adcock ingram

Integrated report

for the year ended 30 June

2018

Contents

About this report

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

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

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

REPORTING PRINCIPLES

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

Adcock Ingram has applied the principles of King IV unless otherwise stated, the Companies Act, the JSE Limited Listings Requirements and other applicable 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 6 to 9.

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

SCOPE AND BOUNDARY

Adcock Ingram's integrated report covers the financial year 1 July 2017 to 30 June 2018.

The report is released at least 15 business days prior to its Annual General Meeting to be held on 22 November 2018. Comparatives are for the year 1 July 2016 to 30 June 2017.

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

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

ASSURANCE

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

ANNUAL FINANCIAL STATEMENTS 2018

The annual financial statements for the year ended 30 June 2018 were approved by the Board on 28 August 2018.

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

B-BBEE SCORECARD

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the 2017 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 revised codes of the B-BBEE Act. This rating is valid until 21 November 2018.

OTHER INFORMATION

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

CAPITALS

- Financial capital
- Manufactured capital
- Natural capital
- Social and relationship capital
- Intellectual capital
- Human capital

STRATEGIC FOCUS AREAS

- Build on the foundation
- Growth and expansion
- Transformation

DIVISIONS

- Over the counter
- Prescription
- Hospital
- Consumer

Adcock Ingram at a glance

FINANCIAL CAPITAL*

Turnover
R6 540m
(2017: R5 936m)

Trading profit
R866m
(2017: R724m)

HEPS
387.7c
(2017: 308.9c)

Share price close
6 015c
Low: 4 900c High: 7 200c

*Continuing operations

INTELLECTUAL CAPITAL

The South African private pharmaceutical market, as measured by IQVIA MAT June 2018, is worth **R42.9 billion, with 7.1% value and 4.9% volume growth** (including new products).

Adcock Ingram holds a private market share of **9% in value and 21% in volume**.

NATURAL CAPITAL

Energy usage (kWh)
50 379m
(2017: 49 456m)

Carbon emissions**
24.67
(2017: 28.26)
** (Scope 1 and 2) per full-time employee (tonnes).

Water usage (Kℓ)
271 318
(2017: 281 247)

MANUFACTURED CAPITAL

BANGALORE (JV facility)	Capacity – Tablets and capsules: 3,5 BILLION UNITS
Accreditations:	Nigeria (NAFDAC),
UK (MHRA),	Ghana (FDB),
Australia (TGA),	Namibia (NMRC),
South Africa (SAHPRA),	Uganda (UNDA),
France (ANSM),	Zimbabwe (MCAZ),
Tanzania (TFDA),	Malawi (PMPB), and
Kenya (PPB),	Ethiopia (FMHACA)

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

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

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

EMPOWERLOGIC
Your Logical Empowerment Solution

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

Adcock Ingram Holdings

Level 3 Contributor

B-BBEE Status	
B-BBEE Status Level	Level 3
Element Points Obtained	EO: 24.06 points; MC: 12.31 points; SD: 19.62 points; ESD: 29.58 points; SED: 5 points
Discounting Principle Applied	No
Empowering Supplier	Yes

*Black Owned: >=51% and 8 points for Net Value | *Black Women Owned: >=30% and 8 points for Net Value

Black Voting Rights	36.56%	Black Women Voting Rights	13.28%
Black Economic Interest	34.68%	Black Women Economic Interest	13.42%
51% Black Owned *	No	30% Black Women Owned *	No
Black Designated Group Supplier	No	Exclusion Principle Applied	

Extract from B-BBEE certificate

ACTIVITIES

MANUFACTURING

We have four manufacturing facilities.

SALES AND MARKETING

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

DISTRIBUTION

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

SOCIAL AND RELATIONSHIP CAPITAL

B-BBEE SCORE

LEVEL 3

HUMAN CAPITAL

Employees

2 610

BUSINESS UNITS

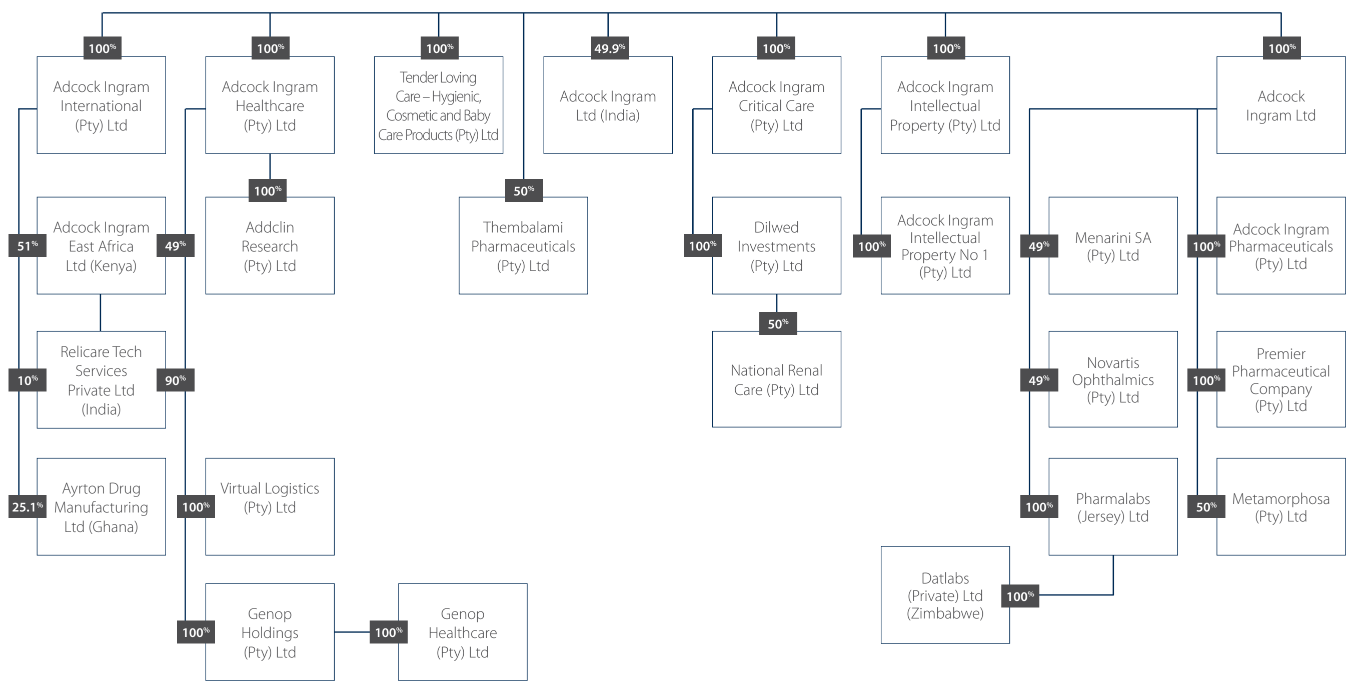
OVER THE COUNTER focuses on brands sold predominantly in pharmacy, where the **pharmacist** plays a role in the product choice and includes brands like Corenza and Citro-Soda.

The **HOSPITAL** portfolio has a long history with Baxter which positions Adcock Ingram as a leading supplier of **critical care products**, including intravenous solutions, blood collection products and renal dialysis systems.

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

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

ADCOCK INGRAM HOLDINGS LIMITED



Our business model

OUR RISK UNIVERSE

OUR CAPITAL INPUTS

Financial	We use cash generated by our operations as well as debt financing to run our business and fund growth.
Manufactured	Investing in plant and equipment allows us to continue to comply with regulatory and expansion requirements.
Natural	We require coal, water, land and energy for production in our manufacturing facilities.
Social and relationship	We integrate the needs of our stakeholders into our business and we deliver on our commitments.
Intellectual	Our proprietary and licensed products, dossiers, technologies, software, licenses and standard operating procedures support our business.
Human	We require a diverse set of people with specialist skills and experience to grow our business.

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

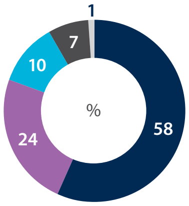
As members of Proudly South African we share a commitment to an uplifting ethos that promotes social and economic change and progress.

We make a meaningful contribution to building South Africa's economy, alleviating unemployment and retaining existing employment opportunities.

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

LOGISTICS

- Distribution centres



Pallet space

Gauteng	**24 000**
Durban	**10 000**
Cape Town	**4 800**
Port Elizabeth	**3 000**
Bloemfontein	**400**
Total	**42 200**

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CUSTOMERS

- Government
- Wholesalers
- Pharmacies
- Hospitals
- FMCG retailers
- Home patients

FOOTPRINT

Our operations are spread across **sub-Saharan Africa** and our manufacturing facilities are based in **South Africa** and **India**. The head office of the Group is located in Midrand, South Africa.

OUR RISK UNIVERSE

We conduct our business activities while actively managing risk.

Refer to page 46

OUR PROCESSES

OPERATIONS

- Over the counter Refer to page 22
- Prescription Refer to page 24
- Hospital Refer to page 26
- Consumer Refer to page 28

R&D/REGISTRATION

- Buy intellectual property
- Develop intellectual property

SOURCE

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

MANUFACTURE

- Own factories
- Outsourced factories

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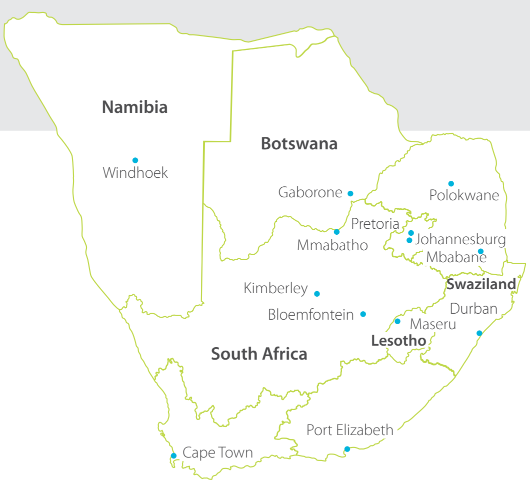


OUTCOMES IN THE FORM OF VALUE CREATION

Human capital	Financial capital	Manufactured capital	Social and relationship capital
R1 290m	R273m	R219m	R6.6m
EMPLOYEE REMUNERATION, INCLUDING SHARE-BASED PAYMENTS	PAYMENTS TO PROVIDERS OF CAPITAL (interest and dividends)	IN CAPEX	TOTAL CSI SPEND

Grounded in good corporate governance

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

THE BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

1 CLIFFORD D RAPHIRI (55)
BSc (Mech Eng), Grad Dip. Eng, MBA
Appointed: 15 July 2008
Chairman since 11 November 2015

2 LULAMA BOYCE (39)
CA (SA), MCom (Fin Mgt)
Appointed: 24 May 2017

3 MATTHIAS HAUS (69)
MB ChB, MD, DCH, FCFP, FFPM, Dip Obst
Appointed: 1 June 2012

4 JENITHA JOHN (47)
CA (SA), CIA, QIAL, CD (SA)
Appointed: 24 May 2017

5 TLALANE LESOLI (68)
MB BS, Dip of Child Health
Appointed: 15 July 2008

6 MPHO MAKWANA (48)
BAdmin (Honours), Post-Grad Dip (Retailing Management)
Appointed: 1 February 2012

7 ROGER STEWART (66)
MB ChB, PhD (Med), F. Inst. D, Grad Dip. Comp Dir.
Appointed: 15 July 2008

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

8 NOMPUMELELO MADISA (39)
BSc, BCom (Honours), MCom (Finance and Investment)
Appointed: 23 November 2017

9 CLAUDIA MANNING (51)
PhD
Appointed: 24 November 2016

10 ANNA MOKGOKONG (61)
BSc, MB ChB, DCom
Appointed: 10 April 2014

11 LINDSAY RALPHS (63)
CA (SA)
Appointed: 24 November 2016

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. The Company Secretary works closely with the Chairman of the Board, and has unfettered access to the Chairpersons of the respective Board committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes, but maintains an arm's-length relationship with the Board and its members and is not a member of the Board. The Company Secretary reports to the Board via the Chairman on all statutory duties and functions performed in connection with the Company and administratively to the CEO. The Board can confirm that it has considered and is satisfied with the competence, qualifications and experience of the Company Secretary.

EXECUTIVE COMMITTEE

EXECUTIVE DIRECTORS

12 ANDREW HALL (56)
CA (SA), BPharm
Chief Executive Officer
since November 2015
Joined September 2007 as CFO
Appointed as director: 15 July 2008

13 DORETTE NEETHLING (44)
CA (SA), MCom (Taxation)
Chief Financial Officer
since 23 February 2016
Joined August 2007

14 BASADI LETSOALO (55)
MPsych , CLDP, MLPC, MPhil (Executive coaching)
Executive Director – Human Capital and Transformation
since 25 August 2016
Joined January 2008

15 JASVANTI BHANA
BSc, MBBCh, Masters in Sports Medicine
Medical Director

16 FRANS CRONJE
BSc, NDip (Ind Eng)
IT Executive

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

18 DANTE MASHILE
BA, MA, Dipl. in Journalism, Dipl. in Telecoms
Public Affairs Executive

19 ASHLEY PEARCE
Dip Pharm, BCom
Managing Director – Prescription

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

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

22 GAIL SOLOMON
IMM (Marketing), BBA (Marketing)
Managing Director – Consumer

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

Full CVs available on www.adcock.com

Grounded in good corporate governance (continued)

The Board continues to assess the effectiveness of the Company's current processes, practices and structures which it uses to direct and manage the operations of the Group following the implementation of King IV, informed by a gap analysis conducted in the previous year.

THE BOARD'S ROLES AND RESPONSIBILITIES

The Board is aware of its responsibility to lead the Group competently and with integrity to ensure fairness, accountability and transparency and has taken guidance from the primary governing roles and responsibilities identified in King IV:

- **Steers and sets strategic direction**
- **Approves policy and planning**
- **Oversees and monitor performance**
- **Ensures accountability**
- **Directs** the Company by formulating and reviewing the Company's policies, strategies and major plans of action;
- **Reviews** risks and risk policies; approves annual budgets and business plans; and sets performance objectives;
- **Monitors** the implementation of approved strategies and oversees corporate performance; approves major capital expenditure, acquisitions and divestitures, and ensures compliance with applicable laws;
- **Controls** the Company by ensuring that a code of conduct is in place to set the tone from the top; oversees the process of disclosure and communications; ensures that appropriate systems for financial control, and for reporting and monitoring risk are in place; appoints and evaluates the performance of the executive directors; and balances the potential for conflicts between the interests of management and the wider interests of the Company and shareholders.
- **Is accountable** to shareholders for creating, protecting and enhancing the wealth and resources of the Company and reporting to them on the Company's performance in a timely and transparent manner, and to stakeholders to ensure that the Company acts as an ethical, responsible corporate citizen.
- **Is not** involved in the day-to-day management of the Company as that is the responsibility of management. The Board is satisfied that the delegation of authority framework of the Company contributes to role clarity and effective exercise of authority and responsibilities.

THE BOARD'S COMMITMENT TO ADCOCK INGRAM AND ITS STAKEHOLDERS:

1 Achieving the highest standards of ethics by nurturing the principles of transparency, accountability and integrity in all aspects of operations and stakeholder engagements.

- The Board is governed in accordance with its Charter and the Company's Memorandum of Incorporation (MOI), amongst others. The Board Charter sets out, inter alia, the principles and a formal process in terms of which directors are appointed, and the duties and responsibilities of the Board.
- The Board reviews the Code of Conduct and Ethics annually to ensure compliance with King IV, which directs its members, employees and other stakeholders (when dealing with Adcock Ingram) to model their conduct in accordance with its provision and to report any suspected inappropriate, unethical and illegal activity or misconduct. The Board, assisted by its different committees, monitors its implementation, to ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.

2 Providing stakeholders and the investor community with clear, meaningful and timely information about Adcock Ingram's operations and results.

3 Conducting its business on the basis of fair commercial and competitive practice.

4 Ensuring that the Board and management team are equipped with the right balance of knowledge, skills, experience, diversity and independence to carry out their responsibilities effectively.

The Board is led by an independent non-executive chairman in the objective and effective discharge of its governance role and responsibilities. During the year the Board reviewed the composition of its various committees to ensure they are appropriately constituted to deliver on its mandate and to ensure compliance with the law and King IV. It also identified the need to appoint a lead independent director (a process which is under way) to fulfil certain responsibilities.

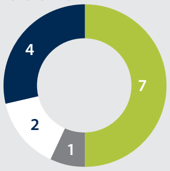
The Nominations Committee plays an important role in the appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. The Board does not have a formal succession plan in place but has a skills matrix which reflects existing skills and the skills needed within the Board. The Board uses multiple sources to locate the required skills when there is a vacancy and endeavours to recruit directors with some level of governance experience. The Board still needs to determine the number of outside professional commitments allowed for its members and Chairman, based on members' participation and contribution on the Board.

Directors are encouraged to attend external director development and internal training programmes, at the cost of the Group to ensure their knowledge of governance and the environment in which the Group operates remain relevant. In addition, all newly appointed directors are provided with an induction file containing important legislation and the Group's governance structure and processes. The Company Secretary also inducts newly appointed directors on their statutory obligations as set out in the Companies Act, the MOI and other related regulations such as the JSE Listings Requirements. During the year under review, directors attended a governance information sharing session which was conducted by an international speaker.

The outcome of the gap analysis guides the Board's implementation of King IV. The Group is substantially compliant with the King IV Report and the few instances of non-compliance are highlighted in the report.

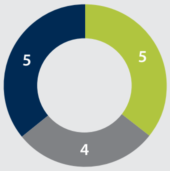
DIVERSITY OF THE BOARD

Tenure on board



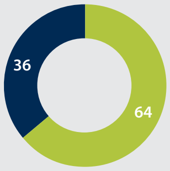
- 0 – 2 years
- 3 – 4 years
- 6 years
- 9+ years

Age



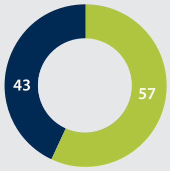
- 35 – 50
- 51 – 60
- 61 – 70

Race
(%)



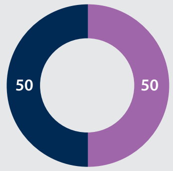
- Black
- White

Gender
(%)



- Female
- Male

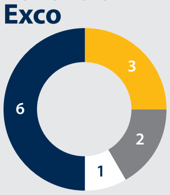
Independence
(%)



- Independent
- Non-Independent (including executive directors)

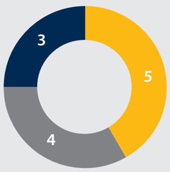
DIVERSITY OF THE EXECUTIVE COMMITTEE

Tenure on Exco



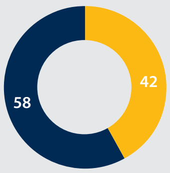
- 0 – 2 years
- 5 – 6 years
- 6 – 7 years
- 9+ years

Age



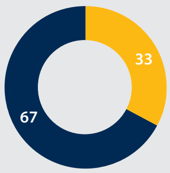
- 44 – 50
- 51 – 55
- 56 – 60

Race
(%)



- Black
- White

Gender
(%)



- Female
- Male

5 Actively pursuing transformation and ensuring employment practices which are not unfairly discriminatory and which seek to maximise the potential of all employees through training and skills development.

The Board recently reviewed the Gender Diversity policy to include race targets, as required in the JSE Listings Requirements. The policy is now known as the Gender and Race Diversity Policy and is available on the Company's website. Although the policy expresses a commitment to working towards achieving gender parity by no later than 2026, already eight of the fourteen directors are female with different skills, background and qualifications. The Board has further committed through the revised policy that the Board, when considered as a whole, shall not have less than 50% directors who are Black and 30% females who are Black.

6 Proactively accepting responsibility for and managing the sustainability and environmental issues associated with its business.

INTENDED OUTCOMES

Ethical culture | Good performance | Transparent information sharing | Effective control

CHANGES TO THE BOARD AND DIRECTORS' RESPONSIBILITIES

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

Effective date	Nature of the change
21 August 2017	Dr Brian Joffe resigned as a Director and the Chairman of the Acquisitions Committee.
23 November 2017	Ms Nompumelelo Madisa was appointed as a non-executive director and a member of the Acquisitions Committee.
29 January 2018	Mr Michael Sacks resigned as a director, Chairman of the Audit Committee and member of the Risk and Sustainability, HR, Remuneration and Nominations, and the Acquisitions Committees.
20 February 2018	Ms Jenitha John was appointed as the Chairperson of the Audit Committee.
28 August 2018	Ms Nompumelelo Madisa was appointed as a member of the HR, Remuneration and Nominations Committee (Committee); Mr Mpho Makwana stepped down as the Chairman of the Committee but continues to serve as a member; and Ms Lulama Boyce was appointed as the Chairperson of the Committee.

The newly appointed director has been appropriately inducted and has confirmed that she has sufficient time available to fulfil her responsibilities as a member of the Board and relevant sub-committees.

Mapping out our approach to integrated thinking

When making decisions on how to manage and grow the business, we consider those resources and relationships that are critical to our ability to create value. Input from each of the six capitals is needed for the effective management and subsequent value creation for all our stakeholders.

Grounded in **good governance...**

GUIDED BY:

OUR MISSION

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

OUR VALUES

Everything that we do at Adcock Ingram is underpinned by our values. Our values drive every decision we make as well as the way in which we carry out our mission, pursue our strategy and interact with our stakeholders.

- 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

...we can focus on our three **strategic pillars...**

PILLAR 1

Build on the foundation

STRATEGIC FOCUS

- Customer service
- Strict cost control
- Manufacturing efficiencies
- Investment in sales and marketing
- Regulatory compliance
- Company culture

PILLAR 2

Growth and expansion

STRATEGIC FOCUS

- Acquisitions
- Partnerships
- Innovation
- New customers and sales channels

PILLAR 3

Transformation

STRATEGIC FOCUS

- Employment equity
- Preferential procurement
- Supplier development

Refer to page 12

This helps us **re-evaluate our strategy...**

In setting our strategy, the material matters which impact our ability to create value are considered:

- **Portfolio diversification** to support growth and become less dependent on SEP regulated products
- The **macro-economic environment** in which we operate
- Quality and output **efficiencies** in our manufacturing plants
- **Export** into other markets
- **Transformation**

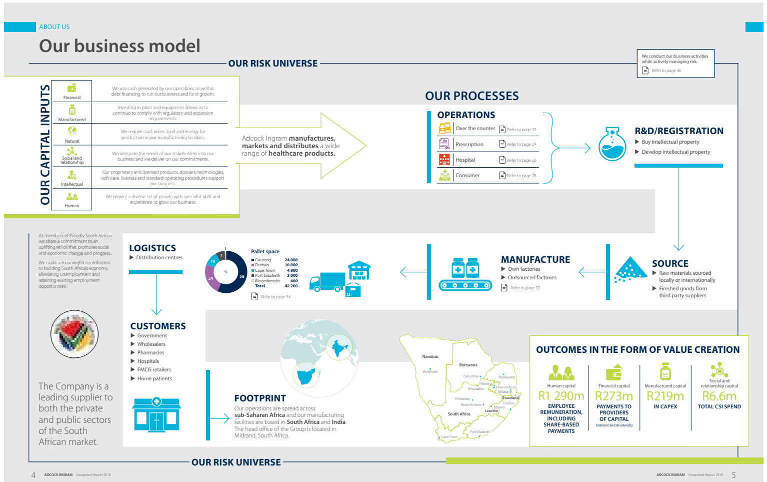
...and evaluate **stakeholder value.**

Refer to page 42

...and allocate our **capital resources.**

Financial	Manufactured
Natural	Social and relationship
Intellectual	Human

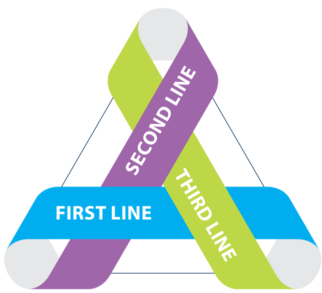
Implemented through our **business model...**



Refer to page 4

...while actively managing our **risk universe...**

Refer to page 46



...we are able to **perform strategically.**

Refer to page 12

...we realise **capital outcomes...**

Financial	Manufactured
Natural	Social and relationship
Intellectual	Human

Strategic performance

The progress made over the past year has put the business in a more sustainable position, within the tough economic climate and socio-political conditions within which the business is operating. The front-end focus remained on Customers, Products and Service, with strict attention to quality, efficiencies and costs at the back-end. The business continues to explore growth and expansion opportunities.

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

1

PILLAR 1

BUILD ON THE FOUNDATION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2018	FOCUS AREAS FOR 2019 AND BEYOND
A relentless focus on customer service	Continued engagement with customers on various levels.	Constant management of the expectations of our customers by our commercial divisions.
	Expansion of our fine distribution footprint through the integration of Virtual Logistics and the rebranding to AVL Healthcare.	Continue to find new and better ways to service the needs of our customers.
	The Distribution division achieved in excess of 98% on time delivery rates consistently over the year.	The Distribution division must ensure orders are delivered on time as per customers' requests.
Strict cost control	Operating expenses increased by 5.4% on a like-for-like basis (excluding Genop).	Keep operating expenses, outside of marketing investments, to inflationary levels, especially in the light of the low SEP increase (1.26%) granted at the start of calendar year 2018, and the uncertainty of an interim SEP adjustment following the exchange rate deterioration in mid- to late-2018 calendar year.
Extracting manufacturing efficiencies and increasing throughput at Wadeville and Clayville	Throughput increased in Wadeville with the manufacturing of Trivenz, Adcock Ingram's triple-combination ARV product, following increased demand in the private sector.	Continue to find opportunities to increase factory throughput at Wadeville and Clayville. To this end, some of the Epi-Max (largest Genop brand) manufacturing and packing will be moved to Wadeville by the end of December 2019. In addition, contract manufacturing opportunities will be explored at Wadeville.
	All Good Manufacturing Practice (GMP) upgrades to the general plant's packing facility (Phase I) in Clayville were completed during December 2017.	Further continuous GMP upgrades to follow in other parts of the manufacturing facilities.
	Capital expenditure has been directed towards the commissioning of a new powder sachet line (for Citro-Soda and vita-thion) and an Ophthalmic facility in Clayville, and the upgrade of the Liquids, Creams and Ointments (LCO) section of the Wadeville plant.	The Ophthalmic facility is on track for completion in the final quarter of the 2019 calendar year. Validations for the LCO facility will commence in the second quarter of the 2019 financial year.
	Critical Care won in excess of 80% of the IV Fluids state tender.	
	All three manufacturing sites have been certified as National Key Points during the year.	The purchase of the manufacturing facility adjacent to the current Bangalore factory was concluded in June 2018. Construction to start in the beginning of the 2019 financial year to expand the laboratory and manufacturing capacity.
Focused investment in sales and marketing of our major brands, to grow our market share	Marketing investment increased by 13%. Adcock Ingram's overall private market share increased by 0.2% as per IQVIA, with growth ahead of the overall market.	Continued investment behind major brands as well as supporting the launch of new products to grow our market share.
Maintaining full regulatory compliance in the factories and distribution centres.	Continuously updating and development of Standard Operating Procedures (SOPs) to be in line with revised regulatory changes.	Wadeville will be finalising the upgrade of its liquids, creams and ointments facility, and Clayville the Ophthalmic facility.
	All Good Manufacturing Practice (GMP) upgrades to the general plant's packing facility (Phase I) in Clayville were completed during December 2017.	Maintain current positions in technical committees and working groups in professional and trade associations.
		Actively engaging in pro-active commentary on the National Health Insurance and Medical Schemes Amendment Bills through the industry bodies - Pharmisa and PTG.
Reinforcing the culture of responsibility, accountability and fun at work	Adcock Ingram's staff turnover decreased from 10.4% to 10.1%, against the industry norm of 11.2%.	Continue to keep the staff turnover below the industry level.

2

PILLAR 2

GROWTH AND EXPANSION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2018	FOCUS AREAS FOR 2019 AND BEYOND
Acquisitions	Acquisitions concluded during the year included: ▶ Genop, a highly specialised instrument, surgical and pharmaceutical products company focused on the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa. Genop owns and markets the well-known Epi-Max branded range of consumer products. ▶ SpiderTech licence and distribution rights were acquired by the Hospital Division (kinesiology tape).	The search for acquisitions in 2019 will focus on expanding the less regulated portfolio.
Partnerships	The Prescription division: ▶ implemented a marketing and distribution agreement with Takeda for its well known Topzole brand for treatment of stomach ulcers and gastroesophageal reflux disease; ▶ implemented a marketing and distribution agreement with Novartis for Aclasta for the treatment of osteoporosis; ▶ obtained the sales and promotional rights for the Astellas dermatology range (Protopic, SBR, Locoid and Zineryt) from Leo Pharmaceuticals.	The Prescription division will investigate further multinational partnerships in order to expand Adcock Ingram's product offering.
	The OTC business: ▶ concluded a sales, marketing and distribution agreement with Abbott Laboratories for Brufen, Duphalac, Creon and Calmettes.	The OTC division will investigate strategic collaborations with global/regional OTC specialist companies to broaden its product range in South Africa. The division has signed a marketing and distribution agreement with Pierre Fabre for Dexeryl, an emollient for the treatment of dry skin for launch in early 2019.
Innovation	A number of new brands/products were launched during the year including the OTC division's Burnloc for heartburn/ hyperacidity, Immuenza to support the immune system, and the GAP range of multivitamins and minerals. The Hospital division recently launched the ADCO Hygiene range of hand and surface disinfectants.	Further line extensions and product rebranding initiatives will be introduced in 2019.
	Innovation included rebranding of certain product lines such as OTC's vita-thion (as vita-thion Fizzies and vita-thion Extra).	
New customers and sales channels	The OTC division continues to grow its business into the Rest of Africa.	The OTC and Consumer divisions will continue to look for ways to service informal and convenience channels in order to provide greater access to Adcock Ingram's products.
		With the aim of increasing sales to African countries, the business is currently registering products in Ghana, South Sudan and Ethiopia, with expected commencement of sales in the 2020 financial year.

3

PILLAR 3

TRANSFORMATION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2018	FOCUS AREAS FOR 2019 AND BEYOND
Transformation	Adcock Ingram improved from a level 4 to a level 3 B-BBEE contributor.	Investigate participation in the YES programme which is part of the Draft Statement on the Codes of Good Practice on B-BBEE.
Employment equity	85% of permanent employees are Black, 48% of permanent employees are female.	Improve black representation at senior and middle management.
	Board representation – 64% are Black directors, 57% are female directors.	Roll out a disability awareness campaign to the entire business and continue to retain learners with disabilities.
	Divisional Employment Equity plans have been implemented.	Implement a talent pipeline for junior pharmacists.
	R33 million was spent on skills development compared to R23 million in the prior year.	
Preferential procurement	R1.7 billion was spent on suppliers with a B-BBEE status of 4 or better, of which R573 million was spent on >51% black owned suppliers and R271 million on >30% black women owned suppliers.	Focus on growing small and medium black-owned businesses.
Supplier development	Adcock Ingram continued to invest in its owner-driver distribution scheme. R16 million was invested in the year, increasing the owner drivers including employees to 232 persons and 116 vehicles.	Investigate other supplier development programs.
Other	CSI spend for the year was R6.6 million.	The partnership with Netcare on recycling of plastics to expand.
	Adcock Ingram received an award of recognition for being one of the most supportive corporates of the SAME foundation.	The CSI programme will continue to focus on Healthcare and Education.
		Actively engaging in pro-active commentary on the National Health Insurance and Medical Schemes Amendment Bills through the industry bodies - Pharmisa and PTG.

GROWTH AND EXPANSION

During the first quarter of calendar 2018, Adcock Ingram acquired Genop Healthcare. Genop is a specialised healthcare company focussed on ophthalmic, optometry and skincare/aesthetic markets as well as owning the well known Epi-max branded range of products.

1924

1924 - Established as an optical lens, frame and instruments business – Cameron and McKillip.

1946

Listed on the Johannesburg Stock Exchange ("JSE").

1998

Genop acquired the Allergan subsidiary in South Africa.

2001

Genop delisted from JSE and the Abrahamson family bought control.

2006

CARL ZEISS VISION

Genop sold the lens and frame business to Carl Zeiss Vision.

2014

Genop turns 90 years old, restraint of trade ended and Genop re-enters dry eye and aesthetic injectables market.

2018

Genop becomes part of the Adcock Ingram family.

THE GENOP BRAND SPANNING OVER 90 YEARS

OPERATING DIVISIONS

EPIMAX

Dermatological Creams

OPHTHALMIC SURGICAL

Intraocular Lenses, Surgical Disposables, Cataract & Retinal Surgery Equipment and Consumables, Dry Eye and Eye Hygiene, Contact Lens Solutions

OPHTHALMIC INSTRUMENTS

Ophthalmology Diagnostic Equipment, Optometry Diagnostic Equipment

SKINCARE AND AESTHETICS

Aesthetic Lasers, Dermal Fillers, Medical Cosmetics, Aesthetic Medicine, Consumables & Implants, Breast Implants, Scar Therapy, Compression Garments

Leadership review from our Chairman and CEO

INTRODUCTION

With another successful financial year behind us, we are pleased to present the Company's 2018 Integrated Report to stakeholders. Despite a multitude of challenging factors, our financial results are testament to the fact that the business is progressing at a balanced pace. Our commitment and promise are very much evident through the efforts of all divisions, who are focused on living up to our values and ethos of 'Adding value to life'. Heart-warming initiatives include the launch of the "Shoes for Africa" project with Netcare (page 41) as well as the introduction of the new Claria peritoneal dialysis machine by our Hospital business (page 31) which both added value to the lives of the people we serve.

Through humble beginnings that date back to 1890, starting off as a community pharmacy in Krugersdorp, Adcock Ingram celebrated ten years of being a relisted company on the Johannesburg Stock Exchange (JSE) on 25 August 2018. Today the Company has a market capitalisation of over R10 billion.

ENVIRONMENT

After an uncertain economic start to 2017, the economy saw positive growth of 1.3% during 2017.

This situation changed in 2018, as the economy contracted by 2.6% in the first quarter and shrank by 0.7% in the second quarter of the year. This has put South Africa in a technical recession, the country's first since the 2008/9 global financial crisis and an undeniable indication that the economy and consumer are under stress.

South Africa's consumer inflation increased to 4.6% in June 2018 after having reached a seven-year low of 3.8% in March 2018. The 1% increase in the Value Added Tax (VAT) rate, which came into effect on 1 April 2018, coupled with the recent increase in fuel-related levies and the weakness of the Rand, and high levels of unemployment, will continue to have an adverse impact on consumer spending.

The Company operated in a weak economic and uncertain political climate for much of the past financial year. We embrace the renewed sense of optimism which followed the leadership change in South Africa. With the general election coming up in 2019, we expect that the uncertainty surrounding the outcome will continue to have an impact on business and consumer confidence. The current economic climate, with the country now in technical recession, is of concern to us, but we remain confident in our broad range of quality affordable medicines.

INDUSTRY OVERVIEW

The pharmaceutical industry is multifaceted and with those dynamics, we experience our fair share of complexities as an organisation. This includes keeping abreast of regulatory shifts in the healthcare space and making the necessary adjustments throughout the business when those changes are effected.

The recent transition from the Medicines Control Council (MCC) to the South African Health Products Regulatory Agency (SAHPRA) has been welcomed by key role-players within the industry. There was a cautious sense of optimism that this changeover would reduce medicine approval times and alleviate the backlog of thousands of registration applications. SAHPRA is however experiencing significant operational challenges of its own which have led to a virtual standstill in regulatory submissions, an extremely worrying matter for Adcock Ingram and the industry as a whole.

The National Health Insurance (NHI) Bill, Medical Schemes Amendment Bill and Health Market Inquiry Report have all recently been issued. Adcock Ingram has made its comments through the various industry bodies in which it participates.

The NHI Bill was published in the Government Gazette on 21 June 2018. This Bill paves the way for the Health Department to set up an NHI fund that will purchase healthcare services on behalf of the nation in line with the government's vision of introducing universal healthcare. Adcock Ingram is supportive of any initiative which enhances access of medicines to the public, within an environment that ensures the sustainability of the local pharmaceutical manufacturing industry.

As a Company that operates in both the regulated and non-regulated space, the determination of the annual single exit price (SEP) increase by Government is a challenging uncertainty. The lowest SEP increase in a decade, of 1.26%, needs to be seen in the context of growing costs including a 20% decline in the value of the currency in mid-to-late 2018 (which impacts the cost of the imported active pharmaceutical ingredients and finished goods which are not locally available), as well as utility and wage increases well ahead of inflation. This poses a number of challenges to Adcock Ingram and the industry, including the sustainability of the local manufacturers. Adcock Ingram is engaging constructively with the National Department of Health through the Pricing Committee on whether any short-term relief on SEP will be available.

PERFORMANCE

The encouraging results reflected for the past financial year can be attributed to our investment in sales, marketing and brand innovation, well controlled expenses and prioritising customer service. We reported a 10% increase in turnover and an increase in trading profit of 20%, which was achieved through combined efforts from staff at the coal-face and the support functions across the Company. Our commercial divisions continue to show growth by reporting improvements in trading profit, with the Prescription, Consumer and Hospital divisions each having trading profit growth of more than 20%. Our in-market performance as measured by IQVIA shows that we are growing at 9.5% on a moving-annual-turnover (MAT) basis, significantly ahead of the market growth of 7.1%. The data also shows that the Company has grown its overall market share of the total private market over the course of the financial year.

There was an increase in headline earnings from continuing operations for the period under review from R513.7 million in 2017 to R644.7 million, which translates into an increase in headline earnings per share from continuing operations of 25.5% over the prior year to 387.7 cents.

In line with the Group's strategy of increasing our reach into less-regulated brands, we acquired Genop Holdings Proprietary Limited (Genop) during the second half of the financial year. With a heritage that spans over 90 years, Genop is a specialised healthcare company with a portfolio that includes, ophthalmic, optometry, aesthetic and skincare brands. Genop's portfolio will enhance and complement the Company's existing range of products.

LIVING THE STRATEGY

Although the businesses within the Group operate through a decentralised and autonomous business model, all divisions are very much aligned to the overall business strategy, with customer service excellence being central to our approach. In addition to customer service, to facilitate operational excellence, the Company concentrates its efforts on selling activities, marketing investments, strict cost controls, achieving greater efficiencies in the supply chain and uncompromising adherence to regulatory requirements.

The OTC division has recorded good growth as measured by IQVIA in most of the categories in which it competes.

In line with the division's strategy of diversifying the product offering, the division has been appointed as sole distributor for a range of Abbott Laboratories products namely, Brufen, Creon, Duphalac and Calmettes for South Africa, Lesotho and Swaziland. The business prioritises innovation and recently launched Immuenza, an immune booster.

The Prescription division is focused on building and offering a broad range of quality and affordable medicines in targeted therapeutic areas for patients consulting healthcare professionals, generally where prescriptions are required. The division manufactures products in South Africa and India and also sources products from a broad range of partner companies, primarily based in Europe. Our ARV products are doing well in the private sector and Trivenz is one of the fastest growing brands amongst the top 10 pharma brands as reported by IQVIA, showing 41% growth over the previous year.

The division continues to build on the strategy of being the multinational partner of choice with the addition of Aclasta from Novartis in 2018. 2018 also saw the full integration of the former Astellas products Protopic, SBR, Locoid and Zineryt into the Adcock Ingram portfolio after the global acquisition of these brands by Leo Pharma. The division acquired the first to market generic for Etoricoxib, a product for the relief of pain and inflammation. Approval from SAHPRA for the transfer of applicancy and a name change were received, and the launch of Adco-Etoricoxib is expected before the end of the calendar year.

Our Hospital division has progressed several innovations throughout 2018 which support growth ambitions in its base business and diversification of its product range. The large-volume parenterals have grown in public sector hospitals, due to being awarded more than 80% of the three-year tender in September 2017, coupled with good private sector gains, particularly within the Netcare Group and independent networks. The division successfully attained license rights for a leading kinesiology tape, SpiderTech, and further innovation is evident through the launch of its own range of hand and surface disinfectants under the Adco-Hygiene brand.

Our Consumer division continues to protect and grow its core business through investment, innovation and marketing, and is focusing on the acquisition of products within less-regulated categories.

Our operations in the Zimbabwe and Kenya made decent improvement in their trading following the improvement in stock availability in Zimbabwe, whilst the improvement in the Kenyan operation is due to the OTC division diligently fulfilling its management responsibility to grow the business.

With the aim of expanding the national footprint and becoming a full-service logistics solution, the Distribution division embarked on a rebranding exercise of Virtual Logistics to AVL Healthcare. The national network now includes ten sites and has cross-docking hubs positioned across the country with the aim of improving service delivery levels to our customers.

TRANSFORMATION

In line with our transformational journey, we are pleased to report that the Company achieved a level 3 B-BBEE rating in November 2017. This feat can be attributed to the focus on every element of economic empowerment by the business with particular emphasis on procurement, employment equity and enterprise supplier development over the last 18 months. We need to work in a focused and diligent manner to maintain this level as we on-board owner-managed businesses, which often have little or no B-BBEE credentials, as part of our growth strategy.

Adcock Ingram implemented a Gender and Race diversity policy at Board level, which include gender and race targets, as required in the JSE Listings Requirements. Through this policy, the Company will focus on capacitating women through various leadership initiatives, that include mentorship and training programmes, as well as succession management and talent retention strategies. Adcock Ingram was recently awarded the "Gender Reporting by a JSE-listed Company" award from the JSE, which recognises and acknowledges companies that have embraced both the spirit and the letter for this new listings requirements and report on the development of females.

On the enterprise development front, our owner-driver initiative now in its sixth year, is very much aligned to our transformational objectives by promoting entrepreneurship within the organisation. The number of entrepreneurs has increased by over 7% during the past year, now with a total of 39 female and male owner-drivers, with a fully-functional and compliant fleet of 116 vehicles and 232 employees.

MANUFACTURING

At the core of our business are our manufacturing sites and we pride ourselves to continuously improve these facilities to ensure that we remain relevant in an ever-changing regulatory and consumer environment. All of our South African manufacturing sites have been awarded National Key Point status, reflecting the importance of these factories to the provision of healthcare in the country.

At the high-volume liquids facility at Clayville, there has been progress with the installation of the powder sachet packing line to increase capacity and meet demand for Citro-soda and vita-thion. The construction of the ophthalmic manufacturing plant is earmarked for completion by the end of calendar year 2019.

Turning our focus to the tablet, capsule, creams and ointments facility in Wadeville, the site has seen improved volumes in the manufacturing of Trivenz, our ARV product. Wadeville also secured a technical agreement with Litha (now owned by Acino Health) to register as a manufacturing site, and is expected to commence with manufacturing certain products for the local market towards the end of the 2019 financial year. The upgrade to the Liquids, Creams and Ointments facility experienced some delays, but the first phase was completed in August 2018 and validations will be done before the calendar year end.

The Hospital division in Aeroton was awarded more than 80% of the government tender for large-volume parenterals in the September 2017.

BOARD

The Board of directors of Adcock Ingram continues to assess the effectiveness of the Company's processes, practices and structures which it uses to direct and manage the operations of the Group following the implementation of King IV, which was informed by the gap analysis conducted in the previous year. The outcome of the gap analysis continues to guide the Board's implementation of King IV. The Group is substantially compliant with the King IV Report and the few instances of non-compliance are highlighted in the report. The Board continues to improve its compliance with King IV to ensure meaningful implementation thereof.

WAY FORWARD

Adcock Ingram is confident in the equity and resilience of the well-diversified basket of brands in the Group, although the Company expects increased pressure on consumer spending. We will remain focused on seeking additional products to defend our position in the market, and expanding our non-regulated portfolio to limit the impact of the exchange rate and SEP environment.

APPRECIATION

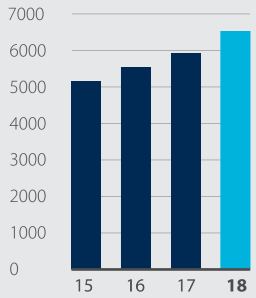
As a parting note, thanks is extended to the Board, healthcare professionals and consumer who place their trust in our products, suppliers, partners and particularly our employees who have displayed commendable strength in a difficult operating environment.

Financial review

DORETTE NEETHLING
Chief Financial Officer

"We are very satisfied with this set of financial results which shows growth in turnover, trading profit and headline earnings from continuing operations for the fourth year in a row."

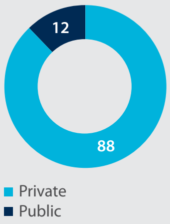
Turnover
(R' million)



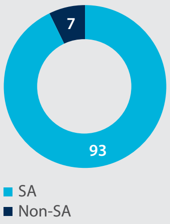
▲10%

Turnover of R6 540 million is R604 million or 10% higher than the prior year, driven by an increase in mix of 5%, which includes Genop since January 2018 which contributed R224 million. An average price increase of 4% was realised, following the SEP increase of 1.26% granted in March 2018. Volume growth was 1%.

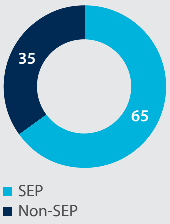
Sales by sector (%)



Sales by region (%)

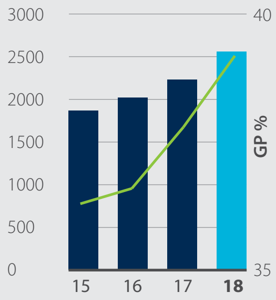


Regulated sales (%)



Gross profit

(R' million)



▲14%

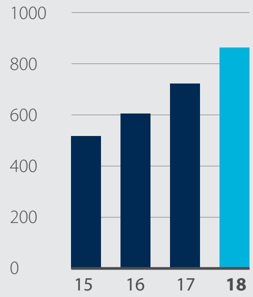
Gross profit of R2 566 million which is at 39.2% of sales, is 14% higher than the previous year, which was at 37.8%. The improved margin was as a result of:

- an advantageous sales mix with higher sales into the private sector;
- a more favourable exchange rate;
- an improved factory recovery in Wadeville as a result of increased Trivenz production.

The cost of our weighted basket of foreign currencies improved by approximately 6.2% in 2018 compared to 2017. 55% of the FECs taken out by the South African businesses is USD denominated, which improved by 7.1% whilst 44% of FECs were Euro denominated, which improved by 4.9%.

Trading profit

(R' million)



▲20%

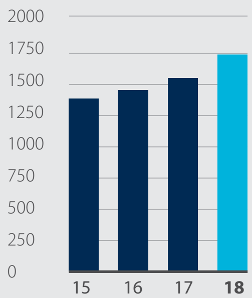
Trading profit of R866 million is R142 million (20%) ahead of the prior year.

Depreciation for the year amounts to R158 million of which 75% is included in cost of sales and 25% in fixed and administrative expenses.

Amortisation of finite life intangibles amounts to R11 million, and is included in fixed and administrative expenses.

Operating expenses

(R' million)

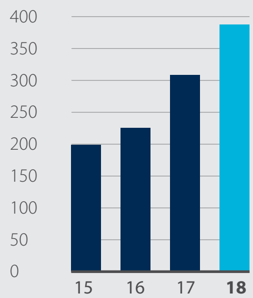


▲12%

Operating expenses for the year of R1 700 million, which includes Genop, ended 12% above the prior year. Excluding Genop, operating expenses were well controlled and increased by 5% over the prior year.

HEPS[1]

(cents)



[1] *continuing operations*

▲26%

Headline earnings for the year from continued operations amounted to R645 million compared to R514 million achieved in the prior year, which translates into headline earnings per share of 387.7 cents (2017: 308.9 cents), 25.5 % ahead of the prior year.

Non-trading expenses of R47 million include:

- share-based expenses of R34 million;
- an impairment of the long-term receivable relating to the Tiger Brands Black Managers Trust of R3 million;
- a partial impairment of a Consumer intangible asset of just under R3 million; and
- corporate activity costs of R7 million.

The net finance cost for the year is R8 million, compared to net finance cost in the prior year of approximately R23 million. This reflects the lower debt following the early settlement of the Nedbank long-term loan as well as the improved average net cash position of the business.

Dividend income from the Tiger Brands Black Managers Trust is R4 million compared to R6 million in the prior year.

Equity-accounted earnings are R79 million, 24% ahead of the prior year and include National Renal Care, our joint venture with Netcare, our joint venture plant in India with Meiji of Japan, as well as our 25.1% shareholding in Ayrton Drug Manufacturing in Ghana.

Profit before tax of R895 million, is 24% ahead of the prior year (R725 million).

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

The profit after tax for the year is R644 million compared to a profit of R520 million in 2017.

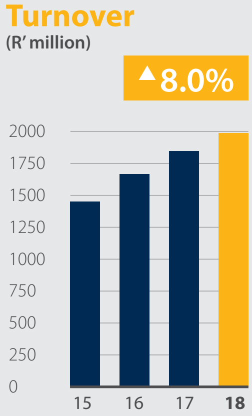
Discontinued operations reflect the sales of the India and Ghana businesses which were concluded in the first six months of the prior year.

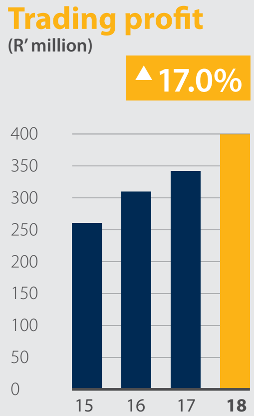
Minorities in Novartis Ophthalmics and Menarini amount to R6 million.

Financial review (continued)

OVER THE COUNTER (OTC)

Turnover, just short of R2 billion is R140 million or 8% ahead of last year mostly arising from a 7% average price increase (driven by the non-regulated portfolio and exports) and the balance from mix with the introduction of the Abbott brands (Creon, Calmettes, Brufen, Duphalac) as well as the new product launches (Immuenza, Asic and GAP).





Gross margin as a percentage of sales improved from last year, primarily as a result of an exchange rate benefit on imported raw materials and good price realisation.

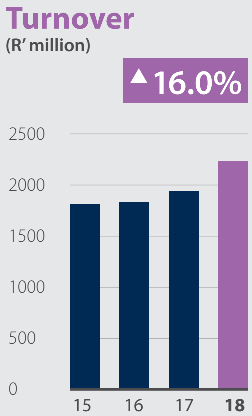
The operating expenses are 6% higher than the comparative year, mainly as consequence of the higher sales.

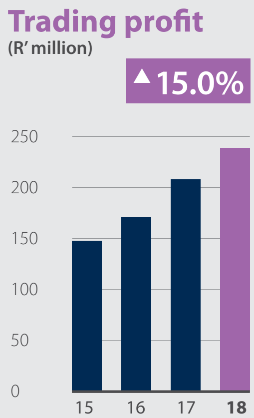
Trading profit of R400 million ended 17% or R57 million ahead of the prior year.

PRESCRIPTION

This division's turnover of R2.2 billion improved by 16%, with Genop contributing R224 million. An average price increase of 2% was realised and is reflective of the pricing pressure in parts of the generic and ARV portfolios.

Volumes increased by just under 4% driven by the demand in the ARV private market. Mix, although impacted by the loss of a low-margin multinational partner contract, improved by 10%, substantially aided by the acquisition of Genop, and the on-boarding of the Astellas portfolio from Leo Pharma and Topzole from Takeda.





The gross margin improved in the current year through an improved factory recovery as a result of increased production of Trivenz in Wadeville, as well as a positive exchange rate benefit on imported inventory purchases.

The operating expenses ended above the prior year due to the inclusion of Genop, dossier investments and an increase in the provision for state debt outstanding for more than 90 days.

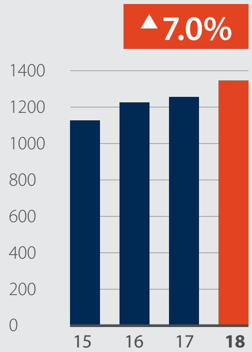
This resulted in trading profit of just short of R240 million, 15% ahead of the comparative year.

HOSPITAL

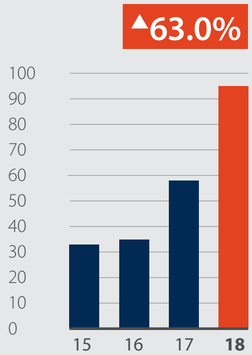
Turnover of R1 348 million
increased by 7% over the prior year, driven by volume improvement of 3%, a mix benefit of 2% due to the inclusion of the Pharma-Q range and an average price increase of 2%.

The gross margin ended higher than the prior year benefitting from the positive exchange rate impact on imported inventory and an improved sales mix with more sales into the private market.

Turnover
(R' million)



Trading profit
(R' million)



The operating expenditure moved in line with the sales growth and included additional marketing investment on new products.

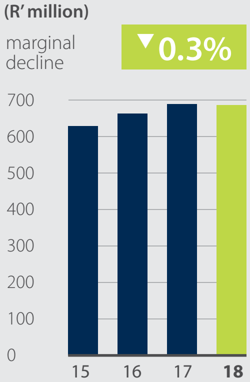
Trading profit of R95 million ended a very impressive 63% or R37 million ahead of the comparative year.

CONSUMER

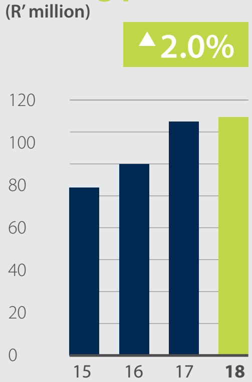
Turnover of R687 million
declined by 0.3% over last year, impacted by a decline in volumes due to the difficult trading conditions as a result of the continued pressure on the average consumer's disposal income.

This was partially mitigated by an average realised price increase of 2% and a full year's inclusion of the Island Tribe sunscreen range launched at the end of the prior financial year.

Turnover
(R' million)



Trading profit
(R' million)



Gross margin improved as a result of the positive exchange rate benefit on imported inventory purchases.

The operating expenditure increased by below inflationary levels, resulting in trading profit of R112 million, 2% higher than the comparative year.

REST OF AFRICA

Sales in the Group's enterprises in Zimbabwe and Kenya both ended ahead of the prior year and collectively achieved a trading profit of R18 million.

The positive performance in Zimbabwe is attributable to a significant improvement in stock availability, whilst the improvement in the Kenyan operation is due to the OTC Division diligently fulfilling its management responsibility to grow the business.

BALANCE SHEET

NON-CURRENT ASSETS

Intangible assets, including goodwill, have a carrying value of R626 million and comprise of Generic, Consumer and OTC trademarks and licence agreements. Intangibles of R285 million (R164 million goodwill; R121 million other intangibles) were recognised on the acquisition of Genop. Other financial assets of R34 million are primarily the capital contribution made to the Tiger Brands Black Managers Trust which has reduced as options were exercised since June 2017.

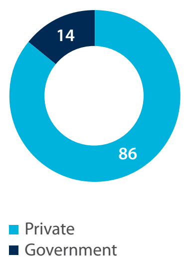
CURRENT ASSETS

Inventory of R1.6 billion (2017: R1.2 billion) is stated at the lower of cost and net realisable value. Days in inventory are 136 days compared to 115 days at June 2017. The increase results from the acquisition of Genop, the take-on of new product portfolios including Astellas, Takeda, Pharma-Q and Abbott, and a planned increase in raw materials for the production of Trivenz.

Days in receivables are 65 days, an excellent improvement on the 70 days reported in June 2017. The book remains well-controlled and 91% of receivables are due within 60 days or less.

The state is currently complying with an agreed payment plan, which allows for the settlement of arrears over two years.

Receivables split (%)



BORROWINGS

Both long-term and short-term borrowings have been eliminated following the early settlement of the Nedbank term loan and the repayment of a loan by the Zimbabwean operation.

The Group is in a net cash position of R156 million, following the acquisition of Genop and is comfortably able to service its obligations in the short-term with a working capital facility of R850 million and a term facility of R250 million, the latter available until December 2018.

Operational review

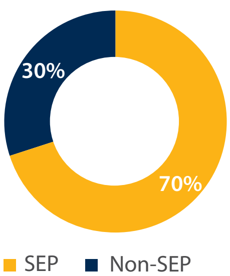
OVER THE COUNTER (OTC)

Turnover
R1 989m
(2017: R1 849m)

Top 10 brands turnover
R1 131m

Trading profit
R400m
(2017: R342m)

Sales



WERNER VAN RENSBURG
Managing Director

NATALIE ZAROUDOUKAS
Financial Director

MARKET SHARE

Volume market position(1) **#1**

Value market position(1) **#1**

Value market share(1) **21.6%**

Volume market share(1) **34.8%**

Script share(2) **36.00%**

(1) IQVIA MAT Jun 2018 S1 and S2
(2) Impact Rx Jun 2018 constructed (categories in which we compete)

NUMBER OF EMPLOYEES

433 factory and laboratory

160 sales, marketing and administration

TOP BRANDS

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

MANUFACTURING

Capacity per annum

28 million
effervescent tablets

400 tonnes
Effervescent granules and powders

12 million ℓ
Oral liquids

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

Location
Clayville

OVERVIEW

OTC supplies medication for patients in South Africa's private and public sector as well as to certain export markets, competing in the self-medication category (Schedule 1 (S1) and 2 (S2)) in Pharmacy, and also in the FMCG channel (Schedule 0 and unscheduled) with an aggregated complement of 103 premium and economy brands.

The division's brand portfolio and operational excellence have assisted in maintaining its volume and value leadership position in Schedule 1 and Schedule 2 in pharmacy. Two in every five packs, S1and S2 products, sold in the private sector, is an Adcock Ingram product.

The division competes primarily in the following therapeutic categories:

Pain

#1* — 29% of total Revenue

The OTC division is the market leader in the pain category in pharmacy, with its top ranked brand Adco-Dol continuing to outperform the market. The pain market has evolved significantly in the last year with the down-scheduling of several brands from schedule 3 (prescription only) to schedule S2 (OTC). The division offers a full breadth of economy and premium brands with Adco-Napamol performing particularly well in the economy sector.

Cough and Cold

#1* — 37% of total Revenue

Despite difficult economic conditions, core brands like Corenza, Solphyllex and Alcophyllex contributed to sustained growth in this mature and highly competitive category. OTC remains a leading player in this market, with representation across cold preparations, expectorants and cough sedatives. The division prioritises innovation and recently launched its new immune booster Immuenza, as well as a packaging upgrade for Actophlem, and the repositioning of Stearns to earn the trust of a diverse customer base.

Allergy

#1* — 10% of total Revenue

OTC is a significant participant in this market through one of its flagship brands Allergex and Allergex Non-Drowsy. The anti-histamine portfolio has had several exciting new launches in the last few years and now has full representation across several key molecules. The extended portfolio of brands includes Levogex (levocetirizine), Ceticit (cetirizine) and Adco-Desloratidine (desloratidine).

Heartburn & Indigestion

#1* — 15% of total Revenue

The heartburn and indigestion category is very relevant to Adcock Ingram with high efficacy brands such Citro-Soda and Adco Mayogel trusted by healthcare practitioners and consumers, both performing strongly in pharmacy and FMCG. Citro-Soda is supported by extensive above-the-line campaigns, digital promotions and in-store activations.

Energy

#2* — 2% of total Revenue

The energy category in both pharmacy and FMCG is under pressure given the discretionary nature of the category. vita-thion as a front shop brand relies on innovation with exciting new upgrades and line extensions that were launched during the year.

** Pharmacy rank*

MARKET TRENDS

- Economic pressure on the consumer tends to shift mix towards more economy brands and/or smaller pack sizes.
- Recommendations by healthcare professionals are still highly valued.
- Rapidly advancing technology is changing the way patients access advice and execute transactions.
- Mobile penetration, in particular interactions on social media are playing a greater role in how people interact with brands.
- Consumers are actively involved in their own health and wellness, seeking to educate themselves on self-care and preventative therapies.
- Increased patient access to medicines through down-scheduling from Prescription to OTC of certain molecules.
- Convenience and access to medicines in specific channels, plays an important role in the consumer's choice.
- Consumer behaviour and consumption are influenced by factors such as loyalty programmes and retailer offerings.

STRATEGIC FOCUS

- Protect and build heritage brands.
- Enhance customer relationships through business partnering and service delivery excellence.
- Launch innovative new products into new and existing categories.
- Focus on consumer education in line with the self-care and preventative consumer trends.
- Embrace the opportunities offered by digital penetration.
- Growth through acquisitions and partnerships.
- Expand into export markets.
- Ensure regulatory compliance in a changing environment.
- Quality and cost effective, proudly South African manufacturing.

ACHIEVEMENTS IN 2018

- Agreement signed with Abbott to market, sell and distribute Brufen, Calmettes, Duphalac and Creon.
- Rebranded vita-thion – 'vita-thion fizzies' and 'vita-thion extra'.
- Installed a fully-automated powder sachet packing line at the Clayville manufacturing site.
- Progress on construction of an ophthalmic manufacturing plant at Clayville.
- Clayville manufacturing site certified as a National Key Point.

Operational review (continued)

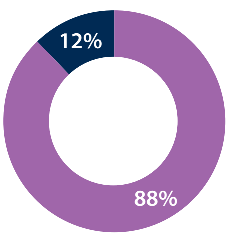
PRESCRIPTION

Turnover
R2 238m
(2017: R1 938m)

Top 10 brands turnover
R803m

Trading profit
R239m
(2017: R208m)

Sales



ADISHA SINGH
Financial Director

ASHLEY PEARCE
Managing Director

MARKET SHARE [1]

Value market share **7.0%**

Value market position **#3**

Volume market share **10.9%**

Volume market position **#2**

ARV private market share **16.6%**

(1) IQVIA MAT Jun 2018, including MNC partnerships

NUMBER OF EMPLOYEES

320 factory and laboratory

212 sales, marketing and administration

126 in Genop

TOP BRANDS

Trivenz
Genpayne
Adco-Zolpidem
Myprodol
Topzole
Synaleve
Estrofem
Urizone
Xylotox

MANUFACTURING
Capacity per annum

6 million ℓ
Oral liquids

500 tonnes
Creams/Ointments

2 billion
Tablets and capsules

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

Location
Wadeville

OVERVIEW

The Prescription division is focused on building and offering a broad range of quality and affordable medicines in specific therapeutic areas for patients consulting healthcare professionals, generally where prescriptions are required. During the year the business acquired Genop (refer page 14), a specialised instrument, surgical and pharmaceutical products company focused on the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa, and which also owns and markets the well-known Epi-Max range.

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

The portfolios of products are grouped according to therapeutic areas in order to facilitate promotion to relevant medical specialists:

Pain

The Pain portfolio is the market leader in prescription pain management, and includes a comprehensive portfolio of brands that offer healthcare professionals and patients effective pain solutions covering:

- mild to severe acute pain;
- chronic pain related to cancer or auto-immune diseases; and
- a variety of dosage forms including oral, topical, parenteral and transdermal preparations.

The pain portfolio includes leading, well-known brands such as Myprodol, Synaleve, Mypaid Forte and Myprocam.

In the coming year this division will expand its chronic pain offering by introducing two innovative, long-acting transdermal patches for the treatment of neuropathic pain.

Women's Health

Women's Health recognises and celebrates the uniqueness of women.

The portfolio includes treatments related to menopause, vaginal dryness, urinary tract infections (UTIs) and osteoporosis. Women's Healthcare is proud to provide quality treatment options to meet the needs of South African women through specific stages of their journey through life.

We are passionate about empowering women through information about healthcare and personal matters, helping women make informed decisions about their health and the treatment options available.

The hormone therapy portfolio which includes Adcock Ingram's as well as partner brands is the leader in its class as measured in IQVIA.

Dermatology

Dermatology covers a wide spectrum of dermatological conditions, including acne, eczema, emollients for dry skin, and brands for skin infections and psoriasis. Whilst most of these conditions are not life threatening, they significantly affect the patient's quality of life. The portfolio is comprised of brands from mainly two partners, namely Leo Pharma and Roche Holding AG. The 2018 financial year saw the full integration of the former Astellas products Protopic, SBR, Locoid and Zineryt into the Adcock Ingram stable, after the global acquisition of these brands by Leo Pharma. The expanded Dermatology portfolio now offers healthcare professionals a broader armamentarium in treating dermatological conditions, and has successfully positioned Adcock Ingram as the 2nd largest prescription dermatology franchise in the country, including well-known brands such as Fucidin, Roaccutane, Dovobet, Protopic and SBR Lipocream.

CNS

The CNS portfolio has established itself as a multinational partner of choice for CNS brands in the private and public sector, promoting and distributing key brands such as Cipramil, Cipralex, Fluanxol and Rivotril.

This portfolio also includes well known Adcock Ingram brands such as Stresam and offers treatments covering a range of conditions, such as depression, anxiety, epilepsy, Alzheimer's and schizophrenia.

Anti-retroviral (ARV)

Adcock Ingram's anti-retroviral (ARV) portfolio consists of a range of high quality, cost effective, first and second line treatment options for adults and children living with the Human Immunodeficiency Virus (HIV). Trivenz, which is Adcock Ingram's once daily, single tablet regimen for the treatment of HIV, is currently the Company's leading prescription brand, providing treatment to approximately 70,000 people in the private sector. The brand is currently the fastest growing prescription brand in the Top 10 pharmaceutical brands in SA, and is currently the second most dispensed anti-retroviral brand in the private sector prescription market.

Generics

The Generics portfolio contributes approximately one-third towards the division's revenue and consists of products which span the major therapeutic areas such as CNS, cardiovascular and pain.

This diverse portfolio consists of brands which treat both acute and chronic diseases and are predominantly found within the prescription medication space.

BUSINESS FOCUS

- Remain the multinational partner of choice.
- Drive growth and market access within the generics portfolio.
- Enter into high value and specialty markets with biosimilars and novel pain products.
- Leading supplier of locally manufactured ARVs to the private and public sectors.
- Improve factory capacity utilisation.
- Introduce products and partnerships in new or additional therapeutic areas.

MARKET TRENDS

- Shift in disease burden from infectious diseases (such as HIV and TB) to chronic diseases (South African Generics Market Outlook 2017-2022).
- The ARV market faces significant pricing pressure from generic competition and funders.
- The growth of house brand strategies, driven by corporate pharmacy groups, limits market penetration of generics.
- Increased interest in biosimilars.
- Pricing pressures, driven by funders, continue to shape the private market, by driving a switch to generics.

ACHIEVEMENTS IN 2018

- The acquisition of Genop in the second half of the financial year.
- The division continued to build on the strategy of being the multinational partner of choice with the on-boarding of Aclasta from Novartis in 2018.
- The acquisition of a first to market Arcoxia (Etoricoxib) generic from Specpharm.
- Down-scheduling of Genpayne and Fucidin to Schedule 2, now available over the counter without a prescription.
- Trivenz, for the treatment of HIV, reached R200 million in sales and is cited as the fastest growing brand in the Top 10 pharma brands (SAHCI, May 2018).
- Completion of phase two of the upgrade of the liquids, creams and ointments facility in Wadeville.

Operational review (continued)

HOSPITAL

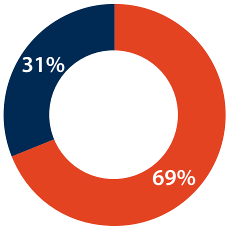
COLIN SHEEN
Managing Director

MOHAMED MANGEL
Financial Director

Turnover
R1 348m
(2017: R1 257m)

Trading profit
R95m
(2017: R58m)

Sales



MANUFACTURING
Capacity per annum

33 million
large volume parenterals

35 million
small volume parenterals

4 million
pour bottles

1 million
Blood collection bags

Accreditations
South Africa (SAHPRA), and Kenya (PPB)

Location
Aeroton

Only medical grade LVP plastic manufacturer on the continent

Extrude >**1 900 metric tons** of PVC sheeting and tubing per annum

NUMBER OF EMPLOYEES

115 sales, marketing and administration

648 factory

OVERVIEW

Adcock Ingram Critical Care (AICC) is a leading manufacturer and supplier of hospital and critical care products in Southern Africa. Products are offered through multiple portfolios and across wide-ranging customer channels.

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

AICC is a progressive healthcare company with ever-evolving and broadening portfolios. At the core, AICC holds a solid market leadership position in intravenous solutions, renal therapies and blood transfusion therapies where it is the largest supplier of blood donation bags to the South African National Blood Services. Other product portfolios include small volume injectables, infusion systems, invasive diagnostics, nutrition, and specialised pharmaceuticals.

In its efforts to maintain its leadership position, AICC continues to expand into newer novel portfolios which include growth in opioid substitution therapy, oral and injectable analgesia, additional injectable pharmaceuticals, immunosuppressants, hand and surface disinfectants and kinesiology tapes.

Renal

- National Renal Care (a Netcare and AICC joint venture) remains the single largest service provider for renal services in South Africa.
- AICC is the largest supplier of goods and services within:
  - Peritoneal Dialysis (PD);
  - Haemodialysis (HD);
  - Continuous Renal replacement Therapy (CRRT); and
  - Renal Pharmaceuticals.

Medicine Delivery

- The largest supplier of large volume parenterals (LVP's) within Southern Africa.
- Continues to grow its share of the small volume parenteral (SVP's) market through various commercial strategies.
- The market leader in regional anaesthesia.
- Through its strategic alliance with Pharma-Q, AICC has a solid market leadership position in SVP's (injectable pharmaceuticals) across multiple therapeutic areas including anti-infectives, oncology, anti-emetics, respiratory, analgesia and hypnotics.

Transfusion therapies

- Largest supplier of blood bags in South Africa and is the largest supplier to SANBS (South African National Blood Services) with whom it has enjoyed a relationship of more than 50 years.
- Enjoys manufacturing independence and benefits from a fully integrated manufacturing facility supporting the local manufacture of blood bags and tubing.
- Largest supplier of free-flowing leucodepletion sets.
- Through its alliance with Applied Sciences in the USA, AICC has successfully installed the largest fleet of combination blood mixers and scales in South Africa.

Specialised Pharmaceuticals

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

BUSINESS FOCUS

- Continue to concentrate its efforts on nurturing focussed portfolios with key attention on product mix, processes and people.
- Uncompromising attention to customer service in supply, delivery, service and communications.
- Maintain and grow its market leading position in both established as well as newly penetrated therapy areas.
- Expand into adjacent categories through licensing, partnerships and strategic alliances.
- Key focus on operations with emphasis on yield, reducing waste, efficiencies and automation.
- Maintain a close relationship with government and support national communities in providing quality healthcare products affordable to all.
- Maintain close relationships with all stakeholders to build trust, demonstrate commitment and deliver to expectation.

ACHIEVEMENTS IN 2018

AICC has progressed several innovations through the 2018 financial year which support growth ambitions in its base business, and aspirations in adjacent categories as it looks to expand its portfolio.

These include:

- Kinesiology – obtained licensing rights for a leading kinesiology tape "SpiderTech™". This positions AICC in the 'home critical care' space where it will seek to bolt on product extensions.
- Disinfectants – AICC has launched its own range of hand and surface disinfectants. Housed under the Adco-Hygiene brand, AICC has made available several unique formulations which vary in size, fragrance, texture and colour. The range is accredited with standards authorities, such as NRCS (National Regulator for Compulsory Specifications), and has anti-bacterial, anti-viral and anti-fungal properties. The products are intended for home and professional use.
- In the Renal business, 2018 has seen the introduction of an innovative new cycler for PD which allows healthcare professionals to monitor dialysis patients remotely via a mobile app.

Operational review (continued)

CONSUMER

GAIL SOLOMON
Managing Director

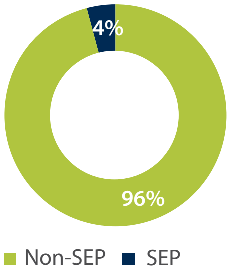
LAUREN SHIMMIN
Financial Director

Turnover
R687m
(2017: R689m)

Top 10 brands turnover
R629m

Trading profit
R112m
(2017: R110m)

Sales



MARKET SHARE[1]

Analgesics
30%

Feminine hygiene
49%

Energy supplements
41%

Gut Health
27%

Suncare
2%

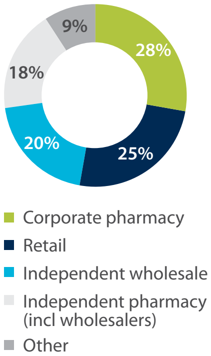
NUMBER OF EMPLOYEES

68 sales, marketing and administration

TOP BRANDS

Panado
Bioplus
ProbiFlora
Compral
Gyna Guard
Cepacol
Gummy Vites
Viral Guard
Island Tribe
Freshen

SALES BY CUSTOMER CHANNEL



[1] Source: ACNielsen June 2018 - defined market comprises the category, customers and channels for the segments in which we compete

OVERVIEW

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

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

Analgesics

The iconic Panado brand, which has been trusted by South Africans for decades, is the second biggest brand within the analgesics category in South Africa with a 22% market share. Panado continues to be supported with extensive marketing campaigns that defend the brand's equity and heritage. The rising star within the pain portfolio is Compral, which has grown at 14% this year, well ahead of the category growth. Compral launched the "I Don't Do Pain" campaign on various platforms during the year.

Feminine hygiene

Gyna Guard remains the market leader within this category with a market share of almost 50%, and growing ahead of the category growth. Gyna Guards' comprehensive range of products have been specially formulated by a Gynaecologist – to cleanse, relieve and take care of intimate areas, keeping women healthy and fresh. The brand's growth has been driven by extensive marketing campaigns on television and social media, focussing on awareness, education on general feminine health, as well as the new innovation of Gyna Guard Vaginal Capsules.

Sun Care

Our new brand, Island Tribe, boasts a comprehensive range of sprays, lotions and gels, and was supported with strong digital as well as instore marketing campaigns over the summer period. Island Tribe will continue to grow off a small base with the imminent launch of an exciting Kids range.

Energy supplements

Bioplus is the market leader within this category. The single dosage sachet continues to be the top seller in the range. On-the-go product offerings lead consumption trends in energy, affirming the launch of the energy drink to be in the right direction for the brand. Extensive brand building investment has ensured that Bioplus remains the market leader and continues to create demand for the category and brand.

Gut health

ProbiFlora has a range of clinically proven probiotic strains formulated to normalise bowel flora and general intestinal health. ProbiFlora continues to perform well in the face of increased competition from house brands.

MARKET TRENDS[2]

- South African retailers and manufacturers will continue to face a significant shift in the way consumers behave, mainly due to the economic conditions tightening, the drop in consumer confidence and online shopping on the increase.
- Consumers are focusing on deals within a store and increasing the range of stores they visit, consciously shopping for promotions.
- The average consumer has dropped three categories from their shopping basket and is spending less per store visit.
- Private labels are gaining share of the consumers' wallets.
- Branded retail outlets contribute 78% of the total basket followed by Independent retail outlets at 19%.
- Consumers of skin care products are seeking additional functions and benefits when purchasing skin care, with sun protection being one such benefit.

CONSUMER TRENDS[3]

Energy

Consumers are looking for more convenient and/or healthier product offerings.

Consumers have become more price and promotion sensitive.

Consumers are more format loyal (for example, an effervescent user will rather switch to another effervescent brand than a syrup of the same brand).

Feminine Hygiene

Consumers are seeking more information about their feminine hygiene.

Consumers have removed the "taboo" element. They are free to talk about feminine hygiene with their family and friends.

Pain

Consumers remain very loyal to specific formats, with limited influence to switch to another format at the point of purchase.

Personal Care

Beauty and personal care are showing resilience in a challenging economic environment despite consumers reducing their expenditure on non-essential items.

Economy brands are experiencing increased demand due to cost-conscious consumers.

Sun care

Increasing awareness among target audience and sophistication of consumer as they are now more "sun-smart".

Sun care faces growing competition from Skin care brands containing higher SPF.

Premium Sun care brands are declining in popularity as consumers trade down.

BUSINESS FOCUS

- Protect and grow the core business through investment in innovation and marketing.
- Entry into new categories of less regulated products via acquisitions and innovation.
- Expanding markets via exports.
- Improve access and availability of product to the consumer.

REVIEW OF 2018

- New leadership has been appointed in the last quarter of the financial year.
- A review of the business was done and certain structural and operational changes will be implemented.
- The business is focusing its efforts on processes, people, customers, products and financial performance in the coming financial year.

[2] *Source: AC Nielsen 2018*
[3] *Source: Internal qualitative research, Euromonitor May 2018*

Sustainability

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (COMMITTEE)

In compliance with the requirements of the Companies Act 71 of 2008, this Committee operates in terms of a mandate, which contains detailed provisions relating to its terms of reference, duties, composition, role and responsibilities.

THE ROLE AND FUNCTION OF THE COMMITTEE

The Committee is responsible for assisting the Board in monitoring and reporting on social, ethical, transformational and sustainability practices consistent with good corporate citizenship and assisting the Group to discharge its business responsibilities. Statutorily, the Committee is responsible for monitoring the Group's activities as per the Company's Act, with regard to:

- Social and economic development;
- Good Corporate citizenship;
- Environment, health and public safety;
- Stakeholder management; and
- Labour and employment practices.

Composition and Meetings

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

	Meeting attendance
Chairman	
M Makwana	4/4
Members	
A Hall	4/4
T Lesoli	4/4
B Letsoalo	4/4
A Mokgokong	4/4
Invitees	
Dante Mashile (Adcock Ingram – Public Affairs Executive)	2/2
D Nabarro (Marsh Risk Advisor)	4/4
S Pietropaolo (Adcock Ingram – Head of Internal Audit)	4/4
K Kalicharan (Adcock Ingram – Corporate Communications Manager)	3/3
V St Quintin (Adcock Ingram – Corporate Communications Manager)	1/1

During the year the Committee reviewed the terms of reference including the six capitals to align to King IV. Below are some of the key considerations by the Committee in 2018:

MANUFACTURED

Monitored the health and safety standards and statistics for the Group.

Introduced a recovery to expense ratio metric to measure factory performance and sustainability.

Monitored the further rollout of owner-driver scheme.

Refer to page 32

HUMAN

Tracked talent management for the Group.

Reviewed Code of ethics and conduct, organisational behaviour and addressed weak controls which were identified.

Monitored the economic transformation initiatives, the achievements and challenges of the EE plan, the B-BBEE score card and associated risks.

Refer to page 35

INTELLECTUAL

Monitored regulatory compliance.

Monitored submission of product applications and amendments.

Monitored compliance to advertising standards.

Monitored the Company's media exposure.

Refer to page 38

NATURAL

Monitored the Group environmental initiatives such as:

- Energy consumption;
- Water consumption; and
- Carbon footprint.

Refer to page 40

SOCIAL AND RELATIONSHIP

Monitored and assessed the Corporate Social Initiatives.

Assessed the stakeholder management activity report.

Supported management's implementation of the Youth Employment Services (YES) Programme.

Refer to page 42

NEW AUTOMATED PERITONEAL DIALYSIS SYSTEM LAUNCHED IN SOUTH AFRICA

CASE STUDY

Providing remote patient management for doctors and their patients at home

This year has seen the Critical Care division, in conjunction with Baxter, introducing the Homechoice Claria automated peritoneal dialysis (APD) system with the Sharesource remove patient management platform. This is the first and only two-way, telehealth machine to support home dialysis therapy. The system delivers important and accurate patient treatment information to healthcare professionals, allowing for more timely and personalised care as clinicians can now review patients' dialysis sessions without seeing the patients. This unique system is designed to be more intuitive for patients to operate in their home and while travelling. Thanks to this feature, patients don't have to keep journals and clinics don't have to bother creating reports from those journals, since all that is done automatically.

Testimony from an employee

"Today I had the privilege of training a very courageous and amazing young lady, Sibonile and her Mother Phindiwe Jose."

Sibonile was diagnosed with Cystinosis just after her first birthday. Trying to lead a normal life as a toddler and teenager took major strain on the family. After a couple of years her parents got divorced and the entire responsibility was on the shoulders of her Mother, Phindiwe.

Between being a Grade seven English and Science teacher in Somerset East, Phindiwe's life is the centre of Sibonele existence. They are inseparable and depend on each other for inspiration, assistance, faith and existence.

The morning was spent training both Phindiwe and Sibonele on the new Home Choice Claria machine at the Adcock Ingram offices in Port Elizabeth.

Sibonele was struggling with the previous automated peritoneal dialysis (APD) machine, with error codes etc., so in the last couple of months she could not complete a full peritoneal dialysis (PD) cycle at night. With the new Home Choice Claria, both patient and Professor Freerck from Livingstone will get a clear indication on Sibonile's treatment on a daily basis. This also makes the frequent trips to Livingstone in Port Elizabeth easier as the doctor is now able to view Sibonele profile on a daily basis from his practice and can make the necessary changes without Sibonele visiting the Livingstone PD unit. Visits can now be done on a monthly basis as Sibongele lives in Somerset East, approximately a two-hour drive from Port Elizabeth.

Sibonele matriculated at Gill College in 2017 and is currently studying Business Management. She has completed three of her five modules for 2018 and hopes to continue her studies through Unisa in 2019." – Shinene Posthumus

what a privilege to be part of such a huge event in south africa

the first two patients were started on home choice claria and sharesource

they had no problem to consent to the change

just had smiles and excitement

Maretha Schoeman – PD Nurse trainer.

Homechoice Claria

Sharesource

REALISING CAPITAL OUTCOMES

Manufactured capital

All the South African manufacturing sites have been declared as national key points during the year.

Manufacturing facility:

CLAYVILLE

PURPOSE

A state-of-the-art highly-automated high-volume liquids facility and a powders and effervescent plant.

BOOK VALUE

R749 million
(2017: R692 million)
property, plant and equipment

CAPACITY PER ANNUM

28 million
effervescent tablets

400 tonnes
Effervescent granules and powders

12 million ℓ oral liquids

CAPACITY UTILISATION

75%
Effervescents & powders

70%
Liquids

ACCREDITATIONS

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

PROGRESS DURING THE YEAR

All good manufacturing practice (GMP) upgrades to the general plant packing facility (Phase I) were completed during the year and all lines are up and running. A design and costing for Phase II has been prepared. The construction of the ophthalmic facility is on track for completion in the last quarter of calendar 2019.

Manufacturing facility:

WADEVILLE

PURPOSE

A tablet and capsule facility which is focussed amongst others, on the manufacturing of anti-retroviral medicines, and a liquids, creams and ointments facility.

BOOK VALUE

R224 million
(2017: R181 million)
property, plant and equipment

CAPACITY PER ANNUM

6 million ℓ
Oral liquids

500 tonnes
Creams/Ointments

2 billion
Tablets and capsules

CAPACITY UTILISATION

80%
Liquids, creams and ointments

60%
Tablets and capsules

ACCREDITATIONS

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

PROGRESS DURING THE YEAR

The second phase of the upgrade to the Liquids, Creams and Ointment facility was completed during the year and completion of the final phase is expected by early 2020 calendar year.

Manufacturing facility:

AEROTON

PURPOSE

The Critical Care facility produces intravenous fluids, blood collection bags, renal dialysis products and small-volume parenterals.

BOOK VALUE

R342 million
(2017: R367 million)
property, plant and equipment

CAPACITY PER ANNUM

33 million
large volume parenterals

35 million
small volume parenterals

4 million
pour bottles

1 million
Blood collection bags

CAPACITY UTILISATION

100%

ACCREDITATIONS

South Africa (SAHPRA), and Kenya (PPB)

Manufacturing JV facility:

BANGALORE

PURPOSE

This facility produces tablets and capsules as a contract manufacturer for various pharmaceutical companies.

BOOK VALUE

R154 million
(2017: R168 million)
property, plant and equipment

CAPACITY PER ANNUM

3.5 billion
Tablets and capsules

CAPACITY UTILISATION

90%

ACCREDITATIONS

UK (MHRA), Australia (TGA), South Africa (SAHPRA), France (ANSM), Tanzania (TFDA), Ghana (FDB), Namibia (NMRC), Kenya (PPB), Uganda (UNDA), Ethiopia (FMHACA), Zimbabwe (MCAZ), Malawi (PMPB), and Nigeria (NAFDAC).

PROGRESS DURING THE YEAR

The manufacturing building (Unit 2) adjacent to the current factory, was acquired in July 2018. Construction will begin in the first quarter of the 2019 financial year and the entire capital expenditure of INR160 million will be funded from internal cash resources in the joint venture.

REALISING CAPITAL OUTCOMES

Manufactured capital (continued)

DISTRIBUTION

"Services to meet your needs from your door to the country and beyond."

This year has seen the rebranding of the Distribution Division, together with the acquired Virtual Logistics business, to AVL Healthcare. AVL has an extensive national footprint, is fully compliant with pharmaceutical standards and delivers over a million units per trading day through 13 sites to hospitals, wholesalers, the Department of Health, pharmacies, clinics, healthcare practices and retail outlets.

AVL is committed to provide exceptional service through the broad range of offerings that are tailored to meet specific customer needs.

DISTRIBUTION CENTRES AND/OR HUBS ARE IN THE FOLLOWING AREAS

- Midrand (2)
- Aeroton
- Clayville
- Cape Town
- Durban
- Bloemfontein
- Port Elizabeth
- Nelspruit
- Polokwane
- Kimberley
- East London
- Ladysmith

THE BROAD RANGE OF DISTRIBUTION SERVICES INCLUDE

Bulk
We have invested heavily in bulk warehouse storage, allowing us to meet customers' bulk requirements every step of the way. Regardless of pallet quantity, we offer deliveries, inter-depot transfers and line haul service.

Fine
We deliver directly to healthcare customers, be they doctors, pharmacies, clinics, hospitals or wholesalers. Our state-of-the-art fine picking system allows us to better manage our warehouse throughput and provide a comprehensive logistics solution for our partners.

Retail
In the fast turnaround retail industry, the importance of efficient and reliable logistics cannot be over-emphasised. We offer fast, reliable delivery to all back-door retail outlets and distribution centres.

Cold chain
We offer validated fridge-to-fridge (in-vehicle) delivery capability at 2 - 8 degrees Celsius and are able to supply validated cold chain boxes. This ensures that temperature-sensitive deliveries are never compromised, no matter where they are along the supply chain.

Fixed fleet
We offer the supply and management of dedicated and validated healthcare specific fleet solutions. Our trucks are an extension of our warehouses, and offer a consistent and controlled environment at all times. Our fleet is validated and temperature controlled, our drivers are trained on standards operating procedure (SOP's) and all trucks are tracked on a transport management system (TMS).

Inter-depot transfers
We offer compliant inter-depot transfers around the country.

Home patients
We offer delivery direct to patients for the Adcock Ingram Critical Care renal division.

Reverse logistics
We offer effective, professional management of customer returns.

Warehousing
Our warehousing solutions are designed to ensure a consistent storage environment for all pharmaceutical products.

Cross-border
Our footprint includes cross-border delivery. We offer direct loads and break-bulk loads to SADC countries.

Making a home delivery to a renal patient.

Human capital

"The following ingredients are non-negotiable for sustainable business growth: quality, positive attitude, a diverse workforce, an entrepreneurial mindset, effective and efficient processes, collegial culture and fun in the workplace" – Executive Director Human Capital and Transformation – Basadi Letsoalo.

OUTCOMES

WORKFORCE PROFILE OF EMPLOYEES IN SOUTH AFRICA

	2018	2017
Number of Permanent Employees:		
Gender Split	**2 610**	2 218
Male	**1 350**	1 085
Female	**1 260**	1 133
Racial Split		
African	**1 652**	1 411
White	**388**	312
Indian	**227**	167
Coloured	**343**	328
Racial and Gender Split		
Black male	**1 189**	965
White male	**161**	120
Black female	**1 033**	941
White female	**227**	192

EMPLOYEE CATEGORIES

	2018*	2017
Permanent Employees	**2 610**	2 218
Total Remuneration package	**1 339**	1 138
Bargaining unit	**1 271**	1 080
Contract/Temporary Employees	**258**	147

Includes AVL and Genop

HEALTH AND SAFETY

No fatalities (injuries on duty resulting in death) occurred during the current and prior year. Lost time injuries (injuries on duty leading to at least one lost day) decreased to 16 (2017: 20), a reduction of 20%. Details below:

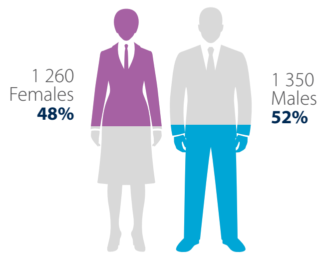
	2018 No of injuries	2018 LTIFR	2017 No of injuries	2017 LTIFR
Aeroton	**7**	**1.44**	13	1.55
Wadeville	**1**	**0.05**	2	0.15
Clayville	**3**	**0.56**	4	1.30
Midrand	**2**	**0.47**	1	0.16
Distribution	**3**	**0.72**	0	0.00
Total	**16**	**0.49**	20	0.40

LTIFR = lost time injury frequency rate

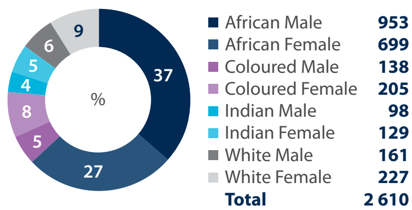
There were 59 medical cases (2017: 73), a reduction of 19.2%, and 282 first aid cases (2017: 273), an increase of 3.3%.

Management's areas of focus for the current year was to increase health and safety training and create awareness at the various sites to address health and safety in general.

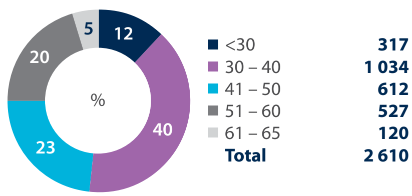
GENDER DISTRIBUTION



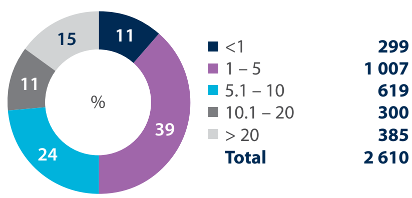
RACE DISTRIBUTION



AGE DISTRIBUTION



YEARS OF SERVICE



REALISING CAPITAL OUTCOMES

Human capital (continued)

LEARNING AND DEVELOPMENT TO RETAIN SKILLS

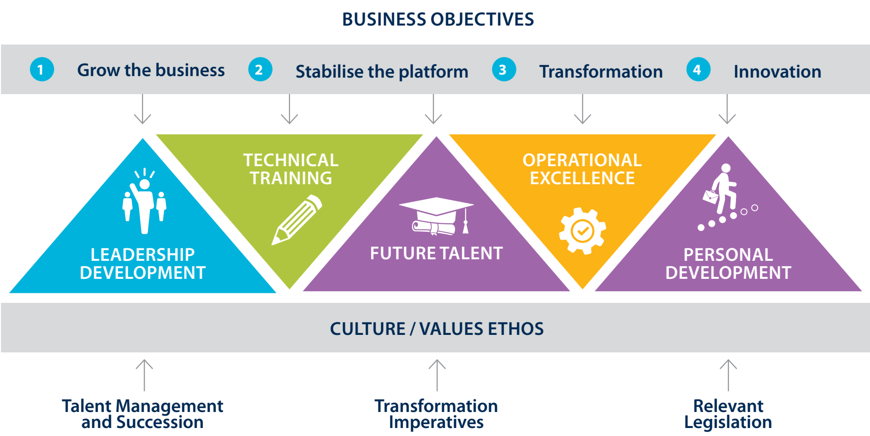
A successful business is dependent on a skilled workforce. Good skills ensure effective and efficient manufacturing and delivery of our products and services. Employees who develop their skills are able to advance more quickly through the organisation and are also more likely to stay with Adcock Ingram.

Various training opportunities are offered to employees ranging from basic literacy and numeracy, to computer-based training, management and leadership programmes.

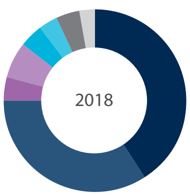
A key challenge in developing employees is balancing the business operational needs with the training ambitions of the employee.

The framework for learning and development is depicted below:

GROWING THE BUSINESS BY GROWING PEOPLE



BENEFICIARIES OF TRAINING INTERVENTIONS



African Male	41%	Indian Male	4%
African Female	34%	Indian Female	7%
Coloured Male	4%	White Male	4%
Coloured Female	3%	White Female	3%

Skills development is critical to ensure that we have the right people capability to deliver the Group's strategy. This is not only limited to our employees but also to the unemployed talent pipeline. The unemployed talent pipeline includes the combination of all previously unemployed people that the Company employs on a fixed-term contract and includes apprentices, learners with disabilities, graduates and pharmacy interns.

Developing a talent pipeline to support business growth and transformation is one of the key objectives of learning and development. Adcock Ingram continues to increase training spend in South Africa year-on-year, having spent R33 million in 2018, compared to R23 million in 2017 and R18 million in 2016.

FUTURE TALENT

To provide a pool of talent for the business, focussing on critical skills

- **18** graduate workplace experiences
- **14** pharmacy interns
- **15** apprenticeships
- **34** national skills fund workplace experiences
- **22** learnerships for people living with disabilities

TECHNICAL TRAINING

To enhance technical skills of our employees and process efficiencies

- **24** basic pharmacy assistants
- **26** post basic pharmacy assistants

LEADERSHIP DEVELOPMENT

To enhance and expand capacity of leaders for execution of the Group Strategy

- **48** supervisor development programmes
- **16** management advancement programmes

OPERATIONAL EXCELLENCE

To increase technical expertise of our employees and their overall performance

- **66** project management
- **16** supply chain management

PERSONAL DEVELOPMENT

To assist employees with their development, career aspirations and enhancing competencies

- **29** study assistance
- **36** adult basic education and training

PROMOTING EMPLOYEE HEALTH AND WELLNESS

Promoting health and wellness has a positive influence on our employees' wellbeing and productivity, at work and outside.

Adcock Ingram offers an Employee Assistance Programme (EAP) in conjunction with ICAS that is open to all permanent and contract employees, providing professional and confidential counselling services, designed to assist with personal distress that may or may not impact on productivity or work performance. These anxieties include, but are not limited to, health, including mental health, relationships and family, financial and legal, alcohol and substance abuse, grief and bereavement, trauma and critical incidents. Stress and relationships issues are the two most prominent concerns listed.

The overall engagement rate*, which includes uptake of all services provided by ICAS, amounted to 27.8% during the year under review, compared to 30.4% during 2017 but is still above the ICAS average of 19.1%. Plans are in place to promote these services continually to all employees.

* *Engagement rate is made up of individual cases, group interventions participants, and profiled eCare users who are internet users who ask questions and access content.*

HEALTH AND SAFETY

Adcock Ingram has onsite clinics with qualified health practitioners at our three factories as well as in Midrand. The onsite clinic's focus is meant to be 70% towards occupational healthcare and 30% towards primary healthcare, however the current situation indicates that the clinics are being used for a significantly higher amount of primary healthcare purposes in comparison to occupational healthcare issues.

- Primary healthcare includes: respiratory, cardiovascular, digestive, UTI, skin, wellness, hypertension, diabetes, asthma, epilepsy, tuberculosis, and HIV
- Occupational healthcare includes: periodic assessments (pre-employment, post-employment and exit), vision screening, first aid, disability and injuries on duty.

TRANSFORMATION, DIVERSITY AND INCLUSIVITY

Adcock Ingram is committed to uphold human rights, which includes ensuring that all employees and people we deal with are treated with dignity and respect. We value diversity and inclusion and are committed to non-sexism and non-racism across our policies, practices and daily operations. This journey is underpinned by our Company values and solid transformation strategy to ensure the sustainability of our efforts and impact thereof.

PROGRESS ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE Act) ensures that we contribute meaningfully towards national priorities to transform the industries in which we operate, to make the economy more inclusive. Under the guidance of the Social, Ethics and Transformation Committee (SET) we have continued to improve on our implementation plan for a sustainable contribution to the transformation agenda. As such the B-BBEE status as independently assessed by Empowerlogic in November 2017 resulted in a Level 3 rating.

EMPLOYMENT EQUITY

Employment Equity is a national imperative, legislated through the Employment Equity Act. Compliance requires that we put in place systems to enable a diversified and equitable workplace that continues to reflect national priorities. There has been extensive work done to ensure integrated and sustainable Employment Equity Act compliance, and consultation takes place across the business via the National Transformation Forum and site forums in all our divisions.

TALENT MANAGEMENT

As a forward-looking organisation, Human Capital is considered integral and a key ingredient to Adcock's Ingram success. By ensuring that we have the best people in the right roles and a healthy environment, we empower our people to create better futures for themselves and the business. To this end we value individual and collective performance.

Key to the sustainability and future of our business is managing the succession pipeline, in particular, of senior and executive management. Our aim is to ensure a 2:1 succession cover ratio of the leadership level where possible, meaning that each leader has at least two potential successors, one who can fill the position within a short timeframe and the second in the medium– to long-term.

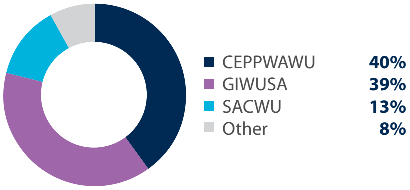
"Growing our own timber" is our business mantra. Employees are encouraged to develop their capabilities in line with the business growth plan. In the absence of skills within the talent bank, this expertise is acquired externally.

EMPLOYEE RELATIONS

We are committed to a workplace free from discrimination, compliant with all the relevant labour laws, and are resolute on transparency and open communication. This ensures that workplace grievances are avoided or speedily resolved. The Company has maintained a low referral rate to the CCMA and Bargaining Council.

The Heads of Human Capital from the respective sites engage with the unions regarding various bargaining unit employee related matters as well as wage negotiations. This year a two-year wage agreement was concluded between the Group and the union, effectively agreeing on the increases for 1 July 2017 as well as 1 July 2018.

41% of employees in South Africa belong to a bargaining unit, with the union membership split as follows:



During the year, Giwusa members undertook industrial action regarding a revised disciplinary procedure. The 10-day strike was resolved through a constructive mediation process. The strike was confined to the Clayville site and business contingency plans were in place to minimise the disruption of operations. Regrettably 2 989 man days were lost due to this industrial action.

THE YEAR IN REVIEW

Highlights

- Improvement in the:
  - ✓ Disability profile; and
  - ✓ Number and gender diversity of participants in the owner-driver scheme.
- Increase in skills development spend.
- 100% absorption of talent pipeline including apprentices, disabled learners and graduates.
- Achieved B-BBEE Level 3 rating.
- A 2-year wage agreement negotiated with the Bargaining Council.
- A decrease in staff turnover from 10.4% to 10.1% against an industry norm of 11.2%.

REALISING CAPITAL OUTCOMES

Intellectual capital

TRADEMARKS AND BRANDS

Over the years, Adcock Ingram has developed iconic household brands including Panado, Compral, Adco-dol, Bioplus, and Myprodol, to name a few. These brands are evolved and kept relevant to their markets through regular monitoring of the South African retail and consumer landscape.

Registered trademarks in South Africa

1 146

Pending trademarks in South Africa

103

Registered trademarks in other territories

560

Pending trademarks in other territories

145

AWARDS WON DURING 2018

- The 2nd CHIETA Excellence award for the category: Best University Placement Programme
- Gender reporting on JSE-Listed Companies

MEMBERSHIP OF VARIOUS PROFESSIONAL BODIES AND INSTITUTIONS

Adcock Ingram's employees are encouraged to join relevant professional bodies and institutions that offer knowledge and networking opportunities. Adcock Ingram as an organisation, and its people belong and contribute to the following associations:

MANUFACTURED

Self-Medication Manufacturers Association of South Africa (SMASA)

Pharmaceuticals Made in South Africa (PHARMISA)

Cosmetic, Toiletry and Fragrance Association (CTFA)

The South African Generic Medicines Association (SAGMA)

HUMAN

The Chemical Industries Education and Training Authority (CHIETA)

National Bargaining Council for the Chemical Industry (NBCCI)

The Ethics Institute of South Africa

Labour Affairs Association of the Pharmaceutical Industry (LAAPI)

Transport Education and Training Authority (TETA)

Health and Welfare Sector Education and Training Authority (HWSETA)

South African Rewards Association (SARA)

INTELLECTUAL

Pharmaceutical Task Group (PTG)

South African Pharmacy Council (SAPC)

Pharmaceutical Society of South Africa (PSSA)

Health Professions Council of South Africa (HPCSA)

College of Medicine of South Africa (CMSA)

Society of Cosmetic Chemists SA (COSCHEM)

Board of Healthcare Funders (BHF)

The South African Association of Pharmacists in Industry (SAAPI)

FINANCIAL

South African Institute of Chartered Accountants (SAICA)

Chartered Institute of Management Accountants (CIMA)

South African Institute of Professional Accountants (SAIPA)

Institute of Internal Auditors South Africa (IIA)

Financial Reporting Investigations Panel (FRIP)

Member in the Tax court of South Africa

Independent Regulatory Board for Auditors (IRBA)

SOCIAL AND RELATIONSHIP

Proudly South African

Marketing Code Authority (MCA)

Pharmaceutical Crime Task Group

Institute for Strategic Relations South Africa

Public Relations Institute for Southern Africa (PRISA)

REALISING CAPITAL OUTCOMES
Natural capital

The protection of the environment is a key consideration when acting as a responsible corporate citizen. As a manufacturer of pharmaceutical products, the regular above inflation increases of energy and other utility costs, have a major impact on Adcock Ingram. Throughout our operations, the focus remains on providing quality products and a safe and healthy workplace for employees, whilst minimising the potential impact on the environment.

With increased production an increase in the usage of utilities is inevitable. The Group's carbon footprint in South Africa will also increase as the Group realises its strategy of acquiring local businesses, which leads to an increase in headcount, manufacturing output and distribution activities.

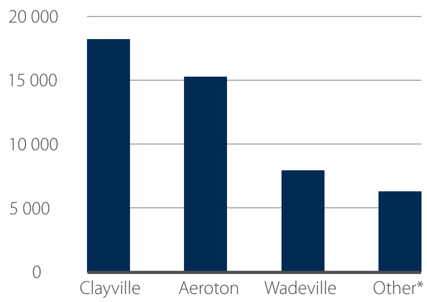
The Group's carbon footprint in South Africa determined by "Carbon Calculated" is as follows and includes AVL Healthcare for the full year (2017: 3 months) and Genop for six months.

		30 June 2018 Tonnes	30 June 2017 Tonnes
	Scope 1		
1	Equipment owned or controlled	**13 613**	11 093
	Air conditioning and refrigeration gas refills	**397**	506
	Vehicle fleet	**2 517**	2 618
	Scope 1 total	**16 527**	14 217
	Scope 2		
2	Electricity	**47 860**	48 467
	Total scope 1 and 2	**64 387**	62 684
	Scope 3		
3	Business travel	**2 520**	1 351
4	Employee commute	**4 776**	4 059
5	Transportation and distribution of raw materials and sold goods	**21 594**	13 760
6	Packaging materials	**9 972**	15 693
7	Consumption of office paper	**284**	86
8	Total waste (landfill and recycled)	**3 948**	2 898
9	Water and wastewater	**405**	454
	Electricity transmission & distribution losses	**4 341**	4 261
	Total scope 3	**47 840**	42 562
	Total scope 1, 2 and 3	**112 227**	105 246
	Non-Kyoto gas	**1 006**	2 031
	Grand total	**113 233**	107 277

Actions to improve these results

- Electricity savings projects have been implemented at all the manufacturing sites including extension of the LED project. Wadeville plans to convert geysers and external lights to solar power.
- As most of the manufacturing sites have access to boreholes for water, the utilisation of this resource will be optimised.
- Increased focus and control on inventory management to prevent stock write-offs.
- Progress to be made with regard to waste recycling.

Scope 2 emissions by facility in tCO_2e



* *Other includes all distribution facilities and administrative offices*

1 Aeroton increased its coal usage by 16% consequent an increase in output.
2 The emission factor** decreased between the reporting periods so the relative carbon decrease more than offset the kWh increase from AVL Healthcare and Genop.
3 Increase in flights with the addition of headcount and the on-boarding of Genop.
4 Employee commute increased as a result of increased employee numbers with the acquisition of Genop.
5 The increase relates to the inclusion of the AVL logistics business and the expansion of the owner-driver scheme, adding additional smaller vehicles to the fleet.
6 Through improved reporting measures from Adcock Ingram's suppliers, a more accurate impact for packaging material has been calculated.
7 The increase relates to the inclusion of Genop which prints its marketing brochures on high-end quality paper, which has a high emission factor.
8 The manufacturing facilities had an increase in waste through product write-offs.
9 A reduction in waste water was observed at Clayville following the installation of a borehole to supplement the municipal water supply.

** *An **emissions factor** is a representative value that attempts to relate the quantity of a pollutant released to the atmosphere with an activity associated with the release of that pollutant. Such **factors** facilitate estimation of **emissions** from various sources of air pollution.*

DRIVING SUSTAINABILIY AND ENTERPRISE DEVELOPMENT THROUGH PLASTICS RECYCLING

New joint venture with Netcare to make shoes from recycled drip bags for children

- A not-for-profit joint venture has been established to recycle drips and other PVC products
- This initiative will create employment and enterprise development opportunities in areas of PVC sorting, transportation, recycling and shoe manufacturing
- It is currently in operation at five Netcare hospitals
- To be rolled out across all hospitals
- The broader vision for the project is to include public sector facilities in the future

This will ultimately reduce landfill waste and improves environmental sustainability

CASE STUDY

To kick this project off, about 1 000 pairs of shoes were donated to learners of the Masakhane-Tswelopele Primary School in Zandspruit in January 2018.

REALISING CAPITAL OUTCOMES

Social and relationship capital

Adcock Ingram has at the heart of its strategy a clearly defined stakeholder engagement approach, which is ultimately the responsibility of management. As a pharmaceutical manufacturing company, we act at all times with integrity and transparency, and promote open communication with our stakeholders.

Operating in an ever-changing environment, we refine our approach in order to sustain a respectful and mutually beneficial relationship with our stakeholders. Our autonomous operating divisions operate on a model that allows them flexibility while remaining accountable and responsible for their relevant stakeholder groups. At the core of our business model underpinned by our strategic pillars, we focus on our customers and consumers, employees, communities, partners, suppliers and service providers, shareholders and the investor community, industry bodies, the media, regulatory authorities and government. Our stakeholder-centric approach enables our business to remain competitive, and ensures that we make a meaningful contribution to society at large in South Africa. A policy that articulates and gives effect to the direction on stakeholder relationship is in the process of being finalised.

Stakeholder group	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Customers and consumers	Consistent supply of safe, quality, efficacious and affordable products that are available in appropriate channels. Ethical, factual and professional interactions with healthcare practitioners. Maintaining and improving our service delivery levels. Be a business partner to our customers and provide support in order for them to operate sustainable businesses. Implement development programs to support previously disadvantaged individuals who operate in the pharmaceutical sector.	Through service delivery, a top priority of the business, is one of the ways to ensure brand loyalty and trust to grow the business. Customers provide extensive footprint through their expansion initiatives. Cash and carry customers ensure our brands get expanded into the informal markets. Prescribers of our products, support brand loyalty	Personal visits to customers by sales personnel, managers and executives. Other interactions include continuing professional education; customer surveys; a customer call centre; advertising; the corporate website; consumer focus groups and education campaigns.
Employees	Employees expect a stimulating and gratifying work environment, with prospects of career growth, including: ▸ competitive benefits, ▸ transformation, ▸ training and development, ▸ talent management and succession planning, ▸ wellness offerings, and a ▸ safe and healthy working environment.	A well-motivated employee base, acting in accordance with the values of Adcock Ingram, forms the foundation of our success as an organisation. We will continue to make sure that our employees take pride in the Company's contribution to society.	Communication via plasma screens and newsletters. The Adcock Ingram intranet contains relevant news as well as policies and procedures. Training and development initiatives. Site management/shop steward meetings, site forum employment equity meetings, trustee meetings and conferences.
Regulatory authorities and government	Participation, influence and contribution towards the pharmaceutical sector to remain sustainable and continue to serve the healthcare needs of South Africa. Compliance with all applicable legislation and regulations. Growth and social upliftment of the communities in which we operate.	The regulatory body provides us our license to operate and manufacture in line with a regulatory framework. We will supply quality and affordable medicines in order to promotes access to medicines for the benefit of society. Adcock Ingram will support investment in South Africa, as well as empowerment, transformation and CSR (Corporate Social Responsibility) initiatives.	Proactive government relations engagement strategies are in place at executive and Board level, for dialogue with relevant Departments at national, provincial and local government levels as well as the South African Pharmacy Council. Regular engagement with the regulatory body (SAHPRA) is key to facilitate efficient product registration and compliance in all aspects, including manufacturing.

Stakeholder group	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Communities	Ongoing commitment and support towards projects considering the interests and needs of the communities in which we operate.	Interaction with the communities affords us an opportunity to understand and contribute to their needs.	Interaction through the Company's corporate social initiatives as well as various initiatives undertaken by each operating division.
Shareholders, investor community and analysts	Open and transparent in communication. Implement our business strategy and structure the business optimally for sustainable returns whilst managing risk, identify growth opportunities and have good governance practices. Keep up to date on the organisation's financial and operational performance.	Shareholders are encouraged to attend Adcock Ingram's annual general meeting and to directly discuss relevant issues with management.	We communicate regularly through the Johannesburg Stock Exchange (JSE), press releases, telephonic and face-to-face meetings.
Multinational partners and licensors	Building their brands utilising our marketing expertise, and sales and distribution network which offers a flexible service on a national basis through our significant critical mass and reach with healthcare professionals. Achievement of commercial goals; alignment with international best practice standards for product promotion and regulatory adherence.	Partnerships are embedded with marketing and distribution agreements on established brands. Allows the Company to enter or expand into therapeutic categories.	Regular commercial reviews with partners. Combined attendance and promotion at conferences and congresses to share best practice with relevant parties.
Suppliers and service providers	Conduct business in an open, honest and transparent manner that is mutually beneficial and sustainable, including timeous payments and fair terms.	By providing good quality raw materials and finished products in line with pharmaceutical standards, in a timely manner assist in avoiding stock outs of products. Suppliers aligned to the country's B-BBEE imperatives and also focus on emerging enterprises and black women owned businesses, assist Adcock Ingram with its focus areas of transformation.	Supplier relationship management is implemented through personal contact and consistent interaction at operational and management levels.
Industry bodies	Membership and participation to contribute towards an industry viewpoint and response on regulatory issues and health policy.	Influence policies that create a sustainable local manufacturing pharmaceutical industry and serve the healthcare needs of South Africa. Keep abreast of regulatory and industry issues so that the Company can have a relevant position on matters.	Membership and participation in: Pharmaceuticals Made in South Africa (PHARMISA); Self Medication Association of South Africa (SMASA); the Pharmaceutical Task Group (PTG) and the Marketing Code Authority (MCA).
Media	Good corporate citizenship through transparent and responsible reporting and disclosure	The media contributes in sustaining our brand reputation and increase awareness of new products, industry development and regulatory challenges.	Press releases, media interviews and reactive responses, and SENS announcements

REALISING CAPITAL OUTCOMES

Social and relationship capital (continued)

Adcock Ingram is committed to economic transformation to address the issues of access, empowerment, inequality and poverty eradication. The business units have rolled out the following programs geared to drive transformation, make it meaningful within the business whilst supporting the communities and responsible corporate citizenship.

PROJECT

Owner-driver scheme

Nature of the Project

Launched in 2012 to enable promising drivers to own a business and help the Company achieve its Enterprise Development objectives.

Targeted beneficiaries

Previously disadvantaged people, including employees of Adcock Ingram.

Purpose of the project

Empowerment of previously disadvantaged people, including employees, to own and sustain a business whilst improving the existing fleet and improve on customer service.

Progress to date

The scheme is fully operational in 10 of the 13 distribution centers. There is a total of 39 directors, owning 116 vehicles. 232 permanent jobs have been created and to date a total investment of R70 million has been made by the Company.

Next Steps

- Roll out the scheme to the two new depots in East London and Kimberley.
- Replace the vehicles that are six years old.

PROJECT

Witkoppen healthcare mobile clinic

Nature of the Project

The mobile clinic provides access to basic quality healthcare services for the Diepsloot and Msawawa informal settlements. Financial support is provided to keep the clinic in operation.

Targeted beneficiaries

Community members of the Diepsloot and Msawawa informal settlements.

Purpose of the project

Access to basic health services for the benefit of disadvantaged communities.

Progress to date

R1 million has been allocated to sponsor the mobile Clinic. The clinic currently runs four days a week through the financial assistance of Adcock Ingram.

Next Steps

To increase financial support to the mobile clinic over a period of 12 months so that the clinic can operate five days a week.

PROJECT

Tlhokomela wellness project in Hoedspruit

Nature of the Project

To provide access to basic healthcare services to members of the Hoedspruit community (in particular sex workers, farm workers and their families).

Targeted beneficiaries

Local community members, farmers, farm workers, foreign migrants and sex workers in and around the Hoedspruit area.

Purpose of the project

- To provide accessible and quality healthcare services.
- Educate community members (especially sex workers) on health-related matters, such as HIV/AIDS.
- Improve workers' access to health services in 69 agriculture and conservation businesses.

Progress to date

R1 million has been donated

Next Steps

To increase financial support to the mobile clinic over a period of 12 months so that the clinic can operate five days a week.

PROJECT

Wholesaler development

Nature of the Project

The OTC Division has partnered with Black IQ wholesaler to provide them with business guidance and mentoring.

Targeted beneficiaries

Black-owned wholesaler in Silverton, Pretoria.

Purpose of the project

To assist with the development, sustainability and financial independence of a black-owned wholesaler.

Progress to date

To empower the Black IQ team with leadership skills - training took place in March 2018.

Next Steps

Category management (Inventory Planning) for five of the pharmacies they own will be completed in the next financial year.

PROJECT

Independent pharmacies

Nature of the Project

Adcock Ingram partnered with the North-West University in the Pharmacy Care Drug Therapy (PCDT) programme, for the development of pharmacists. Upon completion of the 18 months' programme, each pharmacist will be able to diagnose and prescribe at primary healthcare level.

Targeted beneficiaries

Independent pharmacies in Katlehong, Spruitview and Orange Farm.

Purpose of the project

- To develop and equip pharmacists with the diagnostic skills and the ability to prescribe for primary healthcare illnesses, at an affordable cost
- To invest in community pharmacists.
- To make pharmacies more accessible and affordable to the community members.

Progress to date

- To date R59 800 has been paid towards the course.
- Initially six pharmacists were enrolled for the course.

Next Steps

Explore possible solutions how the pharmacists can be supported during and after the course.

PROJECT

Panado clinic trailers

Nature of the Project

The medical male circumcision (MMC) project entails the performance of MMC within the Gauteng province at selected medical sites in the Alexandra township. The project has been in operation since November 2015. Adcock Ingram donated trailers as satellite sites located in and around Alexandra township.

Targeted beneficiaries

Previously disadvantaged males.

Purpose of the project

To provide basic health screening and referral services.

Progress to date

Over 2 200 procedures have been performed to date.

Next Steps

The project is ongoing.

PROJECT

Project Dignity

Nature of the Project

Handing out sanitary wear and Gynaguard hampers to the Grade 6 and 7 class of girls from schools in the Alexander Township. This initiative started in December 2017 and was completed in March 2018.

Targeted beneficiaries

Previously disadvantaged females and lower to middle LSM's.

Purpose of the project

To reduce absenteeism and dropout rates in schools and increase opportunities for girls to complete their education and to empower them through education and access to sanitary wear to reach their full potential.

Progress to date

Created consumer awareness, provided education and recruited new users for our brands.

Next Steps

Exploring various options to assist in ensuring that this initiative is more sustainable.

PROJECT

Bioplus future careers workshops

Nature of the Project

The first workshop was at the OR Tambo Cultural Precinct, Wattville, Benoni in March 2018 and the second workshop was at Orange Farm in May 2018. These workshops involved a career presentation from guest speakers focussed on various careers in the mathematics and science fields.

Targeted beneficiaries

Previously disadvantaged Grade 11 and 12 pupils.

Purpose of the project

To empower the youth with the information they require to make informed career decisions. The event was an information sharing platform designed to assist in the creation of the critical and scarce skills which lead to meaningful and sustainable employment.

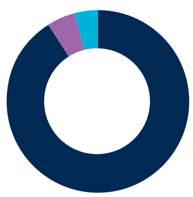
Progress to date

The workshops hosted 48 Grade 12 learners from Ephes Mamkeli High School from Wattville township in Benoni and the Orange Farm workshop hosted 150 learners from various schools in the surrounding areas.

Next Steps

Expand the workshops to other schools.

Distribution of CSI



Healthcare	91%
Education	5%
Other	4%

Risk Management

This report is presented by the Company's Risk and Sustainability Committee (Committee). Due to the constant evolution of the environment in which the Group operates, Adcock Ingram appreciates that success rests on the ability to capitalise on opportunities and pro-actively manage risk.

COMPOSITION AND MEETINGS

The Committee consists of six (6) directors; four are non-executive directors (three of whom are independent) and two executive directors. Four (4) scheduled meetings are held per year and the Head of Internal Audit, the Medical Director as well as a Risk Advisor from Marsh are permanent invitees.

The attendance of the Committee meetings was as follows:

	Meeting attendance
Chairman	
R Stewart	4/4
Members	
A Hall	4/4
M Haus	4/4
J John	3/4
C Manning	4/4
D Neethling	4/4
M Sacks*	2/2
Invitees	
J Bhana (Medical Director)	3/3
D Nabarro (Risk advisor - Marsh Risk Consulting)	4/4
S Pietropaolo (Head of Internal Audit)	3/4

** See changes to the Board on page 9.*

TERMS OF REFERENCE

The Committee operates in accordance with formal terms of reference and a work plan, which were reviewed and amended in line with King IV and approved by the Board.

ROLES AND RESPONSIBILITIES

THE BOARD

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

The Board is updated on key risks and considers their residual level when formulating strategy, approving budgets and monitoring progress against business plans. The Board ensures that an adequate level of assurance is provided on control processes related to significant risks.

RISK AND SUSTAINABILITY COMMITTEE

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

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

PHILOSOPHY

Adcock Ingram recognises the inherent exposure, with regards to the broad range of risks the Group faces, in achieving sustainable growth. This has cultivated the philosophy to develop a culture which views Enterprise Risk Management as a strategic enabler and ensures proactive and appropriate action is taken in mitigating risk exposure and taking advantage of opportunities.

Adcock Ingram acknowledges that risk can never be totally eliminated but is committed to ensure that the implemented Enterprise Risk Management process aligns to current best practices. This is to ensure that risk and control processes are continuously evolving to improve decision making.

Processes have been designed and implemented to identify, assess, manage, monitor and report on the significant risks faced by each division individually and the Group as a whole, on a continual basis. The Group views this approach as core in terms of achieving the appropriate balance between risk and reward. This enables management to protect the Group against avoidable risks and develop mitigating controls related to unavoidable risks.

KEY ACTIVITIES

RISK GOVERNANCE

The Group's divisions have different product, market, operating and financial characteristics. The responsibility regarding the top-down Enterprise Risk Management process therefore, vests largely with divisional management structures, supported by the Head of Internal Audit.

Risk registers, containing key business risks, are compiled, reviewed and updated on at least a quarterly basis. Risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and to prioritise action plans according to the residual risk. Registers are presented and discussed at various management levels and forums before they are presented and discussed at the Risk and Sustainability Committee meetings, which in turn, reports to the Board.

OTHER GOVERNANCE

The Company Secretary is responsible, together with management, for the implementation and execution of effective compliance. During the year, the Committee considered reports provided by management that covered the following areas:

- Quarterly reports from the independently operated whistle-blowing facility called Tip-Offs Anonymous. 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. Where weak controls are identified, appropriate improvements are introduced to remedy the identified weaknesses;
- Quarterly regulatory risk reports, which highlight changes in the medical regulatory environment which might have an impact on the business; and
- Quarterly reports from the Risk Advisor which include details regarding insurable risks as well as health and safety, and environmental risks.

INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

Adcock Ingram concurs with the King IV Report that technology and information should be governed in a way that supports the Company's setting and achievement of its strategic objectives. The Board through this Committee, is responsible for the governance of technology and information but the implementation and execution of effective technology and information management is delegated to management.

The Head of IT presents to the Committee how the related risk is assessed and managed within the Company.

Information Technology is an integral part of the operations as an enabler and the Group has implemented a number of arrangements governing and managing technology and information, including but not limited to:

- an IT strategy that underpins the business strategy;
- an IT Governance framework to ensure relevant processes and structures are in place that meet the business requirement;
- implementing relevant IT best practises;
- implementing a validation policy in terms of which technology and systems implementation are validated according to the Good Manufacturing Practices (GMP) and Pharmaceutical Inspection Co-operation Scheme (PICS) principles that also covers requirements from other pharmaceutical companies that makes use of the Adcock Ingram facilities;
- Internal Audit performs audits on different parts of the Company to test the effectiveness of internal controls;
- Group Quality Assurance audits incorporate industry's best practices to ensure constant and continuous improvement of Adcock Ingram's quality systems, processes, technologies, infrastructure, regulatory compliance and technical support; and
- audit procedures conducted by the External Auditors in support of their audit opinion.

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

- The IT policy was reviewed to align to the requirements of the King IV;
- Application systems enhancements and expansions;
- Infrastructure upgrades were undertaken;
- Cyber security was upgraded. Adcock Ingram uses a multi layered IT security framework to detect and prevent, as far as possible, cyber security attacks. The IT security environment is in a continuous process of improvement to address potential issues identified through a variety of audits, attack and penetration testing, and the latest IT security guidelines; and
- Phase 1 of the new Quality Assurance system and Transportation management systems went live.

Key areas of focus in the future include:

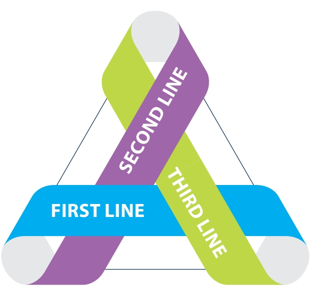
- Integration of the IT environments of recently acquired businesses (Virtual Logistics and Genop);
- The optimisation of the forecasting and planning systems, as well as the implemented process manufacturing systems, forms part of an operational continuous improvement process;
- Further enhancements to the IT security environment;
- Ensuring POPIA readiness; and
- Implementation of a new laboratory information management system, a new pharmacovigilance system, digitisation of business processes and finalising the last phase of the new quality assurance system.

ENTERPRISE RISK MANAGEMENT

The diagram below depicts Adcock Ingram's model for risk management

THREE LINES OF DEFENCE

The Group manages risk by employing the three lines of defence strategy. This demonstrates how the Board ensures that risk is treated as integral to the way it makes decisions and executes its duties and promotes transparency and accountability.



FIRST: DIVISIONAL MANAGEMENT

- Day-to-day management, identification, monitoring and tracking of risks
- Design and implement the system of internal control with regard to the division's operations in response to risks
- Appropriate escalation of material risks via relevant governance structures

SECOND: EXECUTIVE MANAGEMENT

- Challenging and overseeing activities of first line of defence
- Design and implementation of policies and procedures as well as strategy
- Assurance providers to regulators as well as to the Board of Directors through the Risk and Sustainability Committee

THIRD: INDEPENDENT ASSURANCE PROVIDERS

- Internal audit
- External audit
- Other independent service providers

The independent assurance providers were recently reviewed. The Committee is satisfied they objectively provide assurance regarding the activities of the first and second lines of defence.

Risk Management (continued)

FINANCIAL CAPITAL

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
Market share The actions of our competitors may erode our market share and potentially jeopardise our growth.	The autonomous business units through robust sales and marketing efforts, customer relationship management and customer service delivery, assist the Company in combatting competitor actions.
Foreign exchange The uncontrollable currency volatility and Rand weakness impacts the purchase price of active pharmaceutical ingredients (API's), specialised machinery and finished goods sourced internationally, in turn putting margins under pressure.	Forward cover is taken out for all firm import orders.
Supply and cost pressure There are a limited number of suppliers of API's and finished goods, and many of these supplies are acquired in a foreign-denominated currency.	Where available, multiple suppliers of API's and finished goods are sourced. Safe levels of stockholding of strategic raw materials and finished goods are maintained.
Cost-push versus pricing power SEP increases generally do not keep pace with the level of cost-push.	Various continuous improvement programmes and procurement initiatives are in place to improve throughput and efficiencies throughout the Group.
Economic environment Economic data indicates very little, if any, growth in the South African economy resulting in the trading environment remaining difficult with the potential for further deterioration.	The Group has a well-diversified product portfolio which trades across many price-points and therapeutic categories. New geographies, through exports and distributorships, are continually being sought.

STRATEGIC PILLAR IMPACTED

Build on foundation (Operational Excellence)

Growth and expansion

HUMAN CAPITAL

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
Human Capital Critical skills shortages and difficulty in recruiting top talent in certain areas of the business, are a reality in the current economic environment. The need to attract and retain top talent, is intensified by our transformation strategy.	Appropriate incentive schemes, competitive remuneration packages and investment in skills development of employees are used to provide a sustainable pipeline of talent for the future.
Labour environment Trade unions represent a significant number of employees. Labour disputes and work stoppages may disrupt business operations.	Contingency plans are in place at all sites to ensure continuity of supply.
Occupational health and safety Occupational injury of employees who are key to the performance of the Group may occur.	Stringent policies and procedures, aligned to best practice, as well as robust training and awareness programs have resulted in the continuous improvement of safety practices in the work place.

STRATEGIC PILLAR IMPACTED

Transformation

SOCIAL AND RELATIONSHIP CAPITAL

STRATEGIC PILLAR IMPACTED

Build on foundation (Operational Excellence | Growth and expansion

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
Customer, supplier and partner relationships Customers are the cornerstone of our business. Our customer relationship management has been, and continues to be a key focus area.	Management of the expectations of our business partners is an ongoing focus for our autonomous Divisions. The relationship foundations created are continuously nurtured to ensure sustainable business growth.
Schedule 0 (S0) SEP exemption The exemption for S0 medicines with regards to the SEP legislation is reviewed by the regulatory authorities on a periodic basis, currently every three years. Removal of this exemption could place further pressure on margins.	Management utilises the three-year exemption granted during 2016. This allows S0 products to be subject to "free-pricing" strategies.

INTELLECTUAL CAPITAL

STRATEGIC PILLAR IMPACTED

Build on foundation (Operational Excellence | Growth and expansion

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
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 business approach, compliance is continuously achieved through the ongoing combined efforts of various operational and technical teams.
Information technology infrastructure upgrades Adequacy and effectiveness of IT governance, and integration of IT systems.	Through the use of best practice project management methodology as well as highly skilled human resources, implementation of new and improved information technology infrastructure is successfully achieved. The Committee reviewed its investment in regulatory capacity and capability, which it considers to be a significant strength of the Group.

NATURAL CAPITAL

STRATEGIC PILLAR IMPACTED

Build on foundation (Operational Excellence) | Growth and expansion | Transformation

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
Interruptions of 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 supplies as well as on-site water storage facilities and boreholes allow for continuous production during periods of interruption. All manufacturing sites in South Africa have been declared National Key Points.

MANUFACTURED CAPITAL

STRATEGIC PILLAR IMPACTED

Build on foundation (Operational Excellence | Growth and expansion

KEY RISKS	CONTROLS IN PLACE TO MITIGATE THE RISKS
Product portfolio Components of the portfolio consists of relatively old molecules.	Continuously seeking opportunities with regards to less regulated products as well as entering into partnerships with multinational principals to broaden the product portfolio.
Plant mechanisation Stock levels and order infill rates may be put under strain in the event of a critical plant breakdown.	Robust maintenance plans, where possible dual site manufacturing, as well as mechanisation upgrades mitigate this risk.

Remuneration

This section provides an overview of the Group's approach to remuneration with particular focus on management and non-executive directors. The environment against which this report is set, continuously evolves, driven by macro- and socio-economic factors, regulations and practical considerations.

This report is presented by the Company's Human Resources, Remuneration and Nominations Committee (Committee), appointed by the Board, which should ensure that the Company's remuneration aligns to the achievement of its strategic objectives and positive results in the short-, medium- and long-term.

COMMITTEE

COMPOSITION OF THE COMMITTEE

The Committee consists of three (3) independent non-executive directors. Three (3) scheduled meetings are held per year and when necessary, special meetings are held. The Chief Executive Officer and Executive Director: Human Capital and Transformation are permanent invitees at Committee meetings and are recused when matters pertaining to their own remuneration are discussed.

	Meeting attendance
Chairman	
P Makwana	5/5
Members	
L Boyce	4/5
C Raphiri	5/5
M Sacks*	2/2
Invitees	
A Hall	5/5
B Letsoalo	5/5

*See changes to the Board on page 9.

The following terms shall bear the meanings ascribed to each when used in the report:

- Executive management consists of the Executive Directors;
- Senior management consists of the Executive Committee members, excluding the Executive Directors
- Management consists of both the executive management and the senior management

REMUNERATION REPORT

This section comprises the following sections:

- Background statement
- Activities undertaken by the Committee during the year
- An overview of the Group's remuneration philosophy and policy
- An implementation report, including remuneration paid to the individual Board members and Executive Directors

BACKGROUND STATEMENT

In line with King IV, the Committee hereby discloses the Company's governance of remuneration in this report. The Board, through the Committee, is responsible for the governance of remuneration by setting the direction for how remuneration is approached and addressed in the Company. It also approves the policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration in accordance with the principles of King IV.

The remuneration policy and the implementation report are subject to an annual non-binding shareholder advisory vote at the Annual General Meeting (AGM) whilst the remuneration payable to non-executive directors are subject to at least 75% support by shareholders.

Voting results at the previous AGM were as follows:

- 65.11% in favour of the remuneration policy;
- 66.38% in favour of the implementation report; and
- 95.77% of shareholders voted in favour of the remuneration payable to non-executive directors.

Issues raised by shareholders regarding the remuneration policy and the implementation report are as follows:

Shareholder concerns	Management response
The current Long-term incentive (LTI) scheme does not have performance conditions attached to it to incentivise key employees.	A new Performance Based LTI Scheme (PBLTIS) has been developed and incorporates the following: ▸ financial and non-financial performance targets to support the business strategy ▸ the scheme will operate as a full value shares scheme ▸ the shares will be allocated to key management in critical roles ▸ based upon levels of achievement against the performance metrics over three years, the awards will vest as follows: – 75% of the awards vest after three years – 25% of the awards vest after four years The proposed scheme will be presented to shareholders for consideration ahead of the AGM to be held in November 2018, where they will vote on it.
Non-disclosure of the Short-term Incentive (STI) metrics and achievement levels	The Company has agreed to report retrospectively on STI performance measures, e.g. Trading Profit, ROFE, etc. and will state whether targets were achieved or not.

The Company encourages transparency and appreciates feedback from shareholders on the governance of remuneration. Dissenting shareholders were publicly invited via a Stock Exchange News Service (SENS) announcement to a meeting with the Committee to discuss their concerns ahead of the AGM. The Public Investment Corporation (SOC) Limited (PIC) attended the meeting and Sanlam Investment Management made a written submission. The Company confirmed during the meeting that it would disclose the STI performance on a historical basis and STI targets will include both financial and non-financial metrics.

Currently non-financial targets for executive management are set at 10%, whereas senior management targets are set between 10% – 50% of the overall STI, which include transformation, new business development, factory efficiencies and performance, market share performance, critical control environment, etc. These non-financial targets are subject to annual variation depending on the strategic direction and short-term priorities of the business.

Activities undertaken by the Committee during the year

- appointed 21st Century as an independent remuneration advisor to provide an expert opinion on Adcock Ingram's remuneration practices, remuneration trends and best practices;
- reviewed the remuneration trends and surveys from the remuneration consultants;
- approved job evaluations and benchmarked grades for Management;
- approved the principles for total guaranteed package (TGP) salary increases for non-bargaining unit employees;
- approved the remuneration of the Executive Management, and the Company Secretary and Head of Legal;
- approved the STI for eligible employees;
- reviewed the performance of Management and recommended the STI and LTI to the Board for approval;
- considered the share option allocation for the retention of key talent;
- reviewed Executive Management's recommendation for the remuneration of non-executive Directors (NED), including the Chairman, and recommended same for consideration and approval by shareholders at the AGM;
- conducted an annual self-evaluation review to identify areas for improvement;
- recommended the Gender, Race and Diversity policy for approval by the Board;
- reviewed its terms of reference to ensure alignment with the King IV principles and successfully recommended them to the board for approval; and
- approved the remuneration report (including the policy and implementation) before publication in the integrated report;

Independent and external advice

This year the Committee actively sought and engaged independent external advice on remuneration trends and market benchmarks. Independent remuneration advisors (21st Century) were engaged to provide an independent view on management remuneration and benchmarking to ensure both internal and external fairness and equity in management remuneration. The appointment of 21st Century will ensure consistent application of methodologies and principles, that will be reviewed periodically. The Committee is satisfied that these advisors were independent and objective. The Committee is satisfied that the remuneration policy has achieved its stated objectives.

Future areas of Focus:

- Implementation of new PBLTIS for key management in critical roles;
- Enhance wellness offerings for Management and potential successors; and
- Implement retention plans for potential successors.

An overview of the Group's remuneration philosophy and policy

Adcock Ingram's remuneration philosophy aims to reward employees appropriately for their contribution and execution of the strategy of the Group. As an integral component of the employee value proposition (EVP), the remuneration policy has been designed to attract, engage, retain and motivate the diverse talent required to deliver sustainable growth.

The remuneration policy aims to achieve alignment between the Group's business strategy and the behaviours of all employees in relation to the values of the Group. The policy recognises and rewards individual contribution, performance and behaviour in the achievement of the Group's goals. The remuneration policy and the implementation thereof, is focused on achieving a fair and sustainable balance between guaranteed packages and variable pay (STIs and LTIs). Adcock Ingram strives to pay variable pay at the market upper quartile (75th percentile) taking into account the following factors:

- Affordability;
- Performance;
- Transformation;
- Industry skills; and
- Internal equity.

A bias towards variable pay is intended to drive extraordinary performance, employee engagement and retention.

Participation in the STI and LTI schemes are dependent on individuals' performance, criticality of the role and their level within the organisation.

The remuneration policy is based on the following key principles:

- by attracting and retaining top talent, remuneration is geared to support the Group mission, vision and values;
- remuneration directly correlates with Adcock Ingram's strategy, financial and operational performance and transformation imperative and is consistent with the organisation's culture of fairness, transparency, integrity and equity;
- remuneration considers Adcock Ingram's size, the complexity of the business, the various business streams, and the competitive landscape;
- remuneration is reviewed and benchmarked regularly through independent service providers to ensure that the Group remains competitive;
- the short-term incentive schemes aim to motivate exceptional performance;
- remuneration inspires and allows for differentiation as it rewards different levels of performance accordingly; and
- remuneration recognises Individual contributions, based on span of control, role, scope and responsibilities.

Benchmarking

Benchmarking is a robust indicator of fairness and a competitive reward system. The total guaranteed package (TGP) for management is targeted at the market median of the national market TGP data. A premium to the median TGP may be considered for retention of employees with scarce skills, niche experience, consistent outstanding performance and transformation considerations.

STI will be benchmarked at the upper quartile of the national market median TGP, with actual awards guided by the following factors:

- affordability;
- benchmarking results;
- current remuneration; and
- relativity between grades.

Benchmarking process:

- Remuneration for management was benchmarked against the national market data incorporating size and complexity;
- the outcome was compared to data from a group of JSE listed companies of similar size and complexity to Adcock Ingram; as well as to available data from an industry comparator group.

Setting of Non-Executive Directors' (NED) Fees

The following factors are considered when determining the NED remuneration:

- Industry understanding;
- Specific knowledge and skills;
- Track record;
- Reputation;
- Experience and qualifications; and
- Network reach.

Remuneration (continued)

REMUNERATION FRAMEWORK

The employee value proposition (EVP) framework balances financial rewards with non-financial rewards to drive and deliver a high-performance culture. The remuneration component of the EVP framework is made up of two elements, namely guaranteed pay and variable pay as illustrated:

<table>
<tr><th colspan="4">REMUNERATION</th></tr>
<tr><th colspan="2">GUARANTEED PAY</th><th colspan="2">VARIABLE PAY</th></tr>
<tr><td colspan="2">To attract and retain high calibre talent capable of shaping and executing the business strategy</td><td colspan="2">Variable pay consists of short- and long-term incentives with the opportunity to earn financial rewards over periods of between one and five years.</td></tr>
<tr><th rowspan="2">BASIC SALARY</th><th rowspan="2">BENEFITS</th><th>STI</th><th>LTI</th></tr>
<tr><th>Reward individual performance measured for a period of up to one year</th><th>Motivate management and key talent to achieve long-term performance and to enhance retention</th></tr>
<tr>
<td>
▸ Market related salary tailored to roles and performance
▸ 13th cheque guaranteed for bargaining unit employees
▸ TGPs are reviewed annually against market data
▸ Increases are awarded in December each year to non-bargaining unit employees and in July to bargaining unit members
▸ The actual percentage increases awarded to non-bargaining unit employees are determined by considering CPI, business performance, market trends and affordability.
</td>
<td>
▸ Market competitive suite of benefits offered as part of Total Guaranteed Package, including:
▸ Provident fund
▸ Vehicle insurance
▸ Group life insurance
▸ Disability cover
▸ Funeral benefits
▸ Medical aid
▸ Employee wellness
▸ Long service awards
▸ Learning and development opportunities
</td>
<td>
SALES STAFF
For the achievement of sales targets, sales incentives are paid to qualifying sales employees on a quarterly basis.
Key senior employees
An annual performance incentive paid on the achievement of the following predetermined financial and non-financial targets for the year:
Commercial divisions (Over the counter, Prescription, Hospital and Consumer)
▸ Trading profit (70% weighting; in the case of Managing Directors the weighting is 60%)
▸ Return on funds employed (ROFE) (30% weighting), only payable if the trading profit target has been achieved
▸ For Managing Directors an additional performance metric (10% weighting) has been introduced in the past year, based on the individual's position and includes targets for market share, new business development and factory performance, as examples.
Distribution
▸ Trading profit (40%)
▸ On time delivery (25%)
▸ Order infill rate (25%)
▸ New business development (10%)
Corporate
▸ Trading profit (70% weighting: in the case of Executive Directors the weighting is 60%)
▸ Return on funds employed (ROFE) (30% weighting), only payable if the trading profit target has been achieved
▸ For Executive Directors an additional performance metric (10% weighting) has been introduced in the past year and includes targets for transformation and headline earnings per share.
</td>
<td>
SCHEMES
Equity and phantom option schemes for the retention of critical employees and key skills by the annual allocation of options which vest in equal tranches in three, four and five years after the grant date.
Tiger Brands Black Managers Trust (BMT) for the retention of Black Managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Adcock Ingram employees who were employed prior to Adcock Ingram been separately listed on the JSE, form part of the scheme. Vested rights were issued subject to various lock-in periods.
Mpho ea Bophelo scheme which is governed according to equality and reparation principles. For more details refer to Annexure B.
Eligibility
Equity and phantom option schemes:
▸ Executive management
▸ Senior management committee
▸ Other senior employees with critical skills
BMT:
▸ Black Managers of the Tiger Brands Group, which at that time incorporated Adcock Ingram managers
Mpho ea Bophelo:
▸ All permanent black employees in South Africa and those who were naturalised before 1994, who have elected to participate in this scheme
Beneficiaries
Equity and Phantom option schemes: 52 employees
BMT: 145 remaining participants
Mpho ea Bophelo: 1 893 employees
</td>
</tr>
</table>

IMPLEMENTATION REPORT

SALARY AND WAGE INCREASES

During the year under review the following average increases were granted to employees:

- 7.5% for bargaining unit employees effective 1 July 2017; and
- 6.0% for non-bargaining unit employees 1 December 2017.
- In accordance with a two-year agreement with the bargaining unit, another 7.5% increase was granted effective 1 July 2018.

SHORT-TERM INCENTIVES

Sales staff

Sales incentives paid or accrued, relating to the current financial year are R33,1 million.

Annual performance short-term incentives

During the financial year, approximately R32 million was paid to qualifying employees, including management as detailed herein, based upon the levels of achievement against the agreed targets in the previous financial year.

A total amount of R31 million was provided in the current year for payment to 51 beneficiaries, including management as detailed herein, in September 2018.

The divisions have performed as follows with regards to targets set at the start of the financial year:

	Trading profit target	ROFE target
OTC	Exceeded	Achieved
Prescription	Exceeded	Not achieved
Critical care	Exceeded	Achieved
Consumer	Not achieved	Not achieved
Corporate	Exceeded	Achieved

The Distribution Division achieved its service delivery targets, but did not achieve its financial performance target, that is trading profit.

SENIOR MANAGEMENT

Senior management comprises the executive committee of the Group, excluding the executive directors. As the executive directors' details are disclosed separately, these are excluded from the figures below. During the year there were changes in the composition of senior management. The details show the apportioned annual remuneration of senior management, for the period the incumbents held the position during the year.

Remuneration

	2018 R'000	2017 R'000
Salary	**19 916**	20 533
Contributions to defined contribution plan	**3 040**	3 216
Gross Remuneration	**22 956**	23 749

Certain members of senior management also received long service awards in the amount of R191 824 during the current year, which are excluded from the table above.

Short-term incentives

Based on the current year's performance, senior management qualifies for short-term incentives in the amount of R7 203 333. Full provision has been made for this amount in the current year although payment will only be effected in September 2018. An incentive of R7 460 000 was paid in September 2017, relating to the prior year's performance, which was fully provided for at 30 June 2017.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Forfeited during the year	Exercised during the year	Change in senior management composition	Balance at the end of the year
Equity	17/06/2014	52.20	486 000	–	(99 000)	(129 000)	22 000	280 000
	03/11/2014	52.20	84 000	–	(84 000)	–	–	–
	26/08/2015	41.94	564 000	–	(159 000)	–	36 000	441 000
	26/08/2016	42.30	574 000	–	(169 000)	–	36 000	441 000
	24/08/2017	57.73	–	539 000	(84 000)	–	36 000	491 000
			1 708 000	539 000	(595 000)	(129 000)	130 000	1 653 000

Remuneration (continued)

SENIOR MANAGEMENT (continued)

Long-term incentives (continued)

	Offer date	Offer price R	Balance at the beginning of the year	Forfeited during the year	Exercised during the year	Balance at the end of the year
Phantom	03/01/2012	60.15	64 381	(24 106)	(40 275)	–
	09/01/2012	60.15	14 963	(14 963)	–	–
	01/05/2012	60.70	14 827	–	(14 827)	–
	01/10/2012	59.56	26 666	–	(17 776)	8 890
	02/01/2013	53.52	165 257	(13 124)	(152 133)	–
	02/05/2013	60.55	79 273	(26 424)	(35 232)	17 617
			365 367	(78 617)	(260 243)	26 507

Details of options exercised by senior management are as follows:

	Offer date	Offer price R	Weighted average exercise price R	Number of options	Gain realised on exercising of options R[1]
2018					
Equity	17/06/2014	52.20	70.42	129 000	2 356 920
Phantom	03/01/2012	60.15	64.74	40 275	182 615
	01/05/2012	60.70	70.90	14 827	151 235
	01/10/2012	59.56	69.84	17 776	182 737
	02/01/2013	53.52	67.49	152 133	2 159 597
	02/05/2013	60.55	71.00	35 232	368 174
				260 243	3 044 358
2017					
Phantom	04/01/2010	53.52	60.00	10 611	68 751

[1] *Amounts shown before taxation*

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

	2018 R'000	2017 R'000
Total	**7 022**	8 997

[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.*

EXECUTIVE DIRECTORS

The executive directors are currently regarded as the only prescribed officers of the Group. No fees for services as director, consulting or other fees were paid in the current or prior year and no profit-sharing agreements are in place.

Service contracts for executive directors

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

Shareholding

AG Hall acquired 8 462 shares in the Company, consequent to the exercise of certain equity options in the current year. This has increased to 21 433 shares subsequent to year-end. No shares were held by any executive director in the Company in the prior year.

Remuneration

	Salary R'000	Contributions to defined contribution plan R'000	Gross remuneration R'000
2018			
AG Hall	**4 767**	**350**	**5 117**
D Neethling	**3 035**	**350**	**3 385**
B Letsoalo	**2 653**	**414**	**3 067**
	10 455	**1 114**	**11 569**
2017			
AG Hall	4 473	319	4 792
D Neethling	2 751	395	3 146
B Letsoalo[(1)]	2 136	322	2 458
	9 360	1 036	10 396

[(1)] *Appointed 26 August 2016 - therefore only represents charge for 10 months in the prior year.*

Other

During 2018, the executive directors received the following long service awards which are excluded from the table above:

	2018 R
AG Hall	**78 125**
D Neethling	**50 781**
B Letsoalo	**49 228**

Short-term incentives

	2018 R'000	2017 R'000
AG Hall	**3 500**	3 000
D Neethling	**2 500**	2 000
B Letsoalo	**1 750**	1 263
	7 750	6 263

Based on the current year's performance, the executive directors individually qualify for the maximum short-term incentive, following the achievement of the set targets for trading profit, ROFE, HEPS and Transformation. These incentives are fully provided for in the current year although payment will only be made in September 2018. The prior year incentives which were paid in September 2017, relating to the prior year's performance, were fully provided for at 30 June 2017.

Remuneration (continued)

EXECUTIVE DIRECTORS (continued)

Long-term incentives

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

		Offer date	Offer price	Balance at the beginning of the year	Issued during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
AG Hall								
Equity		17/06/2014	52.20	175 000	–	(58 333)	–	116 667
		26/08/2015	41.94	175 000	–	–	–	175 000
		26/08/2016	42.30	200 000	–	–	–	200 000
		24/08/2017	57.73	–	200 000	–	–	200 000
				550 000	**200 000**	**(58 333)**	**–**	**691 667**
Phantom		01/05/2012	60.70	26 262	–	(26 262)	–	–
		02/01/2013	53.52	32 019	–	(32 019)	–	–
				58 281		**(58 281)**	**–**	**–**
D Neethling								
Equity		17/06/2014	52.20	60 000	–	(20 000)	–	40 000
		26/08/2015	41.94	90 000	–	–	–	90 000
		26/08/2016	42.30	150 000	–	–	–	150 000
		24/08/2017	57.73	–	150 000	–	–	150 000
				300 000	**150 000**	**(20 000)**	**–**	**430 000**
Phantom		02/01/2013	53.52	**31 177**	**(31 177)**	**–**	**–**	**–**
B Letsoalo								
Equity		17/06/2014	52.20	45 000	–	(15 000)	–	30 000
		26/08/2015	41.94	45 000	–	–	–	45 000
		26/08/2016	42.30	45 000	–	–	–	45 000
		25/11/2016	42.08	75 000	–	–	–	75 000
		24/08/2017	57.73	–	120 000	–	–	120 000
				210 000	**120 000**	**(15 000)**	**–**	**315 000**
Phantom		03/01/2012	60.15	32 589	–	–	(32 589)	–
		02/01/2013	53.52	26 248	–	(26 248)	–	–
				58 837		**(26 248)**	**(32 589)**	**–**
BMT								
	TBL	31/01/2008	79.69	3 500	–	–	–	3 500
	AIP	31/01/2008	21.73	13 742	–	–	–	13 742
	TBL	01/07/2012	80.60	7 734	–	–	–	7 734
	AIP	01/07/2012	21.73	4 534	–	–	–	4 534
				29 510	**–**	**–**	**–**	**29 510**

Details of options exercised by executive directors are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options R[1]
2018						
AG Hall						
Equity		**17/06/2014**	**52.20**	**70.90**	**58 333**	**1 090 827**
Phantom		**01/05/2012**	**60.70**	**70.90**	**26 262**	**267 872**
		02/01/2013	**53.52**	**70.90**	**32 019**	**556 490**
					58 281	**824 363**
D Neethling						
Equity		**17/06/2014**	**52.20**	**70.90**	**20 000**	**374 000**
Phantom		**02/01/2013**	**53.52**	**70.90**	**31 177**	**541 856**
B Letsoalo						
Equity		**17/06/2014**	**52.20**	**70.90**	**15 000**	**280 500**
Phantom		**02/01/2013**	**53.52**	**70.90**	**26 248**	**456 190**
2017						
AG Hall						
Phantom		03/01/2012	60.15	62.58	79 507	193 202
		01/05/2012	60.70	62.58	52 524	98 745
		02/01/2013	53.52	62.58	64 038	580 184
					196 069	872 131
D Neethling						
Phantom		03/01/2012	60.15	63.00	19 000	54 150
B Letsoalo						
Phantom		02/01/2013	53.52	59.25	13 124	75 200
BMT						
	TBL	31/01/2008	79.69	401.30	10 000	3 216 146
	TBL	01/07/2012	80.60	357.69	266	73 706
					10 266	3 289 852

TBL – Tiger Brands Limited
AIP – Adcock Ingram Holdings Limited

Long-term incentives

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

	2018 R'000	2017 R'000
AG Hall	**3 154**	2 256
D Neethling	**2 038**	1 513
B Letsoalo[3]	**1 454**	770
	6 646	4 539

[1] Amounts are show before taxation.
[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.
[3] Appointed 26 August 2016 - therefore only represents charge for 10 months in the prior year.

Remuneration (continued)

NON-EXECUTIVE DIRECTORS

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 other considerations, on the director's skills and years of experience. The surveys are conducted on an annual basis and reviewed by the Remuneration Committee.

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

Terms for non-executive directors

The terms and conditions applicable to the appointment of non-executive directors are contained in a letter of engagement which, together with the Board Charter and respective Committees' terms of reference, form the basis of the director's appointment. The Board recently adopted a resolution and directors who have reached a nine (9) year tenure, should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place. Furthermore, directors who have been on the Board for more than six (6) years, will be subjected to a stringent annual independence test. The Nominations Committee plays an important role in the appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. The Company's Memorandum of Incorporation (MOI) provides that at least one-third of the non-executive directors retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

Current annual fees

The following fixed fees are in place since 1 December 2017.

	Chairman R	Member R
Committee		
Board	**1 148 950**	262 900
Audit	**249 500**	124 740
Risk and Sustainability	**235 370**	117 680
Human Resources, Remuneration and Nominations	**180 000**	82 700
Social, Ethics and Transformation	**165 900**	71 230
Acquisition	**249 500**	124 740

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

Remuneration paid

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

	2018 R'000	2017 R'000
Boyce	**452**	36
Joffe[(1)(2)]	**83**	389
John	**538**	40
Haus	**496**	472
Lesoli	**323**	296
Madisa[(1)(3)]	**226**	–
Makwana	**557**	453
Manning	**374**	220
Mokgokong	**323**	296
Morar[(2)]	**–**	161
Ralphs[(2)(3)]	**329**	149
Raphiri[(2)]	**1 122**	1 058
Sacks[(1)(2)]	**415**	646
Stewart	**614**	577
	5 852	4 793

(1) For changes to the board and board responsibilities, please refer to page 9.
(2) At the AGM held on 23 November 2017, a Special Resolution was passed to approve remuneration paid to non-executive directors who were members of the Acquisition Committee for the period 1 April 2015 until 30 November 2017. The total amount approved and paid was R 876 076 and is excluded from the table above.
(3) Paid to Bidvest Corporate Services Proprietary Limited.

Shareholdings

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

	2018	2017
Joffe[(1)]	**–**	19 200
Mokgokong[(2)]	**3 445 642**	3 445 642
Total direct and indirect shareholding	**3 445 642**	3 464 842

(1) For changes to the board and board responsibilities, please refer to page 9.
(2) Dr. Mokgokong holds a 50% share in CIH Projects (Pty) Ltd, which in turn holds a 26.67% share in Ad-Izinyosi (the BEE shareholder of the Group).

Group annual financial statements

CONTENTS

Directors' responsibility for and approval of the financial statements

The Board of directors (Board) of the Company are required by the Companies Act, 2008 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 annual financial statements are prepared in terms of International Financial Reporting Standards (IFRS) and include disclosures as required by the Companies Act. Suitable accounting policies have been used and applied consistently and reasonable and prudent estimates and judgements have been made.

The Board is responsible for the maintenance and integrity of the annual financial statements of the Company and consolidated subsidiaries, joint ventures, associate and special purpose entities, and the objectivity of other information presented in the integrated report. The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisational structure which provides for the delegation of authority and clear established responsibility, together with the constant communication and review of operational performance measured against approved plans and budgets.

The directors acknowledge that they are ultimately responsible for the system of internal financial control and regard a strong control environment important. Management and employees also operate in terms of a code of ethics approved by the Board. The code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business.

The Board has considered the status of the Company and Group, including the sustainability of the business models, available financial resources at 30 June 2018, the budget and cash flow forecast up to September 2019, the current regulatory environment and potential changes thereto. The Board is satisfied that the Group will be able to continue as a going concern in the foreseeable future and has therefore continued to adopt the going-concern basis in preparing the annual financial statements.

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

Each of the Directors, whose names are listed on pages 6 and 7 of the Integrated Report, confirm that to the best of their knowledge, the Company and Group annual financial statements for the year ended 30 June 2018, which were prepared in accordance with IFRS, give a true and fair view of the financial position and performance of the Company and Group.

The Company and Group annual financial statements, were approved by the Board of directors on 28 August 2018 and signed on its behalf by:

AG Hall
Chief Executive Officer

Dorette Neethling
Chief Financial Officer

28 August 2018

Certificate by Company Secretary

I, the undersigned, Ntando 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

28 August 2018

Independent auditor's report

TO THE SHAREHOLDERS OF ADCOCK INGRAM HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited (the Group) set out on pages 69 to 143 which comprise the statements of financial position as at 30 June 2018, the statements of comprehensive income, the statement of changes in equity and the statements of cash flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of the Group. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTERS IDENTIFIED

Key audit matter	How our audit addressed the key matter
Valuation of intangible asset acquired through business combination	
(Consolidated financial statements only) During the current year, Adcock Ingram purchased 100% of Genop Holdings Proprietary Limited ('Genop') for an amount of R336.7 million. As part of the acquisition accounting, International Financial Reporting Standards require the purchase price to be allocated between the acquired assets and liabilities, resulting in the recognition of tangible and intangible assets and goodwill. The principal area of judgement in management's purchase price allocation exercise related to the valuation of the Epi-Max intangible asset. The valuation of the above intangible asset is inherently complex and judgemental due to the level of estimation uncertainty associated with forecasting future cash flows and is accordingly considered to be a key audit matter. As there is no history with regards to this intangible, a greater audit emphasis was placed on the below key judgements that affected the purchase price allocation: • Revenue cash flows during the budget period. • Market share during the budget period. • The royalty rate applied. • The discount rate applied. Refer to note 1.1 – Acquisition of Businesses	To assess the valuation of the intangible, we involved an EY internal valuation specialist and our procedures included amongst others: • We evaluated the underlying valuation methodology (relief from royalty method by comparing it to industry trends for similar valuations). • We evaluated the cash flows used in the valuation by reference to existing contractual terms. • We considered the royalty rate applied by comparing it to relevant industry and market data. • We evaluated the discount rate used by assessing the cost of capital for Genop and any country risk adjustments. • We assessed the deferred tax liability raised. • We assessed the completeness and accuracy of the disclosures relating to business combinations and intangibles to assess compliance with disclosure requirements included in International Financial Reporting Standards.

Independent auditor's report continued

OTHER INFORMATION

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report continued

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Incorporated has been the auditor of Adcock Ingram Holdings Limited for 10 years.

Ernst & Young Inc.

ERNST & YOUNG INC.
Director: Dave Cathrall
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Johannesburg
Gauteng
South Africa
2146

28 August 2018

Audit Committee report

This report is presented by the Audit Committee (Committee), appointed by the Board of Directors and endorsed by shareholders in respect of the year ended 30 June 2018. The report is prepared in accordance with the requirements of the Companies Act and the recommendations of King IV and describes, how the Committee discharged its obligations in terms thereof, including the fulfilment of those duties assigned to the Committee by the Board during the reporting period.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The Committee complies with King IV, which provides that all members should be independent non-executive directors all of whom are suitably skilled and experienced. The Committee's composition, qualifications and meeting attendance during the year under review were as follows:

Committee members	Qualifications	Meeting attendance[2]
Chairperson		
MI Sacks (*Resigned 29 January 2018*)[1]	CA(SA), AICPA (ISR)	2/2
J John (*Appointed 20 February 2018*)[1]	CA(SA), CD (SA), CIA, QIAL	4/4
Members		
L Boyce	CA(SA), MCom (Fin Mgt)	4/4
M Haus	MB ChB, MD, DCH, FCFP, FFPM	4/4
RI Stewart	MB ChB, PhD	4/4

Members of executive management and representatives from internal audit and the external auditors are invited to attend all meetings:

Invitees	Meeting attendance
AG Hall (CEO)	4/4
D Neethling (CFO)	4/4
D Cathrall (EY)	3/4
S Naidoo (EY)	4/4
S Pietropaolo (Head of Internal Audit)	3/4

[1] *See changes to Board on page 9.*

[2] *The attendance reflects the number of scheduled meetings. No additional meetings were held during the financial year. One regular scheduled meeting was held after the year end and before publication of the report.*

ROLE AND FUNCTION OF THE COMMITTEE

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

EXECUTION OF FUNCTIONS DURING THE YEAR

INTERNAL AUDIT

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

EXTERNAL AUDIT

At the AGM for 2017, shareholders confirmed the re-appointment of Ernst and Young Inc. (EY), as independent external auditors until the 2018 AGM, the Committee and the Board approving and endorsing their terms of engagement and their fee structures. EY has been the external auditors since the Group's listing in 2008. The designated registered audit partner presently responsible for and who undertook the Group's audit is Mr Dave Cathrall, who has served in this role for three years, but will be rotated off the audit due to his retirement. The Committee was satisfied with the quality of the external audit process and the team assigned to the audit. No matters of concern were noted by the committee regarding the performance of the external auditors.

Audit Committee report continued

The Committee has nominated EY as the independent external auditors of the Company for the year to June 2019. The Committee is satisfied that EY and the individual auditor designated by EY as responsible for performing the functions of the auditor, Mr Warren Kinnear, are accredited as such on the JSE list of auditors and can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. In arriving at the conclusion of independence, the Committee considered multiple factors, good governance and quality control processes currently applied to EY, including conducting the external auditor independence evaluation, the reviews conducted by IRBA on the designated auditor and the external audit firm, and the internal reviews conducted on the designated auditor. Furthermore, a rigorous partner rotation process is applied, which contributes to the independence assertion. The Committee remains cognisant of the developments in the Audit profession. The external auditors continue to have unrestricted access to the Audit Committee and its Chairperson.

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

The Committee determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management. The audit fee for the year ended 30 June 2018 has been fully disclosed in note 6.1 of the annual financial statements. The Committee is also responsible for determining the nature and extent of non-audit services that the external auditors may provide and, in such circumstances, the Committee approves or in limited circumstances pre-approves proposals for such non-audit services.

The Committee assessed the quality and effectiveness of the external auditors by reviewing the audit plan, changes thereto as well as the robustness with which the they handle key accounting issues and audit judgements. The Committee received the detailed external audit report for the year ended 30 June 2018 and were satisfied with their conclusions that both the consolidated and separate annual financial statements were fairly presented in all material respects and no material issues were raised.

REPORTING

The Committee:

- Considered and concurred with the adoption of the going-concern premise in the preparation of the financial statements;
- Reviewed the appropriateness of the financial statements, other reports to shareholders and other financial announcements made public;
- Considered whether the annual financial statements fairly present the financial position of the Company and of the Group as at 30 June 2018 and the results of operations and cash flows for the financial year then ended;
- Considered the solvency and liquidity of the Company and considered and made recommendations to the Board on the dividend declarations;
- Considered accounting treatments, the appropriateness of accounting policies adopted and the effectiveness of the Group's disclosure controls and procedures;
- Considered whether any concerns were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements;
- Reviewed the external auditor's audit report;
- Considered and noted the key audit matters as determined by the external auditors;
- Reviewed the representation letter, signed by management;
- Confirmed that it has considered the findings contained in the 2018 proactive monitoring report, when the annual financial statements for 30 June 2018 were drafted; and
- Reviewed the quality and integrity of the integrated report and the sustainability information before publication.

INTERNAL FINANCIAL AND ACCOUNTING CONTROLS

The Committee is responsible for reporting on the Group's systems of internal, financial and accounting controls. The Committee has accordingly considered the reports from both internal and external audit on such matters and is satisfied that both reports confirm the adequacy and effectiveness of the Group's systems of internal control and that there were no material breakdowns in the internal control during the financial year.

The Committee confirms that it did not receive any concerns or complaints relating to the accounting practices and the internal audit of the Company, the Content or auditing of the Company's financial statements, the internal financial controls of the Company or any other related matter during the year under review.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

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

Audit Committee report continued

TECHNOLOGY AND INFORMATION GOVERNANCE

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

A key focus during the current reporting period included enhancements to the IT application and cyber security environment, completion of Phase 1 of the Quality Assurance management system and the integration of Virtual Logistics Proprietary Limited. The Committee in also mindful of King IV's emphasis on IT matters, with nominative reference to periodic assessments, independent assurances and cybersecurity.

COMBINED ASSURANCE

The Committee, in conjunction with the Board Risk and Sustainability Committee, have formulated a broad risk matrix for appropriate risk assessment and deduction. All risks are ranked and rated by category and importance. Internal Audit substantially coordinates this discipline in parallel with its internal audit function, the assessment and management of the more material risks being reported on where relevant and appropriate in each case. The aim is to provide management, the Committee and the Board with a clear understanding of all business risks, how each are managed, controlled and/or mitigated and the consequences and cogency of such actions. The Committee can confirm that it has satisfied itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on it.

COMPLIANCE

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

CONCLUSION

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

Following our review of the annual financial statements for the year ended 30 June 2018, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards, and present fairly the results of operations, cash flows and the financial position of the Company and the Group. The Committee therefore recommended the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited for approval to the Board of directors. At the forthcoming Annual General Meeting the annual financial statements will be presented to shareholders.

On behalf of the Committee

J John
Chairperson

28 August 2018

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 2018 which are set out from page 69.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The southern African business consists of four principal divisions:

- a Consumer division selling a range of products mainly through FMCG retailers;
- 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 including specialised instrument and surgical products; and
- a Hospital products and services division.

BUSINESS COMBINATIONS

ACQUISITIONS

In January 2018, the Group acquired Genop Holdings Proprietary Limited, a highly specialised instrument, surgical and pharmaceutical products company focused on the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa (note 1.1).

During the 2017 financial year, the Group acquired Virtual Logistics Proprietary Limited, a national and cross-border fine distribution company purchased in April 2017 (note 1.2).

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 18 to the annual financial statements and in the statement of changes in equity.

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

	30 June 2018	30 June 2017
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust*	**5 168 592**	5 168 592
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**6 740**	–

** Held indirectly*

DIVIDENDS TO SHAREHOLDERS

POLICY

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

INTERIM AND FINAL

2018

An interim dividend of 86 cents per share was declared and paid in relation to the six-month period ended 31 December 2017. A final dividend of 86 cents per share was declared following the results of the year ended 30 June 2018.

2017

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

SHAREHOLDERS

Please refer to the shareholder analysis on pages 144 of the Integrated Report.

EVENTS AFTER 30 JUNE 2018

There were no significant events after year-end.

Directors' report continued

SUBSIDIARIES AND JOINT VENTURES

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

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

DIRECTORS

The names of the directors who presently hold office are set out on pages 6 and 7 of the Integrated Report. Changes to the composition and directors' responsibilities are detailed on page 9.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. A director beneficially held, directly and indirectly 8 462 (2017: 19 200) ordinary shares in the Company during the year. 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 directors' shareholdings are reflected below.

Director	Number of shares 2018	Number of shares 2017
A Hall	8 462	–
B Joffe	note 1	19 200
A Mokgokong (note 2)	3 445 642	3 445 642

Note 1: B Joffe retired as a director on 21 August 2017.

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

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 53 to 58 of the Integrated Report, as part of the remuneration report.

Consolidated statements of comprehensive income

Continuing operations	Notes	2018 R'000	2017 R'000
REVENUE	3	**6 562 865**	5 957 700
Turnover	3	**6 540 255**	5 936 056
Cost of sales		**(3 974 235)**	(3 693 773)
Gross profit		**2 566 020**	2 242 283
Selling, distribution and marketing expenses		**(1 188 242)**	(1 068 585)
Fixed and administrative expenses		**(511 401)**	(449 275)
Trading profit	6	**866 377**	724 423
Non-trading expenses	4	**(46 895)**	(47 128)
Operating profit		**819 482**	677 295
Finance income	5.1	**18 270**	15 665
Finance costs	5.2	**(26 187)**	(38 239)
Dividend income	3	**4 340**	5 979
Equity-accounted earnings		**79 252**	64 144
Profit before taxation		**895 157**	724 844
Taxation	7	**(251 084)**	(204 856)
Profit for the year from continuing operations		**644 073**	519 988
Profit after taxation for the period from discontinued operations	2.1	**–**	41 132
Profit for the year		**644 073**	561 120
Other comprehensive income which will subsequently be recycled to profit or loss		**6 406**	(24 832)
Exchange differences on translation of foreign operations:			
– Continuing operations		**3 714**	(5 732)
– Joint venture and associate		**(1 914)**	(17 486)
– Discontinued operations		**–**	(21 353)
Fair value profit on available-for-sale asset, net of tax	20	**24**	7
Movement in cash flow hedge accounting reserve, net of tax	20	**4 582**	19 732
Other comprehensive income transferred to profit or loss	20	**–**	(125 784)
Other comprehensive income which will not be recycled to profit or loss			
Actuarial profit on post-retirement medical liability	20	**634**	511
Total comprehensive income for the year, net of tax		**651 113**	411 015
Profit attributable to:			
Owners of the parent		**637 943**	553 534
Non-controlling interests		**6 130**	7 586
		644 073	561 120
Total comprehensive income attributable to:			
Owners of the parent		**644 983**	405 568
Non-controlling interests		**6 130**	5 447
		651 113	411 015
Continuing operations:			
Basic earnings per ordinary share (cents)	8.1	**383.6**	308.9
Diluted basic earnings per ordinary share (cents)	8.1	**383.6**	308.9
Headline earnings per ordinary share (cents)	8.1	**387.7**	308.9
Diluted headline earnings per ordinary share (cents)	8.1	**387.7**	308.9
Discontinued operations:			
Basic earnings per ordinary share (cents)	8.2	**–**	24.0
Diluted earnings per ordinary share (cents)	8.2	**–**	24.0
Headline earnings per ordinary share (cents)	8.2	**–**	3.7
Diluted headline earnings per ordinary share (cents)	8.2	**–**	3.7
Total operations:			
Basic earnings per ordinary share (cents)	8.3	**383.6**	332.9
Diluted basic earnings per ordinary share (cents)	8.3	**383.6**	332.9
Headline earnings per ordinary share (cents)	8.3	**387.7**	312.6
Diluted headline earnings per ordinary share (cents)	8.3	**387.7**	312.6

Consolidated statement of changes in equity

		Attributable to holders of the parent							
				Non-distributable reserves					
	Notes	Issued share capital R'000	Share premium R'000	Continuing operations R'000	Discontinued operations R'000	Retained income R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
As at 1 July 2016		17 147	666 873	483 515	144 998	1 916 040	3 228 573	26 024	3 254 597
Movement in share-based payment reserve	20			23 710			23 710		23 710
Share-based expenses transferred from non-distributable reserves				(303 885)		303 885			
Disposal of business								(18 465)	(18 465)
Total comprehensive income				(2 968)	(144 998)	553 534	405 568	5 447	411 015
Profit for the year						553 534	553 534	7 586	561 120
Other comprehensive income				(2 968)	(144 998)		(147 966)	(2 139)	(150 105)
Dividends	9.1					(170 369)	(170 369)	(5 484)	(175 853)
Balance at 30 June 2017		**17 147**	**666 873**	**200 372**	**–**	**2 603 090**	**3 487 482**	**7 522**	**3 495 004**
Movement in treasury shares	18, 19	**(1)**	**(517)**				**(518)**		**(518)**
Movement in share-based payment reserve	20			**16 463**			**16 463**		**16 463**
Total comprehensive income				**7 040**		**637 943**	**644 983**	**6 130**	**651 113**
Profit for the year						**637 943**	**637 943**	**6 130**	**644 073**
Other comprehensive income				**7 040**			**7 040**		**7 040**
Dividends	9.1					**(235 904)**	**(235 904)**	**(11 239)**	**(247 143)**
Balance at 30 June 2018		**17 146**	**666 356**	**223 875**	**–**	**3 005 129**	**3 912 506**	**2 413**	**3 914 919**

Consolidated statements of financial position

	Notes	2018 R'000	2017 R'000
ASSETS			
Property, plant and equipment	10	**1 521 255**	1 445 095
Intangible assets	11	**626 242**	349 997
Deferred tax	12	**18 120**	1 588
Other financial assets	13	**34 010**	41 746
Investment in joint ventures	14.1	**445 150**	392 013
Investment in associate	14.2	**8 014**	6 071
Non-current assets		**2 652 791**	2 236 510
Inventories	15	**1 565 949**	1 156 949
Trade and other receivables	16	**1 641 295**	1 567 802
Cash and cash equivalents	17	**404 629**	592 070
Taxation receivable	26.4	**6 061**	9 642
Current assets		**3 617 934**	3 326 463
Total assets		**6 270 725**	5 562 973
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	**17 146**	17 147
Share premium	19	**666 356**	666 873
Non-distributable reserves	20	**223 875**	200 372
Retained income		**3 005 129**	2 603 090
Total shareholders' funds		**3 912 506**	3 487 482
Non-controlling interests		**2 413**	7 522
Total equity		**3 914 919**	3 495 004
Long-term borrowings	21	**–**	251 492
Post-retirement medical liability	22	**16 340**	16 793
Deferred tax	12	**118 914**	73 138
Non-current liabilities		**135 254**	341 423
Trade and other payables	23	**1 838 930**	1 637 197
Bank overdraft	17	**248 877**	5 619
Short-term borrowings	21	**–**	416
Cash-settled options	24	**2 413**	7 384
Provisions	25	**130 332**	75 930
Current liabilities		**2 220 552**	1 726 546
Total equity and liabilities		**6 270 725**	5 562 973

Consolidated statements of cash flows

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	**1 197 842**	1 001 808
Working capital changes	26.2	**(342 968)**	(233 935)
Cash generated from operations		**854 874**	767 873
Finance income received	26.6	**17 363**	16 938
Finance costs paid	26.7	**(25 605)**	(41 612)
Dividend income received	26.8	**30 100**	21 368
Dividends paid	26.3	**(247 143)**	(175 853)
Taxation paid	26.4	**(246 663)**	(133 281)
Net cash inflow from operating activities		**382 926**	455 433
Cash flows from investing activities			
Decrease in other financial assets	26.10	**5 232**	32 356
Acquisition of business	26.5	**(327 623)**	(9 875)
Disposal of businesses	2.2	**–**	291 096
Purchase of property, plant and equipment – Expansion		**(84 684)**	(75 930)
– Replacement		**(134 564)**	(87 308)
Purchase of intangible assets		**(4 450)**	(70 821)
Proceeds on disposal of property, plant and equipment		**6 911**	2 298
Net cash (outflow)/inflow from investing activities		**(539 178)**	81 816
Cash flows from financing activities			
Purchase of treasury shares	18.2, 19	**(518)**	–
Increase in borrowings	26.9	**–**	9 917
Repayment of borrowings	26.9	**(276 177)**	(252 223)
Net cash outflow from financing activities		**(276 695)**	(242 306)
Net (decrease)/increase in cash and cash equivalents		**(432 947)**	294 943
Net foreign exchange difference on cash and cash equivalents		**2 248**	(2 954)
Cash and cash equivalents at beginning of year		**586 451**	294 462
Cash and cash equivalents at end of year	17	**155 752**	586 451

Accounting policy elections

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the "Company") and Adcock Ingram Holdings Limited and its subsidiaries, joint ventures, associate and structured entities (the "Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 28 August 2018. Adcock Ingram Holdings Limited is incorporated and domiciled in South Africa, where its ordinary shares are publicly traded on the Securities Exchange of the JSE Limited.

BASIS OF PREPARATION

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

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

IAS 7: Statement of cash flows – Disclosure Initiative Amendments

IAS 12: Income taxes – Recognition of deferred tax assets for unrealised loss – Amendments

Refer to Annexure I for the complete set of accounting policies.

Notes to the Group annual financial statements

1 ACQUISITION OF BUSINESSES

1.1 GENOP HOLDINGS PROPRIETORY LIMITED (GENOP)

On 1 January 2018, Adcock Ingram Healthcare Proprietary Limited acquired 100% of Genop, a highly specialised instrument, surgical and pharmaceutical products company focused on the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa. Genop owns and markets the well-known Epi-max branded range of consumer products.

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

	2018 R'000
Assets	
Inventories	**87 003**
Trade and other receivables	**89 383**
Property, plant and equipment	**18 291**
Marketing-related intangible assets	**121 385**
Cash and cash equivalents	**9 082**
Taxation receivable	**1 579**
	326 723
Liabilities	
Trade and other payables	**99 602**
Short-term borrowings	**24 297**
Deferred tax	**27 622**
Provisions	**2 255**
	153 776
Total identifiable net assets at fair value	**172 947**
Goodwill arising on acquisition	**163 758**
Purchase consideration	**336 705**
Net cash acquired with the business	**(9 082)**
Net cash consideration	**327 623**

The fair value of the trade receivables equals the net amount of trade receivables and amounts to R74.3 million.

Market-related intangible assets relate to Epi-Max brand. Epi-Max was fair valued, at acquisition, from R11.7 million to R120 million which gave rise to a deferred tax liability of R30.3 million. The royalty relief methodology was used to determine the valuation, by applying a 9% royalty rate and market related discount rate.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired as there are no further separately identifiable intangible assets. The significant factors that contributed to the recognition of goodwill include, but are not limited to the acquisition of a specialised and quality pharmaceutical business with a management team with proven experience, knowledge, skills and track record in their field.

From the date of acquisition, Genop contributed R223.8 million towards revenue and reported a profit before income tax of R6.2 million.

If the Genop acquisition had taken place at the beginning of the reporting period, the revenue would have been R452.3 million and profit before income tax would have been R24.5 million.

Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	**(5 662)**
Net cash acquired with the business (included in cash flows from investing activities)	**9 082**

Transaction costs of R5.7 million have been expensed and are included in non-trading expenses.

Notes to the Group annual financial statements continued

1 ACQUISITION OF BUSINESSES (continued)

1.2 VIRTUAL LOGISTICS PROPRIETARY LIMITED (VIRTUAL)

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

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

The fair value of the trade receivables equalled the gross amount of trade receivables and amounted to R16.1 million. None of the trade receivables were impaired and it was expected that the full contractual amounts could be collected.

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

During the previous financial year, Virtual contributed R21.7 million towards revenue and reported a profit before income tax of R0.9 million.

If the Virtual acquisition took place at the start of the previous financial year, the revenue would have been R84.9 million and profit before income tax would have been R3.1 million.

Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	(1 467)
Net bank overdraft acquired with the business (included in cash flows from investing activities)	(2 275)

Transaction costs of R1.5 million were expensed and were included in non-trading expenses.

A payment of R8.0 million of the purchase price, which was fully provided for in the previous financial year, was deferred and subject to the achievement of profit targets. During the 2018 financial year the deferred amount was paid.

Notes to the Group annual financial statements continued

2 DISCONTINUED OPERATIONS

Adcock Ingram Private Limited (India) and 53.47% of Ayrton Drug Manufacturing Limited (Ayrton) in Ghana were disposed of on 14 October 2016 and 7 December 2016 respectively. The loss of control on disposal resulted in the foreign currency translation reserve relating to both entities being recycled to profit and loss during the previous financial year.

2.1 STATEMENT OF COMPREHENSIVE INCOME

	2017 R'000
REVENUE	120 174
TURNOVER	118 901
Cost of sales	(47 191)
Gross profit	71 710
Selling, distribution and marketing expenses	(39 077)
Fixed and administrative expenses	(17 384)
Trading profit	15 249
Non-trading expenses	(6 833)
Operating profit	8 416
Finance income	1 273
Finance costs	(2 014)
Profit before taxation	7 675
Taxation	(1 301)
Profit for the period from discontinued operations	6 374
Profit on disposal of the discontinued operations	34 758
Profit for the period from discontinued operations	41 132
Profit/(loss) attributable to:	
India	46 638
Ayrton	(5 506)
	41 132
Profit attributable to:	
Owners of the parent	39 903
Non-controlling interests	1 229
	41 132

2.2 CASH INFLOW ON DISPOSAL

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

Notes to the Group annual financial statements continued

2 DISCONTINUED OPERATIONS (continued)

2.3 CASH FLOW STATEMENT

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

	2018 R'000	2017 R'000
Cash inflow from operating activities		19 487
Cash inflow from investing activities		744
Cash outflow from financing activities		(78 388)
Net cash outflow		(58 157)

3 REVENUE

		2017 R'000
Turnover	**6 540 255**	5 936 056
Finance income	**18 270**	15 665
Dividend income – Black Managers Share Trust	**4 340**	5 979
	6 562 865	5 957 700

4 NON-TRADING EXPENSES

Impairments (Refer Annexure G)	**5 235**	217
Intangible assets	**2 700**	–
Long-term receivable	**2 535**	217
Transaction costs	**7 315**	6 251
Share-based payment expenses (Refer Annexure B)*	**34 345**	40 660
Cash-settled	**4 656**	5 358
Equity-settled	**22 426**	20 971
Black Managers Share Trust – equity-settled	**323**	2 739
Black Managers Share Trust – cash-settled	**6 940**	11 592
	46 895	47 128

Includes expense for key management of R7.0 million (2017: R9.0 million) and for Executive Directors of R6.6 million (2017: R4.5 million)

5 FINANCE INCOME AND FINANCE COSTS

5.1 FINANCE INCOME

Bank	**18 225**	14 731
Receiver of Revenue	**45**	934
	18 270	15 665

5.2 FINANCE COSTS

Bank	**7 963**	4 014
Borrowings	**15 561**	29 619
Commitment fees	**2 632**	4 263
Receiver of Revenue	**–**	229
Other	**31**	114
	26 187	38 239

Notes to the Group annual financial statements continued

6 TRADING PROFIT

	2018 R'000	2017 R'000
6.1 TRADING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/ (CREDITING) THE FOLLOWING EXPENSES/(INCOME):		
External auditor's remuneration		
– Audit fees current year	**9 955**	8 391
– Audit fees under/(over)provision prior year	**472**	(185)
– Taxation services	**295**	245
– Other services	**122**	338
Internal auditors' remuneration*	**246**	442
Depreciation		
– Freehold land and buildings	**19 252**	19 483
– Leasehold improvements	**9 969**	9 540
– Plant, equipment and vehicles	**90 048**	83 800
– Computer equipment	**33 841**	22 837
– Furniture and fittings	**5 276**	4 730
Amortisation of intangible assets	**10 647**	9 682
Inventories written off	**94 854**	66 215
Royalties paid	**37 146**	37 194
Operating lease charges		
– Equipment	**2 923**	2 506
– Property	**43 143**	38 451
Foreign exchange loss	**4 850**	13 199
Fees paid to related parties (refer to note 29)	**56 747**	42 481
Profit on disposal of property, plant and equipment	**(1 968)**	(194)
6.2 TOTAL STAFF COST**	**1 255 422**	1 069 216
Included in cost of sales	**580 823**	486 755
Salaries and wages	**518 393**	423 077
Employers' contribution to:	**62 430**	63 678
Medical	**15 664**	17 035
Retirement	**46 766**	46 643
Included in operating expenses	**674 599**	582 461
Salaries and wages	**586 410**	502 128
Employers' contribution to:	**88 189**	80 333
Medical	**17 103**	15 482
Retirement	**71 086**	64 851

** Foreign operations*

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

Notes to the Group annual financial statements continued

6 TRADING PROFIT (continued)

	2018 R'000	2017 R'000
6.3 DIRECTORS' EMOLUMENTS		
Executive directors	**19 497**	16 659
Non-executive directors	**6 728**	4 793
Total	**26 225**	21 452

For more details, please refer to pages 55 to 57.

	2018 R'000	2017 R'000
6.4 KEY MANAGEMENT		
Salaries and bonuses	**27 119**	28 353
Retirement, medical and other benefits	**3 040**	3 216
Total	**30 159**	31 569

Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 53 and 54.

7 TAXATION

	2018 R'000	2017 R'000
South African taxation		
Current income tax		
– current year	**244 282**	202 882
– prior year (over)/underprovision	**(1 396)**	933
Deferred tax		
– current year	**(6 597)**	(27 348)
– prior year overprovision	**(167)**	(54)
– utilisation of tax loss	**6 760**	22 920
	242 882	199 333
Foreign taxation		
Current income tax		
– current year	**8 753**	3 094
– prior year underprovision	**–**	783
Deferred tax		
– current year	**(716)**	1 308
– prior year underprovision	**165**	338
	8 202	5 523
Total tax charge	**251 084**	204 856

In addition to the above, deferred tax amounting to R1.8 million has been reversed to other comprehensive income (2017: R7.7 million charge). Refer note 20.

Notes to the Group annual financial statements continued

7 TAXATION (continued)

	2018 %	2017 %
Reconciliation of the taxation rate:		
Effective rate	**28.0**	28.3
Adjusted for:		
Exempt income (dividend income)	**0.1**	0.2
Non-deductible expenses*	**(2.8)**	(2.7)
Prior year under/(over) provision**	**0.2**	(0.3)
Equity accounted earnings	**2.5**	2.5
South African normal tax rate	**28.0**	28.0

	R'000	R'000
The Group has tax losses of R3.8 million (2017: R26.7 million) for offsetting against future taxable profits of the company in which the loss arose. All unutilised assessed losses from continuing operations were recognised as a deferred tax asset in the current year and the prior year.		
South Africa (indefinite expiry)	**3 871**	26 734

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

** *Current tax and deferred tax*

8 EARNINGS PER SHARE

	2018 R'000	2017 R'000
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**637 943**	553 534
Adjusted for:		
Profit attributable to Adcock Ingram from discontinued operations (note 2.1)	**–**	(39 903)
Earnings attributable to owners of Adcock Ingram from continuing operations	**637 943**	513 631
Adjusted for:		
Impairment of intangible assets	**2 700**	–
Profit on disposal/scrapping of property, plant and equipment	**(1 968)**	(194)
Tax effect on profit on disposal of property, plant and equipment	**(42)**	76
Adjustments relating to equity accounted joint ventures		
Impairment of goodwill	**5 312**	–
Loss on disposal of long term receivable	**828**	–
(Profit)/Loss on disposal of property, plant and equipment	**(24)**	199
Headline earnings from continuing operations	**644 749**	513 712
Discontinued operations		
Profit attributable to owners of Adcock Ingram from discontinued operations		39 903
Adjusted for:		
Profit on sale of discontinued operations (note 2.1)		(34 758)
Loss on disposal/scrapping of property, plant and equipment		975
Headline earnings from discontinued operations		6 120
Headline earnings from total operations	**644 749**	519 832

Notes to the Group annual financial statements continued

8 EARNINGS PER SHARE (continued)

	Number of shares 2018	2017
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	**175 748 048**	175 748 048
– Effect of ordinary treasury shares held within the Group	**(9 455 491)**	(9 453 755)
Weighted average number of ordinary shares outstanding	**166 292 557**	166 294 293
Potential dilutive effect of outstanding share options	**2 681**	641
Diluted weighted average number of shares outstanding	**166 295 238**	166 294 934

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

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

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

	2018 cents	2017 cents
8.1 CONTINUING OPERATIONS		
Earnings		
Basic earnings per share	**383.6**	308.9
Diluted basic earnings per share	**383.6**	308.9
Headline earnings		
Headline earnings per share	**387.7**	308.9
Diluted headline earnings per share	**387.7**	308.9
8.2 DISCONTINUED OPERATIONS		
Earnings		
Basic earnings per share	**–**	24.0
Diluted basic earnings per share	**–**	24.0
Headline earnings		
Headline earnings per share	**–**	3.7
Diluted headline earnings per share	**–**	3.7
8.3 TOTAL OPERATIONS		
Earnings		
Basic earnings per share	**383.6**	332.9
Diluted basic earnings per share	**383.6**	332.9
Headline earnings		
Headline earnings per share	**387.7**	312.6
Diluted headline earnings per share	**387.7**	312.6
8.4 DISTRIBUTION PER SHARE		
Interim	**86.0**	63.0
Final [(1)]	**86.0**	76.0

[(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.

Notes to the Group annual financial statements continued

9 DISTRIBUTIONS PAID AND PROPOSED

	2018 R'000	2017 R'000
9.1 DECLARED AND PAID DURING THE YEAR		
Distribution on ordinary shares		
Final dividend for 2017: 76 cents (2016: 54 cents)	**110 671**	78 635
Interim dividend for 2018: 86 cents (2017: 63 cents)	**125 233**	91 734
Total paid to equity holders of parent Company	**235 904**	170 369
Dividends paid to non-controlling shareholders	**11 239**	5 484
Total dividend declared and paid	**247 143**	175 853
9.2 PROPOSED SUBSEQUENT TO 30 JUNE 2018		
Final dividend for 2018: 86 cents per share	**125 220**	

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2018							
Carrying value at beginning of year							
Cost	896 952	99 291	950 004	164 213	45 526	105 275	2 261 261
Accumulated depreciation	(133 027)	(65 688)	(461 828)	(122 720)	(32 903)	–	(816 166)
Net book value at beginning of year	763 925	33 603	488 176	41 493	12 623	105 275	1 445 095
Current year movements – cost							
Additions	–	391	28 106	4 656	475	185 620	219 248
Transfer	4 948	2 481	51 637	31 417	1 317	(91 800)	–
Exchange rate adjustments	1 576	(12)	2 529	149	135	–	4 377
Additions through business combination (note 1.1)	–	100	10 932	6 050	1 209	–	18 291
Disposals	(1 068)	(1 175)	(97 604)	(24 795)	(13 528)	–	(138 170)
Cost movement for current year	5 456	1 785	(4 400)	17 477	(10 392)	93 820	103 746
Current year movements – accumulated depreciation							
Depreciation	(19 252)	(9 969)	(90 048)	(33 841)	(5 276)	–	(158 386)
Exchange rate adjustments	(339)	(1)	(1 820)	(144)	(123)	–	(2 427)
Disposals	1 068	906	93 157	24 716	13 380	–	133 227
Accumulated depreciation movement for current year	(18 523)	(9 064)	1 289	(9 269)	7 981	–	(27 586)
Carrying value at end of year							
Cost	902 408	101 076	945 604	181 690	35 134	199 095	2 365 007
Accumulated depreciation	(151 550)	(74 752)	(460 539)	(131 989)	(24 922)	–	(843 752)
Net book value at end of year	750 858	26 324	485 065	49 701	10 212	199 095	1 521 255

Notes to the Group annual financial statements continued

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improve-ments R'000	Plant, equipment and vehicles R'000	Computer equip-ment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2017							
Carrying value at beginning of the year							
Cost	897 456	95 896	934 603	191 308	41 959	32 399	2 193 621
Accumulated depreciation	(115 101)	(56 149)	(408 128)	(162 539)	(28 531)	–	(770 448)
Net book value at beginning of the year	782 355	39 747	526 475	28 769	13 428	32 399	1 423 173
Current year movements – cost							
Additions	1 224	1 813	22 731	1 261	2 288	133 921	163 238
Transfer	4 199	1 210	19 855	34 171	1 610	(61 045)	–
Exchange rate adjustments	(3 897)	(11)	(4 362)	(322)	(360)	–	(8 952)
Reclassification to assets held-for-sale	(1 150)	2 233	177	2 491	1 868	–	5 619
Additions through business combination (note 1.2)	–	400	4 617	43	228	–	5 288
Disposals	(880)	(2 250)	(27 617)	(64 739)	(2 067)	–	(97 553)
Cost movement for current year	(504)	3 395	15 401	(27 095)	3 567	72 876	67 640
Current year movements – accumulated depreciation							
Depreciation	(19 483)	(9 540)	(83 800)	(22 837)	(4 730)	–	(140 390)
Exchange rate adjustments	677	1	2 847	294	166	–	3 985
Reclassification to assets held-for-sale	–	(83)	(189)	(2 337)	(1 178)	–	(3 787)
Disposals	880	83	27 442	64 699	1 370	–	94 474
Accumulated depreciation movement for current year	(17 926)	(9 539)	(53 700)	39 819	(4 372)	–	(45 718)
Carrying value at end of year							
Cost	896 952	99 291	950 004	164 213	45 526	105 275	2 261 261
Accumulated depreciation	(133 027)	(65 688)	(461 828)	(122 720)	(32 903)	–	(816 166)
Net book value at end of year	763 925	33 603	488 176	41 493	12 623	105 275	1 445 095

In 2017 financial year, property, plant and equipment with a carrying value of R37.2 million in Datlabs was pledged as security for the bank overdraft and long-term borrowings of the Zimbabwean operation. Refer note 17 and 21.

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Total R'000
2018				
Carrying value at beginning of year				
Cost	18 175	310 100	112 784	441 059
Accumulated amortisation	–	(82 435)	(8 627)	(91 062)
Net balance at beginning of year	18 175	227 665	104 157	349 997
Current year movements – cost				
Additions	–	4 450	–	4 450
Additions through business combination (note 1.1)	163 758	121 385	–	285 143
Exchange rate adjustments	–	2	–	2
Cost movement for the year	163 758	125 837	–	289 595
Current year movements – accumulated amortisation				
Charge for the year	–	(9 567)	(1 080)	(10 647)
Impairment[(1)]	–	(2 700)	–	(2 700)
Exchange rate adjustments	–	(3)	–	(3)
Accumulated amortisation movement for the year	–	(12 270)	(1 080)	(13 350)
Carrying value at end of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	–	(94 705)	(9 707)	(104 412)
Net balance at end of year	181 933	341 232	103 077	626 242

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

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS (continued)

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Total R'000
2017				
Carrying value at beginning of year				
Cost	12 580	234 971	109 904	357 455
Accumulated amortisation	–	(73 478)	(7 907)	(81 385)
Net balance at beginning of year	12 580	161 493	101 997	276 070
Current year movements – cost				
Additions*	–	75 135	–	75 135
Additions through business combination (note 1.2)	5 595	–	2 880	8 475
Exchange rate adjustments	–	(6)	–	(6)
Cost movement for the year	5 595	75 129	2 880	83 604
Current year movements – accumulated amortisation				
Charge for the year	–	(8 962)	(720)	(9 682)
Exchange rate adjustments	–	5	–	5
Accumulated amortisation movement for the year	–	(8 957)	(720)	(9 677)
Carrying value at end of year				
Cost	18 175	310 100	112 784	441 059
Accumulated amortisation	–	(82 435)	(8 627)	(91 062)
Net balance at end of year	18 175	227 665	104 157	349 997

** A payment of R4.3 million has been deferred and is included in Other Payables. During the 2018 financial year the deferred amount was paid. (note 23)*
Amortisation is included in fixed and administrative expenses and impairments in non-trading expenses in the statement of comprehensive income.

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

	OTC R'000	Consumer R'000	Prescription R'000	Hospital R'000	Other – Shared Services R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2018								
Carrying amount of goodwill	**–**	**–**	**163 758**	**12 580**	**5 595**	**181 933**	**–**	**181 933**
Carrying amount of other intangibles	**128 662**	**96 326**	**211 598**	**4 228**	**1 080**	**441 894**	**2 415**	**444 309**
Indefinite useful lives	**123 434**	**27 700**	**210 592**	**–**	**–**	**361 726**	**2 347**	**364 073**
Finite useful lives	**5 228**	**68 626**	**1 006**	**4 228**	**1 080**	**80 168**	**68**	**80 236**
Total	**128 662**	**96 326**	**375 356**	**16 808**	**6 675**	**623 827**	**2 415**	**626 242**
2017								
Carrying amount of goodwill	–	–	–	12 580	5 595	18 175	–	18 175
Carrying amount of other intangibles	129 290	107 344	90 592	–	2 160	329 386	2 436	331 822
Indefinite useful lives	123 434	30 400	90 592	–	–	244 426	2 347	246 773
Finite useful lives	5 856	76 944	–	–	2 160	84 960	89	85 049
Total	129 290	107 344	90 592	12 580	7 755	347 561	2 436	349 997

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS (continued)

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between 1 to 8 years.

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

The discount rate applied to cash flow projections, before adjusting for risk, is 12.25% (2017: 12.36%) for the intangible assets. The cash flows beyond the 10-year period are discounted using a 0.5% long term growth rate (2017: 0.5%).

Key assumptions used in value-in-use calculations:

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

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

Gross margin

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

Discount rates

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

Raw materials price inflation

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

Market share assumptions

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

Growth rate estimates

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

Notes to the Group annual financial statements continued

11 INTINGIBLE 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 an impairment of intangibles.

Discount rates

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

Raw materials price inflation

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

Market share assumptions

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

Growth rate estimates

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

12 DEFERRED TAX

	2018 R'000	2017 R'000
Balance at beginning of year	**(71 550)**	(67 739)
Acquisition of business (refer note 1)	**(27 622)**	204
Movement through profit or loss	**555**	2 836
Exchange rate adjustments	**(388)**	825
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(1 782)**	(7 674)
Revaluation of available-for-sale asset to fair value	**(7)**	(2)
Balance at end of year	**(100 794)**	(71 550)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(50 909)**	(17 477)
Property, plant and equipment	**(137 402)**	(142 117)
Pre-payments	**(5 189)**	(2 782)
Income received in advance	**15 468**	6 350
Provisions	**79 762**	77 432
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(4 003)**	(2 221)
Tax loss available for future use	**1 083**	10 514
Other	**396**	(1 249)
	(100 794)	(71 550)
Disclosed as follows:		
Deferred tax asset	**18 120**	1 588
Deferred tax liability	**(118 914)**	(73 138)

Notes to the Group annual financial statements continued

13 OTHER FINANCIAL ASSETS

13.1 LONG-TERM RECEIVABLE (AT AMORTISED COST)

	2018 R'000	2017 R'000
Black Managers Share Trust (BMT)		
Balance at beginning of year	**39 840**	72 095
Proceeds from sale	**(5 232)**	(32 038)
Impairment (Refer Annexure G)	**(2 535)**	(217)
	32 073	39 840

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options until 30 September 2024 when the scheme is due to end or when a beneficiary dies. The proceeds on sale during the year is as a result of the capital contribution payments upon units being excercised after the lock-in period of R5.2 million (2017: R32.0 million). The impairment charge was as a result of the cost of the capital contribution exceeding the terminal amount (original capital contribution, increased by a notional return on the capital contribution and reduced by dividends distributed to the beneficiaries). Refer to Annexure B for further details.

13.2 INVESTMENTS

	2018 R'000	2017 R'000
Group Risk Holdings Proprietary Limited		
Balance at beginning of year	**1 906**	2 215
Disposal of shares	**–**	(318)
Revaluation of investment through other comprehensive income	**31**	9
	1 937	1 906
	34 010	41 746

14 INVESTMENT IN JOINT VENTURES AND ASSOCIATE

14.1 INVESTMENT IN JOINT VENTURES

The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's interests in Adcock Ingram Limited (India) and National Renal Care Proprietary Limited are accounted for using the equity method in the consolidated financial statements. The carrying value of the investment is set out below.

	2018 R'000	2017 R'000
Adcock Ingram Limited (India)	**251 155**	246 019
National Renal Care Proprietary Limited	**193 995**	145 994
	445 150	392 013

14.2 INVESTMENT IN ASSOCIATE

The Group has a 25.1% share in Ayrton Drug Manufacturing Limited (Ghana), which is accounted for using the equity method in the consolidated financial statements. The carrying value of the investment is set out below:

	2018 R'000	2017 R'000
Cost of investment	**5 133**	5 133
Share of post acquisition profit	**3 969**	1 548
Exchange rate adjustments	**(1 088)**	(610)
	8 014	6 071

Notes to the Group annual financial statements continued

15 INVENTORIES

	2018 R'000	2017 R'000
Raw materials	**422 294**	316 194
Work-in-progress	**31 556**	22 891
Finished goods	**1 112 099**	817 864
Inventory value, net of provisions	**1 565 949**	1 156 949
Inventories written down and recognised as an expense in profit or loss:		
Cost of sales	**94 854**	66 215

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.

16 TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
Trade receivables	**1 552 765**	1 495 169
Less: Provision for credit notes	**(38 316)**	(40 047)
Provision for impairment	**(40 143)**	(28 370)
	1 474 306	1 426 752
Derivative asset at fair value [1]	**21 838**	8 957
Other receivables	**61 970**	59 280
Bank interest receivable	**907**	–
Sundry receivables	**61 063**	59 280
The maximum exposure to credit risk in relation to trade and other receivables	**1 558 114**	1 494 989
Pre-payments	**75 405**	55 292
VAT recoverable [2]	**7 776**	17 521
	1 641 295	1 567 802

[1] It is expected that the derivative asset will be realised within the next 90 days.

[2] VAT recoverable will be received within one month.

62% (2017: 59%) 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.

Notes to the Group annual financial statements continued

16 TRADE AND OTHER RECEIVABLES (continued)

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

	Individually impaired R'000	Credit notes R'000	Total R'000
Balance at 1 July 2016	(11 067)	(35 271)	(46 338)
Charge for the year	(17 203)	(9 180)	(26 383)
Utilised during the year	–	4 404	4 404
Acquisition of business	(100)	–	(100)
At 30 June 2017	**(28 370)**	**(40 047)**	**(68 417)**
Charge for the year	**(8 276)**	**(4 504)**	**(12 780)**
Utilised during the year	**–**	**1 233**	**1 233**
Exchange rate adjustments	**(472)**	**–**	**(472)**
Acquisition of business	**(3 025)**	**–**	**(3 025)**
Unused amounts reversed	**–**	**5 002**	**5 002**
At 30 June 2018	**(40 143)**	**(38 316)**	**(78 459)**

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

The maturity analysis of trade and other receivables is as follows:	2018 R'000	2017 R'000
Trade Receivables		
Neither past due nor impaired		
<30 days	**862 221**	704 867
31 - 60 days	**471 922**	485 693
61 - 90 days	**54 394**	153 037
Past due after impairments		
91-180 days	**52 268**	72 819
>180 days	**33 501**	10 336
Total	**1 474 306**	1 426 752
Sundry Receivables		
Neither past due nor impaired		
<30 days	**26 402**	33 285
31 - 60 days	**5 250**	7 541
61 - 90 days	**6 745**	613
>90 days	**22 666**	17 841
Total	**61 063**	59 280

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.

Notes to the Group annual financial statements continued

17 CASH AND CASH EQUIVALENTS/OVERDRAFT

	2018 R'000	2017 R'000
Cash at banks	**404 629**	592 070
Bank overdraft	**(248 877)**	(5 619)
	155 752	586 451

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances in South Africa incur interest at 8.3% (2017: 8.0%).

The fair value of the net cash approximates R155.8 million (2017: R586.4 million).

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

In the 2017 financial year, property, plant and equipment to the value of R37.2 million in Datlabs was pledged as security for the bank overdraft of R5.6 million. Refer note 10.

18 SHARE CAPITAL

18.1 AUTHORISED

	2018 R'000	2017 R'000
Ordinary Share Capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000

18.2 ISSUED

	2018 R'000	2017 R'000
Ordinary Share Capital		
Opening balance of 171 462 885 ordinary shares of 10 cents each	**17 147**	17 147
Movement of treasury shares	**(1)**	–
	17 146	17 147

	Number of shares	
	2018	2017

18.3 TREASURY SHARES

	2018	2017
Shares held by Group company		
- number of ordinary shares	**4 291 903**	4 285 163

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

18.4 RECONCILIATION OF ISSUED SHARES

	2018	2017
Number of shares in issue	**175 748 048**	175 748 048
Number of ordinary shares held by the Group companies	**(4 291 903)**	(4 285 163)
Net shares in issue	**171 456 145**	171 462 885

Unissued shares

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

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

Notes to the Group annual financial statements continued

19 SHARE PREMIUM

	2018 R'000	2017 R'000
Balance at the beginning of the year	**666 873**	666 873
Movement on treasury shares	**(517)**	–
	666 356	666 873

20 NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Cash flow hedge accounting reserve R'000	Capital redemption reserve R'000	Foreign currency translation reserve R'000	Legal reserves and other R'000	Total R'000
Balance at 1 July 2016	405 532	(14 020)	3 919	210 142	22 940	628 513
Movement during the year, net of tax	(280 175)	19 732	–	(171 885)	4 187	(428 141)
Movement for the year	23 710	27 406		(42 432)	9	8 693
BMT	2 739					
Equity Settled	20 971					
Share-based expenses transferred to retained earnings	(303 885)					(303 885)
Tax effect of net movement on cash flow hedge and investment		(7 674)			(2)	(7 676)
Actuarial profit on post-retirement medical liability					511	511
Other comprehensive income recycled to profit or loss				(129 453)	3 669	(125 784)
Balance at 30 June 2017	**125 357**	**5 712**	**3 919**	**38 257**	**27 127**	**200 372**
Movement during the year, net of tax	**16 463**	**4 582**	**–**	**1 800**	**658**	**23 503**
Movement for the year	**22 749**	**6 364**	**–**	**1 800**	**31**	**30 944**
BMT	**323**					
Equity Settled	**22 426**					
Tax effect of net movement on cash flow hedge and investment		**(1 782)**			**(7)**	**(1 789)**
Equity options exercised	**(6 286)**	**–**			**–**	**(6 286)**
Actuarial profit on post-retirement medical liability					**634**	**634**
Balance at 30 June 2018	**141 820**	**10 294**	**3 919**	**40 057**	**27 785**	**223 875**

Share-based payment reserve

The share-based payment reserve represents the accumulated charge for share options in terms of IFRS 2. The share option plans are equity-settled and include an ordinary equity scheme and the BEE scheme. 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.

Notes to the Group annual financial statements continued

20 NON-DISTRIBUTABLE RESERVES (continued)

Foreign currency translation reserve

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

Legal reserves and other

This represents:

– an unutilised merger reserve when Premier Pharmaceuticals and Adcock Ingram merged;
– share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India), which was recycled to profit or loss during the previous financial year;
– actuarial adjustments on the Group’s post-retirement medical liability; and
– a fair value adjustment on the Group’s investment in Group Risk Holdings Proprietary Limited (refer to note 13.2).

21 LONG-TERM BORROWINGS

	2018 R’000	2017 R’000
Secured		
Nedbank [1]	–	250 000
Central Africa Building Society - Zimbabwe [2]	–	1 908
	–	251 908
Less: Current portion included in short-term borrowings	–	(416)
	–	251 492

[1] During the current year a voluntary repayment of R250 million was made out of surplus cash resources, in full and final settlement of the loan.
[2] During the current year a voluntary repayment was made out of surplus cash resources, in full and final settlement of the loan.

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

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

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

Notes to the Group annual financial statements continued

22 POST-RETIREMENT MEDICAL LIABILITY

	2018 R'000	2017 R'000
Balance at beginning of the year	**16 793**	16 994
Charged to operating profit	**1 549**	1 651
Benefits paid	**(1 368)**	(1 341)
Actuarial profit on post-employment medical liability released to other comprehensive income	**(634)**	(511)
Balance at the end of the year	**16 340**	16 793

Refer to Annexure D.

23 TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade accounts payable	**1 008 439**	748 919
Derivative liability at fair value [1]	**–**	752
Other payables	**822 213**	873 980
Accrued expenses	**630 120**	633 715
Black Managers Share Trust-cash-settled options	**36 363**	29 422
Deferred portion of purchase price of business combination (note 1.2)	**–**	8 000
Deferred portion of intangible assets purchased (note 11)	**–**	4 314
Sundry payables	**155 730**	198 524
VAT payable [2]	**6 573**	12 423
Interest accrued	**1 705**	1 123
	1 838 930	1 637 197

[1] The derivative liability was settled within 90 days.

[2] VAT payable will be paid within one month.

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

	2018 R'000	2017 R'000
Trade Payables		
<30 days	**676 865**	562 108
31-60 days	**191 657**	78 734
61-90 days	**73 157**	33 589
>90 days	**66 760**	74 488
Total	**1 008 439**	748 919
Other Payables		
<30 days	**236 308**	303 855
31-60 days	**64 011**	75 182
61-90 days	**251 388**	252 699
>90 days	**270 506**	242 244
Total	**822 213**	873 980

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

Notes to the Group annual financial statements continued

24 CASH-SETTLED OPTIONS

	2018 R'000	2017 R'000
Opening balance	**7 384**	3 117
Charged to operating profit	**4 656**	5 358
Payments made	**(9 627)**	(1 091)
	2 413	7 384
Refer to Annexure B	**–**	–

25 PROVISIONS

	2018 R'000	2017 R'000
Leave pay	**52 816**	44 373
Bonus and incentive scheme	**31 088**	31 557
Other	**46 428**	–
	130 332	75 930
Made up as follows:		
Leave pay		
Balance at beginning of year	**44 373**	40 378
Arising during the year	**72 710**	64 765
Utilised during the year	**(60 533)**	(55 123)
Unused amounts reversed	**(6 198)**	(5 335)
Acquisition of business	**2 255**	–
Exchange rate adjustments	**209**	(312)
Balance at end of year	**52 816**	44 373
Bonus and incentive scheme		
Balance at beginning of year	**31 557**	29 528
Arising during the year	**31 196**	31 557
Utilised during the year	**(31 665)**	(26 647)
Unused amounts reversed	**–**	(2 881)
Balance at end of year	**31 088**	31 557
Other		
Balance at beginning of year	**–**	–
Arising during the year	**46 428**	–
Balance at end of year	**46 428**	–

Leave pay provision

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

Bonus and incentive provision

Certain employees participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. These incentives are expected to be paid in September 2018.

Other

Other provision includes a liability as a result of an initial contract with a customer which provides for the Group to sign an obligation agreement which should be discharged over a period of seven years.

Notes to the Group annual financial statements continued

26 NOTES TO THE STATEMENTS OF CASH FLOWS

		2018 R'000	2017 R'000
26.1	**OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES**		
	Profit before taxation from continuing operations	**895 157**	724 844
	Profit before taxation from discontinued operations	**–**	7 675
	Profit before taxation	**895 157**	732 519
	Adjusted for:		
	- amortisation of intangibles	**10 647**	9 682
	- depreciation	**158 386**	140 390
	- (profit)/loss on disposal/scrapping of property, plant and equipment	**(1 968)**	781
	- dividend income	**(4 340)**	(5 979)
	- finance income	**(18 270)**	(16 938)
	- finance costs	**26 187**	40 253
	- equity accounted earnings	**(79 252)**	(64 144)
	- share-based payment expenses	**34 345**	40 660
	- equity options settlement	**(6 286)**	–
	- provision for accounts receivable impairment and credit notes	**7 778**	22 079
	- increase in provisions and post-retirement medical liability	**52 120**	6 592
	- straight-lining of leases	**(907)**	999
	- impairment of intangible asset	**2 700**	–
	- impairment of long-term receivable	**2 535**	217
	- inventories written off	**94 854**	66 215
	- increase in inventory provisions	**19 306**	15 422
	- foreign exchange loss	**4 850**	13 060
		1 197 842	1 001 808
26.2	**WORKING CAPITAL CHANGES**		
	Increase in inventories	**(438 199))**	(81 429)
	Decrease/(Increase) Increase in trade and other receivables	**11 695**	(183 547)
	Increase in trade and other payables	**83 536**	31 041
		(342 968)	(233 935)
26.3	**DIVIDENDS PAID**		
	Dividends paid to equity holders of the parent	**(235 904)**	(170 369)
	Dividends paid to non-controlling shareholders	**(11 239)**	(5 484)
		(247 143)	(175 853)
26.4	**TAXATION PAID**		
	Amounts overpaid at beginning of year	**9 642**	84 087
	Amounts charged to profit or loss	**(251 084)**	(206 157)
	Continuing operations	**(251 084)**	(204 856)
	Discontinued operations	**–**	(1 301)
	Movement in deferred tax	**(555)**	(2 836)
	Acquisition of business	**1 579**	462
	Exchange rate adjustments	**(184)**	(93)
	Reclassification to disposal group held-for-sale	**–**	898
	Amounts overpaid at end of year	**(6 061)**	(9 642)
		(246 663)	(133 281)

Notes to the Group annual financial statements continued

26 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	2018 R'000	2017 R'000
26.5 NET CASHFLOW ON ACQUISITION OF BUSINESSES		
Inventories	**87 003**	16 485
Trade and other receivables	**89 383**	5 288
Property, plant and equipment	**18 291**	2 880
Marketing-related intangible assets	**121 385**	462
Taxation receivable	**1 579**	94
Trade and other payables	**(99 602)**	(11 015)
Cash and cash equivalents/(bank overdraft)	**9 082**	(2 275)
Short-term borrowings	**(24 297)**	(1 198)
Long-term borrowings	**–**	(920)
Deferred tax	**(27 622)**	204
Provisions	**(2 255)**	–
Fair value of net assets	**172 947**	10 005
Goodwill arising on acquisition	**163 758**	5 595
Deferred consideration	**–**	(8 000)
Consideration paid	**336 705**	7 600
Net (cash)/bank overdraft acquired with the business	**(9 082)**	2 275
Cash outflow on business combination	**327 623**	9 875
26.6 FINANCE INCOME RECEIVED		
Finance income – continuing operations	**18 270**	15 665
– discontinued operations	**–**	1 273
	18 270	16 938
Less movement in receivable	**(907)**	–
	17 363	16 938
26.7 FINANCE COSTS PAID		
Finance costs – continuing operations	**(26 187)**	(38 239)
– discontinued operations	**–**	(2 014)
	(26 187)	(40 253)
Add/(Less) movement in accrual	**582**	(1 359)
	(25 605)	(41 612)
26.8 DIVIDEND INCOME RECEIVED		
Dividend income (note 3)	**4 340**	5 979
Dividend received from joint ventures	**25 760**	15 389
	30 100	21 368

Notes to the Group annual financial statements continued

	2018 R'000	2017 R'000

26 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

26.9 MOVEMENT IN BORROWINGS

	2018 R'000	2017 R'000
Balance at beginning of year	**251 908**	500 000
Non-cash items: Acquisition of business (note 1.1)	**24 297**	2 118
Exchange rate adjustments	**(28)**	(82)
Reclassification to disposal group held-for-sale	**–**	(7 822)
Balance at end of year	**–**	(251 908)
Cash movement in borrowings	**276 177**	242 306
Disclosed as follows:		
Increase in borrowings	**–**	9 917
Repayment of borrowings	**(276 177)**	(252 223)
	(276 177)	(242 306)

26.10 DECREASE IN OTHER FINANCIAL ASSETS

	2018 R'000	2017 R'000
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	**–**	318
Decrease in Black Managers Share Trust	**5 232**	32 038
	5 232	32 356

27 CONTINGENT LIABILITIES

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

28 COMMITMENTS AND CONTINGENCIES

28.1 OPERATING LEASE COMMITMENTS

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

	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5	Lease 6
	New Road	Durban	Cape Town	Port Elizabeth	Capital Hill Office Park	19 Louis Gradner Street, Cape Town (4th Floor)
Initial lease period (years)	10	12	10	5	2	5
Ending	30 November 2021	31 October 2022	31 August 2022	31 July 2022	31 May 2019	31 October 2020
Renewal option period (years)	10	10	5	5	N/A	N/A
Ending	30 November 2031	31 October 2032	31 August 2027	31 July 2027	N/A	N/A
Escalation %	7.3%	8.5%	7.0%	7.0%	8.0%	7.5%

	2018 R'000	2017 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**50 388**	38 780
After one year but not more than five years	**150 485**	164 783
More than five years	**1 455**	6 572
	202 328	210 135

Notes to the Group annual financial statements continued

28 COMMITMENTS AND CONTINGENCIES (continued)

28.2 CAPITAL COMMITMENTS

	2018 R'000	2017 R'000
Commitments contracted for		
Within one year	**32 932**	72 202
Approved but not contracted for	**63 258**	128 281
Within one year	**60 230**	89 853
Between one and two years	**3 028**	38 428
	96 190	200 483

These commitments relate to property, plant and equipment

28.3 GUARANTEES

The Group has provided guarantees to the amount of R3.3 million at 30 June 2018 (June 2017: R2.8 million)

29 RELATED PARTIES

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

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

	2018 R'000	2017 R'000
The Bidvest Group Limited		
Purchase of services	**56 747**	42 481
Balance owing at reporting date	**13 093**	4 891

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

Company statements of comprehensive income

	Notes	2018 R'000	2017 R'000
REVENUE	A	**39 924**	266 121
Operating expenses		**(743)**	(377)
Finance income	B.1	**24 165**	15 734
Finance costs	B.2	**(24 533)**	(14 636)
Dividend income	A	**15 759**	250 387
Profit before taxation		**14 648**	251 108
Taxation	C	**321**	(207)
Profit for the year		**14 969**	250 901
Other comprehensive income which will subsequently be recycled to profit or loss	I	**24**	7
Revaluation of available-for-sale asset		**31**	9
Tax effect of revaluation		**(7)**	(2)
Total comprehensive income for the year, net of tax		**14 993**	250 908

Company statement of changes in equity

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	(Accumulated loss)/Retained income R'000	Total R'000
Balance at 1 July 2016		**17 574**	894 653	348 531	(64 243)	1 196 515
Share-based expenses recycled from non-distributable reserves				(269 000)	269 000	–
Total comprehensive income				7	250 901	250 908
Profit for the year					250 901	250 901
Other comprehensive income				7		7
Dividends	M.1				(175 389)	(175 389)
Balance at 30 June 2017		**17 574**	**894 653**	**79 538**	**280 269**	**1 272 034**
Total comprehensive income				**24**	**14 969**	**14 993**
Profit for the year					**14 969**	**14 969**
Other comprehensive income				**24**		**24**
Dividends	M.1				**(242 846)**	**(242 846)**
Balance at 30 June 2018		**17 574**	**894 653**	**79 562**	**52 392**	**1 044 181**

Company statements of financial position

	Notes	2018 R'000	2017 R'000
ASSETS			
Investments	D	**3 368 823**	3 368 792
Non-current assets		**3 368 823**	3 368 792
Cash and cash equivalents	E.1	**30 809**	26 121
Amounts owing by Group companies	F.1	**265 154**	327 742
Other receivables	K	**93**	–
Deferred tax	J	**201**	–
Taxation receivable	L.2	**1 920**	1 652
Current assets		**298 177**	355 515
Total assets		**3 667 000**	3 724 307
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	G.2	**17 574**	17 574
Share premium	H	**894 653**	894 653
Non-distributable reserves	I	**79 562**	79 538
Retained income		**52 392**	280 269
Total equity		**1 044 181**	1 272 034
Amounts owing to Group companies	F.2	**2 155 994**	2 155 994
Deferred tax	J	**–**	103
Non-current liabilities		**2 155 994**	2 156 097
Bank overdraft	E.2	**250 000**	–
Other payables	K	**2 667**	842
Amounts owing to Group companies	F.2	**214 158**	295 334
Current liabilities		**466 825**	296 176
Total equity and liabilities		**3 667 000**	3 724 307

Company statements of cash flows

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Operating loss before working capital changes	L.1	**(743)**	(377)
Cash utilised in operations		**(743)**	(377)
Finance income, excluding accrual		**24 072**	15 734
Finance costs, excluding accrual		**(22 828)**	(14 636)
Dividend income	A	**15 759**	250 387
Dividends paid, excluding accrual		**(242 726)**	(175 330)
Taxation paid	L.2	**(258)**	(1 276)
Net cash (outflow)/inflow from operating activities		**(226 724)**	74 502
Cash flows from investing activities			
Decrease in investments	L.3	**–**	318
Net cash inflow from investing activities		**–**	318
Cash flows from financing activities			
Net decrease in amounts owing to Group companies		**(18 588)**	(51 066)
Net cash outflow from financing activities		**(18 588)**	(51 066)
Net (decrease)/increase in cash and cash equivalents		**(245 312)**	23 754
Net cash and cash equivalents at beginning of year		**26 121**	2 367
Net cash and cash equivalents at end of year	E	**(219 191)**	26 121

Notes to the Company annual financial statements

	2018 R'000	2017 R'000
A REVENUE		
Finance income	**24 165**	15 734
Dividend income	**15 759**	250 387
	39 924	266 121
B FINANCE INCOME AND FINANCE COSTS		
B.1 FINANCE INCOME		
Bank	**17 884**	13 882
Inter-Group interest	**6 281**	1 852
	24 165	15 734
B.1 FINANCE COSTS		
Borrowings	**14 837**	14 636
Inter-Group interest	**9 696**	–
	24 533	14 636
C TAXATION		
South African taxation		
Current income tax		
– current year	**–**	224
– prior year over provision	**(10)**	–
Deferred tax		
– current year	**(311)**	(17)
	(321)	207
Reconciliation of the taxation rate:	**%**	%
Effective rate	**(2.2)**	0.1
Adjusted for:		
Exempt income (dividend income)	**30.1**	27.9
Prior year over provision	**0.1**	–
South African normal tax rate	**28.0**	28.0

Notes to the Company annual financial statements continued

	Effective holding % 2018	Effective holding % 2017	2018 R'000	2017 R'000
D INVESTMENTS				
Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
Adcock Ingram Healthcare Proprietary Limited	**100**	100	**815 390**	815 390
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100	**104 000**	104 000
Adcock Ingram Critical Care Proprietary Limited	**100**	100	**284 979**	284 979
Adcock Ingram International Proprietary Limited	**100**	100	*	*
Tender Loving Care Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100	*	*
Thembalami Pharmaceuticals Proprietary Limited	**50**	50	*	*
Adcock Ingram Limited India	**49.9**	49.9	**31 930**	31 930
Group Risk Holdings Proprietary Limited[1]	**5.3**	5.3	**1 937**	1 906
			3 368 823	3 368 792

** Less than R1 000*

	2018 R'000	2017 R'000
[1] Group Risk Holdings Proprietary Limited		
Balance at 1 July	**1 906**	2 215
Disposal of 0.9% interest	**–**	(318)
Revaluation of investment to fair value	**31**	9
	1 937	1 906

E NET CASH AND CASH EQUIVALENTS

	2018 R'000	2017 R'000
E.1 CASH AND CASH EQUIVALENTS		
Cash at banks	**30 809**	26 121
E.2 BANK OVERDRAFT	**(250 000)**	–
	(219 191)	26 121

Favourable balances attract interest at 5.75%. Overdraft balances incur interest at 8.3%.

F AMOUNTS OWING BY/TO GROUP COMPANIES

F.1 AMOUNTS OWING BY GROUP COMPANIES

	2018 R'000	2017 R'000
Included in current assets		
Adcock Ingram Healthcare Proprietary Limited	**–**	585
Adcock Ingram International Proprietary Limited	**167 154**	167 154
Adcock Ingram Critical Care Proprietary Limited	**98 000**	160 000
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**–**	3
	265 154	327 742

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

F.2 AMOUNTS OWING TO GROUP COMPANIES

	2018 R'000	2017 R'000
Included in non-current liabilities		
Adcock Ingram Limited	**2 155 994**	2 155 994
Included in current liabilities		
Adcock Ingram Healthcare Proprietary Limited	**214 158**	295 334
	2 370 152	2 451 328

The loans are unsecured, interest free, and have no fixed term of repayment.
It is not expected that the subsidiaries would call for payment within the next 12 months.

Notes to the Company annual financial statements continued

	2018 R'000	2017 R'000
G SHARE CAPITAL		
G.1 AUTHORISED		
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
G.2 ISSUED		
Ordinary share capital		
175 748 048 ordinary shares of 10 cents each	**17 574**	17 574
G.3 UNISSUED SHARES		
In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit but subject to the provisions of the Companies Act.		
H SHARE PREMIUM		
Balance	**894 653**	894 653

I NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Other reserves R'000	Total R'000
Balance at 1 July 2016	289 821	58 710	348 531
Revaluation of available-for-sale asset		9	9
Tax effect of revaluation		(2)	(2)
Share-based expenses transferred from non-distributable reserves	(269 000)	–	(269 000)
Balance at 30 June 2017	**20 821**	**58 717**	**79 538**
Revaluation of available-for-sale asset		**31**	**31**
Tax effect of revaluation		**(7)**	**(7)**
Balance at 30 June 2018	**20 821**	**58 741**	**79 562**

Other reserves represents a fair value adjustment on the Company's investment in Group Risk Holdings Proprietary Limited and a reserve created on the repurchase and cancellation of the A and B shares in 2016.

Notes to the Company annual financial statements continued

Notes to the Company annual financial statements continued

	2018 R'000	2017 R'000
N RELATED PARTIES		
Related party transactions exist between the Company and other subsidiaries within the Adcock Ingram Group. All transactions with related parties are concluded at arm's length.		
The following related party transactions occurred:		
Interest received		
Adcock Ingram Healthcare Proprietary Limited	**6 281**	1 852
Dividends received		
Adcock Ingram Intellectual Property Proprietary Limited	**–**	245 000
Adcock Ingram Limited India	**15 759**	5 387
	15 759	250 387
Dividends Paid		
Adcock Ingram Limited	**6 942**	5 014

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

O FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

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

Financial instruments	Classification per IAS 39	2018 R'000	2017 R'000
Investment in Group Risk Holdings Proprietary Limited[(1)]	Available-for-sale	**1 937**	1 906
Amounts owing by Group companies[(2)]	Loans and receivables	**265 154**	327 742
Amounts owing to Group companies[(2)]	Loans and borrowings	**2 370 152**	2 451 328
Bank[(2)]	Loans and receivables	**30 809**	26 121
Bank overdraft[(2)]	Loans and borrowings	**250 000**	–

(1) Level 3: The value of the investments is based on Adcock Ingram's proportionate share of the net asset value of this company.
(2) The carrying value approximates the fair value.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's financial assets comprise investments and receivables.

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

INTEREST RATE SENSITIVITY

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

	Change in rate %	Increase/(Decrease) in profit before tax 2018 R'000	2017 R'000
Cash and cash equivalents			
Cash at banks	+1	**308**	261
Bank overdraft	+1	**(2 500)**	–

Annexure A – Segment report

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

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

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

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

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

STATEMENT OF COMPREHENSIVE INCOME

	2018 R'000	2017 R'000
Turnover		
Continuing operations		
Southern Africa	**6 338 389**	5 754 241
OTC	**1 989 225**	1 849 038
Prescription	**2 237 620**	1 937 925
Hospital	**1 347 698**	1 256 753
Consumer	**686 699**	688 807
Other – shared services	**77 147**	21 718
Rest of Africa	**222 624**	207 052
Research and development services in India	**19 494**	18 396
	6 658 897	5 979 689
less: Intercompany sales	**(40 252)**	(43 633)
	6 540 255	5 936 056
Discontinued operations		
India	**–**	67 206
Rest of Africa (Ghana)	**–**	51 695
	–	118 901
The South African Government represents more than 10% of the Group's turnover, arising in the following segments:		
OTC	**114 552**	88 696
Prescription	**272 234**	258 081
Hospital	**413 953**	397 193
Consumer	**74**	98
	800 813	744 068

Annexure A – Segment report continued

	2018 R'000	2017 R'000
TRADING AND OPERATING PROFIT		
Continuing operations		
Southern Africa	**845 540**	719 103
OTC	**399 640**	342 322
Prescription	**239 435**	207 787
Hospital	**95 312**	58 475
Consumer	**112 181**	110 038
Other – shared services	**(1 028)**	481
Rest of Africa	**18 330**	2 712
Research and development services in India	**2 507**	2 608
Trading profit	**866 377**	724 423
Less: Non-trading expenses	**(46 895)**	(47 128)
Operating profit	**819 482**	677 295
Discontinued operations		
India	**–**	6 300
Rest of Africa (Ghana)	**–**	8 949
Trading profit	**–**	15 249
Less: Non-trading expenses	**–**	(6 833)
Operating profit	**–**	8 416

Annexure A – Segment report continued

	2018 R'000	2017 R'000
STATEMENT OF FINANCIAL POSITION		
Total assets		
Southern Africa	**5 844 806**	5 161 098
OTC	**1 761 603**	1 667 220
Prescription	**1 987 006**	1 239 248
Hospital	**1 236 482**	1 125 158
Consumer	**315 425**	354 965
Other – shared services	**544 290**	774 507
Rest of Africa	**163 141**	146 661
India	**262 778**	255 214
	6 270 725	5 562 973
Current Liabilities		
Southern Africa	**2 110 992**	1 622 630
OTC	**662 233**	541 262
Prescription	**565 876**	476 378
Hospital	**378 041**	310 264
Consumer	**100 057**	137 463
Other – shared services	**404 785**	157 263
Rest of Africa	**106 474**	101 493
India	**3 086**	2 423
	2 220 552	1 726 546
Capital Expenditure [1]		
Continuing operations		
Southern Africa	**210 933**	153 656
OTC	**98 446**	60 575
Prescription	**65 168**	37 189
Hospital	**4 534**	5 432
Consumer	**–**	21
Other – shared services	**42 785**	50 439
Rest of Africa	**8 285**	5 165
India	**30**	3 237
	219 248	162 058
Discontinued operations		
India	**–**	18
Rest of Africa (Ghana)	**–**	1 162
	–	1 180

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

Annexure A – Segment report continued

	2018 R'000	2017 R'000
OTHER		
Impairments[2]		
Southern Africa		
Consumer	**2 700**	–
Hospital	**403**	217
Other - shared services	**2 132**	–
	5 235	217
Depreciation and amortisation		
Southern Africa	**159 230**	145 153
OTC	**42 264**	40 891
Prescription	**20 773**	16 165
Hospital	**28 168**	29 452
Consumer	**8 417**	8 418
Other – shared services	**59 608**	50 227
Rest of Africa	**9 316**	4 415
Research and development services in India	**487**	504
	169 033	150 072

[2] *Impairments include impairments of long-term receivables and intangible assets. Refer to Annexure G.*

Annexure B – Share-based payment plans

A GENERAL EMPLOYEE SHARE OPTION PLAN

Certain senior employees are entitled to join the general employee share option plan, based on merit and options are issued at least annually at cost by the Adcock Ingram Board of directors. The offer price is determined in accordance with the rules of the scheme, and options vest as follows:

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

Since January 2006 a cash-settled scheme was in place, with the last tranche issued in January 2013. This was replaced by an equity-settled scheme in June 2014.

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

EQUITY-SETTLED	2018		2017	
	Number	**WAOP (Rand)**	Number	WAOP (Rand)
Outstanding at the beginning of the year	**4 860 000**	**44.97**	3 066 000	46.64
Granted	**1 945 000**	**57.73**	1 919 000	42.29
Exercised	**(346 999)**	**52.20**	–	–
Forfeited	**(773 000)**	**47.54**	(125 000)	44.81
Outstanding at the end of the year	**5 685 001**	**48.62**	4 860 000	44.97
Vested and exercisable at the end of the year	**49 000**	**52.20**	401 333	52.20

	2018	2017
Weighted average share price of exercised options:	**R70.33**	–
Weighted average remaining contractual life for the share options outstanding at reporting date:	**7.80 years**	8.24 years
Range of offer prices for options outstanding at the end of the year:	**R41.94 – R57.73**	R41.94 – R52.20
Average fair value of options granted during the year:	**R24.23**	R17.80
Expense recognised for employee services received during the year (million):	**R22.43**	R20.97

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 zero-coupon government bond in South Africa with the same expected lifetime of the options.

Annexure B – Share-based payment plans continued

CASH-SETTLED	2018		2017	
	Number	**WAOP (Rand)**	Number	WAOP (Rand)
Outstanding at the beginning of the year	**1 016 193**	**57.85**	1 615 893	57.85
Forfeited	**(757 269)**	**59.13**	(356 142)	61.35
Exercised	**(201 771)**	**55.89**	(243 558)	57.75
Outstanding at the end of the year	**57 153**	**56.63**	1 016 193	57.85
Vested and exercisable at the end of the year	**57 153**	**56.63**	757 113	57.24

	2018	2017
Weighted average share price of exercised options:	**R68.24**	R61.14
Weighted average remaining contractual life for the share options outstanding at reporting date:	**0.65 years**	1.27 years
Range of offer prices for options outstanding at the end of the year:	**R53.52 – R60.55**	R53.52 – R60.70
Carrying amount of the liability relating to the cash-settled options at reporting date (million):	**R0.41**	R7.38
Expense recognised for employee services received during the year (million):	**R4.66**	R5.36

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.

	2018		2017	
Number of shares	**Adcock Ingram**	**Tiger Brands**	Adcock Ingram	Tiger Brands
Outstanding at the beginning of the year	**460 575**	**395 385**	533 318	503 687
Forfeited	**–**	**–**	(2 739)	(4 534)
Exercised	**(77 821)**	**(52 933)**	(70 004)	(103 768)
Outstanding at the end of the year	**382 754**	**342 452**	460 575	395 385
Vested and exercisable at the end of the year	**426 197**	**354 855**	426 197	354 855
Weighted average exercise price	**R61.97**	**R392.38**	R 50.89	R 390.71

	2018	2017
Weighted average remaining contractual life for the share options outstanding at reporting date:	**9.25 years**	10.25 years
Expense recognised for employee services received during the year (million):	**R7.26**	R14.32

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

A scheme with the intention to form a meaningful participation for BEE participants and to provide Adcock Ingram with increased BEE ownership credentials, as part of its continued efforts to embrace broad-based equity participation, was implemented on 15 July 2015 when Adcock Ingram shareholders sold 25 842 960 or approximately 15% of their shares (scheme shares) in proportion to their shareholding, to Ad-izinyosi (RF) Proprietary Limited (Ad-i) in exchange for 25 842 960 securities in AdBEE (RF) Limited (AdBEE). Thus, for every one share contributed to the scheme, a shareholder received one security in AdBEE, entitling the holder to a pro rata portion of the Ad-i indebtness (the obligation to pay the value of an Adcock Ingram share on the JSE calculated on a rolling 30-day traded VWAP immediately preceding the end of the transaction).

The Mpho ea Bophelo Trust (Bophelo Trust) and Blue Falcon Trading 69 (Pty) Limited (previous BEE participants) invested R5.4 million and R14.7 million respectively in the scheme.

BEE participants

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

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

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

EQUITY-SETTLED	2018	2017
Outstanding at the beginning of the year	**4 094 880**	4 024 200
Granted	**233 700**	285 570
Forfeited	**(115 710)**	(214 890)
Outstanding at the end of the year	**4 212 870**	4 094 880
Vested but not exercisable at the end of the year	**2 081 070**	1 078 440
Available for future distribution to qualifying employees	**955 722**	1 073 712

KEY TERMS AND CONTRACTUAL OBLIGATIONS

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

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

SHARE CALL OPTIONS

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

Annexure C – Defined contribution and defined benefit plan

DEFINED CONTRIBUTION PLAN

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

These contributions are expensed.

Contributions to the defined contribution plan expected in the following year are R119.5 million (2017: R105.9 million).

DEFINED BENEFIT PLAN

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

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

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

	2018 R'000	2017 R'000
Net benefit expense		
Interest cost on defined benefit obligation	**131**	111
Interest income on assets	**(160)**	(164)
Effect of paragraph 64	**29**	53
Net benefit expense	**–**	–
Benefit liability		
Defined benefit obligation	**(1 550)**	(1 495)
Fair value of plan assets	**1 936**	1 820
	386	325
Unrecognised due to Paragraph 64 limit	**(386)**	(325)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July	**(1 495)**	(1 168)
Interest cost	**(131)**	(111)
Benefits paid	**42**	42
Actuarial gain/(loss) on obligation	**34**	(258)
Defined benefit obligation at 30 June	**(1 550)**	(1 495)
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July	**1 820**	1 710
Return	**160**	164
Benefits paid	**(42)**	(42)
Actuarial loss	**(2)**	(12)
Fair value of plan assets at 30 June	**1 936**	1 820
Asset coverage over liabilities (times)	**1.2**	1.2

Annexure C – Defined contribution and defined benefit plan continued

Assumptions	2018 %	2017 %
The assumptions used in the valuations are as follows:		
Discount rate	**9.00**	8.90
Future pension increases	**5.90**	6.00
Estimated asset composition		
Cash	**66.42**	62.26
Bonds	**33.58**	37.74

Sensitivity analysis	Valuation R'000	+1% R'000	-1% R'000
The liability was recalculated to show the effect of:			
2018			
A one percentage point increase variance in the discount rate assumption	**(1 550)**	**(1 493)**	**(1 610)**
A one percentage point variance in the pension increase rate	**(1 550)**	**(1 612)**	**(1 491)**
2017			
A one percentage point increase variance in the discount rate assumption	(1 495)	(1 430)	(1 562)
A one percentage point variance in the pension increase rate	(1 495)	(1 563)	(1 428)

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 liability is valued annually using the Projected Unit Credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 June 2018.

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

	2018 R'000	2017 R'000
Net benefit expense		
Current service cost	**39**	39
Interest cost on benefit obligation	**1 510**	1 612
	1 549	1 651
Expected contributions within the next 12 months	**41**	42
Defined benefit obligation at 1 July	**(16 793)**	(16 994)
Interest cost	**(1 510)**	(1 612)
Current service cost	**(39)**	(39)
Benefits paid	**1 368**	1 341
Actuarial gains on obligation	**634**	511
Defined benefit obligation at 30 June	**(16 340)**	(16 793)
Assumptions	**%**	%
The assumptions used in the valuations are as follows:		
Discount rate	**9.40**	9.40
CPI increase	**6.20**	6.50
Healthcare cost inflation	**8.20**	8.50
Expected retirement age	**63**	63
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity analysis	Value R'000	+1%/year R'000	-1%/year R'000
The liability was recalculated to show the effect of:			
2018			
A one percentage point variance in the assumed rate of healthcare costs inflation	**(16 340)**	**(18 025)**	**(14 897)**
A one percentage point variance in the discount rate	**(16 340)**	**(14 951)**	**(17 987)**
A one year variance in the expected retirement age	**(16 340)**	**(16 250)**	**(16 435)**
2017			
A one percentage point variance in the assumed rate of healthcare costs inflation	(16 793)	(18 564)	(15 282)
A one percentage point variance in the discount rate	(16 793)	(15 333)	(18 531)
A one year variance in the expected retirement age	(16 793)	(16 710)	(16 881)

Annexure E – Financial instruments

FAIR VALUE HIERARCHY

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

Financial instruments	Classification per IAS 39	Statement of financial position line item	2018 R'000	2017 R'000
Investment [1]	Available for sale	Other financial assets	**1 937**	1 906
Black Managers Share Trust[3]	Loans and receivables	Other financial assets	**32 073**	39 840
Trade and sundry receivables[3]	Loans and receivables	Trade and other receivables	**1 535 369**	1 485 705
Foreign exchange contracts – derivative asset [2]	Cash flow hedge	Trade and other receivables	**21 838**	8 957
Cash and cash equivalents[3]	Loans and receivables	Cash and cash equivalents	**404 629**	592 070
Long-term borrowings[3]	Loans and borrowings	Long-term borrowings	**–**	251 492
Trade and other payables[3]	Loans and borrowings	Trade and other payables	**1 830 652**	1 622 899
Foreign exchange contracts – derivative liability [2]	Cash flow hedge	Trade and other payables	**–**	752
Short-term borrowings[3]	Loans and borrowings	Short-term borrowings	**–**	416
Bank overdraft[3]	Loans and borrowings	Bank overdraft	**248 877**	5 619

(1) Level 3. The value of the investment in Group Risk Holdings Proprietary Limited 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.

(3) The carrying value approximates fair value.

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

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

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

It is, and has been throughout 2018, the Group's policy that no trading in derivatives shall be undertaken.

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

INTEREST RATE RISK

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

* Cash balances which are subject to movements in the bank deposit rates.

* Short-term debt obligations with floating interest rates linked to the Johannesburg Interbank Agreed Rate and the South African prime rate.

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

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

Annexure E – Financial instruments continued

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

	Change in rate %	(Decrease)/Increase in profit before tax 2018 R'000	2017 R'000
Liabilities			
South African loans at variable rates	+1	**–**	(2 500)
Cash balances			
Cash and cash equivalents	+1	**4 046**	5 921
Bank overdraft	+1	**(2 489)**	(56)

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, 89% (2017: 91%) of all debtors balances are covered by credit insurance, decreasing the risk of loss due to non-payment. Receivable balances are monitored on an on-going basis with the result that the Group's historical exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Corporate office. Apart from the South African Government, which comprises 14.1% (2017: 14.2%) or R207.4 million (2017: R201.9 million) of trade receivables, there are no significant concentrations of credit risk within the Group arising from the financial assets of the Group.

Substantially all debtors are non-interest bearing and repayable within 30 to 90 days.

Debtors are disclosed net of a provision for impairment and credit notes.

LIQUIDITY RISK

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The facilities in place in South Africa are R850 million for working capital purposes and a R250 million loan facility.

The Group does not have any loan facility outstanding as at 30 June 2018 but the maturity profile of the Group's long-term financial liabilities as at 30 June 2017, based on contractual discounted payments, is shown in note 21. The maturity profile of the trade and other payables is shown in note 23.

The Group has provided guarantees to various regulatory authorities to the amount of R3.3 million at 30 June 2018 (2017: R2.8 million).

Annexure E – Financial instruments continued

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:

	2018 Income/ Expenses Average Rand	2018 Assets/ Liabilities Spot Rand	2017 Income/ Expenses Average Rand	2017 Assets/ Liabilities Spot Rand
Ghanaian Cedi	**2.8410**	**2.8662**	3.2055	2.9718
Indian Rupee	**0.1977**	**0.2005**	0.2049	0.2024
Kenyan Shilling	**0.1250**	**0.1360**	0.1323	0.1261
United States Dollar	**12.8635**	**13.7275**	13.6114	13.0551

Foreign assets/liabilities

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

	Assets Rand	Liabilities Rand
2018		
Euro	**15.99**	**16.00**
US Dollar	**13.72**	**13.73**
2017		
Euro	14.90	14.93
US Dollar	13.05	13.06

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 any order 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. The fair value is determined using the applicable foreign exchange spot rates at reporting dates.

At 30 June 2018, 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 2018 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.

The effective portion of the gains and losses on the hedging instruments that is included in the initial cost of inventory is R27.7 million (2017: R87.0 million).

Annexure E – Financial instruments continued

A summary of the material contracts, comprising at least 99% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate	R'000
2018			
Euro	**17 131**	**15.67**	**268 483**
US Dollar	**19 444**	**13.15**	**255 637**
2017			
Euro	21 524	14.78	318 208
US Dollar	12 751	13.22	168 592

The maturity analysis for the material outstanding contracts at:

	Euro '000	Rands '000	US Dollar '000	Rands '000
2018				
Within 30 days	**6 666**	**103 160**	**10 268**	**133 442**
31 to 60 days	**4 014**	**62 172**	**2 856**	**38 235**
61 to 90 days	**3 490**	**56 466**	**4 061**	**53 957**
> 90 days	**2 961**	**46 685**	**2 259**	**30 003**
	17 131	**268 483**	**19 444**	**255 637**
2017				
Within 30 days	3 416	50 503	7 621	100 026
31 to 60 days	2 729	39 190	2 775	36 772
61 to 90 days	4 326	63 344	879	11 773
> 90 days	11 053	165 171	1 476	20 021
	21 524	318 208	12 751	168 592

A summary of the material contracts settled during the year:

	Foreign currency '000	Average forward rate	R'000
2018			
Euro	**35 321**	**15.30**	**540 533**
US Dollar	**51 345**	**13.30**	**682 957**
2017			
Euro	32 864	16.08	528 514
Swedish Krona	4 379	1.73	7 586
US Dollar	55 548	14.32	795 240

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 foreign currency exchange rate %	(Decrease)/ Increase in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
2018			
Euro			
	+10	**(8 108)**	**19 965**
	-10	**8 108**	**(19 965)**
US dollar			
	+10	**(9 476)**	**(19 308)**
	-10	**9 476**	**(19 308)**
2017			
Euro			
	+10	(10 703)	23 579
	-10	10 703	(23 579)
US dollar			
	+10	(8 986)	12 068
	-10	8 986	(12 068)

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 or issue new shares.

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

Continuing operations	**2018 R'000**	2017 R'000
Interest-bearing loans and borrowings	**248 877**	257 527
Less: Cash and short-term deposits	**(404 629)**	(592 070)
Net cash	**(155 752)**	(334 543)
Equity	**3 914 919**	3 495 004
Gearing ratio (%)	**N/A**	N/A

Annexure F – Interest in joint ventures and associate

The Group has a 49.9% share in Adcock Ingram Limited (India), a 50% share in National Renal Care Proprietary Limited and a 25.1% minority share in Ayrton Manufacturing Limited (Ghana), the remaining shareholding after the disposal of the 53.47% share on 7 December 2016. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures and associate, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

1. ADCOCK INGRAM LIMITED (INDIA)

STATEMENT OF FINANCIAL POSITION

	2018 R'000	2017 R'000
Property, plant and equipment	**153 577**	168 038
Other financial assets	**148 590**	81 390
Non-current assets	**302 167**	249 428
Inventories	**39 539**	81 814
Trade and other receivables	**511 651**	204 041
Cash and cash equivalents	**52 950**	80 213
Current assets	**604 140**	366 068
Total assets	**906 307**	615 496
Post-retirement medical liability	**4 718**	4 502
Deferred tax	**20 207**	21 072
Non-current liabilities	**24 925**	25 574
Trade and other payables	**42 328**	84 380
Provisions	**1 420**	1 829
Taxation payable	**334 317**	10 688
Current liabilities	**378 065**	96 897
Total liabilities	**402 990**	122 471
Equity	**503 317**	493 025
Proportion of Group's ownership	**49.9%**	49.9%
Carrying amount of the investment	**251 155**	246 019
STATEMENT OF COMPREHENSIVE INCOME		
Turnover	**505 146**	534 212
Cost of sales	**(395 407)**	(402 575)
Gross profit	**109 739**	131 637
Selling, distribution and marketing expenses	**(101)**	(287)
Fixed and administrative income	**14 520**	3 070
Operating profit	**124 158**	134 420
Finance income	**69**	3 006
Finance costs	**(652)**	(666)
Dividend income	**4 917**	2 689
Profit before taxation	**128 492**	139 449
Taxation	**(83 739)**	(64 643)
Profit for the year	**44 753**	74 806
Group's share of profit for the year	**22 332**	37 328
Unearned income on inventory	**(3 502)**	(7 543)
Group's share of profit for the year	**18 830**	29 785

Annexure F – Interest in joint ventures and associate continued

2. NATIONAL RENAL CARE PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION

	2018 R'000	2017 R'000
Property, plant and equipment	**167 897**	167 435
Intangible assets	**106 040**	62 759
Loans receivable	**34 988**	32 837
Investment in associate	**–**	4 152
Deferred tax	**24 880**	21 177
Non-current assets	**333 805**	288 360
Inventories	**24 396**	22 954
Trade and other receivables	**103 532**	92 424
Cash and cash equivalents	**155 980**	93 817
Current assets	**283 908**	209 195
Total assets	**617 713**	497 555
Long-term borrowings	**3 510**	2 408
Non-current liabilities	**3 510**	2 408
Trade and other payables	**111 127**	109 512
Short-term borrowings	**255**	–
Provisions	**16 165**	13 815
Taxation payable	**8 166**	5 663
Current liabilities	**135 713**	128 990
Total liabilities	**139 223**	131 398
Non-controlling interests	**90 500**	74 168
Equity	**387 990**	291 989
Proportion of Group's ownership	**50.0%**	50.0%
Carrying amount of the investment	**193 995**	145 994

STATEMENT OF COMPREHENSIVE INCOME

	2018 R'000	2017 R'000
Turnover	**1 037 440**	909 176
Cost of sales	**(776 342)**	(699 773)
Gross profit	**261 098**	209 403
Selling, distribution and marketing expenses	**(124 403)**	(112 178)
Fixed and administrative expenses	**(2 984)**	(3 476)
Trading profit	**133 711**	93 749
Non-trading income	**25 480**	–
Fair value gain on revaluation of investment in associate	**37 760**	–
Impairment of loans receivable (refer to annexure G)	**(1 655)**	–
Impairment of goodwill (refer to annexure G)	**(10 625)**	–
Operating profit	**159 191**	93 749
Finance income	**9 040**	9 146
Finance costs	**–**	(508)
Equity accounted earnings	**830**	3 939
Profit before taxation	**169 061**	106 326
Taxation	**(39 471)**	(28 441)
Profit for the year	**129 590**	77 885
Less: Non-controlling interests	**(13 587)**	(12 265)
Profit attributable to owners of the parent	**116 003**	65 620
Group's share of profit for the year	**58 001**	32 810

Annexure F – Interest in joint ventures and associate continued

3. AYRTON DRUG MANUFACTURING LIMITED (GHANA)

STATEMENT OF FINANCIAL POSITION

	2018 R'000	2017 R'000
Property, plant and equipment	21 253	21 269
Intangible assets	–	45
Deferred tax	604	–
Non-current assets	21 857	21 314
Inventories	29 102	33 557
Trade and other receivables	46 842	34 005
Current assets	75 944	67 562
Total assets	97 801	88 876
Deferred tax	–	459
Non-current liabilities	–	459
Trade and other payables	17 070	12 270
Short-term borrowings	–	7 730
Provisions	993	1 029
Bank overdraft	13 766	10 446
Taxation payable	2 325	1 036
Current liabilities	34 154	32 511
Total liabilities	34 154	32 970
Equity	63 647	55 906
Proportion of Group's ownership	25.1%	25.1%
Group's share of net assets	15 975	14 032
Fair value adjustment	(7 961)	(7 961)
Carrying amount of the investment	8 014	6 071

STATEMENT OF COMPREHENSIVE INCOME

	12 months R'000	7 months R'000
Turnover	102 895	60 880
Cost of sales	(44 268)	(28 115)
Gross profit	58 627	32 765
Selling, distribution and marketing expenses	(12 479)	(6 867)
Fixed and administrative expenses	(27 618)	(15 861)
Operating profit	18 530	10 037
Finance costs	(5 452)	(1 986)
Profit before taxation	13 078	8 051
Taxation	(3 433)	(1 884)
Profit for the year	9 645	6 167
Group's share of profit for the year	2 421	1 549

Annexure G – Impairments

A. IMPAIRMENTS IN SUBSIDIARIES

1 INTANGIBLES

		2018 R'000	2017 R'000
The intangible impaired in the current year related to the following brand:			
Reportable segment	**Brand**		
Consumer	Derma Hydrate	**2 700**	–
The brand has underperformed and is not forecasted to achieve the same level of profitably as initially expected which contributed to the impairment in the current financial year.			

2 OTHER

		2018 R'000	2017 R'000
Reportable segment	**Asset**		
Southern Africa	Other financial assets - Black Managers Share Trust (BMT)	**2 535**	217
As a result of the on-distribution of dividend income, in the accounts of the corporate beneficiaries of the BMT share option scheme, the cost of the capital contributions exceeded the terminal amount. This required an impairment of this asset in the current and prior year.			
Total		**5 235**	217

B. IMPAIRMENTS IN JOINT VENTURES

1 OTHER ASSETS

		2018 R'000	2017 R'000
Reportable segment	**Asset**		
National Renal Care (Pty) Ltd	Loans Receivable	**1 655**	–
The recoverability of amnounts due, granted in terms of an Enterprise and Supplier Development Plan became unlikely following a decline in trading conditions.			

2 INTANGIBLES

		2018 R'000	2017 R'000
Reportable segment	**Asset**		
National Renal Care (Pty) Ltd	Goodwill	**10 625**	–
Goodwill relating to Lenasia Renal Centre (Pty) Ltd was impaired as the recoverable amount is lower than the carrying value			
Total		**12 280**	–

Annexure H – Interest in subsidiary companies, associate and joint ventures

	Shareholding	
Subsidiaries	**2018 %**	2017 %
Adcock Ingram Critical Care Proprietary Limited	**100**	100
Adcock Ingram Healthcare Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100
Adcock Ingram International Proprietary Limited	**100**	100
Adcock Ingram Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited*	**100**	100
Joint ventures		
Adcock Ingram Limited (India)	**49.9**	49.9
Thembalami Pharmaceuticals Proprietary Limited*	**50**	50
Indirect holdings		
Adcock Ingram East Africa Limited (Kenya)	**100**	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited*	**100**	100
Adcock Ingram Pharmaceuticals Proprietary Limited*	**100**	100
Addclin Research Proprietary Limited*	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**25.1**	25.1
Datlabs (Private) Limited (Zimbabwe)	**100**	100
Dilwed Investments Proprietary Limited	**100**	100
Genop Holdings Proprietary Limited	**100**	–
Genop Healthcare Proprietary Limited	**100**	–
Menarini SA Proprietary Limited**	**49**	49
Metamorphosa Proprietary Limited*	**50**	50
National Renal Care Proprietary Limited	**50**	50
Novartis Ophthalmics Proprietary Limited**	**49**	49
Pharmalabs (Jersey) Limited	**100**	100
Premier Pharmaceutical Company Proprietary Limited*	**100**	100
Relicare Tech Services Private Limited (India)	**100**	100
Virtual Logistics Proprietary Limited	**100**	100

Trusts and structured entities

AdBEE (RF) Limited***

Adcock Ingram Holdings Limited Employee Share Trust (2008)

Ad-Izinyosi (RF) Proprietary Limited***

Mpho ea Bophelo Trust

39 Owner-driver companies (2017: 28 companies)

* *Dormant entities.*

** *Regarded as subsidiaries and consolidated.*

*** *Not consolidated*

Annexure I – Accounting policies

The principal accounting policies applied in the preparation and presentation of the annual financial statements are set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries, joint ventures, associate and structured entities deemed to be controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an entity if and only if the Group has:

- power over the investee (i.e. current existing rights that give it the ability to direct the relevant activities of the investee); and
- 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 over the subsidiary.

The financial results of the subsidiaries, including those with a different reporting period, are prepared for the same reporting period as the Group, using consistent accounting policies.

Investments in subsidiaries in the Company's financial statements are accounted for at cost less any impairment.

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent. These interests are presented separately in the consolidated statement of comprehensive income, and in the consolidated statement of financial position, separately from own shareholders' equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to any relevant non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

Annexure I – Accounting policies continued

UNDERLYING CONCEPTS

The financial statements are prepared on the going-concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

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

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

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

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.

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

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

FOREIGN OPERATIONS

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

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate.

The functional currencies of the foreign operations are as follows:

- joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- subsidiary, Relicare Tech Services Private Limited in India, the Indian Rupee;
- subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling; and
- associate, 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 fair value on the acquisition date, and the amount of any non-controlling interest in the acquiree.

Annexure I – Accounting policies continued

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 and included in non-trading expenses.

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 acquirer's share of the acquiree's identifiable net assets is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income, as appropriate. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

EQUITY-ACCOUNTED INVESTMENTS

The equity-accounted investments are the Group's investments in joint ventures and an associate.

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.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control over those policies. The Group has the following associate:

- Adcock Ingram International Proprietary Limited has a 25.1% interest in Ayrton Drug Manufacturing Limited, a company incorporated in Ghana, which is involved in the manufacturing of pharmaceutical products.

Under the equity method, investments are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the profit or loss of these investments. Goodwill relating to equity-accounted investments is included in the carrying amount of the investment and is not tested separately for impairment.

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

The statement of comprehensive income reflects the Group's share of these investments' profit or loss. However, losses in excess of the Group's interest are not recognised. Additional losses are provided for and a liability is recognised, only to the extent that a legal or constructive obligation exists. Where a joint venture or associate recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and equity-accounted investments are eliminated to the extent of the interest in the underlying investment.

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

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

Annexure I – Accounting policies continued

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Where an equity accounted investment's reporting date differs from the Group's, the joint venture and/or associate prepares financial results for the same financial 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. The year-end of the associate, Ayrton Drug Manufacturing Limited is June.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item is also accounted for separately if the recognition criteria are met. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant is depreciated separately.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end.

Any adjustments to residual value, useful life or depreciation method applied, are changes in the accounting estimate and accounted for prospectively.

The following useful lives have been estimated:

Freehold land	Not depreciated
Freehold buildings – general purpose	40 years
– specialised	20 – 50 years
Leasehold improvements	The shorter of the lease term of the useful life
Plant, equipment and vehicles	3 – 15 years
Furniture and fittings	3 – 15 years
Computer equipment	3 years

Assets in the course of construction are carried at cost, including professional fees, less any impairment loss. When these assets are ready for its intended use, it is transferred into the appropriate category at which point depreciation commences on the same basis as on other property, plant and equipment.

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 profit or loss in the year the asset is derecognised.

GOODWILL AND INTANGIBLE ASSETS

GOODWILL

Goodwill is initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of any previously held equity interest in the acquiree, over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Annexure I – Accounting policies continued

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, are not capitalised and expenditure is charged to 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 due to a change in circumstances. The amortisation period and the amortisation method are reviewed at each year-end.

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 profit or loss in fixed and administrative expenses. Intangible assets with indefinite useful lives are not amortised but are tested bi-annually for impairment and the useful lives are also reviewed 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 the 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 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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. Ten years are used in instances where the Group believes that assets have a value in use of 10 or more years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

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.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment:

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

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

Annexure I – Accounting policies continued

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets within the scope of IAS 39 are appropriately classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial assets at initial recognition.

The Group's classification of financial assets is as follows:

Description of asset	Classification
Amounts owing by Group companies*	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Investments	Available-for-sale
Other financial assets	Loans and receivables/Available-for-sale

** Relates to Adcock Ingram Holdings Limited.*

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

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in profit or loss in fixed and administrative expenses.

Available-for-sale financial assets

Available-for-sale financial assets could include equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains and losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in fixed and administrative expenses.

DERECOGNITION

Financial assets or parts thereof are derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to fixed and administrative expenses in profit or loss.

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 other comprehensive income – is reclassified from other comprehensive income to profit or loss. Increases in fair value after impairment are recognised directly in other comprehensive income. Impairment losses on available-for-sale equity instruments are not reversed through profit or loss.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group has classified financial liabilities, as follows:

Description of asset	Classification
Loans payable and borrowings	Loans and borrowings
Trade and other payables	Loans and borrowings
Bank overdraft	Loans and borrowings
Amounts owing to Group companies*	Loans and borrowings

** Relates to Adcock Ingram Holdings Limited.*

Annexure I – Accounting policies continued

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 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 profit or loss.

DERECOGNITION

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand and at banks, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

DERIVATIVE INSTRUMENTS

Derivatives are financial instruments whose value changes in response to an underlying factor, require no initial or little net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

HEDGE ACCOUNTING

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

CASH FLOW HEDGES

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the expected reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The charge relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LEASES

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

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

Operating lease rentals are charged against profit or loss 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 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.

Annexure I – Accounting policies continued

BORROWING COSTS

All borrowing costs are expensed in the period they occur, as none of the borrowing costs were directly attributable to the acquisition, construction or production of an asset which qualify for capitalisation. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

TAXES

CURRENT INCOME TAX

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

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability or receivable for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the Group operates.

DEFERRED TAX

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

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

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future, except:

- where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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 that 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 20% on 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.

POST-RETIREMENT MEDICAL OBLIGATIONS

The Group provides post-retirement healthcare benefits to certain of its retirees and one employee still in service. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, a discount rate based on current bond yields of appropriate terms and healthcare inflation costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in profit or loss in the period it occurs.

SHARE-BASED PAYMENTS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external appraiser using a modified version of the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in 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.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

CASH-SETTLED TRANSACTIONS

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. Service vesting conditions are not included in the fair value but used to determine the number of instruments that will ultimately vest. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Annexure I – Accounting policies continued

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 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 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 LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

CARRYING VALUE OF GOODWILL, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

SHARE-BASED PAYMENTS

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

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is estimated using a Black-Scholes option pricing model, as the employee share options are not traded on an active market, and the inputs used for the option pricing model require significant judgement and estimation.

Annexure I – Accounting policies continued

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.

POST-EMPLOYMENT BENEFITS

Post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

PROVISIONS

The establishment and review of provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

STRUCTURED ENTITIES

Owner-driver companies

Various owner-driver companies exist in the Group. These entities were incorporated to support the distribution network of the Group and are consolidated into the Group in accordance IFRS 10.

Based on the contractual terms, the activities of these entities are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from these entities' operations. In addition, it was assessed that the Group controls each of these entities as there are insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

Ad-Izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited

The Group restructured their BEE vehicle, which was performed in line with the circular dated 28 May 2015. This has led to the formation of Ad-Izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited, a company with instruments listed on the JSE.

Adcock Ingram considered the relevant activities of both entities, the Company's involvement in facilitating the restructuring, the Company's protective rights in respect of the companies acting in accordance with their Memorandum of Incorporation; and the Company's lack of future financial exposure to the overall scheme. The conclusions were that in the Company's judgement the Group does not have power over the relevant activities of these two entities, nor benefits from the variable returns that would emanate from such entities. These entities are therefore not consolidated into the Group.

Mpho ea Bophelo Trust

The Mpho ea Bophelo Trust is an entity incorporated for the purpose of representing Adcock Ingram employees in the Group's BEE transaction and is consolidated in accordance with IFRS 10. The activities of this entity are conducted in accordance with the Group's specific business needs in that the Group obtains benefits from this operation. The Group retains the majority of the residual or ownership risks and rewards related to this entity or its assets and it was therefore considered that the Group controls this entity.

Consolidation of entities in which the Group holds less than the majority of voting rights

The Group considers that it controls Menarini SA 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.

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. The Group intends to adopt these standards when they become effective.

IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT - AMENDMENTS

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment, effective from 1 July 2019 and is not expected to have a significant impact on the Group's disclosure.

IFRS 9: FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

IFRS 9 brings together all the aspects of accounting for financial instruments: classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group will apply the new rules retrospectively from 1 July 2018, with the practical methods permitted under the standard using the modified retrospective approach. Comparatives for 2018 will not be restated in the 2019 financial statements.

Annexure I – Accounting policies continued

The Group has reviewed its financial assets and financial liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018:

Classification

The majority of financial assets held by the Group include:

Trade and other receivables – Currently classified as loans and receivables and are measured at amortised cost. Trade and other receivables continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest and held within the same business model, therefore there is no change to the accounting for these assets.

Long-term receivable – Black Managers Share Trust (BMT) – This is currently classified as loans and receivables and is measured at amortised cost. The BMT is a non-recourse loan and therefore does not meet the "solely payments of principle and interest" (SPPI) test. Upon the date of transition to IFRS 9, the loan receivable will be measured at fair value through profit or loss. The difference between the IAS 39 carrying amount at the date of transition and the fair value at the same date will be recognised directly into retained earnings, utilising the modified retrospective approach. Based on the assessments undertaken to date, the Group does not expect a significant impact upon the application of the new standard.

Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. In terms of the transition requirements of IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting principles of IAS 39. The Group has elected to apply such exemption.

Impairment or provisions

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group is currently in the process of assessing the impact of IFRS 9 using the provision matrix approach. Impairment losses are expected to be recognised earlier and will often result in a higher charge than is currently provided for due to the incorporation of forward looking information and a default rate applied to all debtors. Based on the assessments undertaken to date, the Group expects a decrease in the net trade receivables of approximately 0.4%, to be recognised through as an adjustment to opening retained earnings.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a five-step model for entities to use in accounting for revenue arising from contracts with customers. The new standard is based on the principle that revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard will supersede all current revenue recognition requirements under IFRS and will be effective for the Group from 1 July 2018.

Impact

Management has extensively reviewed all revenue streams within the Group.

Due to the nature of the business, the Group does not anticipate there to be material open contracts on transition and the timing of recognition is not expected to materially impact the Revenue reported under IFRS 15.

Management has assessed the key areas of impact on the Group's financial statements and has identified that the following will be affected:

- additional disclosure related to the placement of machines by the critical care division;
- additional liabilities for non-performance on customer contracts to be recognised separately on the statement of financial position; and
- reclassification of some of the multinational third-party fees from expenses to revenue.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures regarding its revenue particularly in the year of adoption of the new standard. Disclosures shall include the disaggregation of revenue by key categories.

IFRS 16: LEASES

IFRS 16 introduces significant changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

IFRS 16 will be effective for the Group from 1 July 2019.

IFRS 2: CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS – AMENDMENTS

The amendments address three main areas:

- The effects of vesting conditions on a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments, effective from 1 July 2018, are narrow in scope and address specific areas of classification and measurement and are not expected to have a significant impact on the Group's disclosure.

IFRIC 22: FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION – INTERPRETATION

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This interpretation is effective for the Group from 1 July 2018 and is not expected to have a significant impact on the Group's disclosure.

IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS – INTERPRETATION

In June 2017, the IASB issued IFRIC Interpretation 23: Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

This interpretation is effective for the Group from 1 July 2019 and is not expected to have a significant impact on the Group.

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 2018:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 363	71.7	1 311 341	0.7
1 001 – 10 000 shares	1 451	23.9	4 212 688	2.4
10 001 – 100 000 shares	188	3.1	5 422 829	3.1
100 001 – 1 000 000 shares	68	1.1	20 585 524	11.7
1 000 001 shares and above	11	0.2	144 215 666	82.1
Total	**6 081**	**100**	**175 748 048**	**100.0**

2 PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/Company related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	4	0.08	30 143 324	17.2
Adcock Ingram Limited	1	0.02	4 285 163	2.4
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0.02	6 740	0.0
Ad-Izinyosi (RF) Limited	1	0.02	25 842 959	14.7
Director	1	0.02	8 462	0.0
Public shareholders	6 077	99.92	145 604 724	82.8
Total	**6 081**	**100.00**	**175 748 048**	**100.0**

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

3 SUBSTANTIAL INVESTMENT MANAGEMENT EQUAL TO OR IN EXCESS OF 5%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56(b) of the Companies Act, the following shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at 30 June 2018:

Investment manager	Total shareholding	%
BB Investment Company Proprietary Limited	66 064 747	37.6
Public Investment Corporation of South Africa	38 784 141	22.1
Ad-Izinyosi (RF) Limited	25 842 959	14.7
Total	**130 691 847**	**74.4**

Shareholder analysis continued

4 GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	**160 733 356**	**91.46**
United States of America and Canada	**7 496 549**	**4.27**
United Kingdom	**6 951 416**	**3.95**
Rest of Europe	**334 717**	**0.19**
Other[1]	**232 010**	**0.13**
Total	**175 748 048**	**100.0**

[1] *Represents all shareholdings except those in the above regions*

Beneficial interest and beneficial shareholder categories are not shown in this report, as agreed with JSE.

5 MONTHLY TRADING HISTORY

The high, low and closing price of ordinary shares on the JSE and the aggregated monthly value during the year are set out below:

Month	Total volume	Total value (R'm)	High (R)	Low (R)	Closing price (R)
2017 – July	**2 737 166**	**172**	**67.50**	**57.55**	**63.63**
2017 – August	**1 393 214**	**88**	**67.94**	**60.00**	**63.00**
2017 – September	**2 114 044**	**129**	**65.27**	**58.01**	**60.50**
2017 – October	**2 581 935**	**152**	**61.28**	**56.76**	**58.78**
2017 – November	**1 777 016**	**97**	**59.90**	**51.00**	**54.40**
2017 – December	**4 769 097**	**259**	**59.88**	**49.00**	**58.35**
2018 – January	**2 918 143**	**182**	**67.82**	**55.30**	**65.57**
2018 – February	**2 416 655**	**165**	**72.00**	**62.01**	**68.00**
2018 – March	**3 172 090**	**219**	**71.00**	**62.52**	**70.88**
2018 – April	**1 896 630**	**133**	**72.00**	**66.23**	**68.00**
2018 – May	**3 210 935**	**216**	**71.10**	**63.01**	**65.39**
2018 – June	**2 598 169**	**161**	**65.50**	**57.06**	**60.15**

Notice of Annual General Meeting

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

Board of Directors ("**Board**")**:** Ms L Boyce; Mr A Hall (CEO), Prof M Haus, Ms J John, Dr T Lesoli, Ms B Letsoalo (Executive Director: Human Capital and Transformation); Ms N Madisa, Mr M Makwana, Dr C Manning, Dr A Mokgokong, Ms D Neethling (CFO), Mr L Ralphs, Mr C Raphiri (Chairman), and Dr R Stewart.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of shareholders of Adcock Ingram will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 22 November 2018 at 09:00 or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i)) of the Companies Act, 71 of 2008 ("**Companies Act**") (such Annual General Meeting being hereinafter referred to as the "**AGM**").

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

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

(a) receive this Notice of the AGM as being Friday, 19 October 2018; and

(b) participate in and vote at the AGM as being Friday, 16 November 2018.

The last day to trade in the Company's shares, in order to participate in and vote at the AGM is Tuesday, 13 November 2018.

The meeting is convened for the purpose of conducting the following business and to consider and if deemed fit, pass and approve, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act and the JSE Listings Requirements. Please see the explanatory notes commencing on page 149 for the explanations which accompany the below ordinary and special resolutions.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

To present the audited annual financial statements of the Company and its subsidiaries (the "**Group**") as approved by the Board of the Company in terms of section 30(3) of the Companies Act, incorporating, *inter alia*, the reports of the external Auditors, Audit Committee and the directors for the financial year ended 30 June 2018.

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 2018, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("**Companies Regulations**").

3. RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Ordinary Resolution 1

3.1 To elect Ms N Madisa, who is retiring in accordance with clause 15.5 of the Company's Memorandum of Incorporation ("**MOI**"), as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act. Ms Madisa, being eligible and available, offers herself for re-election (as Ordinary resolution number 1.1).

3.2 To elect Prof M Haus, who is retiring by rotation in accordance with clause 17.1 of the MOI and as contemplated in section 68(2)(a) of the Companies Act, as a non-executive director of the Company. Prof Haus, being eligible and available, offers himself for re-election (as Ordinary resolution number 1.2).

3.3 To elect Mr M Makwana, who is retiring by rotation in accordance with clause 17.1 of the MOI and as contemplated in section 68(2)(a) of the Companies Act, as a non-executive director of the Company. Mr Makwana, being eligible and available, offers himself for re-election (as Ordinary resolution number 1.3).

Notice of Annual General Meeting continued

4. ELECTION OF AUDIT COMMITTEE MEMBERS

Ordinary Resolution 2

4.1 To elect by way of separate divisible resolutions the following non-executive directors as the Audit Committee members for the ensuing year in accordance with section 94 of the Companies Act. The Audit Committee members listed below currently serve on the committee and, accordingly, offer themselves for re-election:

4.1.1 Ms J John (Chairperson) (as Ordinary Resolution 2.1);

4.1.2 Ms L Boyce (as Ordinary Resolution 2.2);

4.1.3 Prof M Haus (as Ordinary Resolution 2.3) subject to being re-elected as a director in terms of Ordinary Resolution 1.2 above; and

4.1.4 Dr R Stewart (as Ordinary Resolution 2.4).

5. RE-APPOINTMENT OF EXTERNAL AUDITORS

Ordinary Resolution 3

To appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr Warren Kinnear) and to note the remuneration of the independent external auditors as determined by the Audit Committee of the Board for the past year's audit as reflected in note 6 to the annual financial statements.

6. APPROVAL OF THE REMUNERATION POLICY

Ordinary Resolution 4

To endorse, by way of a non-binding advisory vote, the Group's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of committees), as set out on page 51 of the Integrated Report.

7. APPROVAL OF THE IMPLEMENTATION OF THE REMUNERATION POLICY OF THE COMPANY

Ordinary Resolution 5

To endorse, by way of a non-binding advisory vote, the Group's implementation report as set out on pages 53 to 58 of the Integrated Report.

8. DELEGATION OF AUTHORITY

Ordinary Resolution 6

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

9. FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED PARTIES

Special Resolution 1

To approve, subject to compliance with the provisions of the MOI and Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing from the date of approval of this special resolution, of such direct or indirect financial assistance, by way of a loan, guarantee of a loan or other obligation or securing of a debt or other obligation or otherwise as the Board may authorise, (i) to any 1 (one) or more related or inter-related company(ies) or corporation(s), (as such relations and inter-relationships are outlined in section 2 of the Companies Act), on such other terms and conditions as the Board may deem fit, subject to the Companies Act.

10. PROPOSED REMUNERATION OF NON-EXECUTIVE DIRECTORS PAYABLE WITH EFFECT FROM 1 DECEMBER 2018

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 2018 until the next AGM as set out in the explanatory notes.

11. APPROVAL OF THE PERFORMANCE BASED LONG-TERM INCENTIVE SCHEME

Special Resolution 3

To consider and approve the Adcock Ingram Performance Based Long-Term Incentive Scheme 2018 ("the **PBLTIS**") in terms of all relevant sections of the Companies Act (including, but not limited to, sections 41, 44 and 48) and in terms of the listings requirements of the JSE Limited ("**the JSE Listings Requirements**") (including, but not limited to, Schedule 14). Details of the PBLTIS are set out in a separate insert. In addition, the directors of the Company are hereby authorised to take all such steps as may be necessary for the establishment and carrying into effect of the PBLTIS, including without limitation the allotment, issue and/or purchase of ordinary shares of the Company and the granting of financial assistance in relation thereto (all on the terms and conditions set out in the PBLTIS,) to or for the benefit of participants of the PBLTIS, including executive directors of the Company.

Notice of Annual General Meeting continued

12. MATERIAL CHANGE

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

13. ANY OTHER BUSINESS

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

14. ELECTRONIC COMMUNICATION AND PARTICIPATION

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

- must contact the Company Secretary at ntando.simelane@adcock.com or by calling +27 (0) 11 635 0143 during business hours (08:00 to 17:00 on week days);
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

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

15. PROXIES AND VOTING

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company. Note that equity securities held by a share trust or scheme and unlisted securities will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the JSE Listings Requirements. Shares held as treasury shares in terms of the Companies Act may not vote on any resolutions.

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

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, must contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Forms of proxy should be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa, or 2001; PO Box 61051, Marshalltown, 2107), to be received for the orderly arrangement of matters on the date of the AGM (but not required) by no later than 09:00, on Tuesday, 20 November 2018 (for administrative purposes), provided that they may be handed to the chairperson of the meeting at any time prior to the proxy exercising any right at the meeting.

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

By order of the Board

Ntando Simelane
Company Secretary

Midrand
25 October 2018

Annual General Meeting – Explanatory notes

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

Section 61(8) of the Companies Act requires directors to present the annual financial statements for the year ended 30 June 2018 to shareholders, together with the reports of the directors, external Auditors and the Audit Committee at the AGM. These are contained within the Integrated Report.

Shareholders are advised that, in terms of section 62(3)(d) of the Companies Act, a copy of the complete annual financial statements for the preceding financial year may be obtained by submitting a written request to the Company Secretary, and electronic copies are available on the Adcock Ingram website (www.adcock.com).

PRESENTATION OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulations requires the Social and Ethics Committee, through 1 (one) of its members, to report to the shareholders on matters within its mandate at the AGM. The Social, Ethics and Transformation Committee's report will be presented during the AGM.

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

In terms of the MOI, one-third of the non-executive directors are required to retire at each annual general meeting and may offer themselves for re-election. The MOI also provides that non-executive directors who were appointed by the Board to fill a vacancy or as an addition to the Board shall retire in terms of clause 15.5.

1.1 Ms N Madisa (as Ordinary resolution number 1.1) retires by rotation in terms of clause 15.5 of the MOI;

The following non-executive directors accordingly retire by rotation as required in terms of clause 17.1 of the MOI:

1.2 Prof M Haus (as Ordinary resolution number 1.2);

1.3 Mr Makwana (as Ordinary resolution number 1.3); and

Ms Madisa, Prof Haus, and Mr Makwana have offered themselves for re-election and, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible for re-election.

Brief *curriculum vitae* in respect of the retiring directors who have offered themselves for re-election, are set out on page 6 of the Integrated Report.

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

If each of the resolutions set out under Ordinary Resolution 1 is approved, the effect would be to elect the retiring directors who have offered themselves for re-election (i.e. Ms Madisa, Prof Haus and Mr Makwana) as non-executive directors to the Board of the Company until such time as any of them resign or is otherwise removed from office.

Ordinary Resolution 2 – Election of the Audit Committee members

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

2.1 Ms J John (Chairperson) (as Ordinary Resolution 2.1);

2.2 Ms L Boyce (as Ordinary Resolution 2.2);

2.3 Prof M Haus (as Ordinary Resolution 2.3) subject to being re-elected as a director in terms of resolution 1.2); and

2.4 Dr R Stewart (as Ordinary Resolution 2.4).

A brief *curriculum vitae* in respect of each of the above non-executive directors offering themselves for re-election as a member of the Audit Committee, is set out on page 6 of the Integrated Report.

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

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

Ordinary Resolution 3 – Re-appointment of External Auditors

In terms of section 90(1) of the Companies Act the Company must appoint an auditor each year at its AGM by way of an ordinary resolution of the shareholders entitled to exercise voting rights on that resolution. In terms of section 94(7)(a) (as read with section 90(2)) of the Companies Act, the Audit Committee of the Company must nominate a registered auditor for appointment as auditor of the Company who is, in the opinion of the Audit Committee, independent of the Company.

The Audit Committee has nominated Ernst & Young Inc. ("**EY**") as the independent external auditors of the Company. The Audit Committee is satisfied that EY and the individual auditor designated by EY as responsible for performing the functions of the Company's auditor on behalf of EY, namely Mr Warren Kinnear, can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. The relevant section of the Audit Committee Report relating to the Audit Committee's nomination of EY as the auditors of the Company is contained on pages 64 and 65 of the Integrated Report.

Annual General Meeting – Explanatory notes continued

EY has confirmed its willingness to continue in office and Ordinary Resolution 3 proposes the re-appointment of the firm as the Company's auditors with effect from 1 December 2018 until the next AGM. As contemplated in section 90(3) of the Companies Act, the name of the designated auditor, Mr Warren Kinnear, forms part of the resolution. The resolution also notes the remuneration of the independent external auditors as determined by the Audit Committee of the Board.

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

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

Ordinary Resolution 4 – Approval of the Remuneration policy

Principle 14 of King IV requires companies to ensure that they remunerate fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term and requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Group's remuneration report is contained on pages 50 to 58 of the Integrated Report. Ordinary Resolution 5 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will, as required in terms of King IV, disclose in the background statement of the remuneration report succeeding the voting: with whom the Company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and the nature of steps taken to address legitimate and reasonable objections and concerns, in the event that either the remuneration policy or implementation report, or both, were voted against by 25% (twenty-five percent), or more, of the voting rights exercised.

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

Ordinary Resolution 5 – Approval of the implementation of the remuneration policy

Principle 14 of King IV further recommends that the implementation of a Company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This resolution is of advisory nature only to enable shareholders to express their views on the implementation of the Group's remuneration policy.

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

Ordinary Resolution 6 – Delegation of Authority

This reason for Ordinary Resolution 6 is to authorise any 1 (one) director or the Company Secretary of the Company to do all such things and sign all documents and take all such action as he/she may consider necessary to implement the resolutions set out in the notice convening the AGM at which Ordinary Resolution 6 will be considered.

To be approved, Ordinary Resolution 6 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

Special Resolution 1 – Financial assistance to related and inter-related parties

It is important for the Group to be able to administer its cash resources efficiently. From time to time it is advisable for the Company to borrow from its subsidiaries, and to on-lend or provide loans to its subsidiaries and other potential recipients envisaged in Special Resolution 1 in accordance with the provisions of section 45 of the Companies Act. It is not possible to detail in advance all instances where such financial assistance could be required, and approval is accordingly sought as contemplated in section 45(3)(a)(ii) of the Companies Act generally for the provision of financial assistance to certain categories of potential recipients. If approved, this general authority will expire at the end of 2 (two) years from the date on which Special Resolution 1 is approved. In addition, it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above. Accordingly, the Company requires flexibility and the authority to act promptly as the need arises, and the authority of this special resolution is sought in advance to obviate the need for shareholder approval in each instance.

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

If Special Resolution 1 is approved, the effect would be to authorise the Company to grant the aforementioned financial assistance to the relevant persons, subject to compliance with the MOI and the Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company).

Special Resolution 2 – Proposed remuneration of non-executive directors – payable with effect from 1 December 2018

Shareholders are requested to consider and if deemed appropriate, approve the proposed annual market related fees and remuneration payable monthly or quarterly (as may be arranged with individual directors) in arrears to non-executive directors for their services as directors (which for clarity includes their participation in sub-committees of the Board) with effect from 1 December 2018 until the next AGM as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 58 the Integrated Report. Since the coming into effect of the Companies Act, in particular sections 65(11), 66(8) and (9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders (i.e. a resolution passed with the support of at least 75% (seventy-five percent) of the voting rights exercised on the resolution) within the previous 2 (two) years.

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

Annual General Meeting – Explanatory notes continued

Category	Current annual remuneration	Proposed annual remuneration payable with effect from 1 December 2018
Board		
Chairman	1 148 950	**1 189 163**
Board member	262 900	**284 769**
Audit Committee		
Chairman	249 500	**249 500**
Committee member	124 740	**124 740**
Risk and Sustainability Committee		
Chairman	235 370	**235 370**
Committee member	117 680	**117 680**
Human Resources, Remuneration and Nominations Committee		
Chairman	180 000	**180 000**
Committee member	82 700	**82 700**
Social, Ethics and Transformation Committee		
Chairman	165 900	**165 900**
Committee member	71 230	**75 500**
Acquisitions Committee		
Chairman	249 500	**249 500**
Committee member	124 740	**124 740**

Non-executive directors are paid an additional R13 000 (thirteen thousand Rand) each when they attend special meetings of the Board and/or sub-committees of the Board which last more than 3 (three) hours. The Chairman of the Board does not get paid any additional amount for attending meetings of sub-committees of the Board.

If Special Resolution 2 is approved, the effect would be to authorise the Company to pay the remuneration contemplated in the above table to the non-executive directors of the Company for their services as directors, with effect from 1 December 2018 until the next AGM.

Special Resolution 3 – Approval of the Performance-Based Long-Term Incentive Scheme

The reason for Special Resolution 3 is that (i) in terms of Schedule 14 of the JSE Listings Requirements, the PBLTIS must be approved by holders passing an ordinary resolution (requiring a 75% majority of the votes cast in favour of such resolution by all holders present or represented by proxy at the general meeting to approve such resolution) and (ii) the directors of the Company consider it to be in the best interests of the Company that a new share incentive scheme be adopted so as to ensure that appropriate incentives are granted to employees of the Company and/or its subsidiaries to attract, retain, motivate and reward selected critical employees to encourage growth and profitability within the Company. Furthermore, to align with what the market considers to be best practice and to satisfy shareholder concerns in this regard. In terms of the Companies Act, the implementation of the PBLTIS may require approval in terms of, inter alia, section 41, 44 and/or 48. If adopted the effect will be to authorise the establishment and implementation of the PBLTIS in terms of the JSE Listings Requirements and the Companies Act. The copy of the share incentive scheme rules is included as a separate insert and these can also be accessed from the Company website: www.adcock.com. In 2019, share incentive scheme participants' performance shall be measured based on the following financial and non-financial metrics: i) HEPS (50%), ii) Return on Funds Employed (ROFE) (25%) and iii) B-BBEE (25%). These performance metrics will be subject to a minimum threshold, target and stretch requirements.

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

Quorum

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

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

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).

Form of Proxy

Adcock Ingram Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436 JSE share code: AIP
("Adcock Ingram" or "the Company")

For use only by certificated shareholders and "own name" dematerialised shareholders of Adcock Ingram in respect of the Annual General Meeting of shareholders to be held at 1 New Road, Midrand, Gauteng, on Thursday, 22 November 2018 at 09:00 or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i)) of the Companies Act.

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

All terms defined in the Notice of Annual General Meeting to shareholders dated 25 October 2018 to which this form of proxy is attached and not defined herein shall bear the same meanings herein.

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

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

of (address) ______________________________

(contact details) ______________________________

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

votes, do hereby appoint:

______________________________ or failing him/her,

______________________________ or, failing him/her,

the chairman of the Annual General Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 22 November 2018 at 09:00 or any postponement or adjournment thereof, as follows:

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

Form of Proxy continued

	Number of votes		
	In favour of the resolution	**Against the resolution**	**Abstain from voting on the resolution**
Ordinary Resolution 1 1.1 To re-elect Ms N Madisa as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes herself available for re-election.			
1.2 To re-elect Prof M Haus as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes himself available for re-election.			
1.3 To re-elect Mr M Makwana as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes himself available for re-election.			
Ordinary Resolution 2 To re-elect the following non-executive directors as Audit Committee members by way of separate resolutions.			
2.1 Ms J John (Chairperson)			
2.2 Ms L Boyce			
2.3 Prof M Haus, subject to being elected as a non- executive director in terms of resolution 1.2 above.			
2.4 Dr R Stewart			
Ordinary Resolution 3 To re-appoint EY as the independent external auditors of the Company for the ensuing year (the designated auditor being Mr Warren Kinnear) and to note the remuneration of the independent external auditors as determined by the Audit Committee.			
Ordinary Resolution 4 To endorse by way of a non-binding vote the Group's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of committees).			
Ordinary Resolution 5 To endorse, by way of a non-binding advisory vote, the Group's remuneration implementation report.			
Ordinary Resolution 6 To authorise any one director of the Company or the Company Secretary to do all such things and sign all such documents (including any amendments thereto) to implement all the resolutions tabled and approved at this Annual General Meeting.			
Special Resolution 1 To approve the Company to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Companies Act to any of the recipients falling within those identified in the notice of this Annual General Meeting.			
Special Resolution 2 To approve the proposed fees and remuneration payable to non-executive directors for their services as directors with effect from 1 December 2018 until the next Annual General Meeting as set out in the notice of this Annual General Meeting.			
Special Resolution 3 To consider and approve the Adcock Ingram Performance Based Long-Term Incentive Scheme 2018 ("**the PBLTIS**") in terms of all relevant sections of the Companies Act (including, but not limited to, sections 41, 44 and 48) and in terms of the listings requirements of the JSE Limited ("**the JSE Listings Requirements**") (including, but not limited to, Schedule 14). Details of the PBLTIS are set out in the insert hereto. In addition, the directors of the Company are hereby authorised to take all such steps as may be necessary for the establishment and carrying into effect of the PBLTIS, including without limitation the allotment, issue and/or purchase of ordinary shares of the Company and the granting of financial assistance in relation thereto (all on the terms and conditions set out in the PBLTIS) to or for the benefit of participants of the PBLTIS, including executive directors of the Company.			

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

Signed by me (full names)

In my capacity as at (place)

On this (date, month and year)

Signature

Please read the notes on the next page.

Notes to completion of Form of Proxy

1. If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, Central Securities Depository Participant ("**CSDP**"), banker, attorney, accountant or other person through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected. You are reminded that the onus is on you to communicate with your CSDP or broker.
3. A form of proxy is only to be completed by those ordinary shareholders who are:

   3.1 holding ordinary shares in certificated form; or

   3.2 recorded on sub-register electronic form in "own name".
4. If you have already dematerialised your ordinary shares through a CSDP or broker and wish to attend the Annual General Meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
5. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the chairman of the Annual General Meeting" but any such deletion must be initialled by you. Any insertion or deletion not complying with the foregoing will, subject to 12 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
6. If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
7. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of the votes exercisable by the shareholder or by the proxy.
8. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.
9. To be effective, completed forms of proxy:

   (i) should be lodged with or mailed to Computershare Investor Services Proprietary Limited

   Hand deliveries to:
   Rosebank Towers, 15 Biermann Avenue
   Rosebank, 2196

   Postal deliveries to:
   PO Box 61051
   Marshalltown, 2107

   to be received, for administrative purposes only, by 09:00 on Tuesday, 20 November 2018 or no less than 48 hours before any adjourned or postponed meeting); or

   (ii) should be lodged with or mailed to Adcock Ingram, 1 New Road, Midrand, Gauteng (marked for the attention of the Company Secretary) to be received after the time last specified in (i) above but up to at least 10 minutes before the commencement of the Annual General Meeting (including any adjourned or postponed meeting); or

   (iii) must be handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting), provided that, should the relevant shareholder return such form of proxy in terms of (ii) above, the relevant shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting).

Notes to completion of Form of Proxy continued

10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Adcock Ingram.
12. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
13. Notwithstanding the aforegoing, the chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
14. Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
15. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
16. A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.

Glossary

AGM	Annual general meeting
API	Active pharmaceutical ingredient
ARV	Anti-retroviral
BMT	Tiger Brands Black Managers Trust
CNS	Central Nervous System
CSR	Corporate Social Responsibility
EPS	Earnings per share
EVP	Employee value proposition
Executive management	The Executive Directors
FEC	Forward Exchange Contracts
GMP	Good Manufacturing Practices
HCP	Healthcare Practitioner
HD	Haemodialysis
HEPS	Headline earnings per share
HIV	Human Immunodeficiency virus
King IV	King IV Report on Corporate Governance for South Africa, 2016
LTI	Long-term incentive
Management	Executive management and senior management
MCC	Medicines Control Council
NED	Non-executive director
NHI	National Health insurance
OTC	Over the counter
PBLTIS	Performance based long-term incentive scheme
PD	Peritoneal dialysis
PICS	Pharmaceutical Inspection Co-operation Scheme
POPIA	Protection of Personal Information Act
SAHPRA	South African Health Products Regulatory Authority
Senior management	The Executive Committee, excluding the Executive Directors
SEP	Single exit price
STI	Short-term incentive
TGP	Total guaranteed pay
Variable pay	STI and LTI

COMPANY INFORMATION

Adcock Ingram Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2007/016236/06)
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

Directors
Ms L Boyce (Independent Non-executive Director)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Ms J John (Independent Non-executive Director)
Dr T Lesoli (Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Ms N Madisa (Non-executive Director)
Mr M Makwana (Independent Non-executive Director)
Dr C Manning (Non-executive Director)
Dr A Mokgokong (Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr L Ralphs (Non-executive Director)
Mr C Raphiri (Independent Non-executive Chairman)
Dr R Stewart (Independent Non-executive Director)

Company secretary
NE Simelane

Registered office
1 New Road, Midrand, 1682

Postal address
Private Bag X69, Bryanston, 2021

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051
Marshalltown, 2107

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

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

Bankers
Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2196

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