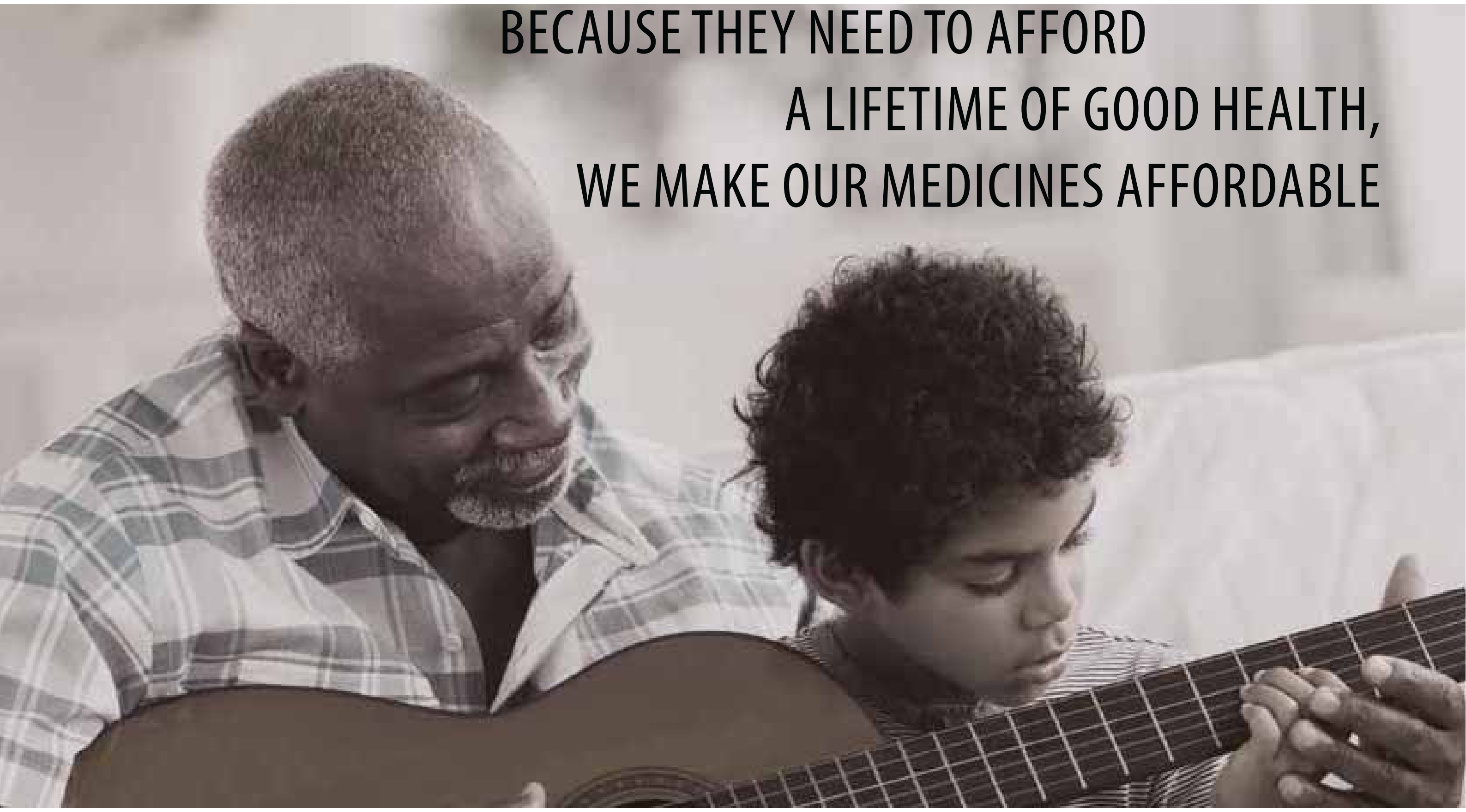
Flagship projects include the geothermal energy management system at the Clayville facility, which moderates incoming air temperatures through the utilisation of an underground water system, cooled by the earth's constant temperature. Water intensive manufacturing processes, especially at the intravenous solutions plant, stimulate attention to the recycling of waste water and the harvesting of rain water. Economic light (LED) sources and building management systems are all part of the efforts to reduce energy consumption.

CARBON FOOTPRINT

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

	Year ended 30 June 2015 Tonnes	9 months ended 30 June 2014 Tonnes
Scope 1		
Equipment owned or controlled	**12 442**	7 622
Air conditioning and refrigeration gas refills	**125**	68
Vehicle fleet	**5 497**	3 386
Scope 2		
Electricity	**51 687**	33 824
Total scope 1 and 2	**69 752**	44 901
Scope 3		
Business travel	**1 272**	1 168
Employee commute	**3 918**	2 653
Transportation and distribution of raw materials and sold goods	**16 893**	13 895
Packaging materials	**20 328**	5 792
Consumption of office paper	**68**	38
Total waste (landfill, recycled and effluent)	**244**	455
Water and wastewater	**581**	516
Total scope 3	**43 303**	24 518
Total scope 1, 2 and 3	**113 055**	69 419
Non-Kyotogas	**2 424**	1 116
Grand total	**115 479**	70 535

For the detailed carbon footprint report, refer to www.adcock.com



TRANSFORMATION

"We are committed to meaningful partnerships with communities to improve the lives of people in the markets we serve."

Broad-Based Black Economic Empowerment (B-BBEE) is a business imperative that aims to realise South Africa's full economic potential. When implemented correctly, B-BBEE supports job creation, global competitiveness and economic growth. It also has the potential to reduce the burden on entrepreneurs and help to create a more skilled workforce. Adcock Ingram's commitment to this philosophy is confirmed in its current level 3 B-BBEE rating as audited by an independent rating agency (Empowerlogic). The verified rating is valid until 8 November 2015. A plan is developed to ensure alignment to the revised B-BBEE codes.

ENTERPRISE DEVELOPMENT

The owner/driver enterprise development project now covers both Healthcare and Critical Care with 19 independent enterprises with a total of 44 vehicles. 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 79% achievement of the target in the year ended 30 June 2015. R1.6 billion of procurement expenditure was included as qualifying expenditure for rating purposes.16% of qualifying expenditure was placed with black-owned business and black women-owned enterprises.

SOCIO-ECONOMIC DEVELOPMENT

As a healthcare company, Adcock Ingram is committed to serve the communities in which it operates, whose members are the users of the medicines we produce.

Adcock Ingram contributed a total amount of R4,7 million during the year to improve the wellbeing of our society. The focus of the support given is largely on healthcare (R4,1 million) with smaller contributions to support orphaned and abandoned children (R0,1 million), and education (R0,5 million).

The Group believes in the sustainability of the projects we choose to support and forms long-term partnerships in some of the key projects. Many of the projects are undertaken in cooperation with national or local government, supporting the overall aims for a healthier population in the country.

As a supplier of anti-retroviral medicines, the reduction of HIV transmission is very close to our hearts. Thus, the 'Safer Traditional Initiation Campaign' being run in the Eastern Cape and inspired by the Honourable Minister of Health, Dr Aaron Motsoaledi, has become the flagship project supported by the Company.

A number of projects have been committed to which seek to support public hospital infrastructure, with further work done at the Leratong hospital's maternity and paediatric wards through the South African Medical and Education (SAME) foundation.

It is a great pleasure to see the smiles returned to the little faces of those whose surgery is funded through the SMILE Foundation at the Red Cross War Memorial Children's Hospital. The contribution to that organisation is one small part of the funds raised which allow the ongoing surgery for those disadvantaged children with palate and facial deformities.

The support of orphaned and disadvantaged children, the support of education, other healthcare initiatives, and the donation of products are all part of 'Adding value to life'.

DRUG MANAGEMENT AND DEVELOPMENT

Responsibilities for the drug management team include research and development, quality assurance, regulatory affairs and medical affairs.

RESEARCH AND DEVELOPMENT

Adcock Ingram's stand-alone Research and Development (R&D) facility is located in Aeroton, Gauteng.

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

MONITORING AND REPORTING OF ADVERSE DRUG REACTIONS (ADRS)

The Group takes the responsibility of marketing medicines very seriously. Pharmacovigilance, the ongoing surveillance of medicines safety data and the appropriate response thereto, is a requirement for any pharmaceutical company. Guided by the regulations of the MCC, Adcock Ingram has a robust system in place to detect, assess, manage and try to prevent adverse drug reactions to the medicines we market.

The MCC requires each company to have appropriate pharmacovigilance systems in place that will provide for the proper management of safety data for its medicines and to ensure that appropriate action can be taken when necessary.

Reports of adverse reactions, however minor they might seem, are actively collected from various stakeholders including customers and healthcare professionals. The Group's systems are set up for ease of collection of relevant reports, recording and evaluation thereof and the reporting to the MCC, as required.

Our pharmacovigilance system matches international standards to ensure the safety of our medicines and that of the patients who use them.

WHISTLE-BLOWING FACILITY

In pursuit of maintaining a commercially sustainable and ethically correct environment, free of criminal behavior, Adcock Ingram has a whistle-blowing facility to encourage employees and other stakeholders to report any suspected misdemeanour, anonymously. Inappropriate, unethical or illegal activity can be reported through the independently operated service, 24 hours per day and 365 days per year. The service is promoted extensively through internal communication tools such as the intranet, posters and screen savers.

All complaints lodged through this service are investigated, appropriate disciplinary action instituted and then reported to the Board through the Social, Ethics and Transformation Committee. During the year four calls were lodged of which three related to human capital issues and one to dishonest conduct. After investigation, all reports were dismissed as unfounded.

SEE SOMETHING. SAY SOMETHING.

Seen incidents of Theft? Bribery? Fraud? Discrimination? Intimidation?

Report any wrongdoing to:
0800 212 762

STAKEHOLDER ENGAGEMENT

Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders.

The Group aims to develop mutually beneficial relationships with its stakeholders, built on a foundation of effective and practical communication strategies, 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.

Following the reorganisation of the business, Adcock Ingram has intensified its involvement with certain stakeholders as the business focus for the past year was all about customers, products and service. A partnership approach, with shared accountability and responsibility through a two-way engagement, was therefore followed with customers, suppliers, employees, regulatory authorities and government, who were identified as priority in relation to the activities and decision-making processes of the business during a period of change. Stakeholders reacted positively to the divisionalisation of the business and embraced the new business philosophy.

Customers

"Focus was directed at customers, as being uppermost in the mind of every employee"

How: Daily interaction with many of the Group's customers through personal visits by sales personnel, managers and executives. Other interactions include continuing professional education; customer surveys; a call centre; advertising; consumer focus groups and education campaigns; the corporate website and social media.

Why: To promote products and educate healthcare professionals on their use and solicit feedback on our products and service; ensure effective product stewardship and obtain feedback on customer, shopper and consumer needs; provide continuing professional education; gain credibility and support for Adcock Ingram's brands and assist in determining how to satisfy consumer needs with innovative product offerings.

Topics: Service delivery and resolution of issues experienced by customers and consumers; product quality and effectiveness; long-term security of supply; and corporate action and how it could impact on our relationship with customers.

Employees

"Accountability from employees is the most valuable attitude shift seen under the new structure"

How: Via the intranet, plasma screens, newsletters, internal staff surveys, magazines, training and development initiatives, site management/shop steward meetings, site forum employment equity meetings, trustee meetings and conferences.

Why: To effectively communicate the Group strategy, performance and developments; negotiate conditions of employment with direct influence on the workplace; discuss, drive and monitor transformation, especially B-BBEE objectives; address skills gap and other operational issues affecting production and employees; motivate staff and influence workplace performance; provide updates on empowerment schemes, and healthcare issues whilst instilling fun in the workplace.

Topics: Benefits; job grading and security; training and development programmes; retention schemes; educational assistance; wellness; and the details of the share schemes.

Regulatory authorities and government

"Better cooperation and partnerships with regulatory authorities and government were established"

How: Regular contact, including personal visits, with regulatory bodies, particularly the MCC; proactive government relations engagement strategy is in place at executive and Board level with key government ministers and officials in various departments; as well as membership of various industry associations.

Why: To ensure that Adcock Ingram continues to comply with the relevant legislation and regulations in an effort to provide South Africans with quality, affordable medicines; maintain a viable and sustainable local pharmaceutical industry; and maintain visibility and enhance identity with the corporate brand.

Topics: Accessibility and affordability of medicines; efficiency of supply; product registrations; investment in South Africa; empowerment and transformation as well as corporate social investment initiatives.

Communities

"The Company strives to create jobs and empower individuals, as well as the communities in which they live through enterprise development"

How: Through corporate social investment programmes and community events and relevant sponsorship thereof.

Why: To gain a better understanding of the needs of the communities the Group operates in; to channel interventions appropriately to improve social and living conditions; to contribute towards healthier societies; to establish new and strengthen existing partnerships with communities; and to forge partnerships with companies that share common objectives to increase the impact on community development.

Topics: Community development programmes; education to better understand the Group's operations and products; and requests for guidance and support (monetary and other) for various other activities.

Multinational partners and licensors

How: Regular reviews via formal and informal engagements.

Why: To ensure that the Group retains a high profile with existing and prospective business partners and ensure partner satisfaction with the service and results delivered.

Topics: Achievement of commercial and partnership goals; and alignment to international best practice standards of promotion and regulatory adherence.

Shareholders and investor community

How: Stock Exchange News Service (SENS); media releases; and face to face meetings.

Why: To keep shareholders and the investment community updated on the Company's financial and operational performance in a transparent way.

Topics: Bidvest acquisition of shares; B-BBEE transaction; delivery of sustainable and market-related returns; impact of the exchange rate on the business; strategy and structure of business; product launches and pipeline; and the impact of regulatory issues on the business.

Suppliers and service providers

"Supplier relationships are critical to the health of the business"

How: Personal contact and regular interaction at executive and management level; and proactive participation in South Africa's B-BBEE programmes and enterprise development.

Why: To ensure uninterrupted service delivery and quality of goods whilst continuing to form new associations and nurture and maintain old relationships. Attention is given to activities such as business development services and value chain improvement. Proactively develop suppliers in alignment with and support of the objectives of South Africa's B-BBEE policy.

Topics: Supplier relationship management and strategic sourcing; sustained demand and long-term relationships.

Media

"Engagement on topical issues affecting the industry and the Company"

How: Reactive media engagement; relationship-building and the distribution of press releases.

Why: To build positive relationships with the media and maintain a positive profile in the media.

Topics: Bidvest shareholding; B-BBEE transaction; and regulatory issues.

Industry groups

"Influence policy development to create a favourable environment for the industry"

How: Membership of and participation in Pharmaceuticals Made in South Africa (PHARMISA); Self Medication Association of South Africa (SMASA); Pharmaceutical Task Group (PTG); and Chemical Industries Education and Training Authority (CHIETA).

Why: To contribute towards an industry viewpoint and response on regulatory issues and health policy.

Topics: Sustainability and viability of the local pharmaceutical industry.

REMUNERATION REPORT

Philosophy and principles

Adcock Ingram aims to attract, retain and motivate employees of the highest calibre, ability, experience and skills by offering competitive market-related remuneration packages, structured to include guaranteed remuneration as well as short-term and longer-term incentives. The ultimate aim is to drive business performance and align the interest of the employees with those of the shareholders. These principles are promoted across all business units to ensure consistent application and fairness and are aligned to the roles and market data which is used in the benchmarking process.

Remuneration policies are based on the principles of "performance-based remuneration" aligned with sound corporate governance principles. Remuneration decisions aim to encourage behaviour consistent with Adcock Ingram's values.

EXECUTIVE REMUNERATION PRINCIPLES

The Remuneration Committee determines the basis on which executive directors and members of the Executive Committee are remunerated. In line with the broad guidelines of executive remuneration set out in King III, the Committee aims to:

- Stimulate performance through an appropriate and competitive balance between fixed and variable remuneration;
- Develop a culture of pay for performance which aligns with sustainable shareholder value;
- Ensure competitive remuneration through the appropriate use of market and industry benchmarks; and
- Drive sustainable business results through short-term and long-term performance–based incentives.

Executive directors and other members of the Executive Committee have standard employment agreements with notice periods ranging from one to three months.

EMPLOYEE TYPES

Permanent employees

Permanent employees receive a total remuneration package which is reviewed and revised annually. Pay increases are determined on the basis of the following criteria:

- Experience and expertise related to position;
- Market benchmarks;
- Company performance;
- CPI (inflation); and
- Affordability.

Bargaining unit employees

49% of employees in South Africa and 84% of employees in Zimbabwe belong to bargaining units. Remuneration is based on annual negotiations between the companies in the Group and the respective unions.

Bargaining units in South Africa were awarded a 7,0% salary increase with effect from 1 July 2015.

Fixed term contract remuneration

Employees on fixed term contracts receive a total remuneration package which value is similar to permanent employees at the same level and job title with the same working hours per month/shift.

In India it is common practice to remunerate individuals on fixed term contracts at the level of 80% of permanent employees' remuneration.

Temporary workers

These individuals are required by certain business units in order to cope with supply demands at peak periods and are remunerated on an hourly basis.

Elements of remuneration

GUARANTEED REMUNERATION

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

Basic salary

To attract and retain talented employees, reflects the scope and nature of the role, provide competitive pay and reward performance.

Management is given discretion to apply increases within a stipulated range to employees dependent on individual performance. Salaries are benchmarked annually.

The average salary increases for 2014/2015 were:

SOUTH AFRICA	
Bargaining unit	7,5% increase on 1 July 2014 and 0,5% increase effective 1 December 2014
All other employees	6,0%, effective 1 December 2014
India	6,2%, effective 1 October 2014
REST OF AFRICA	
Kenya	7%, effective 1 July 2014
Zimbabwe	No increase was granted
Ghana	19,6%, effective 1 October 2014

Provident fund

Provide financial security and dignity to employees and their beneficiaries. The funds also provide death, disability and funeral benefits.

SOUTH AFRICA	
Bargaining unit	Employee contribution varies from 7,0% to 7,5% of basic salary. The Company contribution varies from 10% to 11% of basic salary.
All other employees	Contributions are 18% of retirement funding income, which is set at not less than 75% of the total remuneration package.
India	This is governed by statutory requirements in India. Contributions are currently 12% of basic salary at all levels.
REST OF AFRICA	
Kenya	Company contributions amount to 10% of basic salary. Employees can contribute voluntarily.
Zimbabwe	Company contributions are 15% of basic salary. Employees contribute 7% of basic salary.
Ghana	The Company and the employees each contribute 5% of basic salary. There is also a provision for the statutory pension scheme where employees contribute 5,5% and the Company 13% of basic salary.

Medical aid

To cater for ill-health and hospitalisation.

SOUTH AFRICA	
Bargaining unit	The Company contributes 50% toward the medical aid.
All other employees	Optional, but highly encouraged. The Company offers a range of independent medical aid schemes as choices for employees.
India	Membership is compulsory. Employees are covered under group personal accident and group medi-claim.
REST OF AFRICA	
Kenya	Compulsory contributory medical scheme.
Zimbabwe	Compulsory contributory medical scheme.
Ghana	Employees rely on a statutory scheme (National Health Insurance) which provides cover in government institutions.

13th cheque

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

REMUNERATION REPORT (CONTINUED)

VARIABLE (NON-GUARANTEED) REMUNERATION

Variable compensation is offered to attract and retain exceptional talent and to inculcate a culture of superb performance and achievement of strategic objectives.

Non-guaranteed remuneration consists of the following:

- Sales commission;
- Short-term incentives; and
- Long-term incentives.

SALES COMMISSION	
Qualification	Sales employees.
Objective	Encourage achievement of sales targets.
Methodology	Sales employees are incentivised for achieving sales which are reviewed quarterly to ensure parity with business unit targets.
Progress	Approximately R33 million was paid towards sales incentives during the year.
SHORT-TERM INCENTIVES	
Qualification	Executives, key management and other critical employees in the Group.
Objective	Motivates and rewards achievement of business and individual performance and keeps employees' focus on the defined business imperatives whilst driving performance and retaining key talent.
Methodology	Rewards employees for achieving key performance targets, based on Group and business metrics criteria, as agreed upon at the beginning of each financial year. These predetermined performance targets for the 2015 financial year included: • Return on funds employed; • Trading profit; • Service level agreements; • Order infill rate; and • Expense management.
Progress	During the year under review targets were achieved and approximately R26 million will be paid to 42 qualifying employees in August 2015.
LONG-TERM INCENTIVES	
Qualification	Various share options schemes exist in the Group and have been implemented for specific purposes.
Objective	Drive sustainable longer-term performance; Retention of critical skills by linking performance to long-term value creation; Instil loyalty and ownership by aligning interest of key employees to those of the Group and shareholder interest; Wealth creation; and Reward participants for medium to longer-term company performance.
Methodology	This differs from scheme to scheme as detailed below.
Progress	233 000 additional share options were issued during the year under review.

The Group has the following long-term incentive plans in place:

EQUITY	
Qualification	Executives, key management and other critical employees in the Group.
Number of participants	32
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date.
Expiry	Ten years from the grant date if not exercised.
Performance metrics	Share options offered to the executive directors include performance metrics. Targets are determined by the Board and are reviewed annually.
PHANTOM	
Qualification	Executives, key management and other critical employees in the Group.
Number of participants	58
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date.
Expiry	Six years from the grant date if not exercised.
Performance metrics	No performance metrics are applicable.
TIGER BRANDS BLACK MANAGERS SHARE TRUST	
Qualification	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).
Number of participants	There are currently 212 remaining participants with 622 963 Tiger Brands share allocations, and 213 with 709 963 Adcock Ingram share allocations.
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date but are subject to various lock-in periods.
Expiry	September 2027
Performance metrics	No performance metrics are applicable.
MPHO EA BOPHELO*	
Qualification	In 2011, Adcock Ingram concluded a R1.3 billion BBBEE transaction. All permanent black South African employees were able to participate in the scheme.
Number of participants	2 001 employees of which 206 forfeited their allocations and 230 employees already benefitted.
Vesting	Depending on grant date it could vest between three and five years, subject to a lock-in period of seven years.
Expiry	The scheme seven-year maturity period ends on 31 March 2018.
Performance metrics	No performance metrics are applicable.

* *Refer note 29 Subsequent event.*

REMUNERATION REPORT (CONTINUED)

Remuneration

EXECUTIVE AND KEY MANAGEMENT

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

	12 months 2015 R'000	9 months 2014 R'000
Salary	**7 606**	5 721
Contributions to defined contribution plan	**1 187**	893
Gross remuneration	**8 793**	6 614

In addition to the remuneration disclosed above, the top three earners received retention bonuses to the amount of R2 640 000 during the prior period, the full amount of which was expensed through profit and loss in that period.

Short-term incentives

Based on the current year's performance, the top three earners qualify for short-term incentives in the amount of R2 750 000. Full provision has been made for this in the current year's accounts although payment of this will only be effected during September 2015.

Key management

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

Remuneration

	12 months 2015 R'000	9 months 2014 R'000
Salary	**23 455**	22 364
Contributions to defined contribution plan	**3 689**	3 534
Gross remuneration	**27 144**	25 898

In addition to the remuneration disclosed above, key management received retention bonuses and separation packages in the amount of R8 488 560 and R1 583 145 respectively, during the prior period, the full amount of which was expensed through profit and loss in that period.

Short-term incentives

Based on the current year's performance, key management qualify for short-term incentives in the amount of R8 566 667. Full provision has been made for this amount in the current year although payment will only be effected in September 2015.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Change in Executive Committee composition	Issued during the year	Balance at the end of the year
Equity	17/06/2014	52,20	762 000	(126 000)	–	636 000
	03/11/2014	52,20	–	–	84 000	84 000
			762 000	(126 000)	84 000	720 000
Phantom	01/10/2008	34,78	18 844	(18 844)	–	–
	02/01/2009	33,38	19 628	(19 628)	–	–
	04/01/2010	51,12	111 182	(39 658)	–	71 524
	01/08/2010	51,12	25 430	(25 430)	–	–
	03/01/2011	62,29	185 787	(89 496)	–	96 291
	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	(133 644)	–	159 196
	01/05/2012	60,70	82 373	(39 539)	–	42 834
	01/10/2012	59,56	26 666	–	–	26 666
	02/01/2013	53,52	456 321	(188 882)	–	267 439
	01/05/2013	60,55	79 273	–	–	79 273
			1 367 307	(594 273)	–	773 034

Details of options exercised by key management are as follows:

		Offer date	Offer price R	Weighted average 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	5 745 561

[1] *Amounts shown before taxation.*

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

	12 months 2015 R'000	9 months 2014 R'000
Total	**2 955**	(572)

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

REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION

Executive directors

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

Shareholding and other fees

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

KB Wakeford

Remuneration

	2015 12 months R'000	2014 3 months[1] R'000
Salary	**3 492**	813
Contributions to defined contribution plan	**545**	132
Gross remuneration	**4 037**	945

[1] *Appointed 3 April 2014.*

Short-term incentives

Based on the current year's performance, KB Wakeford qualifies for a short-term incentive in the amount of R2 000 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2015.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued/ forfeited/ exercised during the year	Balance at the end of the year
Equity	17/06/2014	52,20	200 000	–	200 000

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

	12 months 2015 R'000	9 months 2014 R'000
Total	**939**	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.*

AG Hall

Remuneration

	2015 12 months R'000	2014 9 months R'000
Salary	**3 134**	2 236
Contributions to defined contribution plan	**680**	485
Gross remuneration	**3 814**	2 721

In addition to the remuneration disclosed above, AG Hall received a retention bonus in the prior period in the amount of R1 713 650, the full amount of which was expensed through profit or loss in that period.

Short-term incentives

Based on the current year's performance, AG Hall qualifies for a short-term incentive in the amount of R1 750 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2015.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued/ forfeited/ exercised during the year	Balance at the end of the year
Equity	17/06/2014	52,20	175 000	–	175 000
Phantom	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
			403 523	–	403 523

Details of options exercised in the prior period are as follows:

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1]
Phantom	01/10/2008	34,78	57.40	33 572	759 399
	02/01/2009	33,38	57.40	34 980	840 220
				68 552	1 599 619

[1] *Amounts are shown before taxation.*

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

	12 months 2015 R'000	9 months 2014 R'000
Total	**452**	(419)

[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.*

REMUNERATION REPORT (CONTINUED)

JJ Louw

Remuneration

	2014 6 months[1] R'000
Salary	1 868
Contributions to defined contribution plan	340
Gross remuneration	2 208

[1] *Resigned 1 April 2014.*

In addition to the remuneration disclosed above, JJ Louw received compensation in the amount of R5 526 190 in the prior period following his resignation from the Company.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Forfeited during the year	Balance at the end of the year
Phantom	04/01/2010	51,12	44 990	(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)	–
			454 584	(454 584)	–

As part of an arrangement between the Company and JJ Louw, outstanding share options at the end of the prior period were not forfeited immediately, but could be exercised up to 1 October 2014 in a case of change of control. These options were subsequently forfeited in the current year.

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

	9 months 2014 R'000
Total	(3 111)

[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.*

Non-executive directors

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

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

Current annual fees

The following fixed fees are in place and have remained unchanged since 1 February 2012.

Committee	**Chairman R**	**Member R**
Board	973 875	222 823
Audit	211 470	105 735
Risk and Sustainability	211 470	105 735
Human Resources, Remuneration and Nominations	86 814	55 094
Social, Ethics and Transformation	81 472	44 075

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

Remuneration paid

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

	2015 12 months R'000	2014 9 months R'000
Joffe[1]	**974**	336
Haus	**434**	438
Lesoli	**267**	304
Makwana	**410**	360
Mokgokong	**267**	60
Morar	**384**	86
Raphiri	**310**	297
Ralphs[1]	**278**	63
Sacks	**595**	190
Stewart	**540**	522
Mokhele	**–**	497
Schönknecht	**–**	249
Thompson	**–**	295
	4 459	3 697

[1] *Paid to Bidvest Corporate Services (Pty) Limited.*

Shareholdings

The following non-executive directors held shares in the Company:

	June 2015	June 2014
Joffe	**19 200**	19 200
Morar	**1 500**	1 500
Total direct and indirect shareholding	**20 700**	20 700

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 shall retain office only until the next Annual General Meeting 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.

RISK MANAGEMENT

As a pharmaceutical marketing, manufacturing and distribution company, Adcock Ingram is exposed to a range of risks. The Group identifies and manages risk in line with best practices which is core in terms of balancing risk and reward.

Adcock Ingram is committed to effective implementation of the COSO guidelines of enterprise risk management. The Company's Chief Executive Officer is responsible for the management of risk while the Risk and Sustainability Committee is the oversight committee on behalf of the Audit Committee and Board. Three members of the Audit Committee are also members of the Risk and Sustainability Committee.

Executive management is responsible for the day-to-day management of risk. This is monitored through periodic compilation of risk registers which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising, and controls are identified to mitigate risks and prioritise action plans. Registers are presented and discussed at various management levels and forums.

At present, the following major operational and strategic risks facing Adcock Ingram:

MARKET SHARE

The actions of our competitors may erode our market share and potentially jeopardise our growth projections. Robust sales and marketing efforts, customer relationship management, employee skills development and customer service delivery, assist the Company in combatting detrimental competitor actions.

CUSTOMER RELATIONSHIPS

Customers are the cornerstone of sustainable growth. This was a key focus area in 2015 and the relationship foundations laid down are to be reinforced and continuously nurtured.

REGULATORY

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

DIVISIONALISATION

The journey embarked upon to reorganise and divisionalise the business brings about many challenges at each step of the way. Through ongoing efforts of the executive management, specialised and focused skills are consolidated in the appropriate divisions to provide focus on customers, service delivery and products.

HUMAN CAPITAL

Critical skills shortages are a reality in the current economic environment. Attracting and retaining top talent and skilled individuals is intensified by our transformation strategy. Appropriate incentive schemes and investment in skills development of employees are used to provide a sustainable pipeline of talent for the future.

FOREIGN EXCHANGE

Uncontrollable currency volatility and the ongoing Rand weakness impacts the purchase price of active pharmaceutical ingredients (API) and finished goods sourced internationally, putting margins under pressure.

SUPPLY AND COST PRESSURE

There are few suppliers of APIs and finished goods, and many of these supplies are sold in a foreign-denominated currency.

PLANT MECHANISATION

Stock levels and order infill rates may be severally tested in the event of a critical plant breakdown. A robust maintenance plan, dual site manufacturing as well as mechanisation upgrades mitigate this risk.

INTERRUPTIONS OF RESOURCE SUPPLY BY UTILITY PROVIDERS

The interruption of supply of water and electricity poses the threat of suspending production and compromising order infill rates. Back-up power supply as well as on-site water storage facilities allow for continuous production during extended periods of interruption.

OCCUPATIONAL HEALTH AND SAFETY RISKS

Employees are key to the performance of the group. The risk of occupational injury is mitigated through:

- Ongoing assessments (through audit);
- Continuous improvement of safety practises in the work place;
- Stringent policies and procedures aligned to best practise; and
- Robust training and awareness programmes.

INFORMATION TECHNOLOGY INFRASTRUCTURE UPGRADES

Through the use of best practise project management methodology as well as highly skilled human resources, implementation of new and improved information technology infrastructure is successfully achieved.

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for the year ended 30 June 2015

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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 year and the profit for the year then ended.

The directors of Adcock Ingram Holdings Limited are responsible for the integrity of the annual financial statements of the Company and consolidated subsidiaries, joint ventures, 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 of directors. The code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business.

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

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

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 year ended 30 June 2015, 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 of directors on 25 August 2015 and signed on its behalf by:

Kevin Wakeford

B Joffe
Chairman

KB Wakeford
Chief Executive Officer

AG Hall
Deputy Chief Executive and Financial Director

25 August 2015

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

25 August 2015

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

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 2015, the consolidated and separate statements of comprehensive income, statement of changes in equity and statements of cash flows for the year 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 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year 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 year ended 30 June 2015, 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)

25 August 2015

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 year ended 30 June 2015. It is prepared in accordance with the recommendations of King III and the requirements of the South African Companies Act, No 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. Information relating to the membership and composition of the Committee, its terms of reference and procedures is detailed in the Corporate Governance report on page 11.

The executive directors and representatives of both the internal and external auditors are invited to attend Committee meetings. Delegates of each attended all 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. A formal evaluation of the Committee was carried out by the Board and the Board is satisfied that the Committee has fulfilled all its statutory duties, including those duties assigned by the Board during the year under review, as further detailed below.

EXTERNAL AUDIT

The Committee nominated Ernst & 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-approves 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. Based on the extent of the audit work carried out on such internal controls by both the internal and external auditors, nothing was brought to the Committee's attention which would suggest a material break down of any internal control system. 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 the internal audit function and concluded that it was satisfied with their performance 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 year 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 year under review.

MI Sacks
Chairman

25 August 2015

DIRECTORS' REPORT

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 30 June 2015 which are set out from page 52.

Change in year-end

The Group implemented substantive changes to its internal structures and processes during the prior and current period in order to create more defined 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 structural 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 was changed from September to June during the prior year.

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 through 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.

Business combinations

No material acquisitions or disposals were concluded in the current year or prior period under review.

Share capital

Details of the authorised and issued share capital are set out in note 17 to the annual financial statements and in the statement of changes in equity.

During the year under review the number of shares in issue increased by 101 600 (2014: 461 000) ordinary shares to meet the obligations of the Adcock Ingram Holdings Employee Share Trust (2008).

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 2015	30 June 2014
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust	**688 000**	688 000
Blue Falcon Trading 69 (Pty) Limited	**1 883 000**	1 883 000

Dividends to shareholders

POLICY

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

INTERIM AND FINAL

No interim dividend was declared in relation to the six-month period ended 31 December 2014. A final dividend of 81 cents per share was declared following the results of the year ended 30 June 2015.

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

Shareholders

Please refer to the Shareholder analysis on pages 126 and 127 of the Integrated Report.

Event after 30 June 2015

On 10 July 2015, shareholders approved the following resolutions at a general meeting:

- the release of the dividend acquired ordinary shares held by Blue Falcon Trading 69 (Pty) Limited and the Mpho ea Bophelo Trust;
- the repurchase at a nominal value and the cancellation of the A ordinary and B ordinary shares in their entirety; and the cancellation of the existing BEE scheme.

At a scheme meeting on 10 July 2015, shareholders approved the following resolution:

- the implementation of a new BEE scheme.

Following the release of the restrictions contained in the existing BEE transaction over the dividend acquired ordinary shares, The Bidvest Group Limited agreed to acquire in aggregate 2 571 000 Adcock Ingram dividend acquired ordinary shares at R52,00 per share, from Blue Falcon Trading 69 (Pty) Limited and Mpho ea Bophelo Trust.

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 2015, 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 certain directors' responsibilities are detailed on page 10.

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 (2014: 20 700) ordinary shares in the Company. There has been no change in the holdings since the end of the financial year and up to the date of approval of the integrated report. Details of the direct directors' shareholdings are reflected below.

	Number of shares 2015	Number of shares 2014
Director		
B Joffe	**19 200**	19 200
R Morar	**1 500**	1 500

Special resolutions

The following special resolutions were passed on 21 November 2014 at the Company's annual general meeting:

Resolution number 1

Subject to compliance with the provisions of the Companies Act and the Company's Memorandum of Incorporation, the provision by the Company, at any 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 deem fit.

Resolution number 2

Remuneration payable to non-executive directors for their services as directors for the period 1 December 2014 to 30 November 2015.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	12 months June 2015 R'000	9 months June 2014 R'000
Revenue	2	**5 558 926**	3 640 780
Turnover	2	**5 528 369**	3 615 287
Cost of sales		**(3 446 714)**	(2 475 723)
Gross profit		**2 081 655**	1 139 564
Selling, distribution and marketing expenses		**(1 115 231)**	(727 671)
Drug management and regulatory expenses		**(119 288)**	(81 096)
Fixed and administrative expenses		**(396 153)**	(337 887)
Trading profit/(loss)	5	**450 983**	(7 090)
Non-trading expenses	3	**(106 325)**	(967 645)
Operating profit/(loss)		**344 658**	(974 735)
Finance income	4.1	**19 887**	18 987
Finance costs	4.2	**(100 983)**	(98 620)
Dividend income	2	**10 670**	6 506
Equity-accounted earnings		**65 608**	31 895
Profit/(Loss) before taxation		**339 840**	(1 015 967)
Taxation	6	**(141 031)**	53 811
Profit/(Loss) for the year/period		**198 809**	(962 156)
Other comprehensive income which will subsequently be recycled to profit or loss		**61 722**	51 792
Exchange differences on translation of foreign operations		**61 242**	52 967
Fair value gain on available-for-sale asset, net of tax	19	**403**	350
Movement in cash flow hedge accounting reserve, net of tax	19	**77**	(1 525)
Other comprehensive income which will not be recycled to profit or loss subsequently			
Actuarial loss on post-retirement medical liability	19	**(442)**	(6 880)
Total comprehensive income for the year/period, net of tax		**260 089**	(917 244)
Profit/(Loss) attributable to:			
Owners of the parent		**197 932**	(965 343)
Non-controlling interests		**877**	3 187
		198 809	(962 156)
Total comprehensive income attributable to:			
Owners of the parent		**260 419**	(914 826)
Non-controlling interests		**(330)**	(2 418)
		260 089	(917 244)
Basic earnings/(loss) per ordinary share (cents)	7	**117,2**	(572,3)
Diluted basic earnings/(loss) per ordinary share (cents)	7	**117,2**	(571,9)
Headline earnings/(loss) per ordinary share (cents)	7	**160,1**	(179,5)
Diluted headline earnings/(loss) per ordinary share (cents)	7	**160,1**	(179,3)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to holders of the parent							
	Notes	Issued share capital R'000	Share premium R'000	Non-distri-butable reserves R'000	Retained income R'000	Total attributable to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
As at 1 October 2013		16 832	504 064	364 996	2 750 097	3 635 989	127 917	3 763 906
Share issue	17.2, 18	46	6 856			6 902		6 902
Movement in share-based payment reserve	19			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				50 517	(965 343)	(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	426 415	1 784 688	2 738 901	118 578	2 857 479
Share issue	17.2, 18	**10**	**2 018**			**2 028**		**2 028**
Movement in share-based payment reserve	19			**16 098**		**16 098**		**16 098**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2				**(31)**	**(31)**	**(101)**	**(132)**
Total comprehensive income				**62 487**	**197 932**	**260 419**	**(330)**	**260 089**
Profit for the year					**197 932**	**197 932**	**877**	**198 809**
Other comprehensive income				**62 487**		**62 487**	**(1 207)**	**61 280**
Disposal of non-controlling interest in Bioswiss (Pty) Limited	1.1					**–**	**(14 101)**	**(14 101)**
Dividends	8				**–**	**–**	**(4 537)**	**(4 537)**
Balance at 30 June 2015		**16 888**	**512 938**	**505 000**	**1 982 589**	**3 017 415**	**99 509**	**3 116 924**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	June 2015 R'000	June 2014 R'000
ASSETS			
Property, plant and equipment	9	**1 490 828**	1 554 420
Intangible assets	10	**743 156**	836 178
Deferred tax	11	**12 091**	7 959
Other financial assets	12	**91 106**	138 955
Investment in joint ventures	13	**279 135**	202 237
Non-current assets		**2 616 316**	2 739 749
Inventories	14	**1 207 581**	1 106 261
Trade and other receivables	15	**1 408 728**	1 235 674
Cash and cash equivalents	16	**147 379**	247 852
Taxation receivable	25.4	**77 948**	76 306
Current assets		**2 841 636**	2 666 093
Total assets		**5 457 952**	5 405 842
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	17	**16 888**	16 878
Share premium	18	**512 938**	510 920
Non-distributable reserves	19	**505 000**	426 415
Retained income		**1 982 589**	1 784 688
Total shareholders' funds		**3 017 415**	2 738 901
Non-controlling interests		**99 509**	118 578
Total equity		**3 116 924**	2 857 479
Long-term borrowings	20	**513 753**	1 004 861
Post-retirement medical liability	21	**22 796**	22 034
Deferred tax	11	**81 854**	21 047
Non-current liabilities		**618 403**	1 047 942
Trade and other payables	22	**1 328 431**	1 115 563
Bank overdraft	16	**304 210**	319 613
Short-term borrowings	20	**13 273**	5 132
Cash-settled options	23	**6 519**	14 782
Provisions	24	**70 192**	45 331
Current liabilities		**1 722 625**	1 500 421
Total equity and liabilities		**5 457 952**	5 405 842

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	**12 months June 2015 R'000**	9 months June 2014 R'000
Cash flows from operating activities			
Operating profit before working capital changes	25.1	**724 550**	190 540
Working capital changes	25.2	**(126 423)**	227 561
Cash generated from operations		**598 127**	418 101
Finance income, excluding receivable		**14 409**	17 287
Finance costs, excluding accrual		**(103 871)**	(101 480)
Dividend income		**10 670**	20 504
Dividends paid	25.3	**(4 537)**	(6 746)
Taxation paid	25.4	**(87 312)**	(36 869)
Net cash inflow from operating activities		**427 486**	310 797
Cash flows from investing activities			
Decrease in other financial assets	25.6	**37 962**	–
Disposal of business	25.5	**(2 663)**	–
* Purchase of property, plant and equipment – Expansion		**(23 560)**	(12 278)
– Replacement		**(56 304)**	(83 187)
Proceeds on disposal of property, plant and equipment		**2 243**	54
Net cash outflow from investing activities		**(42 322)**	(95 411)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		**(132)**	(241)
Proceeds from issue of share capital		**2 028**	6 902
Increase in borrowings		**23 915**	1 004 635
Repayment of borrowings		**(506 031)**	(100 000)
Net cash (outflow)/inflow from financing activities		**(480 220)**	911 296
Net (decrease)/increase in cash and cash equivalents		**(95 056)**	1 126 682
Net foreign exchange difference on cash and cash equivalents		**9 986**	11 958
Cash and cash equivalents at beginning of year/period		**(71 761)**	(1 210 401)
Cash and cash equivalents at end of year/period	16	**(156 831)**	(71 761)

* *The prior period includes R0,4 million of interest capitalised in accordance with IAS 23.*

ACCOUNTING POLICY ELECTIONS

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 was changed from September to June during the prior period. 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 year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 25 August 2015. 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 period, except where the Group has adopted the following new and amended IFRS and IFRIC interpretations during the year none of which had any effect on the financial performance or position of the Group.

IAS 19 *Defined benefit plans: Employee contributions*

IAS 32 *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities*

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. Disposal of business and acquisition of additional interests in Ayrton

1.1 DISPOSAL OF BUSINESS

On 11 May 2015, the group disposed of its 51% holding in Bioswiss Proprietary Limited (Bioswiss). Refer to note 25.5 for cash flow on disposal.

1.2 ACQUISITION OF ADDITIONAL INTEREST IN AYRTON

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

Following the initial transaction, Adcock Ingram International (Pty) Limited acquired the following additional shares in Ayrton:

	% shares	Cash consideration paid to non-controlling shareholders R'000	Carrying value R'000	Recognised in retained earnings within equity R'000
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
2015	0,11	132	101	31
Total	78,57	55 747	48 341	7 406

	12 months June 2015 R'000	9 months June 2014 R'000
2. Revenue		
Turnover	**5 528 369**	3 615 287
Finance income	**19 887**	18 987
Dividend income – Black Managers Share Trust	**10 670**	6 506
	5 558 926	3 640 780
3. Non-trading expenses/(income)		
Impairments*	**79 783**	843 364
– Intangible assets	**74 432**	601 789
– Inventories	**(8 375)**	130 966
– Property, plant and equipment	**7 390**	69 243
– Long-term receivable and non-financial asset	**6 336**	41 366
Transaction costs	**13 678**	91 000
Retrenchment costs and separation package	**770**	16 505
Share-based payment expenses	**15 081**	10 016
– Cash-settled	**(7 092)**	(3 973)
– Equity-settled	**7 071**	326
– Black Managers Share Trust – equity-settled	**745**	1 267
– Black Managers Share Trust – cash-settled	**4 840**	2 313
– Mpho ea Bophelo Trust – equity-settled	**9 517**	10 083
Scrapping of property, plant and equipment	**2 241**	5 561
Lease cancellation expenses	**816**	1 199
Profit on disposal of business	**(8 260)**	–
Write-off of India rental deposit	**2 216**	–
	106 325	967 645

* *Refer Annexure G.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

		12 months June 2015 R'000	9 months June 2014 R'000
4.	**Finance income and finance costs**		
4.1	**FINANCE INCOME**		
	Bank	**15 785**	18 559
	Receiver of revenue	**3 673**	16
	Other	**429**	412
		19 887	18 987
4.2	**FINANCE COSTS**		
	Bank	**26 278**	55 499
	Borrowings	**72 672**	40 708
	Commitment fees	**1 350**	289
	Finance leases	**76**	96
	Receiver of revenue	**506**	1 998
	Other	**101**	30
		100 983	98 620
5.	**Trading profit/(loss)**		
5.1	**TRADING PROFIT/(LOSS) HAS BEEN ARRIVED AT AFTER CHARGING/ (CREDITING) THE FOLLOWING EXPENSES/(INCOME):**		
	External auditors' remuneration		
	– Audit fees current year	**8 310**	9 239
	– Audit fees overprovision prior year	**(528)**	(890)
	– Taxation services	**252**	44
	– Other services	**893**	2 168
	Internal auditors' remuneration	**298**	701
	Depreciation		
	– Freehold land and buildings	**18 701**	14 675
	– Leasehold improvements	**9 662**	7 473
	– Plant, equipment and vehicles	**69 822**	63 473
	– Computers	**30 134**	16 683
	– Furniture and fittings	**7 407**	5 032
	Amortisation of intangible assets	**60 372**	49 782
	Inventories written off	**97 800**	93 170
	Royalties paid	**33 451**	19 459
	Operating lease charges		
	– Equipment	**1 791**	825
	– Property	**40 600**	31 139
	Foreign exchange loss	**5 487**	10 473
	Fees paid to related parties (refer to note 28)	**38 310**	18 014
	Bad debts written off in Ghana	**1 748**	–
	(Profit)/Loss on disposal of property, plant and equipment	**(1 750)**	1 447
5.2	**TOTAL STAFF COST***	**992 847**	704 569
	Included in cost of sales	**352 046**	224 629
	Salaries and wages	**308 164**	199 884
	Employers' contribution to:	**43 882**	24 745
	Medical	**14 773**	8 197
	Retirement	**29 109**	16 548
	Included in operating expenses	**640 801**	479 940
	Salaries and wages	**567 637**	423 934
	Employers' contribution to:	**73 164**	56 006
	Medical	**15 269**	11 518
	Retirement	**57 895**	44 488

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

		12 months June 2015 R'000	9 months June 2014 R'000
5.3	**DIRECTORS' EMOLUMENTS**		
	Executive directors	**11 601**	14 393
	Non-executive directors	**4 459**	3 697
	Total	**16 060**	18 090
	For more details, please refer to pages 40 to 43.		
5.4	**KEY MANAGEMENT**		
	Salaries and bonuses	**32 022**	35 270
	Retirement, medical and other benefits	**3 689**	3 534
	Total	**35 711**	38 804
	Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 38 and 39.		

6. Taxation

	12 months June 2015 R'000	9 months June 2014 R'000
South African taxation		
Current income tax		
– current year	**79 722**	42 506
– prior year under provision	**5 945**	4 474
Deferred tax		
– current year	**17 680**	(100 083)
– prior year over provision	**(3 068)**	(1 927)
– utilisation of tax loss	**43 522**	3 903
	143 801	(51 127)
Foreign taxation		
Current income tax		
– current year	**–**	(286)
– prior year underprovision	**–**	585
Deferred tax		
– current year	**(2 770)**	(2 983)
	(2 770)	(2 684)
Total tax charge	**141 031**	(53 811)

In addition to the above, deferred tax amounting to R0,1 million has been released from other comprehensive income (2014: charge of R0,5 million). Refer note 19.

	%	%
Reconciliation of the taxation rate:		
Effective rate	**41,5**	5,3
Adjusted for:		
Exempt income	**2,1**	–
Non-realisation of deferred tax	**(6,3)**	0,1
Non-deductible expenses	**(13,9)**	20,9
Prior year under provision	**(0,9)**	0,3
Equity accounted earnings	**5,4**	0,9
Other	**0,1**	0,5
South African normal tax rate	**28,0**	28,0

The Group has tax losses of R207,1 million (2014: R81,8 million) for offsetting against future taxable profits of the companies in which the losses arose:

	R'000	Expiry
Ghana	15 583	Between two and five years
India	56 008	Between five and eight years
South Africa	135 477	Indefinite
	207 068	

	12 months June 2015 R'000	9 months June 2014 R'000
7. Earnings per share		
Headline earnings/(loss) is determined as follows:		
Earnings/(Loss) attributable to owners of Adcock Ingram	**197 932**	(965 343)
Adjusted for:		
Impairment of property, plant and equipment	**7 390**	69 243
Share of non-controlling interest in the impairment of property, plant and equipment	**(1 819)**	–
Impairment of intangible assets	**74 432**	601 789
Tax effect on impairment of intangible assets	**–**	(15 823)
Loss on disposal/scrapping of property, plant and equipment	**491**	7 008
Tax effect on (profit)/loss on disposal of property, plant and equipment	**(227)**	405
Profit on disposal of business (note 1.1)	**(8 260)**	–
Adjustments relating to equity accounted joint ventures:		
Loss on disposal of property, plant and equipment	**56**	–
Tax effect on loss on disposal of property, plant and equipment	**(23)**	–
Loss on disposal of long-term receivable	**328**	–
Tax effect on loss on disposal of long-term receivable	**51**	–
Headline earnings/(loss)	**270 351**	(302 721)
	Number of shares	
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year/period	**175 644 748**	175 183 748
– Effect of ordinary shares issued during the year/period	**45 744**	351 456
– Effect of ordinary treasury shares held within the Group	**(6 856 163)**	(6 856 163)
Weighted average number of ordinary shares outstanding	**168 834 329**	168 679 041
Potential dilutive effect of outstanding share options	**6 700**	109 433
Diluted weighted average number of net shares outstanding	**168 841 029**	168 788 474

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

Diluted earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year/period by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur after taking into account all of the Group's outstanding options which are potentially excercisable 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 year/period, after appropriate adjustments are made, by the weighted average number of shares in issue.

	12 months June 2015 cents	9 months June 2014 cents
Earnings/(Loss)		
Basic earnings/(loss) per share	**117,2**	(572,3)
Diluted basic earnings/(loss) per share	**117,2**	(571,9)
Headline earnings		
Headline earnings/(loss) per share	**160,1**	(179,5)
Diluted headline earnings/(loss) per share	**160,1**	(179,3)
Distribution per share		
Final[1]	**81,0**	–

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

		12 months June 2015 R'000	9 months June 2014 R'000
8.	**Distributions paid and proposed**		
8.1	**DECLARED AND PAID DURING THE YEAR/PERIOD**		
	Dividends paid to non-controlling shareholders	**4 537**	6 746
	Total dividend declared and paid to the public	**4 537**	6 746
8.2	**PROPOSED SUBSEQUENT TO 30 JUNE 2015**		
	Distribution on ordinary shares		
	Final dividend for 2015: 81 cents per share	**117 947**	

9. Property, plant and equipment

	Freehold land and buildings R'000	Leasehold improve-ments 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 2015							
Carrying value at beginning of year							
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 beginning of year	772 785	61 310	591 006	45 819	17 974	65 526	1 554 420
Current year movements – cost							
Additions	231	–	29 527	18 841	4 766	26 499	79 864
Transfer	36 886	1 188	2 582	4 640	12 591	(57 887)	–
Impairments[1]	–	–	(3 542)	(645)	(3 203)	–	(7 390)
Exchange rate adjustments	1 401	292	1 002	947	430	–	4 072
Disposal of business (note 1.1)	–	–	(6)	(229)	(14)	–	(249)
Disposals	–	(4 169)	(11 988)	(379)	(637)	–	(17 173)
Cost movement for current year	38 518	(2 689)	17 575	23 175	13 933	(31 388)	59 124
Current year movements – accumulated depreciation							
Depreciation	(18 701)	(9 662)	(69 822)	(30 134)	(7 407)	–	(135 726)
Exchange rate adjustments	(346)	(86)	(309)	(569)	(230)	–	(1 540)
Disposal of business (note 1.1)	–	–	3	103	5	–	111
Disposals	–	2 401	11 547	340	151	–	14 439
Accumulated depreciation movement for current year	(19 047)	(7 347)	(58 581)	(30 260)	(7 481)	–	(122 716)
Carrying value at end of year							
Cost	885 616	99 728	889 869	195 942	52 630	34 138	2 157 923
Accumulated depreciation	(93 360)	(48 454)	(339 869)	(157 208)	(28 204)	–	(667 095)
Net book value at end of year	792 256	51 274	550 000	38 734	24 426	34 138	1 490 828

[1] *Refer to Annexure G on impairments.*

Property, plant and equipment with a carrying value of R35,6 million in Zimbabwe and R17,1 million in Ghana have been pledged as security for the bank overdraft of the Zimbabwean operation and the bank overdraft and short-term borrowings of the Ghanaian operation. Refer notes 16 and 20.

9. Property, plant and equipment (continued)

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
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.*

[(2)] *Refer Annexure G Impairments.*

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 2015					
Carrying value at beginning of year					
Cost	**12 580**	**712 861**	**254 754**	**1 605**	**981 800**
Accumulated amortisation	**–**	**(93 792)**	**(50 225)**	**(1 605)**	**(145 622)**
Net balance at beginning of year	**12 580**	**619 069**	**204 529**	**–**	**836 178**
Current year movements – cost					
Disposal of business (note 1.1)	**–**	**–**	**(226)**	**–**	**(226)**
Impairment[1]	**–**	**–**	**(74 432)**	**–**	**(74 432)**
Exchange rate adjustments	**–**	**43 791**	**9 044**	**–**	**52 835**
Cost movement for the year	**–**	**43 791**	**(65 614)**	**–**	**(21 823)**
Current year movements – accumulated amortisation					
Charge for the year	**–**	**(43 654)**	**(16 718)**	**–**	**(60 372)**
Exchange rate adjustments	**–**	**(8 107)**	**(2 720)**	**–**	**(10 827)**
Accumulated amortisation movement for the year	**–**	**(51 761)**	**(19 438)**	**–**	**(71 199)**
Carrying value at end of year					
Cost	**12 580**	**756 652**	**189 140**	**1 605**	**959 977**
Accumulated amortisation	**–**	**(145 553)**	**(69 663)**	**(1 605)**	**(216 821)**
Net balance at end of year	**12 580**	**611 099**	**119 477**	**–**	**743 156**
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

[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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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.

	Carrying amount of goodwill		Carrying amount of other intangibles						Total	
			Indefinite useful lives		Finite useful lives		Total			
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
OTC	**–**	–	**78 807**	78 807	**7 110**	7 736	**85 917**	86 543	**85 917**	86 543
Consumer	**–**	–	**–**	–	**93 684**	102 870	**93 684**	102 870	**93 684**	102 870
Prescription	**–**	–	**93 741**	93 741	**–**	226	**93 741**	93 967	**93 741**	93 967
Hospital	**12 580**	12 580	**–**	–	**–**	–	**–**	–	**12 580**	12 580
Southern Africa	**12 580**	12 580	**172 548**	172 548	**100 794**	110 832	**273 342**	283 380	**285 922**	295 960
India and Rest of Africa	**–**	–	**2 347**	2 347	**454 887**	537 871	**457 234**	540 218	**457 234**	540 218
Total	**12 580**	12 580	**174 895**	174 895	**555 681**	648 703	**730 576**	823 598	**743 156**	836 178

IMPAIRMENT TESTING OF OTHER INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between two and 14 years.

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

The pre-tax discount rate applied to cash flow projections, before adjusting for risk, is 19,2% (2014: 16,5%) for intangible assets relating to the Cosme acquisition, included in India, and 9,8% (2014: 11,9%) for the remainder of the intangible assets. The cash flows beyond the 10-year period are extrapolated using a 5,0% (2014: 8,5%) for Cosme and 5,0% long-term growth rate (2014: 5,0%) for the remainder of the intangible assets.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value in use for all segments is sensitive to the following assumptions:

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

Gross margin
Gross margins are based on average values 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 10-year government bond at the beginning of the budgeted period.

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

	June 2015 R'000	June 2014 R'000
11. Deferred tax		
Balance at beginning of year/period	**(13 088)**	(113 735)
Change in tax rate of Trusts	**33**	–
Disposal of business (note 1.1)	**(424)**	–
Movement through profit or loss	**(55 364)**	101 090
Exchange rate adjustments	**(798)**	(956)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(29)**	593
Revaluation of available-for-sale asset to fair value	**(93)**	(80)
Balance at end of year/period	**(69 763)**	(13 088)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(23 960)**	(29 294)
Property, plant and equipment	**(137 325)**	(114 778)
Pre-payments	**(5 587)**	(1 930)
Income received in advance	**3 446**	2 840
Provisions	**56 412**	68 900
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**1 449**	1 478
Tax loss available for future use	**34 750**	62 693
Other	**1 052**	(2 997)
	(69 763)	(13 088)
Disclosed as follows:		
Deferred tax asset	**12 091**	7 959
Deferred tax liability	**(81 854)**	(21 047)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

		June 2015 R'000	June 2014 R'000
12.	**Other financial assets**		
12.1	**LONG-TERM RECEIVABLE (AT AMORTISED COST)**		
	Black Managers Share Trust (BMT)		
	Balance at beginning of year/period	**136 191**	137 312
	Proceeds from sale	**(41 664)**	–
	Impairment (Refer Annexure G)	**(6 336)**	(1 121)
		88 191	136 191
	The maturity of the receivable from the BMT depends on how beneficiaries exercise their options until 30 September 2024 when the scheme is due to end or when a beneficiary dies. The proceeds on sale during the current year is as a result of the capital contribution payments upon units being excercised after the lock-in period (R41,1 million) and a payment upon the disposal of a deceased employee's shares (R0,6 million). The impairment charge was as a result of the cost of the capital contribution exceeding the terminal amount (original capital contribution, increased by a notional return on the capital contribution and reduced by dividends on-distributed to the beneficiaries). Refer to Annexure B for further details.		
12.2	**INVESTMENT**		
	Group Risk Holdings Proprietary Limited		
	Balance at beginning of year/period	**2 764**	2 334
	Disposal of shares	**(345)**	–
	Revaluation of investment through other comprehensive income	**496**	430
		2 915	2 764
		91 106	138 955
13.	**Investment in joint ventures**		
	The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's interest in Adcock Ingram Limited (India) and National Renal Care Proprietary Limited is accounted for using the equity method in the consolidated financial statements and the carrying value of the investment is set out below.		
	Adcock Ingram Limited (India)	**171 787**	120 642
	National Renal Care Proprietary Limited	**107 348**	81 595
		279 135	202 237
	Refer to Annexure F for further details.		
14.	**Inventories**		
	Raw materials	**351 849**	296 944
	Work-in-progress	**33 265**	31 449
	Finished goods	**822 467**	777 868
	Inventory value, net of provisions	**1 207 581**	1 106 261
	Inventories written down/(reversed) and recognised as an expense/(income) in profit or loss:		
	Cost of sales	**97 800**	93 170
	Non-trading expenses	**(8 375)**	130 966
		89 425	224 136

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 2015 R'000	June 2014 R'000
15. Trade and other receivables		
Trade receivables	**1 259 457**	1 104 453
Less: Provision for credit notes	**(21 195)**	(8 835)
Provision for impairment	**(14 255)**	(8 192)
	1 224 007	1 087 426
Derivative asset at fair value[(1)]	**294**	–
Other receivables	**75 585**	74 424
Bank interest receivable[(2)]	**10 785**	5 307
Sundry receivables	**64 800**	69 117
The maximum exposure to credit risk in relation to trade and other receivables	**1 299 886**	1 161 850
Pre-payments	**58 785**	58 234
VAT recoverable[(2)]	**50 057**	15 590
	1 408 728	1 235 674

[(1)] *It is expected that the derivative asset will be realised within the next 90 days.*
[(2)] *VAT recoverable and bank interest receivable will be received within one month.*

59% (2014: 62%) of pre-payments will be recycled to other assets in the statement of financial position and the balance to profit or loss over the next 12 months.

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

	Individually impaired R'000	Credit notes R'000	Total R'000
Balance at 1 October 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)
Charge for the year	**(10 215)**	**(27 140)**	**(37 355)**
Utilised during the year	**1 748**	**14 780**	**16 528**
Unused amounts reversed	**2 404**	**–**	**2 404**
At 30 June 2015	**(14 255)**	**(21 195)**	**(35 450)**

Trade receivables of R1,7 million were written off in Ghana during the current year with none impaired in the previous period. Trade debtors are impaired when the event of recoverability is highly unlikely.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

		June 2015 R'000	June 2014 R'000
15.	**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	**654 479**	596 087
	31 – 60 days	**425 452**	364 414
	61 – 90 days	**84 291**	56 621
	Past due after impairments		
	91 – 180 days	**52 557**	63 745
	>180 days	**7 228**	6 559
	Total	**1 224 007**	1 087 426
	Sundry receivables		
	Neither past due nor impaired		
	<30 days	**38 912**	45 652
	31 – 60 days	**13 492**	9 030
	61 – 90 days	**4 373**	782
	>90 days	**8 023**	13 653
	Total	**64 800**	69 117
	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.		
16.	**Cash and cash equivalents**		
	Cash at banks	**147 379**	247 852
	Bank overdraft	**(304 210)**	(319 613)
		(156 831)	(71 761)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances in South Africa incur interest at rates varying between 6,75% and 7,00%.

The fair value of the net bank overdraft approximates R156,8 million (2014: R71,8 million).

Apart from R56,5 million which is held in Escrow in India, there are no other restrictions over the cash balances and all other balances are available for use.

Property, plant and equipment in Datlabs and Ghana have been pledged as security for the bank overdrafts of R13,7 million and R11,0 million respectively. Refer note 9.

	June 2015 R'000	June 2014 R'000
17. Share capital		
17.1 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
17.2 ISSUED		
Ordinary share capital		
Opening balance of 168 788 585 ordinary shares (2014: 168 327 585) of 10 cents each	**16 878**	16 832
Issue of 96 600 ordinary shares (2014: 461 000) of 10 cents each	**10**	46
	16 888	16 878

96 600 (2014: 461 000) ordinary shares were issued in various tranches during the year/period to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

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.

Refer note 29 Subsequent event.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

		Number of shares June 2015	Number of shares June 2014
17.	**Share capital (continued)**		
17.3	**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

Treasury shares

As required by IFRS, both Blue Falcon Trading 69 Proprietary 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.

		June 2015	June 2014
17.4	**RECONCILIATION OF ISSUED SHARES**		
	Number of shares in issue	**201 685 609**	201 589 009
	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	**168 885 185**	168 788 585

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.

		R'000	R'000
18.	**Share premium**		
	Balance at the beginning of the year/period	**510 920**	504 064
	Issue of 96 600 ordinary shares (2014: 461 000)	**2 018**	6 856
		512 938	510 920

19. 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 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
Movement during the year, net of tax	**16 098**	**77**	**–**	**62 449**	**(39)**	**78 585**
Movement for the year	**17 333**	**106**	**–**	**62 449**	**496**	**80 384**
Tax effect of net movement on cash flow hedge and investment		**(29)**	**–**	**–**	**(93)**	**(122)**
Accelerated Mpho ea Bophelo Trust payment	**(1 235)**					**(1 235)**
Actuarial loss on post-retirement medical liability					**(442)**	**(442)**
Balance at 30 June 2015	**392 954**	**(106)**	**3 919**	**91 851**	**16 382**	**505 000**

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 schemes. During the year there was an accelerated payment made to employees in terms of the Bophelo scheme. Refer Annexure B.

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

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

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

Legal reserves and other
This represents:
- an unutilised merger reserve when Premier Pharmaceuticals and Adcock Ingram merged;
- share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India);
- actuarial losses on the Group's post-retirement medical liability; and
- a fair value adjustment on the Group's investment in Group Risk Holdings Proprietary Limited (refer to note 12.2).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

	June 2015 R'000	June 2014 R'000
20. Long-term borrowings		
Unsecured		
C&F Agency – India[1]	**4 989**	4 325
Central Africa Building Society – Zimbabwe	**–**	4 627
Secured		
Nedbank[2]	**500 000**	1 000 000
Stannic – Critical Care Owner Driver Companies[3]	**11 398**	–
Stanbic – Ghana[4]	**10 639**	–
Finance leases	**–**	1 041
	527 026	1 009 993
Less: Current portion included in short-term borrowings	**(13 273)**	(5 132)
	513 753	1 004 861

[1] These unsecured loans bear interest at rates varying between 7,5% and 9,0% per annum and are repayable upon termination of C&F Agency contracts in India.

[2] A secured loan, bearing interest at JIBAR plus 176 basis points. Interest is payable quarterly in arrears and the capital is due for repayment in December 2018. During the year a voluntary repayment of R500 million was made out of surplus cash resources. The shares in wholly-owned South African companies in the Group are pledged as security for this loan. Financial covenants, including a Net debt: EBITDA ratio and interest cover ratio are applicable over this loan and have been complied with during the year.*

*[3] These secured loans bear interest at 60 basis points below the Prime lending rate** and are repayable over a period of 60 months.*

[4] This secured loan bears interest at the Stanbic Bank Base Rate (***) + 400 basis points and is repayable within 12 months. Property, plant and equipment have been pledged as security for this loan. Refer note 9.

* JIBAR – Johannesburg Interbank Agreed Rate. On 30 June 2015: 6,133% (2014: 5,800%).

** Prime lending rate on 30 June 2015: 9,25%.

*** Stanbic Bank Base Rate (Ghana) on 30 June 2015: 25,10%.

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 2015				
Capital repayment on loans				
– payable within 12 months	**–**	**13 273**	**–**	**13 273**
– payable within 12 – 24 months	**–**	**2 473**	**–**	**2 473**
– payable thereafter	**4 989**	**506 291**	**–**	**511 280**
	4 989	**522 037**	**–**	**527 026**
Interest payment on loans*				
– payable within 12 months	**449**	**41 103**	**–**	**41 552**
– payable within 12 – 24 months	**449**	**39 571**	**–**	**40 020**
– payable thereafter	**898**	**59 892**	**–**	**60 790**
	1 796	**140 566**	**–**	**142 362**
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

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

		June 2015 R'000	June 2014 R'000
21.	**Post-retirement medical liability**		
	Balance at beginning of the year/period	**22 034**	15 108
	Charged to operating profit	**320**	46
	Charged to other comprehensive income	**442**	6 880
	Balance at the end of the year/period	**22 796**	22 034
	For more details refer to Annexure D.		
22.	**Trade and other payables**		
	Trade accounts payable	**671 919**	624 281
	Derivative liability at fair value[1]	**205**	617
	Other payables	**649 666**	482 861
	Accrued expenses	**519 450**	378 184
	Sundry payables	**130 216**	104 677
	VAT payable[2]	**2 932**	1 207
	Interest accrued	**3 709**	6 597
		1 328 431	1 115 563

[1] *It is expected that the derivative liability will be settled within the next 90 days.*
[2] *VAT payable will be paid within one month.*

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

	June 2015 R'000	June 2014 R'000
Trade payables		
<30 days	**514 936**	374 445
31 – 60 days	**74 672**	160 370
61 – 90 days	**13 510**	28 589
>90 days	**68 801**	60 877
Total	**671 919**	624 281
Other payables		
<30 days	**222 591**	193 122
31 – 60 days	**148 379**	51 515
61 – 90 days	**163 745**	136 758
>90 days	**114 951**	101 466
Total	**649 666**	482 861

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

		June 2015 R'000	June 2014 R'000
23.	**Cash-settled options**		
	Opening balance	**14 782**	39 150
	Released from operating profit	**(7 092)**	(3 973)
	Payments made	**(1 171)**	(20 395)
		6 519	14 782

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

	June 2015 R'000	June 2014 R'000
24. Provisions		
Leave pay	**42 254**	45 331
Bonus and incentive scheme	**27 938**	–
	70 192	45 331
Made up as follows:		
Leave pay		
Balance at beginning of year/period	**45 331**	50 006
Arising during the year/period	**68 660**	47 136
Utilised during the year/period	**(66 282)**	(48 162)
Unused amounts reversed	**(5 581)**	(3 712)
Disposal of business (note 1.1)	**(369)**	–
Exchange rate adjustments	**495**	63
Balance at end of year/period	**42 254**	45 331
Bonus and incentive scheme		
Balance at beginning of year/period	**–**	–
Arising during the year/period	**27 938**	–
Balance at end of year/period	**27 938**	–

Leave pay provision

In excess of 95% of the balance represents the liability for employees in South Africa. In terms of the Group policy, employees in South Africa are entitled to accumulate leave benefits not taken within a leave cycle, up to a maximum of three times the employee's annual leave allocation, limited to a maximum of 45 days. The obligation is reviewed annually. The timing of the cash flow, if any, is uncertain.

Bonus and incentive provision

Certain employees participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. These incentives are expected to be paid in September 2015.

25. Notes to the statements of cash flows

		12 months June 2015 R'000	9 months June 2014 R'000
25.1	**OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES**		
	Profit/(Loss) before taxation	**339 840**	(1 015 967)
	Adjusted for:		
	– amortisation of intangibles	**60 372**	49 782
	– depreciation	**135 726**	107 336
	– loss on disposal/scrapping of property, plant and equipment	**491**	7 008
	– dividend income	**(10 670)**	(6 506)
	– finance income	**(19 887)**	(18 987)
	– finance costs	**100 983**	98 620
	– profit on disposal of business	**(8 260)**	–
	– equity accounted earnings	**(65 608)**	(31 895)
	– share-based payment expenses	**15 081**	10 016
	– accelerated Mpho ea Bophelo settlement	**(1 235)**	(774)
	– provision for accounts receivable impairment and credit notes	**18 423**	(8 908)
	– increase in provisions and post retirement medical liability	**25 055**	(4 945)
	– straight-lining of leases	**6 196**	4 605
	– impairment of property, plant and equipment and intangible assets	**81 822**	671 032
	– impairment of long-term receivable and non-financial asset	**6 336**	41 366
	– inventories written off	**89 425**	224 136
	– (decrease)/increase in inventory provisions	**(57 243)**	54 148
	– foreign exchange loss	**5 487**	10 473
	– write-off of India rental deposit	**2 216**	–
		724 550	190 540
25.2	**WORKING CAPITAL CHANGES**		
	(Increase)/Decrease in inventories	**(139 408)**	129 266
	(Increase)/Decrease in trade and other receivables	**(182 471)**	316 896
	Increase/(Decrease) in trade and other payables	**195 456**	(218 601)
		(126 423)	227 561
25.3	**DIVIDENDS PAID**		
	Dividends paid to non-controlling shareholders	**(4 537)**	(6 746)
		(4 537)	(6 746)
25.4	**TAXATION PAID**		
	Amounts overpaid at beginning of year/period	**76 306**	86 368
	Amounts charged to profit or loss	**(141 031)**	53 811
	Movement in deferred tax	**55 397**	(101 090)
	Exchange rate adjustments	**(36)**	348
	Amounts overpaid at end of year/period	**(77 948)**	(76 306)
		(87 312)	(36 869)
25.5	**NET CASHFLOW ON DISPOSAL OF BUSINESS**		
	Consideration received	**7 344**	–
	Net cash disposed of	**(10 007)**	–
	Cash outflow	**(2 663)**	–
25.6	**DECREASE IN OTHER FINANCIAL ASSETS**		
	Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	**345**	–
	Decrease in Black Managers Share Trust	**37 617**	–
		37 962	–

26. Contingent liabilities

The wholly-owned South African companies in the Group provide cross-sureties for the debt obligations (refer note 20) and overdraft facilities (refer note 16) in South Africa.

27. Commitments and contingencies

27.1 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. The Mumbai lease agreement was terminated on 30 June 2015.

	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 Bangalore (Warehouse)	Lease 7 Goa
Initial lease period (years)	10	12	10	8	9	6	5
Ending	30 November 2021	31 October 2022	31 August 2022	15 April 2021	30 November 2020	14 August 2020	09 April 2018
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	5,0%	16.3% after 3 years

	12 months June 2015 R'000	9 months June 2014 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**34 957**	30 977
After one year but not more than five years	**166 228**	145 379
More than five years	**86 574**	111 127
	287 759	287 483

27.2 CAPITAL COMMITMENTS

	12 months June 2015 R'000	9 months June 2014 R'000
Commitments contracted for		
Within one year	**7 000**	57 278
Approved but not contracted for		
Within one year	**33 026**	23 880
	40 026	81 158

These commitments relate to property, plant and equipment.

27.3 GUARANTEES

The Group has provided guarantees to the amount of R15,7 million at 30 June 2015 (June 2014: R15,3 million) of which R12,7 million relates to a supplier in India.

	12 months June 2015 R'000	9 months June 2014 R'000
28. 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 and prior periods 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.		
The Bidvest Group Limited		
Purchase of services	**38 310**	18 014
Balance owing at reporting date	**3 420**	1 260
Payments to directors and key management are disclosed in notes 5.3 and 5.4		

29. Subsequent event

On 10 July 2015, shareholders approved the following resolutions at a general meeting:

– the release of the dividend acquired ordinary shares held by Blue Falcon Trading 69 Proprietary Limited and the Mpho ea Bophelo Trust;

– the repurchase at a nominal value, and the cancellation, of each of the A ordinary and B ordinary shares in their entirety; and

– the cancellation of the existing BEE scheme.

At a scheme meeting on 10 July 2015, shareholders approved the following resolution:

– the implementation of a new BEE scheme.

Following the release of the restrictions contained in the existing BEE transaction over the dividend acquired ordinary shares, The Bidvest Group Limited agreed to acquire in aggregate 2 571 000 Adcock Ingram dividend acquired ordinary shares at R52,00 per share, from Blue Falcon Trading 69 Proprietary Limited and Mpho ea Bophelo Trust.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Notes	12 months June 2015 R'000	9 months June 2014 R'000
Revenue	A	**65 247**	68 345
Operating expenses		**(266)**	(185)
Finance income	B.1	**65 247**	64 348
Finance costs	B.2	**(57 778)**	(56 615)
Dividend income	A	**–**	3 997
Profit before taxation		**7 203**	11 545
Taxation	C	**(2 117)**	(2 126)
Profit for the year/period		**5 086**	9 419
Other comprehensive income which will subsequently be recycled to profit or loss	I	**403**	350
Revaluation of available-for-sale asset		**496**	430
Tax effect of revaluation		**(93)**	(80)
Total comprehensive income for the year/period, net of tax		**5 489**	9 769

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated loss R'000	Total R'000
As at 1 October 2013		20 112	941 007	269 533	(171 744)	1 058 908
Share issue	G.2/H	46	6 856			6 902
Total comprehensive income				350	9 419	9 769
Profit for the period					9 419	9 419
Other comprehensive income				350	–	350
Balance at 30 June 2014		20 158	947 863	269 883	(162 325)	1 075 579
Share issue	G.2/H	**10**	**2 018**			**2 028**
Total comprehensive income				**403**	**5 086**	**5 489**
Profit for the year					**5 086**	**5 086**
Other comprehensive income				**403**	**–**	**403**
Balance at 30 June 2015		**20 168**	**949 881**	**270 286**	**(157 239)**	**1 083 096**

COMPANY STATEMENTS OF FINANCIAL POSITION

	Notes	**12 months June 2015 R'000**	9 months June 2014 R'000
ASSETS			
Investments	D	**3 369 801**	3 369 650
Non-current assets		**3 369 801**	3 369 650
Amounts owing by Group companies	F.1	**269 318**	518 380
Taxation receivable	L.3	**103**	–
Current assets		**269 421**	518 380
Total assets		**3 639 222**	3 888 030
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	G.2	**20 168**	20 158
Share premium	H	**949 881**	947 863
Non-distributable reserves	I	**270 286**	269 883
Accumulated loss		**(157 239)**	(162 325)
Total equity		**1 083 096**	1 075 579
Amounts owing to Group companies	F.2	**2 155 994**	2 155 994
Deferred tax	J	**230**	137
Non-current liabilities		**2 156 224**	2 156 131
Bank overdraft	E	**398 229**	652 216
Other payables	K	**1 673**	3 553
Taxation payable	L.3	**–**	551
Current liabilities		**399 902**	656 320
Total equity and liabilities		**3 639 222**	3 888 030

COMPANY STATEMENTS OF CASH FLOW

	Notes	**12 months June 2015 R'000**	9 months June 2014 R'000
Cash flows from operating activities			
Operating loss before working capital changes	L.1	**(266)**	(185)
Working capital changes	L.2	**(81)**	52
Cash utilised in operations		**(347)**	(133)
Finance income, excluding receivable		**65 247**	65 390
Finance costs, excluding accrual		**(59 577)**	(53 840)
Dividend income	A	**–**	3 997
Taxation paid	L.3	**(2 771)**	(1 070)
Net cash inflow from operating activities		**2 552**	14 344
Cash flows from investing activities			
Decrease in investments	L.4	**345**	-
Net decrease/(increase) in amounts owing by Group companies		**249 062**	(6 452)
Net cash inflow/(outflow) from investing activities		**249 407**	(6 452)
Cash flows from financing activities			
Proceeds from issue of share capital		**2 028**	6 902
Repayment of borrowings		**–**	(100 000)
Net cash inflow/(outflow) from financing activities		**2 028**	(93 098)
Net increase/(decrease) in cash and cash equivalents		**253 987**	(85 206)
Cash and cash equivalents at beginning of year/period		**(652 216)**	(567 010)
Cash and cash equivalents at end of year/period	E	**(398 229)**	(652 216)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

		12 months June 2015 R'000	9 months June 2014 R'000
A.	**Revenue**		
	Finance income	**65 247**	64 348
	Dividend income	**–**	3 997
		65 247	68 345
B.	**Finance income and finance costs**		
B.1	**FINANCE INCOME**		
	Bank	**43 266**	38 657
	Inter-Group interest	**21 981**	25 691
		65 247	64 348
B.2	**FINANCE COSTS**		
	Borrowings	**57 760**	56 615
	Receiver of Revenue	**18**	–
		57 778	56 615
C.	**Taxation**		
	South African taxation		
	Current income tax		
	– current year/period	**2 022**	2 126
	– prior period under provision	**95**	–
		2 117	2 126
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**29,4**	18,4
	Adjusted for:		
	Exempt income	**–**	9,6
	Non-deductible expenses	**(0,1)**	–
	Prior period under provision	**(1,3)**	–
	South African normal tax rate	**28,0**	28,0

		2015 Effective holding %	2014 Effective holding %	12 months June 2015 R'000	9 months June 2014 R'000
D.	**Investments**				
	Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
	Adcock Ingram Healthcare Proprietary Limited	**100**	100	**815 390**	815 390
	Adcock Ingram Intellectual Property Proprietary Limited	**100**	100	**104 000**	104 000
	Adcock Ingram Critical Care Proprietary Limited	**100**	100	**284 979**	284 979
	Adcock Ingram Limited India	**49,9**	49,9	**31 930**	31 930
	Adcock Ingram International Proprietary Limited	**100**	100	*****	*
	Thembalami Pharmaceuticals Proprietary Limited	**50**	50	*****	*
	Group Risk Holdings Proprietary Limited[1]	**6**	7	**2 915**	2 764
				3 369 801	3 369 650
	* *Less than R1 000.*				
	[1] **Group Risk Holdings Proprietary Limited**				
	Balance at 1 July/1 October			**2 764**	2 334
	Disposal			**(345)**	–
	Revaluation of investment to fair value			**496**	430
				2 915	2 764

		12 months June 2015 R'000	9 months June 2014 R'000
E.	**Cash and cash equivalents**		
	Bank overdraft	**398 229**	652 216
	Balances incur interest at rates varying between 6,75% and 7,00%.		
F.	**Amounts owing by/to Group companies**		
F.1	**AMOUNTS OWING BY GROUP COMPANIES**		
	Included in current assets		
	Adcock Ingram Healthcare Proprietary Limited	**102 154**	351 216
	An unsecured loan of R102,2 million (2014: R351,2 million) which is interest-free and has no fixed terms of repayment.		
	Adcock Ingram International Proprietary Limited	**167 154**	167 154
	The loan is unsecured, interest-free, and has no fixed terms of repayment		
	Mpho ea Bophelo Trust	**10**	10
		269 318	518 380
F.2	**AMOUNTS OWING TO GROUP COMPANIES**		
	Included in non-current liabilities		
	Adcock Ingram Limited	**2 155 994**	2 155 994
	The loan is unsecured, interest free and has no fixed term of repayment.		
	It is not expected that the subsidiary would call for payment within the next 12 months.		
G.	**Share capital**		
G.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.

Refer note P Subsequent event.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

		12 months June 2015 R'000	9 months June 2014 R'000
G.	**Share capital (continued)**		
G.2	**ISSUED**		
	Ordinary share capital		
	Opening balance of 201 589 011 ordinary shares (2014: 201 128 011) of 10 cents each	**20 158**	20 112
	Issue of 96 600 ordinary shares (2014: 461 000) of 10 cents each	**10**	46
		20 168	20 158
	96 600 (2014: 461 000) ordinary shares were issued in various tranches during the year/period to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).		
G.3	**UNISSUED SHARES**		
	In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit subject to the provisions of the Companies Act.		

		12 months June 2015 R'000	9 months June 2014 R'000
H.	**Share premium**		
	Balance at beginning of the year/period	**947 863**	941 007
	Issue of 96 600 (2014: 461 000) ordinary shares	**2 018**	6 856
		949 881	947 863

		Share-based payment reserve R'000	Other reserves R'000	Total R'000
I.	**Non-distributable reserves**			
	Balance at 1 October 2013	269 000	533	269 533
	Movement during the period	–	350	350
	Balance at 30 June 2014	269 000	883	269 883
	Movement during the year	**–**	**403**	**403**
	Balance at 30 June 2015	**269 000**	**1 286**	**270 286**
	Other reserves represents a fair value adjustment on the Company's investment in Group Risk Holdings Proprietary Limited.			

		12 months June 2015 R'000	9 months June 2014 R'000
J.	**Deferred tax**		
	Balance at beginning of year/period	**(137)**	(57)
	Other comprehensive income movement	**(93)**	(80)
	Balance at end of year/period	**(230)**	(137)
	This balance comprises the temporary difference relating to the revaluation of the available-for-sale financial asset	**(230)**	(137)
K.	**Other payables**		
	Interest accrued	**976**	2 775
	Shareholders for dividends	**697**	778
		1 673	3 553

		12 months June 2015 R'000	9 months June 2014 R'000
L.	**Notes to the statements of cash flows**		
L.1	**OPERATING LOSS BEFORE WORKING CAPITAL CHANGES**		
	Profit before taxation	**7 203**	11 545
	Adjusted for:		
	– dividend income	**–**	(3 997)
	– finance income	**(65 247)**	(64 348)
	– finance costs	**57 778**	56 615
		(266)	(185)
L.2	**WORKING CAPITAL CHANGES**		
	(Decrease)/Increase in other payables (excluding accrual)	**(81)**	52
		(81)	52
L.3	**TAXATION PAID**		
	Amounts (underpaid)/overpaid at beginning of year/period	**(551)**	505
	Amounts charged to the statement of comprehensive income	**(2 117)**	(2 126)
	Amount (overpaid)/underpaid at end of year/period	**(103)**	551
		(2 771)	(1 070)
L.4	**DECREASE IN INVESTMENTS**		
	Proceeds on sale of 1% interest in Group Risk Holdings Proprietary Limited	**345**	–
M.	**Related parties**		
	Related party transactions exist between the Company and other subsidiaries within the Adcock Ingram Group. All transactions with related parties are concluded at arm's length.		
	The following related party transactions occurred:		
	Interest received		
	Adcock Ingram Healthcare Proprietary Limited	**21 981**	25 277
	Adcock Ingram Critical Care Proprietary Limited	**–**	414
	Dividends received		
	Adcock Ingram Limited (India)	**–**	3 997
	Refer to Annexure H for the nature of the relationships of related parties.		
N.	**Distributions proposed**		
N.1	**PROPOSED SUBSEQUENT TO 30 JUNE 2015**		
	Distribution on ordinary shares		
	Final dividend for 2015: 81 cents per share	**121 418**	–

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

O. Financial instruments

Fair value hierarchy

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

Financial instruments	Classification per IAS 39	12 months June 2015 R'000	9 months June 2014 R'000
Investment in Group Risk Holdings Proprietary Limited(1)	Available-for-sale	**2 915**	2 764
Amounts owing by Group companies	Loans and receivables	**269 318**	518 380
Amounts owing to Group companies	Loans and borrowings	**2 155 994**	2 155 994
Bank overdraft	Loans and borrowings	**398 229**	652 216

(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.*

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 Company's financial assets comprise investments and receivables.

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

Interest rate sensitivity

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

	Change in rate %	Decrease in profit before tax: 12 months June 2015 R'000	Decrease in profit before tax: 9 months June 2014 R'000
Cash and cash equivalents			
Bank overdraft	+1	**3 982**	4 892

P. Subsequent event

On 10 July 2015, shareholders approved the following resolutions at a general meeting:

- the release of the dividend acquired ordinary shares held by Blue Falcon Trading 69 Proprietary Limited and the Mpho ea Bophelo Trust;
- the repurchase, at a nominal value, of each of the A ordinary and B ordinary shares in their entirety; and
- the cancellation of the existing BEE scheme.

At a scheme meeting on 10 July 2015, shareholders approved the following resolution:
- the implementation of a new BEE scheme.

Following the release of the restrictions contained in the existing BEE transaction over the dividend acquired ordinary shares, The Bidvest Group Limited agreed to acquire in aggregate 2 571 000 Adcock Ingram dividend acquired ordinary shares at R52,00 per share, from Blue Falcon Trading 69 Proprietary Limited and Mpho ea Bophelo Trust.

ANNEXURE A – SEGMENT REPORT

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

In May 2014, Adcock Ingram announced substantive changes to the Group's internal processes and structures. The reorganisation of the business was necessary to create autonomous operating divisions with separate focused strategies to best manage the challenges and opportunities in each of the businesses, while at the same time, facilitating full accountability in each case and allows for better measurement of returns. The new structure came into operation on 1 July 2014, creating a more defined and decentralised structure with focused and specialised commercial divisions in Southern Africa. The structure is ultimately designed to be customer-centric and assist in the recovery of the business.

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

- Over the Counter (OTC) – focuses primarily on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in the product choice;
- Consumer – competes in the Fast Moving Consumer Goods (FMCG) space;
- Prescription – market products prescribed by medical practitioners; and
- Hospital – supplier of hospital and critical care products, including intravenous solutions, blood collection products and renal dialysis systems.

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.

	12 months June 2015 R'000	9 months June 2014 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Turnover		
Southern Africa	**5 022 770**	3 268 441
OTC	**1 454 224**	835 605
Consumer	**628 991**	327 464
Prescription	**1 812 735**	1 348 422
Hospital	**1 126 820**	756 950
Rest of Africa	**259 196**	183 130
India	**269 237**	177 708
	5 551 203	3 629 279
Less: Intercompany sales	**(22 834)**	(13 992)
	5 528 369	3 615 287
The South African Government represent more than 12% of the Group's turnover, arising in the following segments:		
OTC	**57 492**	45 496
Consumer	**2 608**	13 635
Prescription	**252 474**	232 538
Hospital	**374 491**	319 227
	687 065	610 896
TRADING AND OPERATING PROFIT/(LOSS)		
Southern Africa	**520 894**	62 820
OTC	**260 717**	77 095
Consumer	**79 301**	(25 280)
Prescription	**148 099**	45 170
Hospital	**32 777**	(34 165)
Rest of Africa	**(13 161)**	(23 171)
India	**(56 750)**	(46 739)
Trading profit	**450 983**	(7 090)
Less: Non-trading expenses	**(106 325)**	(967 645)
Operating profit/(loss)	**344 658**	(974 735)

ANNEXURE A – SEGMENT REPORT CONTINUED

As at June 2014 the assets and liabilities of the Over the Counter, Consumer and Prescription products were integrated and managed as the Pharmaceutical division in Southern Africa. The Group regarded this as a single primary business segment for statement of financial position purposes. The prior year figures have not been restated as the information to do this is not available.

	June 2015 R'000	June 2014 R'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Southern Africa[1]	**4 064 031**	4 261 452
Pharmaceuticals		3 645 069
OTC	**1 419 863**	
Consumer	**393 820**	
Prescription	**1 209 513**	
Hospital	**1 040 835**	616 383
Rest of Africa	**193 171**	195 883
India	**852 153**	948 507
Other – shared services	**348 597**	
	5 457 952	5 405 842
Current liabilities		
Southern Africa[1]	**1 128 353**	1 294 348
Pharmaceuticals		717 250
OTC	**365 103**	
Consumer	**134 216**	
Prescription	**416 365**	
Hospital	**212 669**	577 098
Rest of Africa	**106 349**	94 889
India	**109 489**	111 184
Other – shared services	**378 434**	
	1 722 625	1 500 421
Capital expenditure[2]		
Southern Africa	**42 002**	82 296
Pharmaceuticals		72 381
OTC	**3 730**	
Consumer	**176**	
Prescription	**8 867**	
Hospital	**29 229**	9 915
Rest of Africa	**8 640**	6 870
India	**287**	6 299
Other – shared services	**28 935**	
	79 864	95 465

[1] *Cash and bank overdraft balances in Southern Africa are managed on a central basis and are not allocated to the operating segments, but included in the other segment.*

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

	12 months June 2015 R'000	9 months June 2014 R'000
OTHER		
Impairments[3]		
Southern Africa	**479**	506 960
Pharmaceuticals		506 692
Hospital	**479**	268
Rest of Africa	**7 390**	58 900
India	**74 432**	277 504
Other – shared services	**5 857**	
	88 158	843 364
Depreciation and amortisation		
Southern Africa	**87 956**	109 894
Pharmaceuticals		88 349
OTC	**35 401**	
Consumer	**9 281**	
Prescription	**14 223**	
Hospital	**29 051**	21 545
Rest of Africa	**6 228**	7 169
India	**59 005**	40 055
Other – shared services	**42 909**	
	196 098	157 118

[3] *Impairments include impairments of long-term receivables, intangible assets, inventories, other receivables and property, plant and equipment.*

ANNEXURE B – SHARE-BASED PAYMENT PLANS

A. General employee share option plans

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 prior period, the equity-settled scheme was re-introduced, and certain senior employees were granted options.

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

	2015		2014	
Original equity-settled (issued whilst part of Tiger Brands)	**Number**	**WAOP**	Number	WAOP
Outstanding at the beginning of the year/period	**103 300**	**20,42**	570 300	16,20
Exercised and paid in full	**(96 600)**	**19,96**	(461 000)	15,14
Forfeited	**–**	**–**	(6 000)	19,96
Outstanding at the end of the year/period	**6 700**	**28,33**	103 300	20,42
Exercisable at the end of the year/period	**6 700**	**28,33**	103 300	20,42

	2015	2014
The weighted average share price at the date of exercise, for the options exercised:	**R46,98**	R69,18
Weighted average remaining contractual life for the share options outstanding at reporting date:	**0,25 years**	1,25 years
Range of offer prices for options outstanding at the end of the year/period:	**R28,33**	R19,95 – R28,33
Loan relating to a former Adcock Ingram employee outstanding at reporting date:	**R128 539**	R124 421
Expense recognised for employee services received during the year/period (R million):	**–**	–

	2015		2014	
Adcock Ingram equity-settled	**Number**	**WAOP**	Number	WAOP
Outstanding at the beginning of the year/period	**1 665 000**	**52,20**	–	–
Granted during the year/period	**233 000**	**52,20**	1 665 000	52,20
Forfeited	**(295 800)**	**52,00**	–	–
Outstanding at the end of the year/period	**1 602 200**	**52,20**	1 665 000	52,20
Exercisable at the end of the year/period	**–**	**–**	–	–

	2015	2014
The weighted average remaining contractual life for the share options outstanding at reporting date:	**8,96 years**	9,96 years
Expense recognised for employee services received during the year/period (R million):	**7,07**	0,33

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

Cash-settled	2015 Number	2015 WAOP	2014 Number	2014 WAOP
Outstanding at the beginning of the year/period	**2 906 072**	**56,61**	3 868 514	52,06
Forfeited	**(950 205)**	**57,29**	(70 992)	57,91
Exercised	**(70 308)**	**34,72**	(891 450)	37,56
Outstanding at the end of the year/period	**1 885 559**	**57,05**	2 906 072	56,61
Vested and exercisable at the end of the year/period	**637 226**	**57,61**	384 460	53,17

	2015	2014
Weighted average share price of exercised options (R):	**49,27**	65,87
Weighted average remaining contractual life for the share options outstanding at reporting date:	**2,52 years**	3,47 years
Range of offer prices for options outstanding at the end of the year/period:	**R51,12 – R62,29**	R34,78 – R62,29
Carrying amount of the liability relating to the cash-settled options at reporting date (R million):	**6,52**	14,78
Income recognised for employee services received during the year/period (R million):	**7,09**	3,97

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

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.

Number of shares held by Adcock Ingram employees	2015 Adcock Ingram	2015 Tiger Brands	2014 Adcock Ingram	2014 Tiger Brands
Outstanding at the beginning of the year/period	**1 054 232**	**1 054 232**	1 068 982	1 068 982
Forfeited	**(32 669)**	**(32 669)**	(14 750)	(14 750)
Exercised	**(311 600)**	**(398 600)**	–	–
Outstanding at the end of the year/period	**709 963**	**622 963**	1 054 232	1 054 232
Vested and exercisable at the end of the year/period	**544 500**	**461 400**	–	–

	2015	2014
The weighted average share price at the date of exercise, for the Adcock Ingram options exercised:	**R49,35**	–
The weighted average share price at the date of exercise, for the Tiger Brands options exercised:	**R361,17**	–
Weighted average remaining contractual life for the share options outstanding at reporting date:	**12,25 years**	13,25 years
Expense recognised for employee services received during the year/period (R million):	**5,58**	3,58

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

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

ANNEXURE B – SHARE-BASED PAYMENT PLANS CONTINUED

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%)

ESTIMATED ECONOMIC COSTS

The total value of the transaction was R1,321 billion, 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.

No allocations were made to staff during the current year.

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

Equity-settled	2015 Number	Fair value	2014 Number	Fair value
Outstanding at the beginning of the year/period	**4 668 300**	**6.47**	4 636 100	6.49
Granted	**–**	**–**	322 000	6.04
Forfeited	**(110 600)**	**6.47**	(158 200)	6.48
Paid out[(1)]	**(198 100)**	**6.47**	(131 600)	5.89
Outstanding at the end of the year/period	**4 359 600**	**6.44**	4 668 300	6.47
Vested at the end of the year/period	**3 368 400**		2 534 700	
Exercisable at the end of the year/period[(2)]	**38 500**		49 000	
Available for future distribution to qualifying employees	**1 335 465**		1 226 265	
Expense recognised for employee services received during the year/period (R million):	**9,52**		10,08	
Weighted average remaining contractual life for share options outstanding at reporting date:	**3 years**		4 years	

(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.

Refer note 29 Subsequent event.

ANNEXURE C – DEFINED CONTRIBUTION AND DEFINED BENEFIT PLAN

Defined contribution plan

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

These contributions are expensed.

Contributions to the defined contribution plan expected in the following year are R81,8 million (2014: R84,1 million).

Defined benefit plan

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 on 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 Credit Unit method. Where valuations were not possible due to the limited availability of complete data, roll forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience. The timing of benefit payments are uncertain.

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

	12 months June 2015 R'000	9 months June 2014 R'000
Net benefit expense		
Interest cost on defined benefit obligation	**129**	165
Interest income on assets	**(876)**	(621)
Effect of paragraph 64	**747**	456
Net benefit expense	**–**	-
Benefit liability		
Defined benefit obligation	**(1 318)**	(1 523)
Fair value of plan assets*	**1 701**	10 206
	383	8 683
Unrecognised due to paragraph 64 limit	**(383)**	(8 683)
	–	-

* *The resulting difference in the market value of assets has been noted as an actuarial loss on the assets and is mostly as a result of the allocation of surplus to the defined contribution members of the Fund in terms of the Fund's bonus distribution policy, adopted by the Trustees.*

Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July/1 October	**(1 523)**	(2 612)
Interest cost	**(129)**	(165)
Benefits paid	**46**	51
Actuarial gains on obligation	**288**	1 203
Defined benefit obligation at 30 June	**(1 318)**	(1 523)

	12 months June 2015 R'000	9 months June 2014 R'000
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July/1 October	**10 206**	9 765
Return	**876**	621
Benefits paid	**(46)**	(51)
Actuarial loss	**(9 335)**	(129)
Fair value of plan assets at 30 June	**1 701**	10 206
Asset coverage over liabilities (times)	**1,3**	6,7
Assumptions	**%**	%
The assumptions used in the valuations are as follows:		
Discount rate	**8,30**	8,60
Future pension increases	**6,20**	6,50
Estimated asset composition		
Cash	**59,75**	97,10
Bonds	**40,25**	2,90
Total	**100,00**	100,00

	Valuation R'000	+1% R'000	-1% R'000
Sensitivity at 30 June 2015 The liability was recalculated to show the effect of:			
A one percentage point increase variance in the discount rate assumption	**(1 318)**	**(1 236)**	**(1 414)**
A one percentage point variance in the pension increase rate	**(1 318)**	**(1 415)**	**(1 234)**
Sensitivity at 30 June 2014 The liability was recalculated to show the effect of:			
A one percentage point increase variance in the discount rate assumption	(1 523)	(1 427)	(1 636)
A one percentage point variance in the pension increase 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 2015.

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

	12 months June 2015 R'000	9 months June 2014 R'000
Net benefit expense		
Current service cost	**33**	20
Interest cost on benefit obligation	**1 825**	932
	1 858	952
Expected contributions within the next 12 months	**35**	21
Obligation at 1 July/1 October	**(22 034)**	(15 108)
Interest cost	**(1 825)**	(932)
Current service cost	**(33)**	(20)
Benefits paid	**1 538**	906
Actuarial losses on obligation	**(442)**	(6 880)
Obligation at 30 June	**(22 796)**	(22 034)
Assumptions	**%**	%
The assumptions used in the valuations are as follows:		
Discount rate	**8,70**	8,60
CPI increase	**6,50**	6,50
Healthcare cost inflation	**8,50**	8,50
Expected retirement age	**63**	63
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

	Value R'000	+1% R'000	-1% R'000
Sensitivity at 30 June 2015			
A one percentage point variance in the assumed rate of healthcare costs inflation	**(22 796)**	**(25 299)**	**(20 665)**
A one percentage point variance in the discount rate	**(22 796)**	**(20 720)**	**(25 276)**
A one year variance in the expected retirement age	**(22 796)**	**(22 868)**	**(22 729)**
Sensitivity at 30 June 2014			
A one percentage point variance in the assumed rate of healthcare costs inflation	(22 034)	(24 536)	(19 913)
A one percentage point variance in the discount rate	(22 034)	(19 962)	(24 519)
A one year variance in the expected retirement age	(22 034)	(22 098)	(21 974)

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 2015 R'000	June 2014 R'000
Investments[1]	Available-for-sale	Other financial assets	**2 915**	2 764
Black Managers Share Trust	Loans and receivables	Other financial assets	**88 191**	136 191
Trade and sundry receivables	Loans and receivables	Trade and other receivables	**1 288 808**	1 156 543
Foreign exchange contracts – derivative asset[2]	Fair value cash flow hedge	Trade and other receivables	**294**	–
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	**147 379**	247 852
Long-term borrowings	Loans and borrowings	Long-term borrowings	**513 753**	1 004 861
Trade and other payables	Loans and borrowings	Trade and other payables	**1 321 585**	1 107 142
Foreign exchange contracts – derivative liability[2]	Fair value cash flow hedge	Trade and other payables	**205**	617
Short-term borrowings	Loans and borrowings	Short-term borrowings	**13 273**	5 132
Bank overdraft	Loans and borrowings	Bank overdraft	**304 210**	319 613

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

(2)Level 2. Fair value based on the ruling market rate at year-end. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and 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 2015, 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, Indian bank lending rates and the Stanic Bank Base Rate (Ghana).

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

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

ANNEXURE E – FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk table (continued)

INTEREST RATE RISK TABLE

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 2015 R'000	2014 R'000
Liabilities			
Indian rupee loans	+1	**(50)**	(43)
US dollar loans	+1	**–**	(46)
Ghanaian Cedis	+1	**(106)**	–
South African loans at variable rates	+1	**(5 114)**	(10 010)
Cash balances			
Cash and cash equivalents	+1	**1 474**	2 479
Bank overdraft	+1	**(3 042)**	(3 196)

Credit risk

Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loans receivables and trade receivables. The maximum exposure to credit risk is set out in the respective cash, loans receivable and accounts receivable notes. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are creditworthy.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Individual credit limits are defined in accordance with an independent assessment. In addition, 66% (2014: 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 11,1% (2014: 12,6%) or R139,9 million (2014: 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, with facilities in place in South Africa of R1 billion each, respectively.

The maturity profile of the Group's long-term financial liabilities at 30 June 2015, based on contractual undiscounted payments, is shown in note 20 and the maturity profile of the trade and other payables in note 22.

The Group has provided guarantees to the amount of R15,7 million at 30 June 2015 (2014: R15,3 million).

Foreign currency risk

As the Group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts in conjunction with external consultants who provide financial services to Group companies as well as contributing to the management of the financial risks relating to the Group's operations.

FOREIGN OPERATIONS

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

	2015 Income/Expenses Average (Rand)	2015 Assets/Liabilities Spot (Rand)	2014 Income/Expenses Average (Rand)	2014 Assets/Liabilities Spot (Rand)
Kenyan shilling	**0,1250**	**0,1225**	0,1209	0,1215
Ghanaian cedi	**3,2046**	**2,7910**	4,0748	3,1959
United States dollar	**11,4565**	**12,1699**	10,5474	10,6253
Indian rupee	**0,1846**	**0,1913**	0,1725	0,1769

FOREIGN ASSETS/LIABILITIES

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

	Assets Rand	Liabilities Rand
June 2015		
US dollar	**12,16**	**12,17**
Euro	**13,55**	**13,56**
June 2014		
US dollar	10,63	10,62
Euro	14,52	14,51

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.

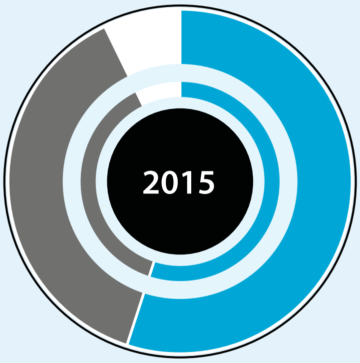
At 30 June 2015, the Group held no foreign exchange contracts designated as hedges of expected future sales to customers outside South Africa for which the Group has firm commitments. The Group had foreign exchange contracts outstanding at 30 June 2015 designated as hedges of expected future purchases 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.

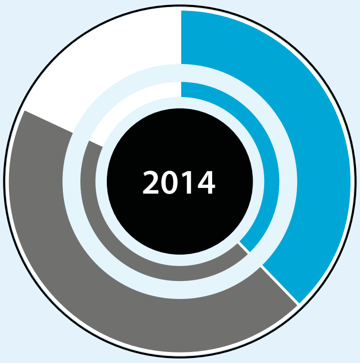
A summary of the material contracts, comprising at least 93% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate	R'000
June 2015			
US dollar	**11 443**	**12,34**	**141 177**
Euro	**14 926**	**13,63**	**203 479**
June 2014			
US dollar	3 851	10,71	41 256
Euro	2 426	14,59	35 405

ANNEXURE E – FINANCIAL INSTRUMENTS CONTINUED

FOREIGN CURRENCY (%)





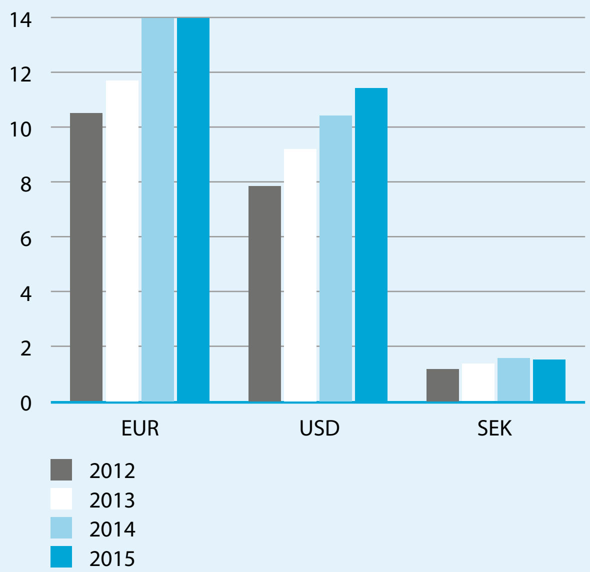
The maturity analysis for the outstanding contracts at:

	US dollar '000	Rands '000	Euro '000	Rands '000
June 2015				
Within 30 days	**5 125**	**62 956**	**5 213**	**69 935**
31 to 60 days	**2 780**	**34 283**	**4 482**	**61 220**
61 to 90 days	**2 772**	**34 305**	**1 888**	**25 676**
> 90 days	**766**	**9 633**	**3 343**	**46 648**
	11 443	**141 177**	**14 926**	**203 479**
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

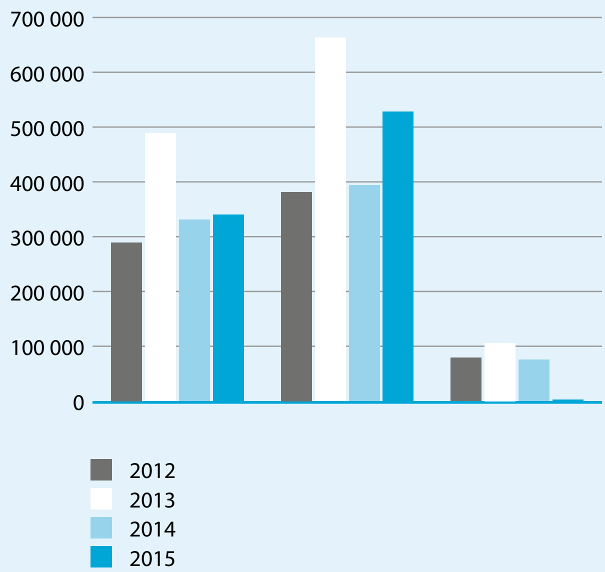
A summary of the material contracts settled during the year/period:

	Foreign currency '000	Average forward rate	R'000
June 2015			
US dollar	**46 244**	**11,43**	**528 482**
Euro	**24 351**	**13,98**	**340 535**
Swedish krona	**53 689**	**1,51**	**81 258**
June 2014			
US dollar	37 766	10,43	393 801
Euro	23 661	13,98	330 814
Swedish krona	48 253	1,56	75 300

AVERAGE FORWARD RATE (Forward Exchange Rate)



FOREIGN CURRENCY SETTLED (R'000 settled)



The following table demonstrates the sensitivity to change in foreign currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of open forward exchange contracts and net investment hedges):

	Change in rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
June 2015			
US dollar	**+10**	**4**	**9 801**
	-10	**(4)**	**(9 814)**
Euro	**+10**	**(4 369)**	**14 520**
	-10	**4 369**	**(14 443)**
Swedish krona	**+10**	**(1 240)**	**975**
	-10	**1 240**	**(975)**
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)

ANNEXURE E – FINANCIAL INSTRUMENTS CONTINUED

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios, in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase shares.

The Group monitors its capital using gearing and interest cover ratios. The primary methods of measurement used are interest-bearing debt to total equity and interest cover.

	June 2015 R'000	June 2014 R'000
Interest-bearing loans and borrowings	**831 236**	1 329 606
Less: Cash and short-term deposits	**(147 379)**	(247 852)
Net debt	**683 857**	1 081 754
Equity	**3 116 924**	2 857 479
Gearing ratio (%)	**22**	38

ANNEXURE F – INTEREST IN JOINT VENTURES

1. Interest in joint ventures

The Group has a 49,9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's 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 2015 R'000	June 2014 R'000
1.1 ADCOCK INGRAM LIMITED (INDIA)		
Statement of financial position		
Property, plant and equipment	**166 631**	166 102
Non-current assets	**166 631**	166 102
Inventories	**65 693**	66 947
Trade and other receivables	**330 360**	210 621
Cash and cash equivalents	**36 956**	10 077
Current assets	**433 009**	287 645
Total assets	**599 640**	453 747
Post-retirement medical liability	**2 631**	1 799
Deferred tax	**19 927**	22 291
Non-current liabilities	**22 558**	24 090
Trade and other payables	**85 359**	62 909
Short-term borrowings	**–**	33 537
Provisions	**1 041**	579
Taxation payable	**146 418**	90 865
Current liabilities	**232 818**	187 890
Total liabilities	**255 376**	211 980
Equity	**344 264**	241 767
Proportion of Group's ownership	**49,9%**	49,9%
Carrying amount of the investment	**171 787**	120 642

	12 months June 2015 R'000	9 months June 2014 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Turnover	**482 603**	290 568
Cost of sales	**(352 231)**	(204 776)
Gross profit	**130 372**	85 792
Selling, distribution and marketing expenses	**(351)**	(267)
Fixed and administrative expenses	**(7 417)**	(14 340)
Operating profit	**122 604**	71 185
Finance income	**872**	1 566
Finance costs	**(1 130)**	(2 445)
Profit before taxation	**122 346**	70 306
Taxation	**(42 475)**	(29 301)
Profit for the year/period	**79 871**	41 005
Group's share of profit for the year/period	**39 856**	20 462

ANNEXURE F – INTEREST IN JOINT VENTURES CONTINUED

		June 2015 R'000	June 2014 R'000
1.2	**NATIONAL RENAL CARE PROPRIETARY LIMITED**		
	Statement of financial position		
	Property, plant and equipment	**93 157**	82 037
	Loans receivable	**33 266**	33 266
	Investment in associate	**10 744**	11 483
	Deferred tax	**11 777**	11 218
	Non-current assets	**148 944**	138 004
	Inventories	**17 820**	15 132
	Trade and other receivables	**65 769**	50 903
	Cash and cash equivalents	**128 103**	108 500
	Taxation receivable	**–**	2 830
	Current assets	**211 692**	177 365
	Total assets	**360 636**	315 369
	Trade and other payables	**79 622**	100 147
	Provisions	**11 996**	11 382
	Taxation payable	**1 455**	–
	Current liabilities	**93 073**	111 529
	Total liabilities	**93 073**	111 529
	Non-controlling interests	**52 868**	40 650
	Equity	**214 695**	163 190
	Proportion of Group's ownership 50%		
	Carrying amount of the investment	**107 348**	81 595

	12 months June 2015 R'000	9 months June 2014 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Turnover	**783 698**	552 069
Cost of sales	**(627 048)**	(447 147)
Gross profit	**156 650**	104 922
Selling, distribution and marketing expenses	**(79 595)**	(52 370)
Fixed and administrative expenses	**328**	(16 391)
Operating profit	**77 383**	36 161
Finance income	**6 365**	3 870
Finance costs	**(219)**	(978)
Equity accounted earnings	**3 052**	2 871
Profit before taxation	**86 581**	41 924
Taxation	**(22 858)**	(12 332)
Profit for the year/period	**63 723**	29 592
Less: Non-controlling interests	**(12 218)**	(6 727)
Profit attributable to owners of the parent	**51 505**	22 865
Group's share of profit for the year/period	**25 752**	11 433

ANNEXURE G – IMPAIRMENTS

		June 2014 R'000
A.	**Goodwill**	
	NutriLida The previous reporting period showed extremely poor performance within this portfolio with significant decreases in volumes and price. 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 was different to the original forecasts estimated at the original date of purchase of the business. This was as a result of a decrease in volumes in the previous 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 year as well as slightly better pricing, resulted in a value in use that necessitated an impairment in the prior period; • certain product packs were discontinued which resulted in reduced cashflow forecasts; and • a change in the structure of the business resulted in additional costs being allocated to the cash generating unit which impacted the overall margins of the business.	163 607
	TLC This brand performed poorly in the previous financial period. The forecast period largely reflected negative cashflows which resulted 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 resulted in additional costs being allocated to the cash generating unit which impacted the overall margins of the business.	13 455
	Unique The Unique brand has been discontinued and it was not expected that any future economic benefit would arise directly or indirectly from the brand resulting in the full impairment of the goodwill.	8 448
	Bioswiss There was significant uncertainty regarding the strategic direction of Bioswiss and the intention of the Group to participate in the future of this business. All scenarios which were under consideration by the Group included the possible discontinuation of the Bioswiss name and brand within the Group's stable. The business was subsequently sold in May 2015.	10 354
	Ayrton The goodwill relating to the Ayrton business was fully impaired in the prior period. The major contributors to this impairment were the regulatory changes which would require significant capital expenditure to upgrade manufacturing facilities to comply with regulatory standards in 2018. This posed 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 prior financial period impacted negatively on sales and as expected, continued to impact the business in the current year. Increasing raw material foreign-denominated costs resulting in lower margins also contributed to the impairment of the goodwill.	36 063
	India The goodwill relating to the Cosme business as well as the Cosme corporate brand were fully impaired in the prior period. The major contributor to this impairment was the regulatory changes, including NLEM pricing, which negatively impacted sales in that financial period and as expected, continued to impact the business in the current year.	66 727
		298 654

ANNEXURE G – IMPAIRMENTS CONTINUED

		June 2015 R'000	June 2014 R'000
B. Other intangibles			
Trademarks impaired in the reporting periods relate to the following brands:			
Reportable segment	**Brand**		
India	Cosme	**74 432**	170 532
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
		74 432	303 135

2015

The recoverable amount of certain intangibles in the Cosme business in India reduced due to the ongoing under performance in that business which required an impairment.

2014

The key impairment drivers in the prior period were 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 were negatively impacted by a lower market share following new entrants into the market. These brands performed particularly poorly in the prior financial period and whilst the forecast volumes of products not being discontinued were expected to increase compared to 2014, the outlook over the forecast period was moderated. With volumes and pricing under pressure these brands were not forecast to achieve the same level of profitability initially expected which contributed to the impairments in the previous financial period.

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

Changes in internal strategies

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

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

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

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

Addvance and **TLC** were 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.

			June 2015 R'000	June 2014 R'000
C. Property, plant and equipment				
Location	**Reportable segment**	**Category**		
Accra, Ghana	Rest of Africa	Plant and equipment	**7 390**	–
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
			7 390	69 243

2015

Accra, Ghana
The recoverable amount of certain plant and equipment in the Ghanaian production facility reduced which required an impairment.

2014

Wadeville
In the previous financial period, the recoverable amount of certain plant and equipment as well as renovations relating specifically to the production of ARV's reduced as certain parts of the ARV-facility became idle as a result of lower than forecast volumes. The outlook in this regard remained extremely uncertain and an impairment was required. The land and buildings were revalued based on a capitalisation of income.

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.

		June 2015 R'000	June 2014 R'000
D. Inventories			
Reportable segment	**Category**		
Prescription	ARVs	**(8 375)**	130 966

Due to high inventory levels in the market at the previous reporting date, the probability of sales of certain products became remote, particularly when coupled with a short-term expiry date. Following the sale of a portion of these products in the current year, part of the provision was reversed.

		June 2015 R'000	June 2014 R'000
E. OTHER			
Reportable segment	**Asset**		
Southern Africa – Pharmaceuticals	BMT investment	**6 336**	1 121
India	Long-term receivable	**–**	40 245
		6 336	41 366

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 at both reporting periods. This required an impairment of this asset.

The Group considered it prudent to impair a long-term receivable in the Indian operation as the recoverability became uncertain in 2014.

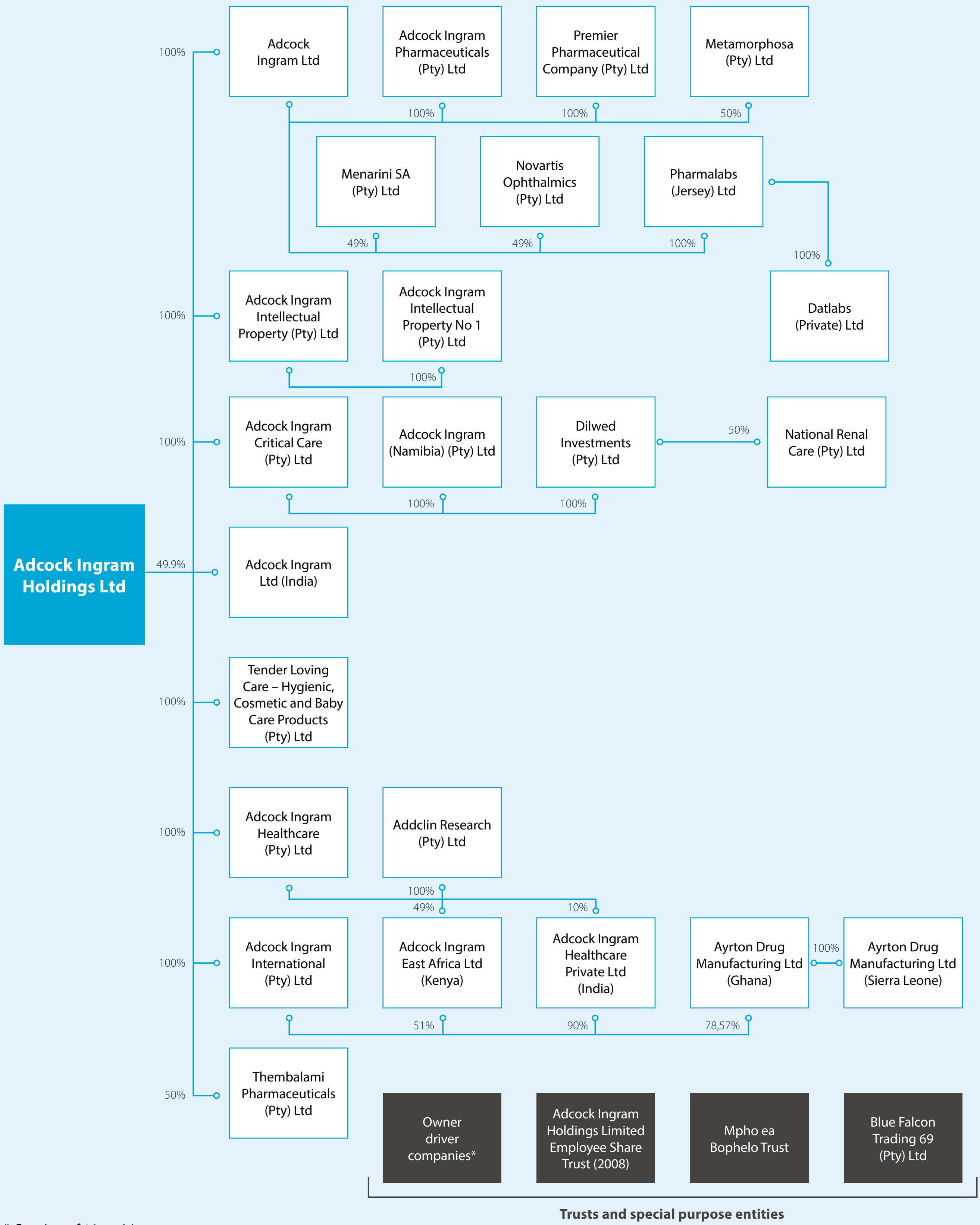
Summary of impairments

	June 2015 R'000	June 2014 R'000
A Goodwill	**–**	298 654
B Other intangibles	**74 432**	303 135
C Property, plant and equipment	**7 390**	69 243
D Inventories	**(8 375)**	130 966
E Other	**6 336**	41 366
	79 783	843 364

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES AND JOINT VENTURES

	Shareholding June 2015 %	Shareholding June 2014 %
Subsidiaries		
Adcock Ingram Limited	**100**	100
Adcock Ingram Healthcare Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100
Adcock Ingram Critical Care Proprietary Limited	**100**	100
Adcock Ingram International Proprietary Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100
Joint ventures		
Thembalami Pharmaceuticals Proprietary Limited	**50**	50
Adcock Ingram Limited (India)	**49,9**	49,9
Indirect holdings		
Adcock Ingram Pharmaceuticals Proprietary Limited	**100**	100
Premier Pharmaceutical Company Proprietary Limited	**100**	100
Metamorphosa Proprietary Limited	**50**	50
Menarini SA Proprietary Limited	**49**	49
Novartis Ophthalmics Proprietary Limited	**49**	49
Bioswiss Proprietary Limited	**0**	51
Addclin Research Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited	**100**	100
Dilwed Investments Proprietary Limited	**100**	100
Adcock Ingram Namibia Proprietary Limited	**100**	100
National Renal Care Proprietary 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)	**78,57**	78,46
Ayrton Drug Manufacturing Limited (Sierra Leone)	**78,57**	78,46
Trusts and structured entities		
Adcock Ingram Holdings Limited Employee Share Trust (2008)		
Mpho ea Bophelo Trust		
Blue Falcon Trading 69 (Pty) Limited		
19 Owner driver companies (2014: 13 companies)		

GROUP STRUCTURE



* Consists of 19 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 impairment.

The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

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 event are recognised when they occur, rather than when the cash is received or paid.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are only offset when there is a legally enforceable right to offset, and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively. If after making every reasonable effort to do so, it is impracticable to apply the change retrospectively, it is applied prospectively from the beginning of the earliest period practicable.

Changes in accounting estimates are adjustments to assets or liabilities or the amounts of periodic consumption of assets that result from new information or new developments. Such changes are recognised in profit or loss in the period they occur.

Prior period errors are omissions or misstatements in the financial statements of one or more prior periods. They may arise from a failure to use, or misuse of reliable information that was available at the time or could reasonably be expected to have been obtained. Where prior period errors are material, they are retrospectively restated. If it is impracticable to do so, they are corrected prospectively from the beginning of the earliest period practicable.

Foreign currencies

The consolidated financial statements are presented in South African Rands (Rands), which is the Group's presentational currency and the Company's functional currency.

Each foreign entity in the Group determines its own functional currency.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date.

FOREIGN CURRENCY BALANCES

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss, except for differences arising on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to such exchange differences are also accounted for in other comprehensive income.

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

FOREIGN OPERATIONS

At the reporting date, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (Rands) at the exchange rate ruling at the reporting date. Items of profit or loss are translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 investment.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the carrying value and the higher of its value in use or fair value less costs to dispose. Impairment losses are recognised in profit or loss, as part of equity-accounted earnings.

In the Company financial statements, 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.

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.

When 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 results for the same period as the Group. Where the equity-accounted investment's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

The year-end of the joint venture, Adcock Ingram Limited (India) is March whilst the year-end of National Renal Care 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 in profit or loss in the year the asset is derecognised.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the statement of comprehensive income in profit or loss in the year in which the expense is incurred.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the amortisation method are reviewed at each year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The following useful lives have been estimated:

Trademarks	15 years or indefinite
Customer, supplier and licence-related intangibles	1 – 15 years

Amortisation is recognised in the statement of comprehensive income in profit or loss in fixed and administrative expenses. Intangible assets with indefinite useful lives are not amortised but are tested bi-annually for impairment. The useful lives are also reviewed in each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is accounted for prospectively.

Certain trademarks have been assessed to have indefinite useful lives, as presently there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the Group.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in profit or loss when the asset is derecognised.

RESEARCH AND DEVELOPMENT COSTS

Research costs, being costs from the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred.

Development costs arise on the application of research findings to plan or design for the production of new or substantially improved materials, products or services, before the start of commercial production. Development costs are only capitalised when the Group can demonstrate the technical feasibility of completing the project, its intention and ability to complete the project and use or sell the materials, products or services flowing from the project, how the project will generate future economic benefits, the availability of sufficient resources and the ability to measure reliably the expenditure during development. Otherwise development costs are recognised in profit or loss.

During the period of development, the asset is tested annually for impairment. Following the initial recognition of the development costs, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete and the asset is available for use. The capitalised development costs are amortised over the useful life of the intangible asset.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. 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. 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 comprehensive income in profit or loss.

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 at the reporting date; and
- when circumstances indicate that the carrying value may be impaired.

Impairment losses relating to goodwill cannot be reversed in future periods.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment

- bi-annually as at 31 December and 30 June; and
- when circumstances indicate that the carrying value may be impaired on an individual basis or at the cash-generating unit level.

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.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 event 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.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Derecognition

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

Fair value of financial instruments

When the fair values of financial assets and financial liabilities cannot be determined based on quoted prices in active markets, their fair value is measured using valuation technique 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.

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.

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.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 event, 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 finance costs, and the capital repayment, which reduces the liability to the lessor.

Capitalised lease assets are depreciated in line with the Group's stated depreciation policy. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and lease term.

Operating leases are those leases which do not fall within the scope of the above definition.

Operating lease rentals are charged against trading profit on a straight-line basis over the lease term.

Revenue

Revenue comprises turnover, dividend income and finance income. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable excluding value-added tax, normal discounts, rebates, settlement discounts, promotional allowances, and internal revenue which is eliminated on consolidation.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Turnover from the sale of goods (including notional interest on those sales) is recognised when the significant risks and rewards of ownership have passed to the buyer.

Dividend income is recognised when the Group's right to receive payment is established.

Finance income is accrued on a time basis recognising the effective rate applicable on the underlying assets.

Borrowing costs

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.

Taxes

CURRENT INCOME TAX

Current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the Group operates.

DEFERRED TAX

Deferred tax is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax liabilities are recognised for taxable temporary differences, except:

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, 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
- 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.

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, where applicable.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

VALUE-ADDED TAX (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employees.

A liability is recognised when an employee has rendered services for benefits to be paid in the future, and an expense when the entity utilises the economic benefit arising from the service provided by the employee.

DEFINED CONTRIBUTION PLANS

In respect of defined contribution plans, the contribution paid by the Group is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

DEFINED BENEFIT PLANS

The present value of the defined benefit obligation, the related current service costs and, where applicable, past service costs, are calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on quality government bonds.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

Past service costs are expensed on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately.

The defined benefit liability recognised in the statement of financial position comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligation is to be settled.

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 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.

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. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Accounting for BEE transactions

Where equity instruments are issued to a Black Economic Empowerment (BEE) party at less than fair value, the instruments are accounted for as share-based payments in terms of the stated accounting policy.

Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the statement of comprehensive income through profit or loss.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

BEE transactions are accounted for as equity-settled share-based payments and are treated the same as equity-settled transactions.

Treasury shares

Shares in Adcock Ingram Holdings Limited held by the Group, including shares held by structured entities deemed to be controlled by the Group, are classified within total equity as treasury shares. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes and the cost price of the shares is reflected as a reduction in capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the statement of comprehensive income through profit or loss on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received with regard to treasury shares is recognised in equity.

Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future event 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 event and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Group. Alternatively it may be a present obligation that arises from past event 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.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

Recognised amounts in the financial statements are adjusted to reflect significant event 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. Event 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 Proprietary Limited and Mpho ea Bophelo Trust

Blue Falcon Trading 69 Proprietary 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 Proprietary Limited and Novartis Ophthalmics Proprietary 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

Indefinite life intangible assets are tested for impairment bi-annually, while property, plant and equipment, goodwill and finite life intangible assets are tested at least annually or when there is an indicator of impairment. The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors such as discount rates could also impact this calculation.

RESIDUAL VALUES AND USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Residual values and useful lives of property, plant and equipment, and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation and amortisation charges and carrying values of property, plant and equipment, and intangible assets in the future.

FAIR VALUE OF BEE SHARE ALLOCATIONS

In calculating the amount to be expensed as a share-based payment, the Group is required to calculate the fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transactions.

SHARE-BASED PAYMENTS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is 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.

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 (particularly impairment considerations) of these items. IFRS 9 will be effective for the Group from 1 July 2018. The Group has not yet quantified the effect of this standard.

IFRS 15: *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets. The core principle is that revenue must reflect the consideration the Group is entitled to in exchange for transferring goods and services to its customers.

The standard requires retrospective application. There are also more disclosure requirements than the current IAS 18 standard with the aim to enable users of financial statements to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 will be effective for the Group from 1 July 2017 and the impact if any, has not yet been determined.

IAS 1 *DISCLOSURE INITIATIVE: AMENDMENTS TO IAS1*

The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the financial statements may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. These amendments will be effective from 1 July 2016 and are not expected to have a significant impact on the Group's disclosure.

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 as the Group does not use revenue-based depreciation/amortisation methods.

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 2015:

Shareholder type	Number of holders	% of total shareholders	Number of shares[1]	% of issued capital
1 – 1 000 shares	5 626	69,0	2 075 917	1,0
1 001 – 10 000 shares	2 200	27,0	6 519 593	3,2
10 001 – 100 000 shares	256	3,1	6 766 910	3,4
100 001 – 1 000 000 shares	52	0,7	14 277 536	7,1
1 000 001 shares and above	16	0,2	172 045 655	85,3
Total	**8 150**	**100**	**201 685 611**	**100,0**

[1] *Includes A ordinary and B ordinary shares. Refer note 29 Subsequent event.*

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[2]	8	0,08	32 836 024	16,3
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0,01	14 900	0,0
Adcock Ingram Limited	1	0,01	4 285 163	2,2
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	0,3
Directors	2	0,02	20 700	0,0
Public shareholders	8 142	99,92	168 849 587	83,7
Total	**8 150**	**100,00**	**201 685 611**	**100,0**

[2] *Associates of directors do not hold any shares.*

3. Substantial investment management equal to or in excess of 5%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56(b) of the Companies Act, the following shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at 30 June 2015:

Investment manager	Total shareholding	%
BB Investment Company (Pty) Limited	73 452 825	36,42
Public Investment Corporation of South Africa	45 470 989	22,55
Blue Falcon 69 Trading (Pty) Limited	21 341 196	10,58
Total	**140 265 010**	**69,55**

4. Geographical split of beneficial shareholders

Country	Total shareholding	% of issued share capital
South Africa	**185 150 526**	**91,80**
United States of America and Canada	**3 232 806**	**1,60**
United Kingdom	**10 927 901**	**5,42**
Rest of Europe	**271 000**	**0,14**
Rest of the World[1]	**2 103 378**	**1,04**
Total	**201 685 611**	**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)
2014 – July	**20 843 019**	**1 117**	**55,65**	**50,51**	**52,88**
2014 – August	**15 938 587**	**813**	**52,93**	**46,16**	**51,60**
2014 – September	**8 573 564**	**432**	**53,58**	**47,47**	**48,22**
2014 – October	**5 881 392**	**287**	**50,00**	**47,51**	**49,50**
2014 – November	**4 388 333**	**221**	**54,34**	**47,31**	**51,75**
2014 – December	**3 138 064**	**154**	**52,85**	**46,16**	**49,00**
2015 – January	**6 205 931**	**275**	**48,70**	**40,46**	**43,10**
2015 – February	**12 088 348**	**581**	**53,50**	**42,58**	**52,50**
2015 – March	**10 393 613**	**542**	**53,85**	**50,51**	**52,00**
2015 – April	**10 327 122**	**546**	**57,30**	**51,90**	**53,01**
2015 – May	**6 807 472**	**359**	**55,34**	**50,01**	**50,01**
2015 – June	**7 414 580**	**368**	**52,08**	**46,01**	**50,45**

Source: INET BFA

NOTICE OF ANNUAL GENERAL MEETING

ADCOCK INGRAM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436
JSE Share Code: AIP
(**"Adcock Ingram"** or **"the Company"** or **"the Group"**)

Board of Directors ("Board"): Mr B Joffe (Chairman), Mr A Hall (Deputy CE and Financial Director), Prof M Haus, Dr T Lesoli, Mr M Makwana, Dr A Mokgokong, Mr R Morar, Mr L Ralphs, Mr C Raphiri, Mr M Sacks, Dr R Stewart and Mr K Wakeford (CEO).

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of Adcock Ingram will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 19 November 2015 at 09:00 ("Annual General Meeting").

This document is important and requires your immediate attention. Your attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the Annual General Meeting. For purposes of this Notice of Annual General Meeting and the explanatory notes hereto, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act 71 of 2008 ("Companies Act").

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

(a) receive this Notice of Annual General Meeting as being Friday, 16 October 2015; and

(b) participate in and vote at the Annual General Meeting as being Friday, 13 November 2015.

The last day to trade in the Company's shares, in order to participate in and vote at the Annual General Meeting, is Friday, 06 November 2015.

The meeting is convened for the purpose of conducting the following business:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

To present the audited annual financial statements of the Company and its subsidiaries (the "Group") as approved by the Board of the Company in terms of section 30(3) of the Companies Act, incorporating, inter alia, the reports of the external Auditors, Audit Committee and the directors for the financial year ended 30 June 2015.

2. PRESENTATION OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

To present the report of the Social, Ethics and Transformation Committee for the financial year ended 30 June 2015, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("Companies Regulations").

3. RE-ELECTION OF DIRECTORS

Ordinary Resolution 1

3.1. To elect by way of separate resolutions the following independent non-executive directors as contemplated in section 68(2)(a) of the Companies Act who are retiring by rotation in accordance with clause 17.1 of the Company's Memorandum of Incorporation ("MOI"):
3.1.1. Mr C Raphiri;
3.1.2. Mr M Makwana; and
3.1.3. Dr R Stewart.

3.2. Messrs Raphiri and Makwana as well as Dr Stewart, being eligible and available, individually offer themselves for re-election.

3.3. A brief curriculum vitae in respect of each of the independent non-executive directors offering themselves for re-election is contained on page 9 of the integrated report to which this notice is attached/which accompanies this notice ("Integrated Report").

4. ELECTION OF AUDIT COMMITTEE MEMBERS

Ordinary Resolution 2

4.1. 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:

4.1.1. Mr M Sacks (Chairman);
4.1.2. Prof M Haus;
4.1.3. Mr R Morar; and
4.1.4. Dr R Stewart, subject to being re-elected as a director in terms of Ordinary Resolution 1.3.

4.2. A brief curriculum vitae in respect of each Audit Committee member offering themselves for re-election is contained on page 9 of the Integrated Report.

5. RE-APPOINTMENT OF EXTERNAL AUDITORS

Ordinary Resolution 3

To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall) and to note the remuneration of the independent external auditors as determined by the Audit Committee for the past year's audit as reflected in note 5.1 to the annual financial statements.

6. DELEGATION OF AUTHORITY

Ordinary Resolution 4

To authorise any 1 (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 the resolutions set out in the notice convening the Annual General Meeting at which these resolutions will be considered.

7. NON-BINDING ADVISORY VOTE

Ordinary Resolution 5

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 for their services as directors and members of committees), as set out on page 43 of the Integrated Report.

8. INTER-COMPANY LOANS

Special Resolution 1

To consider and, if deemed appropriate, approve, subject to compliance with the provisions of the MOI and Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing from the date of 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 1 (one) or more related or inter-related company(ies) or corporation(s), or ii) to any 1 (one) or more member(s) of a related or inter-related company or corporation, or iii) to any 1 (one) or more person(s) related to any such company(ies) or corporation(s) or member(s) (as such relations and inter-relationships are outlined in the Companies Act), on such other terms and conditions as the Board may deem fit, subject to the Companies Act.

9. PROPOSED REMUNERATION OF NON-EXECUTIVE DIRECTORS PAYABLE WITH EFFECT FROM 1 DECEMBER 2015

Special Resolution 2

Shareholders are requested to consider and, if deemed appropriate, approve the proposed fees and, remuneration payable to non-executive directors, for their services as directors with effect from 1 December 2015 until the next Annual General Meeting in accordance with the proposed remuneration as set out in the explanatory notes.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

10. SHARE REPURCHASE

Special Resolution 3

To consider and, if deemed appropriate, to pass, with or without modification, the following special resolution:

THAT the directors be and are hereby authorised to approve and implement the acquisition by the Company (or by a subsidiary of the Company in terms of section 48(2)(b) of the Companies Act), of ordinary shares issued by the Company, by way of a general authority, which shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this special resolution, whichever period is the shorter, and subject to the Companies Act, the MOI, the JSE Limited ("JSE") Listings Requirements, when applicable, and the following limitations, namely:

- the repurchase being implemented through the order book operated by the JSE trading system, without prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- the Company being authorised thereto by its MOI;
- repurchases not being made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- an announcement being published in accordance with the JSE Listings Requirements as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue at date of the passing of this resolution ("initial number"), and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing such details of such repurchases as are required under the JSE Listings Requirements as well as any confirmations and disclosures required of the Company and its directors;
- a resolution has been passed by the Board of directors confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group;
- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten percent) in aggregate of the number of issued shares in the Company at the relevant times;
- general repurchase of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital as at the beginning of the financial year;
- the Company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- the Company only appointing 1 (one) agent at any point in time to effect any repurchases on its behalf.

The directors undertake that the Company will not commence a general repurchase of shares as contemplated above unless the following requirements are met:

- the Group will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months following the date of the general repurchase;
- the assets of the Group, recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements, will exceed the liabilities of the Group for a period of 12 (twelve) months following the date of the general repurchase;
- the Group's ordinary share capital and reserves will be adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the general repurchase; and
- the working capital of the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the general repurchase.

STATEMENT OF INTENT

The directors undertake that, to the extent it is still required by the JSE Listings Requirements and the Companies Act, they will not implement any repurchase as contemplated in this special resolution while this general authority is valid, unless:

- the Board has resolved to authorise such repurchase subject to the limitations set out in this special resolution, have applied the solvency and liquidity test set out in Section 4 of the Companies Act and have reasonably concluded that the Group will satisfy the solvency and liquidity test immediately after completing such repurchase, and are satisfied that since the test was carried out there have been no material changes to the financial position of the Group; and
- the the Group will comply with the provisions of section 46 of the Companies Act and the JSE Listings Requirements in relation to such repurchase.

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the Integrated Report and as set out below.

- Major shareholders of the Company – page 126;
- Share capital of the Company – page 83.

Directors' responsibility statement

The directors, whose names are given on page 9 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the Integrated Report, there have been no material changes in the financial position of the Group since the date of signature of the audit report and the date of this notice.

Reason and effect

The reason and effect for Special Resolution 3 is to authorise the Company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above.

Any other business

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

Electronic communication and participation

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

- must contact the Company Secretary: ntando.simelane@adcock.com or 011 635 0143 during business hours (08h00 to 17h00 on week days);
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Please note that shareholders or their proxies will be entitled to exercise voting rights at the meeting by way of teleconference call subject to compliance with paragraph 12.10 of the MOI.

Proxies and voting

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company. Note that equity securities held by a share trust or scheme, and unlisted securities will not have their votes taken into account at the Annual General Meeting for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

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

Forms of proxy must be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, corner Sauer Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107), by no later than 09h00, on Tuesday, 17 November 2015 provided that they may be handed to the chairperson of the meeting at any time prior to the proxy exercising any right at the meeting.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the Annual General Meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the Annual General Meeting.

By order of the Board

NE Simelane
Company Secretary

Midrand
28 September 2015

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

Sections 61(8) and 30(3)(d) of the Companies Act require directors to present the annual financial statements for the year ended 30 June 2015 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 1 (one) of its members, to report to the shareholders on matters within its mandate at the Annual General Meeting. The Social, Ethics and Transformation Committee's report is available on the Adcock Ingram website.

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

In terms of the MOI, one-third of the non-executive directors are required to retire at each Annual General Meeting and may offer themselves for re-election. The MOI also provides that directors so to retire at each Annual General Meeting shall be 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, and amongst directors having equal tenure since their last election.

The following independent non-executive directors 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 MOI but offer themselves for re-election:
1.1 Mr C Raphiri;
1.2 Mr M Makwana; and
1.3 Dr R Stewart.

Messrs Raphiri and Makwana as well as Dr Stewart, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible for re-election.

A brief curriculum vitae in respect of each of the above directors and the remaining members of the Board, is set out on page 9 of the Integrated Report.

To be adopted, each of the separate resolutions for the re-election of the directors in Ordinary Resolution 1 require the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

Ordinary Resolution 2 – Election of the Audit Committee members

Section 94(2) of the Companies Act requires the Company to elect an Audit Committee comprising at least 3 (three) independent non-executive 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:
2.1 Mr M Sacks (Chairman);
2.2 Prof M Haus;
2.3 Mr R Morar; and
2.4 Dr R Stewart, subject to being re-elected as a director in terms of Ordinary Resolution 1.3.

A brief curriculum vitae in respect of each of the above directors and the remaining members of the Board, is set out on page 9 of the Integrated Report.

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

Ordinary Resolution 3 – Auditors

Ernst & Young has confirmed its willingness to continue in office and Ordinary Resolution 3 proposes the re-appointment of that firm as the Company's auditors with effect from 1 December 2015 until the next Annual General Meeting. As required in terms of section 90(1) of the Companies Act, the name of the designated auditor, Mr Dave Cathrall, forms part of the resolution. The resolution also notes the remuneration of the independent external auditors as determined by the Audit Committee of the Board.

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

Ordinary Resolution 4 – Director or Company Secretary authorisation

Any 1 (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.

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

Ordinary Resolution 5 – Remuneration policy non-binding advisory vote

Chapter 2 paragraph 186 of 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 on pages 34 to 43 of the Integrated Report. Ordinary Resolution 5 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into account when reviewing the Company's remuneration policy.

To be adopted, Ordinary Resolution 5 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

Special Resolution 1 – Inter-company loans

It is important for the Group to be able to administer its cash resources efficiently. From time to time it is advisable for the Company to borrow from its subsidiaries, and to on-lend or provide loans to its subsidiaries. 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. In addition, it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above. Accordingly, the Company requires flexibility and the authority to act promptly as the need arises, and the authority of this special resolution is sought in advance to obviate the need for shareholder approval in each instance.

To be adopted, Special Resolution 1 requires the support of more than 75% (seventy five percent) of the voting rights exercised on the resolution.

Special Resolution 2 – Proposed remuneration of non-executive directors

Shareholders are requested to consider and, if deemed appropriate, approve the proposed fees and remuneration, a 5% increase overall, payable to non-executive directors for their services as directors with effect from 1 December 2015 until the next Annual General Meeting as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 43 the Integrated Report. Since the coming into effect of the Companies Act, in particular sections 65(11), 66(8) and (9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders (i.e. a resolution passed with the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution) within the previous 2 (two) years. The current remuneration has remained unchanged since 01 February 2012.

To be adopted, Special Resolution 2 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Category	Current remuneration	Proposed remuneration payable with effect from 1 December 2015
Board		
Chairman	**973 875**	**1 022 570**
Board member	**222 823**	**233 965**
Audit Committee		
Chairman	**211 470**	**222 045**
Audit Committee member	**105 735**	**111 020**
Risk and Sustainability Committee		
Chairman	**211 470**	**222 045**
Committee member	**105 735**	**111 020**

ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

Category	Current remuneration	Proposed remuneration payable with effect from 1 December 2015
Human Resources, Remuneration and Nominations Committee		
Chairman	**86 814**	**91 155**
Committee member	**55 094**	**57 850**
Social, Ethics and Transformation Committee		
Chairman	**81 472**	**85 545**
Committee member	**44 075**	**46 280**

Board members are paid an additional R13 000 (thirteen thousand rand) each when they attend special meetings which last more than 3 (three) hours. The Chairman of the Board does not get paid any additional amount for attending Board Committee meetings.

Special Resolution 3 – Share Repurchase

The Board believes that it may be prudent to obtain a general authority to repurchase the Company's shares to enable it to act promptly should the opportunity arise. Shareholders' approval, by way of a special resolution, is sought for a repurchase of the Company's shares, subject to the provisions of the JSE Listings Requirements and the Companies Act as set out in the proposed resolution. This special resolution is subject to the statement of intent as set out above.

To be adopted, Special Resolution 3 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Quorum

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

1. subject to 2 and 3 below:

   1.1 a meeting of shareholders may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and

   1.2 a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda;

2. once a quorum has been established at a meeting of shareholders, all the shareholders necessary to maintain such quorum must be present at that meeting to consider and vote on any matter;

3. despite the percentage figures set out in 1, as the Company has more than 2 (two) shareholders, a meeting may not begin, or a matter begin to be debated unless:

   3.1 at least 3 (three) shareholders are present at the meeting; and

   3.2 the requirements of 1, are satisfied.

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")

For use only by certificated shareholders and "own name" dematerialised shareholders of Adcock Ingram in respect of the Annual General Meeting of shareholders to be held at 1 New Road, Midrand, Gauteng, on Thursday, 19 November 2015 at 09:00.

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

All terms defined in the Notice of Annual General Meeting to shareholders dated 28 September 2015 to which this Form of Proxy is attached and not defined herein shall bear the same meanings herein.

This form of proxy is only to be completed by those ordinary shareholders of Adcock Ingram who hold ordinary shares in certificated form or who are recorded on sub-registered electronic form in "own name". Shareholders who hold dematerialised ordinary shares are referred to paragraphs 3 and 4 of the "Notes" overleaf for further instructions.

I/We, the undersigned (please print full names) ______________________________

of (address) ______________________________

being a shareholder of the Company, and entitled to (insert number) ______________________________

votes, do hereby appoint: or failing him/her, or, failing him/her, the chairman of the Annual General Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 19 November 2015 at 09:00 or any adjournment thereof, as follows:

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

	Number of votes		
	In favour of the resolution	Against the resolution	Abstain from voting on the resolution
Ordinary Resolution 1 To re-elect by way of separate resolutions the following directors who retire in terms of the MOI and make themselves available for re-election:			
1.1 Mr C Raphiri			
1.2 Mr M Makwana			
1.3 Dr R Stewart.			
Ordinary Resolution 2 To re-elect the following Audit Committee members by way of separate resolutions:			
2.1 Mr M Sacks (Chairman)			
2.2 Prof M Haus			
2.3 Mr R Morar			
2.4 Dr R Stewart.			
Ordinary Resolution 3 To re-appoint Ernst & Young Inc. as the Company's auditors.			
Ordinary Resolution 4 To authorise any one director or Company Secretary to do all such things and sign all such documents to implement all the resolutions tabled at this meeting.			
Ordinary Resolution 5 To endorse by way of a non-binding vote the Company's remuneration policy.			
Special Resolution 1 To approve 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 approve the proposed fees and remuneration payable to non-executive directors for their services as directors with effect from 1 December 2015 until the next Annual General Meeting as set out in the notice convening the meeting.			
Special Resolution 3 To approve a general authority to repurchase the Company's shares to enable it to act promptly should the opportunity arise. Shareholders' approval, by way of a special resolution, is sought for a repurchase of the Company's shares, subject to the provisions of the JSE Listings Requirements and the Companies Act 2008 as set out in the proposed resolution.			

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

Signed by me (full names) ______________________________

in my capacity as ______________________________

at (place) ______________________________

on this (date, month and year) ______________________________

Signature ______________________________

Please read the notes on page 137 of the Integrated Report.

NOTES TO THE FORM OF PROXY

1. If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, Central Securities Depository Participant ("CSDP"), banker, attorney, accountant or other person through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected. You are reminded that the onus is on you to communicate with your CSDP or broker.
3. A form of proxy is only to be completed by those ordinary shareholders who are:
   3.1. holding ordinary shares in certificated form; or
   3.2. recorded on sub-register electronic form in "own name".
4. If you have already dematerialised your ordinary shares through a CSDP or broker and wish to attend the Annual General Meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
5. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the chairman of the Annual General Meeting" but any such deletion must be initialed by you. Any insertion or deletion not complying with the foregoing will, subject to 15 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
6. If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
7. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of the votes exercisable by the shareholder or by the proxy.
8. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.
9. To be effective, completed forms of proxy should be:
   (i) lodged with or mailed to Computershare Investor Services Proprietary Limited

Hand deliveries to:	**Postal deliveries to:**
Ground Floor, 70 Marshall Street	PO Box 61051
Johannesburg, 2001	Marshalltown, 2107

   to be received by 09h00 on Tuesday 17 November 2015 or not less than 48 hours before any adjourned or postponed meeting); or
   (ii) lodged with or mailed to Adcock, 1 New Road, Midrand, Gauteng (marked for the attention of the Company Secretary) to be received after the time last specified in (i) above but up to at least 10 minutes before the commencement of the Annual General Meeting (including any adjourned or postponed meeting); or
   (iii) handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting), provided that, should the relevant shareholder return such form of proxy in terms of (ii) above, the relevant shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Adcock Ingram.
12. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
13. Notwithstanding the aforegoing, the chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
14. Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
15. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
16. A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.

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.

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

GLOSSARY

The following terms and abbreviations, used in this Integrated Report, mean:

Adcock Ingram	Adcock Ingram Holdings Limited
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 and joint ventures 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
OTC	Over the Counter
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 Proprietary Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Auditors:

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

Sponsor:

Rand Merchant Bank, 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

Bankers:

Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146
Rand Merchant Bank, 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

FORWARD-LOOKING STATEMENTS

Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Word 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

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Company Secretary

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More information is also available on www.adcock.com

Adcock Ingram welcomes feedback from stakeholders at investor.relations@adcock.com

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