



INTEGRATED REPORT **2016**



About this report

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

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

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

Reporting principles

Adcock Ingram is a public company incorporated in South Africa in accordance with the provisions of the Companies Act 71 of 2008 (Companies Act) and complies with the principles of King III unless otherwise stated, the Companies Act, the JSE Limited Listings Requirements and other legislative requirements. The Group subscribes to high ethical standards and principles of corporate governance. For more details, and an overview of the Group governance and structure, please see the corporate governance section on pages 54 to 57.

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

Scope and boundary of this report

Adcock Ingram's integrated report covers the financial year 1 July 2015 to 30 June 2016. The report is released at least 15 business days prior to its Annual General Meeting to be held on 24 November 2016. Comparatives are for the year 1 July 2014 to 30 June 2015.

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 and Zimbabwe individually and collectively constitutes a small percentage of the Group's operations and together with India and Ghana, the investments which are in the process of being divested, are for that reason excluded from the operational review. Data is given, where relevant, about our businesses in Kenya, Ghana, Zimbabwe and India. Comparatives are included where available.

Assurance

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

ANNUAL FINANCIAL STATEMENTS 2016

The annual financial statements for the year ended 30 June 2016 were approved by the Board on 25 August 2016. Ernst & Young Inc., the independent auditors, have audited the annual financial statements as disclosed in their unqualified report.

SUSTAINABILITY INFORMATION

The sustainability information has not been assured in the current or prior year.

B-BBEE STATUS

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the 2015 financial year. Through the external verification process conducted by the agency, the Group has been assessed as a Level 4 contributor in terms of the revised codes of the B-BBEE Act. This rating is valid until 30 November 2016.

adding value to life

OUR MISSION

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

OUR PROFILE

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

OUR VALUES

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

ONE	ABOUT US 4 OUR GEOGRAPHIC SPREAD 6 INTEGRATED BUSINESS MODEL	SIX	ANNUAL FINANCIAL STATEMENTS 71 DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 71 CERTIFICATE BY COMPANY SECRETARY 72 INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADCOCK INGRAM HOLDINGS LIMITED 73 AUDIT COMMITTEE REPORT 74 DIRECTORS' REPORT 76 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 78 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 79 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 80 CONSOLIDATED STATEMENTS OF CASH FLOWS 81 ACCOUNTING POLICY ELECTIONS 82 NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS 112 COMPANY STATEMENTS OF COMPREHENSIVE INCOME 113 COMPANY STATEMENT OF CHANGES IN EQUITY 114 COMPANY STATEMENTS OF FINANCIAL POSITION 115 COMPANY STATEMENTS OF CASH FLOWS 116 NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS	
TWO	CREATING VALUE FOR OUR STAKEHOLDERS 10 CUSTOMERS AND CONSUMERS 11 MULTINATIONAL PARTNERS AND LICENSORS 12 EMPLOYEES 13 REGULATORY AUTHORITIES AND GOVERNMENT 14 SHAREHOLDERS AND INVESTOR COMMUNITY 15 SUPPLIERS AND SERVICE PROVIDERS 16 COMMUNITIES 17 INDUSTRY GROUPS			
THREE	OUR STRATEGY TO SUSTAIN VALUE 20 OUR STRATEGY 22 OUR RISK MANAGEMENT			
FOUR	OUR PERFORMANCE 26 LEADERSHIP REVIEW FROM OUR CHAIRMAN AND CEO 28 FINANCIAL REVIEW 34 OPERATIONAL REVIEW 34 Over the Counter 36 Prescription 38 Hospital 40 Consumer 42 SUSTAINABILITY			121 ANNEXURE A: SEGMENT REPORT 124 ANNEXURE B: SHARE-BASED PAYMENT PLANS 129 ANNEXURE C:DEFINED BENEFIT PLAN 131 ANNEXURE D:POST-RETIREMENT MEDICAL LIABILITY 132 ANNEXURE E:FINANCIAL INSTRUMENTS 138 ANNEXURE F: INTEREST IN JOINT VENTURES 140 ANNEXURE G: IMPAIRMENTS 141 ANNEXURE H: INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES 142 ANNEXURE I: ACCOUNTING POLICIES
FIVE	OUR GOVERNANCE 50 OUR EXECUTIVE COMMITTEE 52 OUR BOARD 54 CORPORATE GOVERNANCE 58 REMUNERATION REPORT			SHAREHOLDER INFORMATION 158 SHAREHOLDER ANALYSIS 160 NOTICE OF AGM 165 AGM EXPLANATORY NOTES 170 FORM OF PROXY 172 NOTES TO THE FORM OF PROXY COMPANY DETAILS

HOW TO READ THIS REPORT

-  More information available on www.adcock.com
-  Read more on the specified page

ENERGY USAGE
(KWH)

47 612 107

(2015: 50 181 415)

WATER USAGE

(Kℓ)

328 422

(2015: 351 308)

CARBON
EMISSIONS
(TONNES)

107 674

(2015: 115 479)

CARBON
EMISSIONS*

27,93

(2015: 31,13)

* (Scope 1 and 2) per full-time employee (tonnes)

A photograph of two women from behind, walking through a field of tall green grass. They are both pushing green wheelbarrows. The woman on the left is wearing a black and white striped tank top and a dark skirt. The woman on the right is wearing a dark purple long-sleeved top and a dark skirt. The background shows a line of trees under a clear sky.

Environmental

Highlights

FROM CONTINUING OPERATIONS

TURNOVER

R5 546m

increased 7,5%
(2015: R5 159m)

TRADING
PROFIT

R606m

increased 16,9%
(2015: R518m)

NORMALISED
HEPS

238.6c

increased 20,1%
(2015: 198.7 cents)

NET DEBT
REDUCED BY

R466m

SHARE PRICE
CLOSE

4 429c

Low: 3 544 cents
High: 5 650 cents



'Water for Life' project providing water to drought stricken areas.



One

ABOUT US

126

YEARS OF MILESTONES

1890

EJ Adcock Pharmacy opened its doors in Krugersdorp.

1937

Ingram's Camphor Cream was launched.

1948

Relationship established with Baxter Healthcare.

1949

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

1978

Tiger Oats Limited acquired 74% shareholding in Adcock Ingram.

1979

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

1987

Adcock Ingram acquired the Mer-National Division from Dow Chemicals Africa and Sterling Winthrop.

These acquisitions strengthened the Group's range in the Over the Counter (OTC) market with brands such as Panado.

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

1994

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

1996

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

1999

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

2000

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

2003

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

2007

Adcock Ingram launched its range of generic ARV products.

2008

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

Joint venture with an Indian partner led to the formation of Adcock Ingram in Bangalore.

2010

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

Entered into strategic collaboration with various multinational companies.

2012

Completed the high-volume liquids facility in Clayville.

2014

The Bidvest Group Limited acquired 29.4% of the shares in the Group.

OUR GEOGRAPHIC SPREAD MARKET OVERVIEW

The South African private pharmaceutical market, as measured by IMS MAT June 2016, is worth R35,5 billion, with 6,7 % value and 0,4% volume growth.

Adcock Ingram holds a market share of 9,0% in value and 21,4% in volume. Our operations are spread throughout the African continent but our manufacturing facilities are based in South Africa and India. The head office for the Group is located in Midrand, South Africa.

ACTIVITIES



Manufacturing

We have four manufacturing facilities

Sales and marketing

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

Distribution

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



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

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

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



Over the Counter

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



The Prescription

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



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



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



**BANGALORE
(JV facility)**

**Capacity: Tablets &
capsules:
3,5 billion units**

Accreditations:

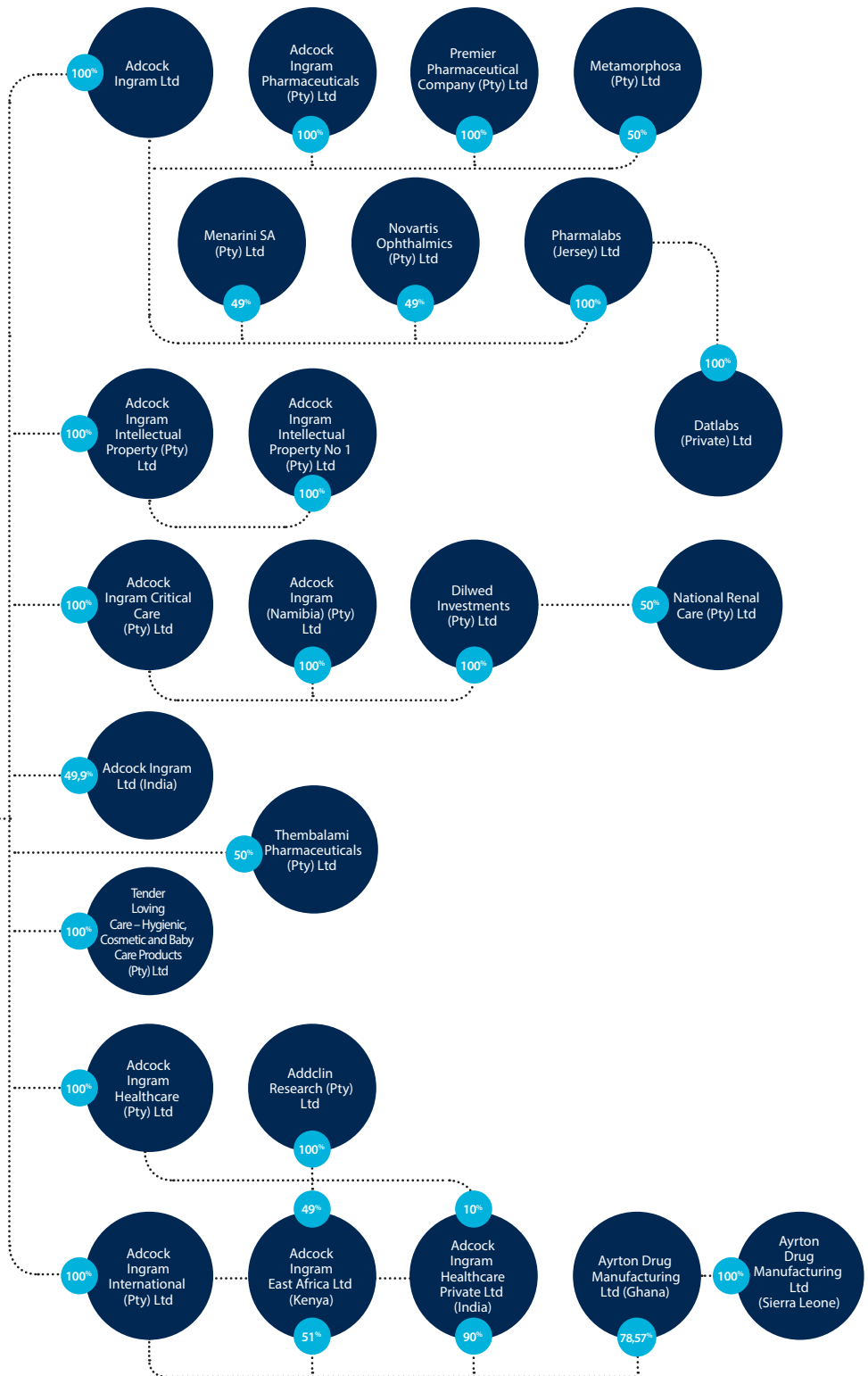
UK (MHRA),
Australia (TGA),
South Africa (MCC),
France (ANSES),
Tanzania (TFDA),
Kenya (PPB),
Ghana (FDB),
Namibia (NMRC),
Uganda (UNDA),
Romania
(RNMMD), and
Ethiopia (FMHACA)

**OUR
ORGANISATIONAL
STRUCTURE**

Adcock Ingram
Holdings Limited

**LEVEL 4
B-BBEE
SCORE**

2 405
EMPLOYEES



Trusts and structured entities



* Consists of 19 entities

INTEGRATED BUSINESS MODEL

R&D/REGISTRATION

Buy
intellectual
property

Develop
intellectual
property

MANUFACTURE

Own factories

Outsourced
factories

Products

OTC

Rx

Hospital

Consumer

34

36

38

40

SOURCE

Raw materials
sourced
locally or
internationally

Finished
goods from
3rd party
suppliers



LOGISTICS

Own
distribution
centres3rd party
distribution
centres

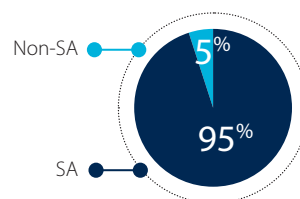
Adcock Ingram distributes
over 220 million units per
annum to customers.

**1 736 units
per minute
or 29 units
per second**

FOOTPRINT

Southern
Africa

Rest of Africa

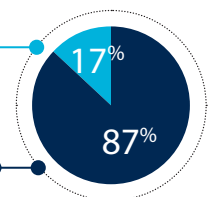


CUSTOMERS

Governments, Wholesalers, Pharmacies
Hospitals, Doctors, In-sourcing customers,
FMCG retailers

Public sector sales

Private sector sales



In 2011, Adcock Ingram began upgrades to an even
more advanced automated distribution system.
The upgrades allowed for an increase of nearly
6 000 fine pick locators increasing
the picking speed from just under 40 tasks per man hour to
374 tasks per man hour
and greatly improving pick accuracy.





CREATING VALUE FOR OUR STAKEHOLDERS

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

STAKEHOLDER ENGAGEMENT

The Group aims to develop mutually beneficial relationships with its stakeholders, building on a foundation of effective, transparent and practical communication, for the benefit of stakeholders, the Group and society as a whole.

Creating trust and goodwill with our stakeholders has been beneficial and will continue to foster a productive business environment. This facilitates value for our stakeholders and growth for the business, while building the Group's image and brand as an ethical, responsible and concerned corporate citizen.

Adcock Ingram has intensified its involvement with certain stakeholders in support of the business focus on customers, products and service. A partnership approach introduced in 2015, with shared accountability and responsibility across the divisions, continued during the year with key stakeholder groups who were identified as priority in relation to the activities and decision-making processes of the business. These include customers, suppliers, employees, regulatory authorities and government. Stakeholders have reacted positively to the divisionalisation of the business and have embraced the new business philosophy.

CUSTOMERS & CONSUMERS

"The needs of our customers are the key focus for every business function and for every employee"

HOW DO WE CREATE VALUE FOR OUR CUSTOMERS



Promotion of products

educate healthcare professionals on their use of our products; solicit feedback on our products and service as well as the consumer's experiences and needs for the development of innovative product offerings; ensure effective product stewardship; and gain credibility and support for Adcock Ingram's brands.

HOW DO OUR OPERATIONS AFFECT OUR CUSTOMERS



Service delivery and resolution of issues

experienced by customers and consumers; product quality, safety and effectiveness; security of supply.

HOW DO WE ENGAGE WITH OUR CUSTOMERS



Daily interaction with customers

through personal visits by sales personnel, managers and executives.

Other interactions include continuing professional education; customer surveys; a customer call centre; advertising; the corporate website; consumer focus groups and education campaigns.

WHAT ARE THE ASSOCIATED RISKS AND OPPORTUNITIES FOR US AND OUR CUSTOMERS



Service delivery levels

on effervescent and consistency of supply of ophthalmic products. The procurement process for new machinery in the effervescent facility in Clayville has commenced to improve the supply of effervescent. The Group will also embark on the construction of an ophthalmic plant at the Clayville facility with the first phase expected to take 20 months to full implementation.

WHAT ARE ASSOCIATED STRATEGIC OBJECTIVES FOR ENSURING THAT OUR CUSTOMERS' NEEDS ARE MET



A relentless focus

on customer service.

Adding value

MULTINATIONAL PARTNERS AND LICENSORS

“Partnership of choice programmes are integral to the Adcock Ingram business model”

How do we create value for our multinational partners and licensors

By ensuring partner satisfaction with the service and results delivered through the specific arrangements.

How do our operations affect our multinational partners and licensors

Achievement of commercial and partnership goals; alignment with international best practice standards for product promotion and regulatory adherence.

How do we engage with our multinational partners and licensors

Regular reviews with partners both domestically and internationally to ensure the Group retains a high profile with existing and prospective partners.

What are the associated risks and opportunities for us and our multinational partners and licensors

Constant management of the diverse expectations of Partners is an ongoing focus for the business. The divisionalisation has assisted in the monitoring and management of these relationships, but the high level of global consolidation, and management and portfolio changes within multinationals, means that these arrangements can be placed at risk.

What are associated strategic objectives for ensuring that the multinational partners and licensors' needs are met

Extending our MNC relationships into distribution activities. In the Prescription Division, pursuing generic partnership relationships to improve our product offering and obtaining clone molecules and co-promotion opportunities from our innovator MNC partners. In the Hospital Division, investigating agency or licence agreements with companies whom we do not currently partner, in categories where we are not active.

EMPLOYEES

“Improved employee motivation and accountability continue to be the most valuable attitude shift”

How do we create value for our employees

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

How do our operations affect our employees

The performance of the Company impacts job security; benefits; training and development programmes; share incentive and retention schemes; educational assistance and the overall wellness of employees.

How do we engage with our employees

Communication via the intranet; plasma screens; newsletters; internal staff surveys; training and development initiatives; site management/shop steward meetings; site forum employment equity meetings; trustee meetings and conferences.

What are the associated risks and opportunities for us and our employees

There continues to be a degree of regular staff turnover within certain teams which can lead to a skills shortage of specialists. Attracting and retaining top talent and skilled individuals is intensified by our transformation strategy.

What are associated strategic objectives for ensuring that our employees' needs are met

Promoting transformation;
Reinforcing the culture of responsibility, accountability and fun at work.

REGULATORY AUTHORITIES & GOVERNMENT

“Alignment and partnerships with regulatory authorities and government are being consolidated”

Compliance

HOW DO WE CREATE VALUE FOR THE REGULATORY AUTHORITIES AND GOVERNMENT



By continuing to comply with the relevant legislation

and regulations in an effort to provide South Africans with quality, affordable medicines; participate in a visible, viable and sustainable local pharmaceutical industry; service government as a customer of our products.

HOW DO WE ENGAGE WITH THE REGULATORY AUTHORITIES AND GOVERNMENT



Proactive government relations engagement strategy

is in place at executive and Board level with key government ministers and officials in national, provincial and local government. Regular contact, including personal visits to regulatory bodies, particularly the MCC. Also, through membership of the Chemical Industries Education and Training Authority (CHIETA).

HOW DO OUR OPERATIONS AFFECT THE REGULATORY AUTHORITIES AND GOVERNMENT



Efficiency of supply

promotes accessibility and affordability of medicines; support investment in South Africa, as well as empowerment, transformation and corporate social investment initiatives.

WHAT ARE THE ASSOCIATED RISKS AND OPPORTUNITIES FOR US AND THE REGULATORY AUTHORITIES AND GOVERNMENT



The industry-specific annual adjudication of the single exit price

as increases have failed to cover the cost of increases faced by the industry. The complex and ever-evolving regulatory environment provides challenges with product registrations, which are common throughout the industry.

WHAT ARE ASSOCIATED STRATEGIC OBJECTIVES FOR ENSURING THAT THE REGULATORY AUTHORITIES AND GOVERNMENT'S NEEDS ARE MET



Through continuous monitoring,

a rigid approach to quality control and assurance, compliance is continuously achieved through the ongoing combined efforts of various teams.

SHAREHOLDERS AND INVESTOR COMMUNITY

“Promoting relationships with the financial supporters of the business”

How do we create value for our shareholders and investor community

To keep shareholders and the investment community updated on the Company's financial and operational performance and strategic plans, in a transparent manner. To understand the objectives and opinions of our shareholders.

How do our operations affect our shareholders and investors

Through the strategy and structure of the business the Group strives to deliver sustainable and market-related returns.

How do we engage with our shareholders and investors

Communication through the Johannesburg Stock Exchange News Service (SENS); media releases; telephonic and face to face meetings.

What are the associated risks and opportunities for us and our shareholders and investors

The industry-specific regulatory challenges of the business.

What are associated strategic objectives for ensuring that the shareholders and investors' needs are met

Strategic priority of growth and expansion through acquisitions, partnerships, innovation and new customers and sales channels. Continue to build on the foundation through focused investment in brands, strict cost control and improving asset management.

Relationships

SUPPLIERS AND SERVICE PROVIDERS

“Healthy supplier relationships are critical to the business”

HOW DO WE CREATE VALUE FOR OUR SUPPLIERS AND SERVICE PROVIDERS



Sustained demand

leads to long-term mutually beneficial relationships.

HOW DO OUR OPERATIONS AFFECT OUR SUPPLIERS AND SERVICE PROVIDERS



Proactively develop suppliers

in line with, and support of, the objectives of South Africa's B-BBEE policy with particular focus on emerging enterprises.

HOW DO WE ENGAGE WITH OUR SUPPLIERS AND SERVICE PROVIDERS



Supplier relationship management

through personal contact and regular interaction at executive and management level.

WHAT ARE THE ASSOCIATED RISKS AND OPPORTUNITIES FOR US AND OUR SUPPLIERS AND SERVICE PROVIDERS



To ensure uninterrupted service delivery

and quality of goods whilst continuing to form new associations and nurture and maintain old relationships. Dual sourcing to mitigate risk of security of supply.

WHAT ARE ASSOCIATED STRATEGIC OBJECTIVES FOR ENSURING THAT THE SUPPLIERS AND SERVICE PROVIDERS' NEEDS ARE MET



Maintaining our Level 4 B-BBEE score

through a focus on preferential procurement and supplier development.

COMMUNITIES

“We have a responsibility and commitment to support the disadvantaged communities in which we operate”

HOW DO WE CREATE VALUE FOR OUR COMMUNITIES



To gain a better understanding

of the needs of the communities in which the Group operates; to channel interventions appropriately to improve social and living conditions; contribute towards healthier societies; establish new and strengthen existing partnerships with communities and forge partnerships with organisations that share common objectives to increase the impact on community development.

HOW DO OUR OPERATIONS AFFECT THE COMMUNITIES



Various programmes including

‘Water for Life’ project providing water to drought stricken areas; funded surgeries organised by the SMILE Foundation; support anti-substance abuse initiative in Tembisa; hospital refurbishment through SAME Foundation for the Leratong Hospital; the Minister of Health’s Safer Traditional Initiation Campaign and through the ‘Women in Leadership’ initiative.

HOW DO WE ENGAGE WITH THE COMMUNITIES



Interaction

through the sponsorship of corporate social investment programmes and community events, utilising partnerships as appropriate.

WHAT ARE ASSOCIATED RISKS AND OPPORTUNITIES FOR US AND THE COMMUNITIES



We have the opportunity to align

with the country’s healthcare needs and government policies.



INDUSTRY GROUPS

“Influence policy development to create a sustainable environment for the industry”

How do we create value for the industry groups

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

How do our operations affect the industry

Participation supports the sustainability and viability of the local pharmaceutical industry.

How do we engage with the industry groups

Membership of and participation in: Pharmaceuticals Made in South Africa (PHARMISA); Self Medication Association of South Africa (SMASA); and the Pharmaceutical Task Group (PTG).

What are the associated risks and opportunities for us and the industry groups

The methodology used for single exit pricing and other regulatory issues.

Support



Three

OUR STRATEGY TO SUSTAIN VALUE

Given the healthy cash generation in this and prior periods, the Group now has significant resources available for future growth and development.

OUR STRATEGY

12 MONTHS' PRIORITIES

STABILISE AND BUILD ON THE FOUNDATION

A relentless focus on
customer service

Strict cost control

Focused investment in sales and marketing of our major brands, thereby continuing to
grow our market share

GROWTH AND EXPANSION

Acquisitions



Brands, portfolios and businesses, with a primary focus on non-regulated portfolios in home care, personal care and baby care. Searching for acquisitions of brands for the OTC Division in the core categories of analgesia, colds & flu and anti-histamines. In the Prescription Division, acquisitions of tail-end or non-promoted products of multinationals. In the Hospital Division the focus is on investigating categories in which we do not currently operate.

Partnerships



Extending our MNC relationships into distribution activities. In the Prescription Division, pursuing generic partnership relationships to improve our product offering and obtaining clone molecules and co-promotion opportunities from our MNC partners. In the Hospital Division, investigating agency or licence agreements with companies whom we do not currently partner, in categories where we are not active.

TRANSFORMATION

Maintaining our Level 4 score through a focus on:

Employment Equity

Preferential Procurement

Supplier Development

Extracting
**manufacturing
efficiencies**
and increasing
throughput at Wadeville
and Clayville

Maintaining
**full regulatory
compliance**
in the factories and
distribution centres, and
no product recalls

Reinforcing the culture of
**responsibility,
accountability
and fun**
at work

New customers & sales channels



These include further contract manufacturing opportunities in the OTC and Prescription Divisions. Further extending our detailing presence in the OTC Division to dispensing doctors. Export opportunities in the Consumer and OTC Divisions.

Innovation



Improve access to our pipeline at the MCC in the Prescription, OTC and Hospital Divisions. In the Consumer and OTC Divisions extend formulations, pack variants and line extensions within our analgesia, energy and anti-histamine product range.

OUR RISK MANAGEMENT

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

COMPOSITION AND MEETINGS

The Committee consists of three non-executive directors, all of whom are independent. Four Committee meetings were held during the year. The attendance of the Committee meetings was as follows:

Committee member	Meeting attendance
RI Stewart (Chairman)	4/4
D Cleasby	1/2
M Haus	4/4
PM Makwana	2/2*
MI Sacks	4/4
Invitees	
AG Hall	4/4
D Neethling	4/4
KB Wakeford	2/2*

*see changes to the Board on page 56

Representatives of both the internal and external auditors, as well as the Group's insurance and risk advisors attended all Committee meetings.

ROLE AND FUNCTION OF THE COMMITTEE

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

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

PHILOSOPHY

As a pharmaceutical manufacturing, marketing, and distribution company, Adcock Ingram is exposed to a range of risks. The Group's philosophy is not to entrench a compliance driven approach, but rather to view risk management as a strategic enabler to ensure proactive and appropriate action is taken to mitigate risk exposure. The Group identifies and manages risk in line with best practices which it views as core in terms of balancing risk and reward.

Adcock Ingram is committed to effective implementation of the COSO Framework of Enterprise Risk Management. Risk and control procedures are enhanced on an ongoing basis. The Company's Chief Executive Officer is responsible for the overall management of risk while the Risk and Sustainability Committee is the oversight committee on behalf of the Board.

Three members of the Audit Committee are also members of the Risk and Sustainability Committee. Risks are reported to the Committee on a quarterly basis.

Directors consider strategic risks when formulating strategy, approving budgets and monitoring progress against business plans. Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and prioritise action plans. Registers are presented and discussed at various management levels and forums.

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

COMMERCIAL

MANAGEMENT OR CONTROL

Market share

The actions of our competitors may erode our market share and potentially jeopardise our growth.

Robust sales and marketing efforts, customer relationship management and customer service delivery, assist the Company in combatting competitor actions.

Customer and partner relationships

Customers are the cornerstone of our business. Our customer relationship management has been, and continues to be a key focus area.

Constant management of the expectations of our business partners is an ongoing focus for our business divisions. The relationship foundations laid down in previous years are continuously nurtured to ensure sustainable business growth.

FINANCIAL

Foreign exchange

The uncontrollable currency volatility and the ongoing Rand weakness impacts the purchase price of active pharmaceutical ingredients (APIs), 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 APIs and finished goods, and many of these supplies are sold in a foreign-denominated currency.

Where available, multiple suppliers of APIs are sourced and stockholding of strategic raw materials or finished goods are maintained.

Economic environment

Economic data indicates very little, if any, growth in the economy resulting in the trading environment remaining difficult and will probably deteriorate.

The Group trades across many price-points and therapeutic categories.

COMPLIANCE

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.

SUSTAINABILITY

Human capital

Critical skills shortages and the ability to recruit top talent in certain areas of the business, are a reality in the current economic environment. The need to attract and retain top talent, is intensified by our transformation strategy.

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.

Plant mechanisation

Stock levels and order infill rates may be put under strain in the event of a critical plant breakdown.

A robust maintenance plan, dual site manufacturing as well as mechanisation upgrades mitigate this risk.

Interruptions of resource supply by utility providers

The interruption of supply of water and electricity poses the threat of suspending production and compromising order infill rates.

Back-up power supplies as well as on-site water storage facilities allow for continuous production during periods of interruption.

Occupational health and safety risks

Occupational injury of employees who are key to the performance of the group.

Continuous improvement of safety practices in the work place; stringent policies and procedures aligned to best practice; and robust training and awareness programs.

Information technology infrastructure upgrades

Adequacy and effectiveness of IT governance, and integration of IT systems.

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



Four

OUR
PERFORMANCE

LEADERSHIP REVIEW

FROM OUR CHAIRMAN AND CEO

Adding



CLIFFORD RAPHIRI
Chairman



ANDREW HALL
Chief Executive Officer

As each year commences, we are inspired to move the business forward for the benefit of the users of our products, our shareholders, our employees, our customers, the communities in which we operate and associated stakeholders. It is common cause that Adcock Ingram has been in remedial mode for at least the past two years. It is therefore with a sense of pride and pleasure that we communicate the satisfying progress made this past year, not only on economic and operational matters but especially on customer service levels and customer relationship management. In review, this has been an excellent year and the positive results are confirmation of the strategic path chosen for the business.

CHANGES TO THE BOARD

The start of the year saw various changes to the Board with the appointment of Clifford Raphiri as the Company's non-executive Chairman. Former chairman, Brian Joffe, assumed the role of Deputy Chairman. The Group also saw the departure of the previous Chief Executive Officer (CEO), Kevin Wakeford and the appointment of Andy Hall, to this position. Dorette Neethling, the Group Finance Executive was appointed as Chief Financial Officer and as firm evidence of the Company's commitment to its Transformation strategic imperative, Basadi Letsoalo was appointed as Executive Director: Human Capital and Transformation. We are grateful to Brian

and Kevin for the vision and leadership they provided in implementing the restructuring and placing the business on a solid foundation, now well-positioned for its next phase of growth.

INDUSTRY

Providing affordable and accessible healthcare to all citizens of South Africa remains a key strategic initiative of the Government. The pharmaceutical industry is therefore a key stakeholder of the National Department of Health, and at Adcock Ingram we take our responsibility of providing affordable, safe and effective medicine seriously.

The annual adjudication of the single exit price remains a concern, as annually determined increases have failed to cover the cost increases faced by the industry, particularly the cost of importing active ingredients and medicines in finished form. This controlled pricing environment has made our task of maintaining margins extremely difficult. On a positive note, the three-year extension of the Schedule 0 exemption, which allows products in this scheduling category to be subject to free pricing, is welcomed.

The continuing delay in the registration of new medicines continues to be a hindrance that will hopefully be addressed with the launch of the South African Health Products Regulatory Authority (SAHPRA) during 2017. In the interim, the Medicines Control Council (MCC) recently announced an initiative to implement measures

to reduce the backlog. A spirit of cooperation between the MCC and industry is evident in these efforts, which we trust will produce positive results in the near future.

The Consumer and OTC divisions are dealing well with regulatory issues that affect their businesses, including the regulation of complementary medicines and the regulations implemented to improve the control of codeine-containing medicines.

PERFORMANCE

Our aim during the past year was to give attention to the investments in the rest of Africa and India, while consolidating our position in South Africa by continuing to focus on customers, products and service.

A comprehensive review of the infrastructure and operations of the foreign enterprises was undertaken, specifically for the purpose of evaluating the feasibility and future commercial prospects. This resulted in the Company's decision to exit the Indian pharmaceutical sales and marketing business, as it did not meet Company's current investment criteria. An agreement was signed with Samara Capital Partners Fund II Limited, an India-focused private equity firm, for the disposal of the entire shareholding. The Foreign Investment Promotion Board in India has approved the transaction, subject to certain conditions which the parties are evaluating.

value

The drug regulatory arm of the Indian business will remain as an essential support function to the Group's operations in South Africa. Adcock Ingram remains fully committed to the joint-venture manufacturing facility in Bangalore, with Medreich, now owned by a Japanese partner, Meiji Seika.

The Group also concluded an agreement with Dannex Limited regarding the Ayrton business in Ghana. Dannex is a Ghanaian company very familiar with the local environment, and will acquire a controlling stake in the business while Adcock Ingram will retain 25.1%. The deal is subject to certain regulatory approvals from the Ghana Stock Exchange and Securities and Exchange Commission.

The Group's persistent focus on customers, services and products led to market share gains across all four commercial divisions.

According to IMS, the total private market grew by 6.7% in value but only 0.4% in volume on a 12-month moving annual total basis to 30 June 2016. Adcock Ingram's growth in value and volume is reflected at 11.0% and 3.6% respectively, adding credibility to the efforts of the sales and marketing teams, and is reflective of the Group's resilient and well-diversified portfolio. Adcock Ingram's market share by value and volume has grown to 9.0% (June 2015: 8.6%) and 21.4% (June 2015: 20.1%) respectively. This in-market effort led to growth in sales and trading profit in every division, culminating in the generation of R941 million of cash from operations this year, and reducing net debt over the two-year period since the restructuring, from R1,082 million to R217 million.

GOVERNANCE, ETHICS AND RISK

The Board recognises that a corporate culture which promotes ethical behaviour supported by honest and open communication with all stakeholders is integral to good governance. Ethical behaviour, fairness, accountability and transparency are essential to building stakeholder confidence in the Group. We actively pursue transformation and ensure employment practices which maximise the potential of our employees. Further, we accept responsibility for the sustainability and environmental issues associated with this business.

In performing its functions, the internal audit team provides assurance to the Board, regarding the effectiveness of the Group's network of governance, risk management and internal control processes and systems.

The Board is satisfied that the executive team in each division is constantly aware of risks and actively seeks ways in which to overcome and influence controllable risks and minimise the

impact of uncontrollable risks. A summarised overview of Risk Management is featured on pages 22 to 23.

FACILITIES

Manufacturing is key to our business, and differentiates us as one of only a few local pharmaceutical manufacturers in South Africa. The upgrade of the Group's facilities receives ongoing attention, whether it be to meet regulatory requirements or entails expansion and modernisation.

In the high-volume liquids facility in Clayville, throughput continues to increase and we are satisfied with the progress in that regard. The effervescent plant is struggling to meet demand for Citro-Soda and vita-thion, so we are in the process of procuring a high-speed automated sachet packing machine for that area. Reliable and consistent supply of ophthalmic products and other steriles from certain third party manufacturers remains an issue. The Group has therefore decided to embark on a three-phase project to build an ophthalmic facility within the Clayville factory, and we expect the first phase to be fully implemented in two years.

The Wadeville tableting facility is still running well below capacity but we have seen improvements in the current year in the ARV business. The liquids, creams and ointments facility is operating at or near capacity and we intend to invest an additional R40 million in that part of the factory over the next three years, to address regulatory changes and improve flexibility.

As always, our Critical Care facility in Aeroton is well utilised and continues to operate at full capacity in almost all areas.

TRANSFORMATION

In the face of the revised B-BBEE codes we were pleased to have achieved a rating of Level 4 for the current period.

Our people are encouraged to try in every way possible, to live transformation in the Company, and to strive towards improving our performance in this important area, through making meaningful change.

We are dedicated to this imperative for the local business and continue to score well in the areas of Preferential procurement, Skills development, Enterprise development and CSI. We need to give greater attention to Employment equity and Management control and are scaling up plans to improve against these measures.

Adcock Ingram's owner-driver scheme, was developed to give promising candidates ownership of a business, while realising the

Company's commitment to support enterprise supplier development. Eight more vehicles were recently added to the fleets of the owner-drivers that are based in Johannesburg, Cape Town and Durban, bringing the total number of vehicles to 52, under the control of 19 entrepreneurs.

In line with our commitment to be involved with the communities in which we operate and to undertake sustainable initiatives, we have continued to support our flagship projects, and also supported various smaller community initiatives nominated by employees.

We once again funded a week of surgical interventions organised by the Smile Foundation at the Tygerberg Hospital, which gave 43 children the opportunity to have life changing surgery to repair facial deformities. Our continuing support for the Leratong Hospital in Krugersdorp, contributed to the refurbishment of certain wards. One of our most gratifying initiatives has been our work to distribute containers of water to drought stricken areas of the country. It has been most rewarding to see employees volunteering over weekends, to deliver the much-needed water.

WAY FORWARD

We are now in a position, with reduced distraction from non-core business interests, to focus on the necessary growth investment required for the local business. We will continue to concentrate on investment in our brands, striving for excellence in customer relationships and the improvement of service levels within the operating divisions.

The Group is focussed on searching for appropriate acquisitions to bolster our non-regulated portfolio, building mutually beneficial partnerships and innovating within our current product portfolio.

We are building partnerships – especially building on the successes we have had this year with various multinationals. We strive for greater innovation, where we have a number of launches planned for 2017 and continue to explore new customer channels such as exports and the informal sector.

APPRECIATION

We thank all those who have contributed to the business in any way during the year, especially our customers, suppliers, partners and employees. We will continue to deliver on our promise of 'Adding value to life'.

FINANCIAL REVIEW

Overall, we are very satisfied with this set of results, in particular

- The increase of 17% in trading profit with growth in every division;
- A 20,1% increase in normalised headline earnings per share; and
- Cash generation of R941 million, reducing the debt equity ratio to just 10%.



Turnover of R5,546 billion is 7.5% (R387 million) higher than the comparative year. The Single Exit Price (SEP) increase of 7.5% granted in April 2015, with an additional benefit from the more recent SEP increase of 4.8% granted in February 2016 has supported this improvement. These have been offset to some extent by the discontinued Consumer products and repatriated multinational lines in Prescription. All divisions recorded improved sales compared to the prior year.



Gross profit of R2,030 billion at 36.6% of sales is R155 million higher than the preceding year which was at 36.3% of sales. The gross margin was maintained despite the depreciation of the Rand, as a result of lower inventory impairments, particularly in Prescription and Consumer.

TURNOVER (R'000)



GROSS PROFIT (R'000)



Non-trading expenses of R52.4 million recorded in the current year include share-based payments of R39.9 million of which R20.8 million relates to a once-off charge resulting from the modification of the B-BBEE scheme in July 2015. It also includes listing and other incorporating fees related to the new BEE vehicle (AdBEE) (R3.4 million) as well as advisory costs for exploratory M&A activity (R0.5 million). Transaction costs related to the disposal of Cosme (India) and Ayrton (Ghana) are included in the amount reflected under discontinued operations.

Operating profit ended on R553.2 million, 10.9% or R54.2 million up.

The **net finance costs** for the year are R71.8 million compared to R83.6 million recorded last year.

Income from investments, being dividend income from the Tiger Brands Black Managers Trust is R9.2 million, compared to the R10.7 million in the previous year.

Equity accounted earnings for the year from National Renal Care (JV with Netcare) and the plant in India are R59.3 million (2015: R65.6 million), weighted approximately 56% towards the Indian operation.

Profit before tax for the year is R549.9 million, 11.8% ahead of the previous year.

The high effective tax rate is a consequence of certain expenditure being non-deductible for tax purposes and a number of audits of prior years being finalised with SARS.

The profit after tax for the year for continuing operations is R379 million, compared to a profit of R350 million in 2015, an improvement of 8.4%.

The reported **loss after tax from the discontinued operations** of R200 million includes:

- impairments of R135 million on India's intangibles and R73 million on Ghana's assets now held-for-sale, as well as
- transaction costs of R20.1 million for India and R2.5 million for Ghana.

The prior year loss of R151.1 million includes impairments of India's intangibles of R74.4 million and Ghana's plant and equipment of R7.4 million.

Minorities in Novartis Ophthalmics, Menarini and Ayrton account for just over R10 million. The higher value compared with the prior year is due to significantly better performances in those businesses.


16,9%

Operating expenses of R1.424 billion are 5% higher than the prior year (R1.356 billion), mainly driven by higher selling and distribution tracking higher sales and inflationary impacts on fixed and administrative expenses.

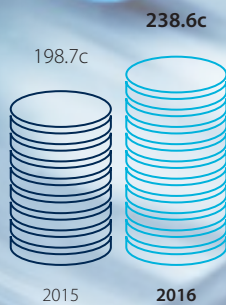
Trading profit of R605.7 million is R87.7 million (16.9%) ahead of the comparative year's profit of R518.0 million.

DORETTE NEETHLING

Chief Financial Officer



TRADING PROFIT (R'000)



HEPS adjusted (continuing operations)


20,1%

Headline earnings for the year amounted to R376 million compared to R335 million in 2015. This translates into headline earnings per share of 226.1 cents in 2016 (2015: 198.7 cents). Excluding the once-off IFRS 2 charge mentioned earlier, headline earnings per share from continuing operations would be 238.6 cents, an improvement of 20.1%.

OVER THE COUNTER (OTC)

Turnover of R1.7 billion is R214 million (14.7%) higher than last year, achieved through an average price increase of 7% with the balance relating to volume and mix. The Top 4 brands in the Division, each of which generate annual revenue in excess of R100 million are showing double digit growth.

Gross margin deteriorated due to the exchange rate impact of the weaker rand, coupled with a change in mix as consumers continue to down trade from higher margin products to lower margin products and smaller pack sizes.

Operating expenses, ended 6.1% ahead of the prior year, mainly as a result of higher selling and distribution expenditure related to the higher sales and the filling of sales vacancies that existed in the prior year.

This translated into trading profit of R310 million increasing by almost R50 million from 2015.

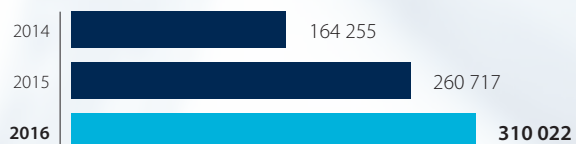
 **14,7%**

TURNOVER (R'000)



 **18,9%**

TRADING PROFIT (R'000)



performance

PRESCRIPTION

This division's turnover of R1.8 billion is R18 million (1%) higher than the previous year. The benefit of the SEP increase was offset by the repatriation of some of the multinational brands and the slight reduction in Generic sales. ARV sales into the private sector have significantly outperformed the prior year and this mitigated the volume and mix decreases.

The gross margin percentage is tracking ahead of the prior year, the impact of the weaker currency, being offset by lower stock impairments and better efficiencies in the Wadeville factory through increased ARV volumes.

Operating expenses are in line with last year resulting in trading profit of R171 million, well ahead of the comparative figure of R148 million.

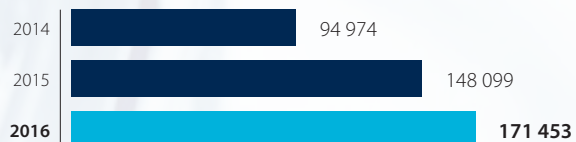
↑ 1,0%

↑ 15,8%

TURNOVER (R'000)



TRADING PROFIT (R'000)



CONSUMER

Turnover of R663 million is 5.4% ahead of the R629 million reported in 2015. This business realised 4% through price and 4% in volume, which was offset by some discontinued lines. Panado, our leading brand, posted growth of 7%.

Gross margin improved from 2015, due to lower inventory impairments and an improved sales mix compared to 2015.

The increase in operating expenditure of R30.1 million (12.2%) has arisen as expenditure consequent to the higher sales as well as increased regulatory expenditure relating to the anticipated CAMs regulations.

This resulted in trading profit of R90 million being R11 million (14.1%) higher than 2015.



TURNOVER (R'000)



TRADING PROFIT (R'000)



REST OF AFRICA

Rest of Africa turnover (excluding Ghana) of R179 million increased by 21% over the prior year. Despite this top line growth, these businesses continue to disappoint at the trading profit line and made a loss of R3.5 million in the current year compared to a loss of R4.3 million recorded in the prior year.

DISCONTINUED OPERATIONS

Ghana and India

The Indian operation has been treated as held-for-sale and is reflected as a discontinued operation from 1 July 2015. In line with this accounting treatment, amortisation and depreciation of the Indian assets were suspended from the start of the current financial year. For a more meaningful

comparison of the discontinued operation in the income statement, depreciation and amortisation in the current year would have amounted to R45 million.

The Ghanaian operation has been treated as held-for-sale and reflected as a discontinued operation from 30 June 2016.

BALANCE SHEET

The Group has Shareholders' funds of R3,229 billion at June 2016.

The non-distributable reserves have increased by R123.5 million from the previous year. This increase has resulted mainly from movements in the foreign currency translation reserve of R118.3 million of which R86.8 million relates to the discontinued operations in India and Ghana.

Non-current assets

Intangible assets, including goodwill, have a carrying value of R276.1 million. The portion of intangible assets relating to the Cosme trademarks of the India business are now included in held-for-sale assets at R381.1 million. An impairment of R135.2 million was recorded against these intangible assets in the current year.

Other financial assets of R74.3 million are primarily the capital contribution made to the Tiger Brands Black Managers Trust which has reduced as options were exercised in the current year.

HOSPITAL

Turnover of R1.2 billion increased by 9% over the prior year with price and volume each contributing 4% and mix 1%. Medicine delivery as the main driver of the volume improvement was due to strong growth in the Large Volume Parenterals portfolio including a significant increase in sales of pour bottles. There was also an increase in focus and activity in the Renal business resulting in solid demand for treatment and therapies across the range, but with increased pricing pressure.

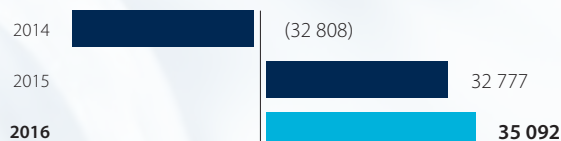
Gross margin was impacted by the weaker rand and with operating expenses up only R8 million (3%) from last year, resulted in trading profit of R35 million, and improvement of 7% over 2015.



TURNOVER (R'000)



TRADING (LOSS)/PROFIT (R'000)



Current Assets

Inventory of R1.167 billion is lower than the June 2015 carrying value of R1.208 billion. Days in inventory are 119, an improvement on the 129 days reported in December 2015.

The amount of inventory write offs has improved in the current year but the focus on this will continue to further drive down these impairments.

Trade accounts receivables of R1.320 billion reflect the increased trading activity and sales pattern. The book remains well-controlled and 89% of receivables are within 60 days due. There were no material bad debt write-offs or recoveries in the period. Government debt accounts for 12% of the total debtors' book, in line with the prior year.

Borrowings

Long term borrowings of R500 million comprise entirely of the Nedbank term loan, bearing interest at the 3-month JIBAR rate (currently at 7.3%) + 176 basis points, payable quarterly in arrears, with the capital due for repayment in December 2018.

The debt:equity ratio (excluding assets held-for-sale) at June 2016 is 9.6%, with net debt of R311 million. The Group is comfortably able to service its obligations with headroom in the facilities of more than R1.5 billion.

CASH FLOWS

Cash generated from operations was R941.1 million (2015: R598.1 million), supported by a decrease in working capital of R113.8 million (June 2015: increase of R126.4 million). This

important indicator starts to convey the positive outcomes of the Group restructure and the advantages of restored management control. The cash flow improvement has enabled the Group to reduce net debt in continuing operations from R777 million to R311 million at the end of the financial year.

DIVIDEND DISTRIBUTION

A final dividend of 54 cents per share was declared for the year ended 30 June 2016 out of income reserves. Total dividend distributions for the year was therefore

104 cents per share an increase of 28% compared to 2015. This distribution is in line with the Company's policy of covering dividends 2 - 3 times by headline earnings.

OPERATIONAL REVIEW

OVER THE COUNTER

Over the Counter (OTC) supplies medication for patients in South Africa's private and public sectors, competing in the self-medication Pharmacy and FMCG sectors of the market with a complement of 88 premium and economy brands.

Number 1

in value
and volume
market position

Script share²

26,9%

Value market
share¹

23,7%

Volume market
share¹

38,2%

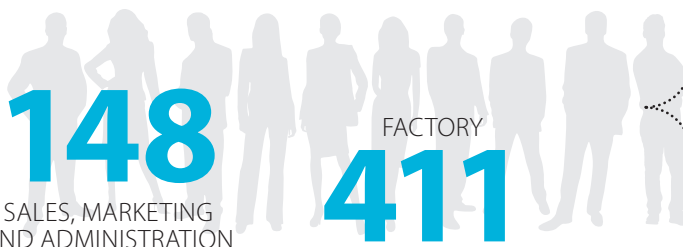


Werner van Rensburg
Managing Director

Natalie Zaroudoukas
Financial Director

TURNOVER
R1 668
MILLION
(2015: R1 454m)

NUMBER OF EMPLOYEES



MANUFACTURING

Clayville

Capacity per annum

Effervescent tablets

28 million

Effervescent granules and powders

400 000 kilograms

Liquids

12 million litres

Accreditations

South Africa (MCC)
Ghana (FDB)

Malawi (PMPB)

Kenya (PPB)
Zimbabwe (MCAZ)
Ethiopia (FMHACA)

¹ IMS MAT June 2016

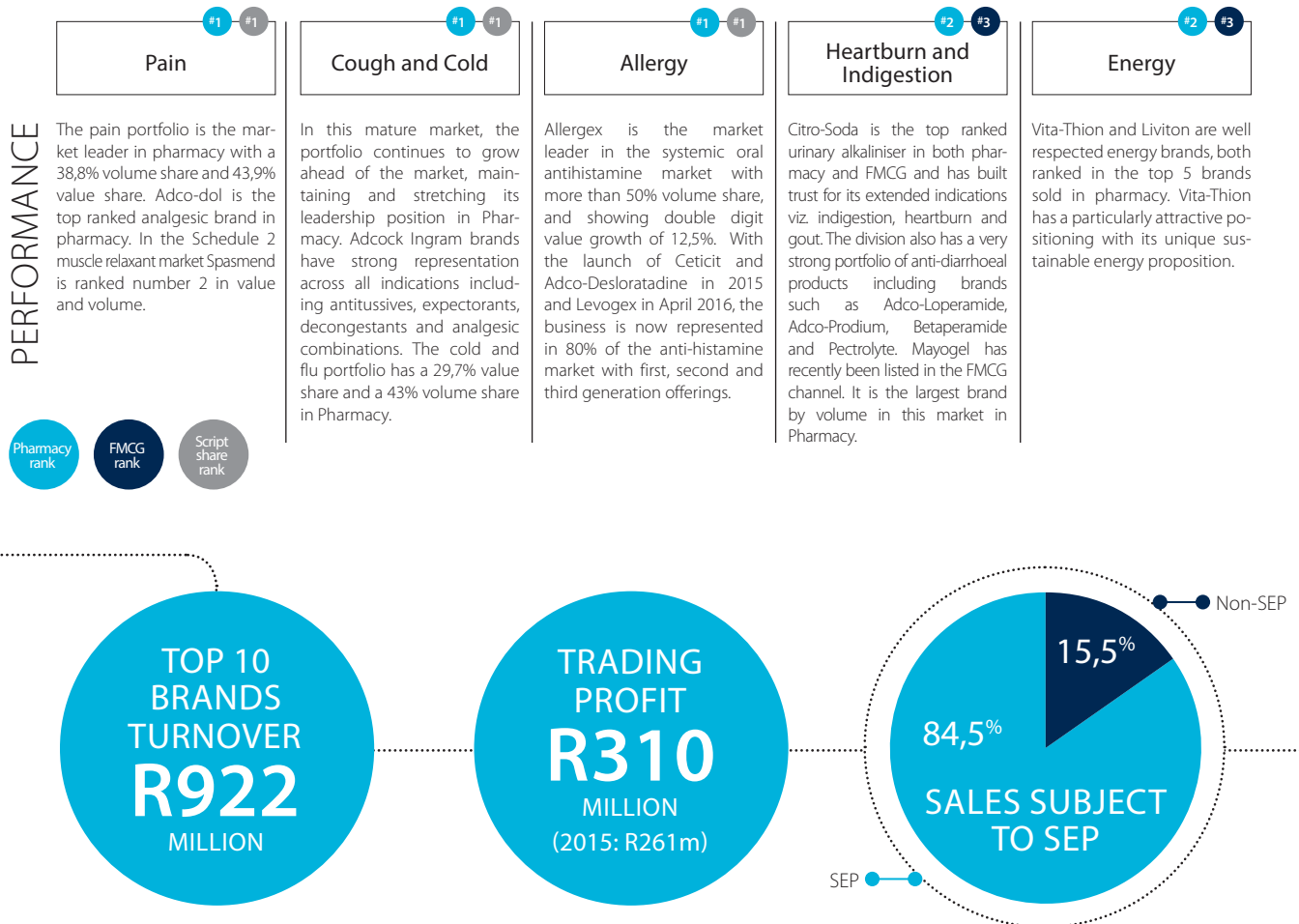
² Impact Rx June 2016

OVERVIEW

The OTC division has improved its volume and value market leadership position in the private market, growing 5% ahead of the market at 10%.

Two in every five packs of Schedule 1 and Schedule 2 products, sold in the private sector, is an Adcock Ingram product.

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



TOP TEN BRANDS

- Adco-Dol
- Corenza C
- Allergex
- BronClever
- Citro-Soda
- Alcophylllex
- Betapryn
- Dilinct
- Napamol
- Solphylllex

MARKET TRENDS

- Growth in the OTC market is being driven by the trend towards wellness, self-care and patient education
- Innovation remains an important growth driver in terms of diagnosis, methods of curative care and on the preventative side
- Economic factors continue to cause a shift from premium brands to economy brands and smaller pack sizes
- Consumers are showing a bias towards convenience, specifically in the channels they select (i.e. one stop shop for all requirements) as well as in the growth of convenient dosage formats (i.e. sachets)
- Retailer loyalty programs are driving consumer behaviour and consumption

STRATEGIC FOCUS

- Protect and build heritage brands
- Develop and expand categories and channels
- Ensure compliance in a changing regulatory environment
- Launch innovative products
- Add value to customers through excellence in service delivery
- Gain further consumer, shopper and customer insight to support marketing plans
- Increase production and improve efficiencies in the manufacturing plant and laboratory

OPERATIONAL REVIEW

PRESCRIPTION

The Prescription division sells and markets medicines which are prescribed by medical practitioners and dispensed against a prescription. The division markets a range of quality and affordable generic medicines, including a portfolio of anti-retroviral medicines.

The division enjoys the third position¹ in the market based on value and the second position based on volume and has a 8.8% share of prescriptions².

Value market share¹**6,8%**Volume market share¹**11,5%**Ashley Pearce
Managing
DirectorNick Ford
Financial
Director

TURNOVER
R1 831
MILLION
(2015: R1 813m)

NUMBER OF EMPLOYEES

186
SALES, MARKETING
AND ADMINISTRATION

FACTORY
375

MANUFACTURING

Wadeville

Capacity per annum

Liquids

6 million litres

Creams/Ointments

500 tonnes

Tablets and capsules

2 billion

Accreditations

South Africa (MCC)
Ghana (FDB)
Botswana (DRU)

Malawi (PMPB)
Kenya (PPB)
Zimbabwe (MCA)
PIC/S

¹ IMS MAT June 2016, including MNC² Impact Rx June 2016, including MNC

OVERVIEW

The division has three broad areas:

PERFORMANCE

Generics

The generic portfolio is the largest by value in the Prescription division. External data shows that Adcock Ingram is the 4th ranked generic manufacturer in the prescription market with a share of 8.6% and is growing ahead of the market.

Genpayne is the leading brand in the portfolio. The performance of the ARV portfolio, particularly in the private sector, is very encouraging. With a market share of 12,1%, the ARV portfolio is growing at 54%. Trivenz, the triple combination, is the most significant growth contributor.

Ethical

The branded portfolio is performing strongly with value growth of 11.8%, ahead of the market growth of 5.5%.

Strategic Alliances

Strategic alliances with multinational companies (MNC) are an important part of the Prescription business. Despite high levels of genericisation, this portfolio continues to grow steadily.

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



Women's Health



Urology



Pain



Generics



Cardiovascular



Dermatology



ARV



CNS



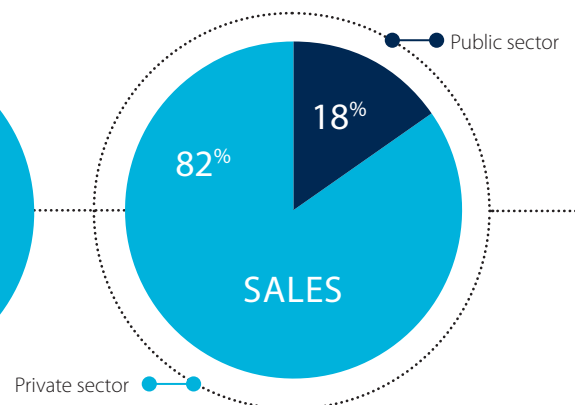
Gastrointestinal



Ophthalmics

TOP 10 BRANDS
TURNOVER
R610
MILLION

TRADING
PROFIT
R171
MILLION
(2015: R148m)



TOP TEN BRANDS

- Trivenz
- Genpayne
- Adco-Zolpidem
- Myprodol
- Estrofem
- Cipralex (Lundbeck)
- Adco-Simvastatin
- Lamivudine/Zidovudine
- Adco-Efavirenz
- Xylotox

BUSINESS FOCUS

- The multinational partner of choice
- Secure and deliver an innovative high value pipeline
- Grow the generics portfolio
- Build a leading local manufacture ARV franchise

MARKET TRENDS

- Lengthy registration timelines impacting on patient access to new and low cost treatments
- Global decline in new product pipeline with multinational companies launching clones
- Consolidation and mergers of large companies within the industry
- Funders encourage switching to generics
- Significant HIV disease burden

OPERATIONAL REVIEW

HOSPITAL

Adcock Ingram Critical Care is a leading supplier of hospital and critical care products offered through multiple portfolios and across wide-ranging customer channels.



MANUFACTURING

Aeroton

Capacity per annum

Large volume parenterals

33 million units

Small volume parenterals

35 million units

Pour bottles

4 million units

Blood collection bags

1 million units

Accreditations

The only manufacturing plant in Africa that manufactures medical grade sheeting which is processed into bags of sterilised fluid for medicinal purposes.

- South Africa (MCC)
- Uganda (NDA)
- Kenya (PPB)
- PIC/S

1st
Medical grade
plastics plant on
the continent

Process
20 million
litres of water
per month

Fill
>2.2 million
bags per month

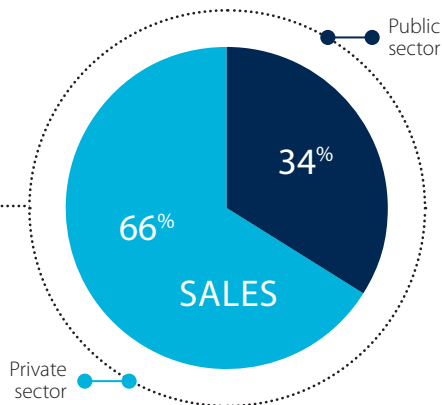
Extrude
69 000 kg
tubing produced
per annum

OVERVIEW

The business is a fully integrated operation which spans regulatory, research and development, manufacturing, marketing, sales and distribution. Adcock Ingram Critical Care not only commercialises a broad product offering but manufactures an extensive range in its unique dual process factory which comprises a comprehensive plastics extrusion plant and a fully accredited pharmaceuticals manufacturing facility.

The Adcock Ingram Critical Care portfolio includes:

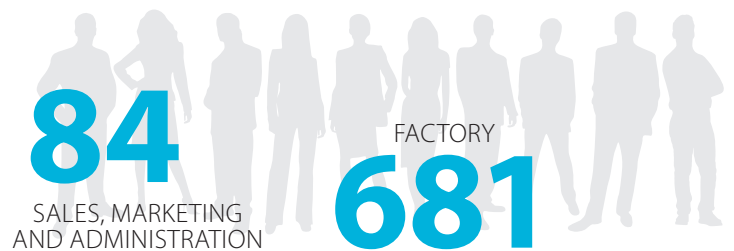
- renal therapies across all the key dialysis modalities, including renal pharmaceuticals
- intravenous solutions, both large and small volume parenterals
- transfusion therapies for the collection and storage of blood
- infusion systems, invasive diagnostics and nutrition
- bioscience and specialised pharmaceuticals, which include many newly added formulations as well as holding a promising pipeline.



BUSINESS FOCUS

- Uncompromising attention to customer service in the areas of supply, delivery and communications
- Maintaining and growing market leading positions in both established as well as newly penetrated therapy areas
- Expansion into adjacent categories through licensing, partnerships and strategic alliances
- Maximising operations with intense focus on yield, wastage, efficiencies and automation
- Focus on product mix across and within portfolios, thus supporting sustainable and profitable growth
- Maintaining close relationship with Government to support national demand
- Maintaining close relationship with all stakeholders to build trust, demonstrate commitment and deliver on expectations.

NUMBER OF EMPLOYEES



A broader segmental definition with credentials can be defined as follows:

Renal	Medicine Delivery	Transfusion Therapies	Bioscience; and Specialised Pharmaceuticals
• In partnership with Netcare, owns National Renal Care (NRC) which remains the largest service provider for renal care in South Africa. • Critical Care remains the largest supplier of goods and services within: – Peritoneal Dialysis (PD), including a uniquely modelled Renal Home Delivery Service (RHDS) – Haemodialysis (HD) – Continuous Renal replacement Therapy (CRRT) – Renal Pharmaceuticals.	• Largest supplier of large volume parenterals (LVP's) in South Africa • Market leader in regional anaesthesia, and sterile water for irrigation (pour water) • Has a comprehensive range of SVP's across multiple therapeutic areas including anti-infectives, oncology, anti-emetics, respiratory and hypnotics.	• Fully integrated manufacturing facility for the manufacture of blood bags and tubing • Largest supplier of free flowing leucodepletion sets and blood bags in South Africa • Largest supplier to SANBS (South African National Blood Services) with which it has enjoyed a relationship for more than 50 years.	• A leader in the supply of product for Haemophilia • A leading supplier of speciality pharmaceuticals including sodium polystyrene and one alpha hydroxylase • Has established a host of newly formed strategic alliance relationships over the 2016 period which will bring participation in several new therapy areas including: – Oral and injectable analgesia – Patient controlled analgesia – Oncology, and – Anaemia.



OPERATIONAL REVIEW

CONSUMER

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

Panado holds the
number 2

position in the
analgesic
market &

Compral
number 4



Juliet Fourie
Managing Director

Lauren Shimmin
Financial Director

TURNOVER
R663
MILLION
(2015: R629m)

MARKET SHARE

28%
Analgesics

9%
Coughs, Colds
and Flu

41%
Energy
Supplements

37%
Gut Health

6%
Vitamins and
Supplements

NUMBER OF
EMPLOYEES

71

SALES, MARKETING
AND ADMINISTRATION

Source: ACNielsen – Defined market comprises the category, customers and channels for the segments in which we compete

OVERVIEW

The division provides products into the independents and pharmaceutical wholesale, corporate pharmacy and retail channels. It has leading brands in the following categories:



Analgesics



Cough, colds, flu and congestion



Digestive well being



Energy



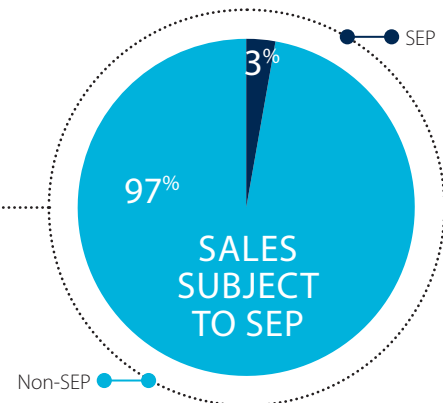
Vitamins, Minerals and Supplements



Feminine Hygiene

TOP 10 BRANDS
TURNOVER
R604
MILLION

TRADING
PROFIT
R90
MILLION
(2015: R79m)



PERFORMANCE

Analgesics

This category showed growth of 8.8% in value and 4.9% in volume. Both Panado and Compral grow ahead of the category in value and volume.

Cough, colds, flu and congestion

LCC continued to show strong growth (12.6%), well ahead of the market

Energy supplements

Bioplus continues to lead the single sachet/ application market in FMCG

Bioplus is growing at 15%, ahead of the market, in FMCG and show good growth in its market share

Gut Health

Probi flora retains the market leader spot in this segment of the market in FMCG.

MARKET TRENDS

- Market growth driven by growing middle class and the global trend towards self-care as consumers are becoming more educated
- Growth driven by new product formats and a focus on the prevention and treatment of lifestyle diseases
- Consumer expectations for improved healthcare are increasing with access to digital information making them far more knowledgeable about their health
- Current pressures on the consumer are forcing trading down to smaller pack sizes or cheaper alternatives making pack and price offerings more important
- More regulated environment resulting in increased compliance costs

STRATEGIC FOCUS

- Continued investment in marketing to protect and build the core brands
- Expand non-regulated product portfolio via innovation and acquisition
- Stock and demand management
- Regulatory compliance, specifically CAMs

TOP TEN BRANDS

Panado • Bioplus • Probi flora • Compral • Cepacol • GynaGuard • ViralGuard • Gummy Vites • Codral • ArthroGuard

SUSTAINABILITY

This report is presented by the Company's Social, Ethics and Transformation Committee (the Committee), appointed by the Board in respect of the year ended 30 June 2016.

COMPOSITION AND MEETINGS

The Committee consists of three non-executive directors, two of whom are independent, one executive director and the Human Capital Executive. Four Committee meetings were held during the year. The attendance of the Committee meetings was as follows:

Committee member	Meeting attendance
PM Makwana (Chairman)	4/4*
AG Hall	4/4
T Lesoli	4/4
BJ Letsoalo	4/4
AT Mokgokong	4/4
KB Wakeford	2/2*

*see changes to the Board on page 56

ROLE AND FUNCTION OF THE COMMITTEE

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

- Monitor the Company's activities regarding relevant legislation and codes of best practice;
- Draw matters within its mandate to the attention of the Board;
- Report to the shareholders at the Annual General Meeting;
- Ensure Adcock Ingram's equity ownership and the demographic profile of its employees is representative in the South African context; and
- Establish, implement and monitor the framework for the Company's transformation plan.

PHILOSOPHY

We believe that each of our employees brings a unique set of skills, experience, perspectives and ideas that give Adcock Ingram the competitive edge.

We value this and reflect it in our Mission and Values: 'We believe in the empowerment of our people, thus encouraging entrepreneurship, innovation and accountability'.

PEOPLE

The Group has identified the following human capital issues as being critical to the success of Adcock Ingram:

- Attracting and retaining the best skills;
- Accelerating transformation and encouraging diversity;
- Implementing succession management;
- Providing learning and development, and career opportunities; and
- Providing a safe work environment and employee wellness services.

EMPLOYEE HEADCOUNT

	2016	2015
Permanent	2 234	2 141
Contractors / temporary	171	233
Total headcount	2 405	2 374

Composition of permanent employees

Male	1 227	1 032
Female	1 007	1 109
Black	1 927	1 810
White	307	331

AGE PROFILE

Adcock Ingram's workforce is well balanced by age. Young and upcoming talent (under 30 years of age) represents 16% of the workforce while the age group normally associated with greater career stability (between 30 and 50 years), represents 58%. The risk of losing intellectual capital and institutional experience is well managed, with only 26% of employees aged 50 and above.

WORKFORCE TURNOVER

Employee turnover for this year was 8.5% (2015: 9.7%).

LABOUR RELATIONS

In South Africa 49% of permanent employees are members of a recognised trade union. Adcock Ingram supports freedom of association and relevant agreements exist between the Company and various unions. The number of working days lost due to industrial action in 2016 was nil (2015: 1 633).

PEOPLE DEVELOPMENT

Learning and development

The development and growth of competent people is a key principle of Adcock Ingram's Human Capital strategy. Team members are enriched by ensuring that they have the right skills, knowledge and competencies to reach their potential. Training programmes are designed to produce substantial benefits for both the Company and the employees.

During the year under review, our commitment to develop our employees, whilst aligning our strategy to the skills development (SD) element of the B-BBEE scorecard, continued.

TOTAL SPEND IN SOUTH AFRICA

R18m (2015: R14 million)

SPEND ON FEMALE EMPLOYEES

58% (2015: 42%)

SPEND ON BLACK EMPLOYEES

92% (2015: 90%)

INVESTMENTS WERE MADE IN THE FOLLOWING CATEGORIES

39% departmental, technical and compliance**33%** internships, graduates and apprentices to strengthen the pipeline and support transformation**12%** learnerships to improve the skill set and talent pool**8%** management and supervisory to improve management skills**7%** leadership development to strengthen business acumen**1%** ABET to improve literacy of employees

Because
you
matter

SUCCESSION MANAGEMENT

Adcock Ingram is using a systematic integrated approach to maintain leadership continuity within the business by ensuring the growth and development of potential successors. 'It is not about people... it is about having the right talent, in the right place, at the right time'.

Succession management provides a framework to align leadership with the strategic needs of the business. It also provides ongoing job analysis and opportunity for key talent to adjust roles based on changing business conditions and strategic initiatives.

To date the following succession benefits have been realised:

- Promotion of key talent into strategic roles;
- Improvement of transformation profile with the progression of black successors;
- Implementation of leadership development programmes for key talent and potential successors;
- Implementation of executive coaching for potential successors; and
- Building a diverse talent pool which mirrors the customers and communities in which we operate.

EMPLOYEE WELLNESS

To be able to provide excellent service and achieve business goals, the emotional and psychological well-being of employees needs to be a prime goal. According to the Director of the Department of Public Health and Environment (WHO), 'the wealth of business depends on the health of workers'. The Employee Assistance Programme is well suited to provide health counselling as well as resources/tools required to achieve an optimal state of well-being for employees. It is in this context that ICAS has been engaged to provide employee wellness programme services to Adcock Ingram as a partner in behavioural risk management.

HIV/AIDS PROGRAMME

Employees and their dependents, who are HIV positive, can enrol in the chronic disease management programme that is offered to employees through a service provider, Universal Care. This is open to all employees whether or not they are medical scheme members. Currently there are 23 participants on this voluntary support programme.

HEALTH AND SAFETY

Facilities

The annual risk control standards grading audits were conducted by Marsh (Pty) Ltd at all Adcock Ingram sites, excluding Ghana. In conducting these audits, the various sites were assessed in terms of preparedness and their performance with regard to risk control organisation, fire defence, security, emergency planning, occupational health and safety and motor fleet. The lowest and highest ratings were 97% and 99% respectively. Shortcomings were minor and were addressed.

The environmental risk control audit conducted by Marsh (Pty) Ltd assesses Adcock Ingram's sites in regard to their performance in environmental leadership, environmental management

implementation, operational management, monitoring and review and specific operations. This audit was conducted during the financial year at the manufacturing site in Bangalore, India, the Research and Development site at Aeroton and the distribution outlet in Cape Town. The lowest and highest ratings were 95% and 99% respectively.

Employees

There was a marked reduction in the number of lost time injuries, showing an improvement over the previous year.

Following are the statistics for the number of lost time injuries (injuries on duty leading to at least one lost day) for the year:

	Aeroton	Wadeville	Clayville	Midrand	Durban	Total
2016	7	0	3	2	0	12
2015	19	2	9	2	1	33
LTIFR 2016	0.80	0	0.56	0.26	0	0.20
LTIFR 2015	2.18	0.55	1.95	0.32	0.85	0.73

LTIFR = lost time injury frequency rate

No fatalities (injuries on duty resulting in death) occurred during the current or prior year. There were 81 medical cases (injury on duty leading to medical treatment without losing a day's work) in the current year compared to 68 medical cases in the prior year.

ENVIRONMENT

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

Key areas of focus are:

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

Increased factory throughput automatically results in higher usage of water and electricity. Despite this, good progress has been made with the replacement of fluorescent lights with low energy lights in the manufacturing facilities; the installation of day/night sensors; the charging of forklifts outside peak demand times and the shutdown of chillers and cooling towers during weekends.

Progress was also made with the conservation of water, with the repair of leaks, ongoing recycling of water and increasing borehole utilisation. Careful production planning, with longer runs and therefore less need for 'Cleaning in Place', has also made a significant contribution to more efficient water usage.

CARBON FOOTPRINT

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

	2016 Tonnes	2015 Tonnes
Scope 1		
Equipment owned or controlled	12 045	12 442
Air conditioning and refrigeration gas refills	247	125
Vehicle fleet	2 220	2 404
Scope 2		
Electricity	47 612	51 687
Total Scope 1 and 2	62 124	66 658
Scope 3		
Business travel	1 729	1 272
Employee commute	4 070	3 918
Transportation & distribution of raw materials and sold goods	17 751	16 893
Packaging materials	15 400	20 328
Consumption of office paper	44	68
Total waste (landfill, recycled & effluent)	3 902	3 337
Water & wastewater	525	581
Total Scope 3	43 421	46 397
Total Scope 1, 2 and 3	105 545	113 055
Non-Kyotogas	2 129	2 424
Grand total	107 674	115 479

DRUG MANAGEMENT AND DEVELOPMENT

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

Research and Development

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

Quality Assurance

Quality Assurance (QA) applies quality tools to monitor and control processes to assist in continuous improvement of our products. QA mitigates product quality risks through evaluations of customer complaints, product manufacturing changes and supplier changes.

Medical Affairs

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

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

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

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

Compliance

The Compliance Department ensures that all promotional material and product packaging is legally compliant with the relevant statutory laws, regulations, rules and standards.

WHISTLE-BLOWING FACILITY

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

Increased efforts during the year to promote the availability of the whistle-blowing facility resulted in a significant increase in the amount of reports.

All complaints lodged through this service are investigated, appropriate disciplinary action instituted if necessary and then reported to the Board through the Social, Ethics and Transformation Committee. During the year 40 reports were lodged of which 75% related to human capital issues and the balance to dishonest conduct. After investigation, 65% of the reports were dismissed as unfounded.

TRANSFORMATION

'The success of our transformation approach is not defined by the numbers, but rather by the spirit in which we embrace this key strategic business imperative'

Our contribution to transformation is measured against the following:

- Department of Trade and Industry's Codes of Good Practice (dti Codes)
- A five year Employment Equity plan
- Workplace skills plan

For the year under review the Group achieved a level 4 Broad-Based Black Economic Empowerment (B-BBEE) rating. This was independently verified by rating agency, Empowerlogic.

ENTERPRISE DEVELOPMENT

The successful owner-driver initiative, was developed as an innovative scheme to give promising candidates ownership of a business, while realising the Company's enterprise development objectives and maintaining customer service levels. During 2016 the fleet expanded with the addition of eight vehicles, bringing the fleet to 52 vehicles. Having commenced in 2012, this project has proved extremely successful with a total of 19 owner driver

entrepreneurs now contracted to Adcock Ingram's distribution service. The Company empowers the drivers through training in various standard operating procedures and shares with them new logistics technologies and business management skills.

In the words of Meshack Matswi, one of the first-phase and now established owner drivers, is the story of the impact made by the scheme on the lives of those involved: 'I am fortunate that my business success has enabled me to build a three bedroomed home and has given my family the financial security that allows us to live happily and without stress. I have grown so much since being given this opportunity and have gained business skills that I use in running my business and which empower me to assist the newer owner drivers in the development of their enterprises. It is most fulfilling and the support I have gained from management has been excellent.'

The benefits of the scheme have been enjoyed by the Company, the drivers and the customers. The strategy is to build on the existing fleet as well as adding additional owner driver companies to the scheme.



PREFERENTIAL PROCUREMENT

As part of Adcock Ingram's transformation journey, priority attention was given to procuring services from qualifying enterprises. This resulted in an 58% achievement of the target in the year ended 30 June 2016. R2.0 billion of procurement expenditure was included as qualifying expenditure for rating purposes. 26% of qualifying expenditure was placed with black-owned business and black women-owned enterprises. In order to increase procurement opportunities for Adcock Ingram's small suppliers through collaboration and partnership, growing knowledge of the quality of services provided to Adcock Ingram by qualifying small enterprises and exempt micro enterprises, has allowed the procurement department to source from black owned recruitment agencies, suppliers of point of sale materials, packaging designers and print services.

SOCIO-ECONOMIC DEVELOPMENT

In line with Adcock Ingram's commitment to be involved with the communities in which the Company operates and to undertake sustainable initiatives, there was a continued commitment to support a number of worthy causes during the year.

This support was focussed largely on worthy causes which included:

- The continuing support for the Smile Foundation which coordinated a week of surgical interventions at the Tygerberg Hospital, and gave 43 children the opportunity to have life changing surgery to repair facial deformities;
- Ongoing support for the Leratong Hospital in Krugersdorp, in the refurbishment of certain wards through the South African Medical and Education (SAME) Foundation;
- Distribution of containers of water to drought stricken areas of the country was one of the most gratifying initiatives;
- Mercy Vision (Ships), the Zithulele Eye Care Project, as well as Azali Healthcare, which funds medical male circumcision.

Adcock Ingram contributed a total amount of R3.5 million during the year to improve the well-being of society. The focus of the support given was largely on healthcare, with smaller contributions to support orphaned and abandoned children.

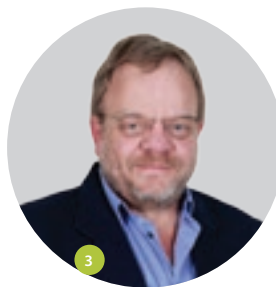
Adcock Ingram's CSI projects are an effort to build sustainable relationships, particularly with previously disadvantaged communities, in line with the Company's proud heritage and mission: 'To contribute meaningfully to the health and well-being of the people in the markets we serve' and in support of the commitment of 'Adding value to life'.





Five
OUR
GOVERNANCE

OUR EXECUTIVE COMMITTEE



1 ANDREW HALL

CA(SA), BPharm

Chief Executive Officer

Joined Adcock Ingram in September 2007 as Chief Financial Officer

CAREER HIGHLIGHTS

Deputy Chief Executive and Financial Director of Adcock Ingram

Partner in charge of health sciences at Ernst & Young

CFO of a listed pharmaceutical company in South Africa

Roles in sales and marketing at Pfizer, and retail pharmacy experience

2 DORETTE NEETHLING

CA(SA), MCom (Taxation)

Chief Financial Officer

Joined Adcock Ingram in August 2007 as Group Finance Executive

CAREER HIGHLIGHTS

Financial Director at Quintiles South Africa

Financial Manager in FMCG environment in Namibia

Currently serves as a member of the Financial Reporting Investigation Panel (FRIP)

3 FRANS CRONJE

BSc, NDip (Ind Eng)

IT Executive

Joined Adcock Ingram in December 2007

CAREER HIGHLIGHTS

Held a variety of IT executive roles at Tiger Brands over a period of 10 years

Worked for an International IT company as an Applications Consulting and Project Manager

More than 25 years' IT experience in a variety of industries

4 JULIET FOURIE

IMM Grad. Dip.

Managing Director – Consumer

Joined Adcock Ingram March 2014

CAREER HIGHLIGHTS

Regional Business Development Director: Africa and Middle East for SunOpta

Worked for Tiger Brands, National Brands and Sunpac

In excess of 15 years' experience in FMCG operations, direct marketing and sales

5 PRAVIN IYER

BCom, ACMA, CMA

Managing Director – India

Joined Adcock Ingram in June 2011

CAREER HIGHLIGHTS

CEO of the Medreich Group

25 years' experience in the pharmaceutical industry heading operations, finance, business development and international marketing

6 DOREEN KOSI

MM, MAP

Public Affairs Executive

Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS

Chief Director and Head of Strategy and Special Projects in the Office of the Deputy President

Held various roles in The Presidency (Republic of South Africa) for 14 years

Held various senior management positions in Government administration

**7 TOBIE KRIGE***BEng (Industrial Engineering), MBA***Managing Director – Distribution**

Joined Adcock Ingram in January 2012

CAREER HIGHLIGHTS

More than 15 years' experience in supply chain and logistics

Worked in extended geographical areas in Europe, Middle East and Africa

Worked for Nampak and DHL

8 BASADI LETSALO*MPsych, CLDP, MLPC***Human Capital Executive**

Joined Adcock Ingram in January 2008

CAREER HIGHLIGHTS

Head of Transformation at Standard Bank SA

Head of HR information management at ABSA

Currently serves as a member of the University of KwaZulu-Natal Council

Holds various non-executive directorships and is a trustee of the Mpho ea Bophelo Trust

9 DR SIMON MANGCWATYWA*MB ChB***Medical Director**

Joined Adcock Ingram in October 2014

CAREER HIGHLIGHTS

Head of Medical Affairs and Business Development Manager at Litha Pharma

Held various positions in scientific operations and medical affairs at Novartis South Africa

10 ASHLEY PEARCE*Dip Pharm, BCom***Managing Director – Prescription**

Joined Adcock Ingram in October 2012

CAREER HIGHLIGHTS

CEO of MSD/Schering-Plough and Pharmacia in South Africa

More than 30 years' experience in production, R&D, business development and sales and marketing in South Africa, Europe and USA

Chaired the Pharmaceutical Industry Association of South Africa (PIASA) and the Pharmaceutical Task Group (PTG)

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

Joined Adcock Ingram in June 2008

CAREER HIGHLIGHTS

Head of the South African commercial business at Schering-Plough

Held various roles at Schering-Plough including Divisional Director and Marketing Director

Held various commercial roles at 3M Corporation, including Commercial Head of Pharmaceuticals

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

Joined Adcock Ingram in April 2009

CAREER HIGHLIGHTS

Group Legal and Compliance Manager at Adcock Ingram

Spent nine years at the SABC in various legal roles

Spent four years at the Advertising Standards Authority of SA (ASA) as a dispute resolution consultant

13 VICKI ST QUINTIN*BCom (Hons)***Corporate Affairs and Investor Relations Manager**

Joined Adcock Ingram in April 2013

CAREER HIGHLIGHTS

COO of the Pharmaceutical Industry Association (PIASA) for nine years

Corporate Affairs Director of GlaxoSmithKline

Held various roles in marketing, business development, corporate affairs and government relations

14 WERNER VAN RENSBURG*MEng (Mechanical Engineering), MBA, EMLog, GCC (ML & OHS)***Managing Director – Over the Counter**

Joined Adcock Ingram in May 2013

CAREER HIGHLIGHTS

Managing Director at Formex

Group Operations Director at Aspen Pharmacare

Experience in operations, logistics, procurement, finance and commerce

OUR BOARD



1 ANDREW G HALL (54)

CA(SA), BPharm

Chief Executive Officer

Appointed: 15 July 2008

See page 50 for abridged CV

2 DORETTE NEETHLING (42)

CA(SA), MCom Taxation

Chief Financial Officer

Appointed: 23 February 2016

See page 50 for abridged CV

3 CLIFFORD D RAPHIRI (53)

BSc (Mechanical Engineering), Grad Dip Engineering, MBA

Independent non-executive Chairman

Appointed: 15 July 2008

Manufacturing and Technical Director of SA Breweries Limited. Serves on the boards of various SA Breweries Limited subsidiaries

OTHER EXPERIENCE

Design mechanical consulting engineer at BKS Incorporated

Project engineer at Metal Box

Consulting Engineer at Andersen Consulting

4 BRIAN JOFFE (69)

CA(SA)

Independent non-executive Deputy Chairman

Appointed: 24 February 2014

Formerly Chief executive of The Bidvest Group Limited, an internationally diversified service, trading and distribution group. One of South Africa's most successful entrepreneurs with a 35-year track record as a business leader and wealth creator

5 MATTHIAS HAUS (67)

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

Independent non-executive Director

Appointed: 1 June 2012

Adjunct Professor in Medicine, University of Cape Town

Extraordinary Professor in Medicine, University of Pretoria

Specialist: Family Medicine and Allergology

Partner at Gateways Business Consulting Group

Trustee of the Colleges of Medicine of South Africa

OTHER EXPERIENCE

Executive Vice President, AstraZeneca (sub-Saharan Africa and China)

Non-executive chairman, Professional Provident Society of South Africa

Senator, Colleges of Medicine of South Africa

6 TLALANE LESOLI (66)

MB BS, Dip of Child Health

Independent non-executive Director

Appointed: 15 July 2008

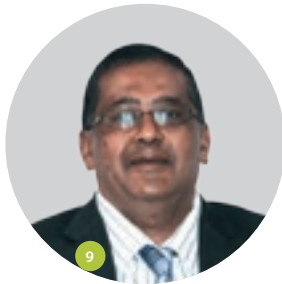
Qualified as a medical doctor at the University of London

Non-executive director of Woman Investment Africa Network and Zawadi Investments

Executive director, Continental Africa Power (Pty) Ltd

OTHER EXPERIENCE

Co-founded and managed Mother Earth Distributors and Nature Plan



7 P MPHO MAKWANA (46)

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

Independent non-executive Director

Appointed: 1 February 2012

Non-executive director of Nedbank Limited and Biotherm Energy (Pty) Limited

Non-executive chairman of ArcelorMittal SA Limited and Epitome Investments (Pty) Ltd

Non-executive director of Sephaku Holdings Limited

Trustee of The Business Trust, Vodacom, the Nelson Mandela Children's Fund and Brand SA

OTHER EXPERIENCE

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

8 ANNA MOKGOKONG (59)

BSc, MB ChB, DCom

Non-independent non-executive Director

Appointed: 10 April 2014

Co-founder and executive chairperson of Community Investment Holdings (Pty) Limited

OTHER EXPERIENCE

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

Non-executive director of Shoprite Holdings

Serves on the boards of Afrocentric Limited and Medscheme Limited

9 ROSHAN MORAR (50)

CA(SA), CFE

Non-independent non-executive Director

Appointed: 10 April 2014

Managing Director of Morar Incorporated

OTHER EXPERIENCE

Non-executive Deputy Chairman of the Public Investment Corporation (SOC) Limited

Non-executive Deputy Chairman of the Airports Company South Africa (SOC) Limited

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

10 MOTTY I SACKS (73)

CA(SA), AICPA (ISR)

Independent non-executive Director

Appointed: 25 February 2014

A Chartered Accountant who has been active in the professional and corporate sectors for the past 45 years

After retiring from his consultancy practice in 1994, he co-founded Netcare Limited

Serves as a non-executive director of several South African listed institutions

OTHER EXPERIENCE

Chairman of Advtech Limited

Co-founder of Net 1 (Aplitec Limited) and Capital Appreciation Limited

Co-founder and mentor to AfroCentric Investment Corporation Limited

Director and Officer of the International Association of Political Consultants

11 ROGER I STEWART (63)

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

Independent non-executive Director

Appointed: 15 July 2008

Director and shareholder of Business Sculptors (Pty) Limited

OTHER EXPERIENCE

Associate professor of Physiology at the University of Stellenbosch

Fellow of the American College of Chest Physicians

Group Executive at the South African Medical Research Council

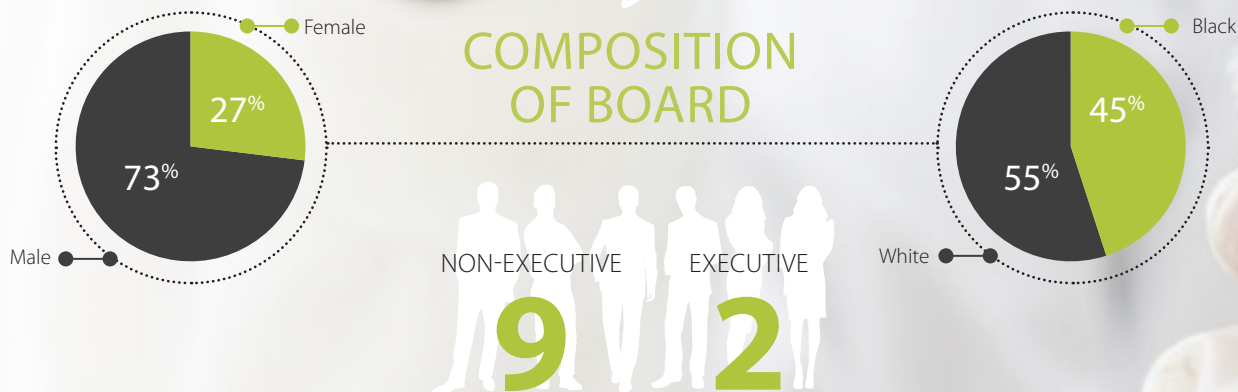
CORPORATE GOVERNANCE

ETHICAL FOUNDATION

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

The King III Report provides guidance on acceptable business practices and ethical standards by which Adcock Ingram directors, employees, suppliers and business partners are expected to conduct themselves in their business relationships.

Key facts



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

Corporate governance includes the structures, processes and practices that the Board uses to direct and manage the operations of the Adcock Ingram Holdings Limited and its subsidiaries within the Group to ensure that authority is exercised and decisions taken within a defined framework, approved by the Board, and decision makers are held appropriately accountable. The Company is committed to adhering to good corporate governance. A register setting out compliance with King III principles on an "apply or explain" basis can be found on www.adcockingram.com.

The Board is the custodian of corporate governance and ensures that the Adcock Ingram Group adheres to the highest standards of accountability and ethical conduct. Employees are encouraged to report any suspected inappropriate, unethical, illegal activity or misconduct through an independently operated Tip-Offs Anonymous line. This whistle-blowing facility is available 24 hours per day, 365 days per year. All complaints lodged through this service are investigated and where appropriate disciplinary action is instituted and reported to the Board through the Social, Ethics and Transformation Committee.

Adcock Ingram is committed to:

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

RETIREMENT

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

There is no term or age limit imposed in respect of a director's appointment; however, tenure is informed by a regular, formal evaluation of the suitability, contribution and independence of each of the directors. The terms and conditions applicable to the appointment of non-executive directors are contained in a letter of appointment which, together with the Board Charter, form the basis of the director's appointment. The Nominations Committee plays an important role in the identification and removal of underperforming or unsuitable directors.

Brief curricula vitae of each of the directors appear on pages 52 and 53 of this report.

52

BOARD CHARTER

The Board is governed in accordance with a Board Charter which sets out, *inter alia*, the principles and process in terms of which directors are appointed, and the duties and responsibilities of the Board. Our Charter and MOI demonstrate that there is a clear balance of power and authority at Board level. No one director has unfettered powers. Decisions, if not unanimous, are taken by a simple majority with one vote per director. The Chairman does not have a deciding vote. Issues of conflicts of interest are regulated and dealt with regularly in terms of the Board Charter and the Companies Act. In order to ensure that issues of conflict of interests are properly managed and dealt with, the directors' register of interests is circulated at all the scheduled meetings of the Board for directors to confirm the accuracy of its contents. The declaration of interest and anti-competitive behaviour are standing items on the Board agenda. The Board Charter complies with the principles of the King III Report wherever appropriate.

The meetings of the Board and its committees are scheduled annually in advance. In addition to regular consideration of the Group's operational and financial performance at each of its meetings, the Board's annual work plan aims to ensure that the Board deals with each of the matters reserved for its consideration during the course of its annual meetings.

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

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

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

Non-executive directors have full access to management and may meet separately with management, without the attendance of executive directors, where necessary. Arrangements for such meetings are facilitated through the office of the Company Secretary.

BOARD EDUCATION AND TRAINING

Directors are encouraged to attend external director development and training programmes, at the cost of the Group to ensure their knowledge of governance remains relevant.

In addition, all newly appointed directors are provided with an induction file containing important legislation and the Group's governance framework (including the Board committee governance structure, the Board Charter, terms of reference of all Board committees and key Company policies) and are also offered a tour to the Company's facilities. In the year under review, the Company Secretary presented amendments to JSE Listings Requirements to the Board.

BOARD EVALUATION

The Board conducted an evaluation of itself to assess its effectiveness.

The Board has considered the outcome of the evaluation and will be working on addressing the identified adverse outcomes.

BOARD COMPOSITION AND ATTENDANCE

	Board		Special Board		Acquisitions	
Composition	Seven independent non-executive directors		Seven independent non-executive directors		Three independent non-executive directors	
	Two non-independent non-executive directors		Two non-independent non-executive directors		One non-independent non-executive director	
	Two executive directors		Two executive directors		Two executive directors	
Members and meeting attendance	CD Raphiri (Chairman)	4/4	CD Raphiri (Chairman)	1/1	B Joffe (Chairman)	2/2
	B Joffe (Deputy Chairman)	4/4	B Joffe (Deputy Chairman)	1/1	R Morar	1/2
	D Cleasby	2/3	AG Hall	1/1	CD Raphiri	2/2
	AG Hall	4/4	M Haus	1/1	MI Sacks	2/2
	M Haus	4/4	T Lesoli	1/1	AG Hall	2/2
	T Lesoli	4/4	PM Makwana	1/1	D Neethling	2/2
	PM Makwana	3/4	AT Mokgokong	1/1		
	AT Mokgokong	4/4	R Morar	1/1		
	R Morar	1/4	LP Ralphs	1/1		
	D Neethling	1/1	MI Sacks	1/1		
	LP Ralphs	1/1	RI Stewart	1/1		
	MI Sacks	4/4	KB Wakeford	1/1		
	RI Stewart	4/4				
	KB Wakeford	2/2				
Invitees	D Neethling	1/1				
Responsibilities	Ultimately responsible to shareholders for the performance of the Group.				Monitor and strengthen the objectivity and credibility of the Company's acquisition strategy and plans.	
	Broadly gives strategic direction to the Group, approves and regularly reviews business strategy, budgets and policies.				Consider and make recommendations to the Board on major acquisition plans and terms applicable to these acquisitions.	
	Appoints the executive directors and ensures that power and authority delegated to management are clearly and comprehensively documented and regularly reviewed.					
	Ensures that the governance framework and strategic direction of the Group remain appropriate and relevant.					
	The Board retains control over the Group, monitors risk and oversees the implementation of approved strategies through a structured approach i.e. reporting and accountability.					

The number of Board constituted committee meetings, held during the year under review, and the attendance thereof appear on  pages 22, 42, 58 and 73.

CHANGES TO DIRECTORS' RESPONSIBILITIES AND STATUS

11 November 2015

Dr Brian Joffe resigned as Chairman and Mr Clifford Raphiri, who was the Lead Independent Director, was appointed Non-executive Chairman;

Dr Joffe was appointed Deputy Chairman;

Mr Kevin Wakeford resigned as Chief Executive Officer and Director and Mr Andrew Hall was appointed Chief Executive Officer;

Ms Dorette Neethling, was appointed Acting Chief Financial Officer; and

Mr Lindsay Ralphs resigned as a Non-executive Director and was replaced by Mr David Cleasby.

2 February 2016

Mr Clifford Raphiri, the Non-executive Chairman of the Board, relinquished his chairmanship of the HR, Remuneration and Nominations Committee, but remained a member of this Committee and Chairman of the Nominations Committee;

Mr Mpho Makwana relinquished his membership of the Risk and Sustainability Committee and assumed chairmanship of the HR, Remuneration and Nominations Committee;

Mr David Cleasby assumed membership of the Risk and Sustainability Committee; and

The Chief Financial Officer no longer serves as a member of the Social, Ethics and Transformation Committee.

23 February 2016

Ms Dorette Neethling was appointed as an Executive Director and Chief Financial Officer.

24 May 2016

The CEO and CFO were appointed as members of the Acquisitions Committee.

15 June 2016

Mr David Cleasby resigned as a Non-executive Director and a member of the Risk and Sustainability Committee.

INFORMATION TECHNOLOGY (IT)

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

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

- Business driven IT strategy;
- Standardisation of systems and processes to improve business operations and reporting;
- Replacement of outdated and obsolete systems with the Oracle ERP suite of products, running on modern energy efficient servers;
- Upgrading of software and hardware to ensure continuous support and licence compliance;
- Information security systems; and
- Disaster recovery systems and procedures.

INTERNAL AUDIT

The Internal Audit function forms an integral part of the governance structure of the Group and its key responsibility is to evaluate the Group's governance processes and associated controls, amongst others, as set out in the King III Report.

In performing its functions, the Internal Audit function provides reasonable assurance to the Board, through the Audit Committee, regarding the effectiveness of the Group's network of governance, risk management and internal control processes and systems.

It is more than a year since, the Internal Audit function has been in-house and the responsibility to oversee, manage, inform and take accountability for the effective operation of this function lies with the Chief Financial Officer. The Internal Audit function operates within a formally defined charter and annual audit plan which are approved annually by the Audit Committee.

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

COMPANY SECRETARY

Mr Ntando Simelane is the Company Secretary of the Group. All directors have unlimited access to the Company Secretary for advice to enable them to properly discharge their responsibilities and duties in the best interests of Adcock Ingram, with particular emphasis on supporting all the directors, including the Chairman. The Company Secretary works closely with the Chairman of the Board, Chairmen of the respective committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes.

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

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

The evaluation questionnaires were collated and analysed by independent advisors and the results thereof shared with the Board. Based on the results of the evaluation, the Board can confirm that the Company Secretary is competent and has relevant experience to discharge his duties. Furthermore, the Company Secretary is suitably qualified for this role, conducts his duties professionally, maintains an arm's length relationship with the Board and is not a director.

REMUNERATION REPORT

This report is presented by the Company's Human Resources, Remuneration and Nominations Committee (the Committee), appointed by the Board in respect of the year ended 30 June 2016.

COMPOSITION AND MEETINGS

The Committee consists of four non-executive directors, three of whom are independent. Four Committee meetings were held during the year. The attendance of the Committee meetings was as follows:

Committee member	Meeting attendance
PM Makwana (Chairman)	2/2*
R Morar	1/4
L Ralphs	0/2*
CD Raphiri	4/4*
MI Sacks	4/4
Invitees	
AG Hall	2/2*
KB Wakeford	2/2*
B Letsoalo (Human Capital Executive)	4/4

*see changes to the Board on page 56

The Chairman of the Board chairs this Committee when constituted as the Nominations Committee.

ROLE AND FUNCTION OF THE COMMITTEE

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

- Assist the Board in determining remuneration and performance measures of executives and senior management;
- Determine the remuneration policy and appropriate human capital management policies;
- Review the terms and conditions, at least annually, of key executive service agreements;
- Oversee annual performance evaluation of the Board; and
- Assist the Board to ensure that the Board is appropriately constituted for it to execute its role and duties effectively and that directors are appointed through a formal, transparent process and the induction and ongoing training and development of directors takes place.

REMUNERATION PHILOSOPHY

Our remuneration philosophy is governed by the principles of equity, fairness and affordability. Its primary objective is to:

- Provide competitive and equitable remuneration based on an employee's skills, performance and contribution to the group strategy;
- Attract, motivate and retain the talent necessary to attain the group objectives in line with organisational culture and values;
- Develop a sense of ownership and ensure employees' interests are aligned to the shareholders; and
- Provide opportunities for the potential of greater financial and non-financial rewards to those who achieve excellent performance in their respective roles.

REMUNERATION STRUCTURE

Adcock Ingram has an integrated remuneration and rewards model which includes guaranteed remuneration, short-term incentives and long-term incentives.

All elements of remuneration are subject to periodic evaluation and are reviewed in line with:

- Healthcare industry;
- Market benchmarks and trends;
- Legislative framework; and
- Group performance.

The Remuneration Committee endeavours to ensure that each director and executives are remunerated fairly and responsibly and that the disclosure of a director's remuneration is accurate, complete and transparent.

FOCUS AREA FOR 2015/2016

- The short-term incentives' performance metrics entrenched across all Business Units ;
- Talent management and succession planning for executive team rolled out;
- Benchmarked remuneration policy against peer group;
- Addressed anomalies in different salary bands; and
- Reviewed long-term incentives as a retention and reward mechanism for key executives and managers.

FOCUS AREA FOR 2016/2017

- Implement development programmes for successors in line with transformation imperatives and business requirements;
- Cascade talent management and succession planning to the level below executives; and
- Review flexibility and relevancy of benefits to remain competitive in the industry.

ELEMENTS OF REMUNERATION

GUARANTEED REMUNERATION

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

Basic salary

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

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

The average increases for 2015/2016 were:

SOUTH AFRICA	
Bargaining unit	7.5% increase on 1 July 2015.
All other employees	5.0%, effective 1 December 2015.
INDIA	
	5.5%, effective 1 October 2015.
REST OF AFRICA	
Kenya	No increase was granted.
Zimbabwe	No increase was granted.
Ghana	10%, effective 1 October 2015.

Provident fund

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

SOUTH AFRICA	
Bargaining unit	Employee contribution varies from 7.0% to 7.5% of basic salary. The Company contribution varies from 10% to 11% of basic salary.
All other employees	Contributions are 18% of retirement funding income, which is set at not less than 75% of the total remuneration package but employees have a choice to increase the contribution.
INDIA	
	This is governed by statutory requirements in India. Contributions are currently 12% of basic salary at all levels.
REST OF AFRICA	
Kenya	Company contributions amount to 10% of basic salary. Employees can contribute voluntarily.
Zimbabwe	Company contributions are 15% of basic salary. Employees contribute 7% of basic salary.
Ghana	The Company and the employees each contribute 5% of basic salary. There is also a provision for the statutory pension scheme where employees contribute 5.5% and the Company 13% of basic salary.

Medical aid

To cater for ill-health and hospitalisation.

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

13th cheque

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

REMUNERATION REPORT (CONTINUED)

VARIABLE (NON-GUARANTEED) REMUNERATION

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

Non-guaranteed remuneration in South Africa consists of the following:

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

SALES COMMISSION

Qualification	Sales employees.
Objective	Encourage achievement of sales targets.
Methodology	Sales employees are incentivised for achieving sales which are reviewed quarterly to ensure parity with business unit targets.
Progress	Approximately R30.6 million was paid towards sales incentives during the year.

SHORT-TERM INCENTIVES

Qualification	Executives, key management and other critical employees in the Group.
Objective	Motivates and rewards achievement of business and individual performance and keeps employees' focus on the defined business imperatives whilst driving performance and retaining key talent.
Methodology	Rewards employees for achieving key performance targets, based on Group and Business Unit metrics criteria, as agreed upon at the beginning of each financial year. These pre-determined performance targets for the 2016 financial year included: • Return on funds employed; • Trading profit; • Service level agreements; • Order infill rate; and • Expense management.
Progress	During the year under review targets were achieved and approximately R27 million will be paid to 46 qualifying employees in September 2016.

LONG-TERM INCENTIVES

Qualification	Various share options schemes exist in the Group and have been implemented for specific purposes.
Objective	Drive sustainable longer term performance; Retention of critical skills by linking performance to long-term value creation; Instil loyalty and ownership by aligning interest of key employees to those of the Group and shareholder interest; and Reward participants for medium to longer term Company performance.
Performance metrics	No performance metrics are applicable.
Methodology	This differs from scheme to scheme as detailed on the next page.

Long-term incentives

EQUITY

Qualification	Executives, key management and other critical employees in the Group.
Number of participants	42
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date.
Expiry	Ten years from the grant date if not exercised.

PHANTOM

Qualification	Executives, key management and other critical employees in the Group.
Number of participants	55
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date.
Expiry	Six years from the grant date if not exercised.

TIGER BRANDS BLACK MANAGERS SHARE TRUST

Qualification	In terms of the Tiger Brands Limited BEE transaction implemented in 2005, vested rights were issued to black managers of the Tiger Brands Group (which at that time included the Adcock Ingram Group).
Number of participants	201 remaining participants with 478 845 Tiger Brands share allocations, and 203 participants with 525 164 Adcock Ingram share allocations.
Vesting	One-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date but are subject to various lock-in periods.
Expiry	September 2027

MPHO EA BOPHELO

Qualification	In 2011, Adcock Ingram concluded a R1.3 billion BBBEE transaction. All permanent black South African employees were able to participate in the scheme. In July 2015 a revised scheme, was concluded adhering to the same principles and qualification criteria.
Number of participants	Of the initial scheme, 2 001 employees of which 379 forfeited their allocations and 240 employees already benefited. 1 765 employees participate in the modified scheme.
Vesting	Depending on grant date, vesting could be up to four years with a lock-in period of four years.
Expiry	The scheme would end either in 2023 or in 2024 depending on whether the trust takes up option of another year.

EMPLOYEE TYPES

PERMANENT EMPLOYEES

Permanent employees receive a total remuneration package which is reviewed annually. Pay increases are determined according to:

- relevant experience and expertise
- market benchmarks
- Company performance
- CPI; and
- affordability

FIXED TERM CONTRACT EMPLOYEES

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

BARGAINING UNIT EMPLOYEES

51% of employees in South Africa belong to bargaining units. Remuneration is based on annual negotiations between the companies in the Group and the respective unions. A 7.5% increase, effective 1 July 2016, was agreed in South Africa

TEMPORARY WORKERS

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

REMUNERATION REPORT (CONTINUED)

REMUNERATION

TOP THREE EARNERS

The following resolution has been taken by the Board:

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

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

Remuneration

	2016 R'000	2015 R'000
Salary	7 907	7 606
Contributions to defined contribution plan	1 234	1 187
Gross remuneration	9 141	8 793

Short-term incentives

Based on the current year's performance, the top three earners qualify for short-term incentives in the amount of R3 025 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2016. An incentive of R2 750 000 was paid in September 2015, relating to the prior year's performance, which was fully provided for at 30 June 2015.

KEY MANAGEMENT

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

Remuneration

	2016 R'000	2015 R'000
Salary	25 185	23 455
Contributions to defined contribution plan	3 830	3 689
Gross Remuneration	29 015	27 144

Short-term incentives

Based on the current year's performance, key management qualifies for short-term incentives in the amount of R9 105 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2016. An incentive of R8 650 000 was paid in September 2015, relating to the prior year's performance, which was fully provided for at 30 June 2015.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Change in Executive Committee composition	Balance at the end of the year
Equity	17/06/2014	52,20	636 000		(60 000)	576 000
	03/11/2014	52,20	84 000	–	–	84 000
	26/08/2015	41,94	–	654 000	(90 000)	564 000
			720 000	654 000	(150 000)	1 224 000
	Offer date	Offer price R	Balance at the beginning of the year	Exercised/ forfeited during the year	Change in Executive Committee composition	Balance at the end of the year
Phantom	04/01/2010	51,12	71 524	(66 214)	(5 310)	–
	03/01/2011	62,29	96 291	–	(14 773)	81 518
	26/09/2011	60,38	29 811	–	–	29 811
	03/01/2012	60,15	144 233	–	(19 000)	125 233
	09/01/2012	60,15	14 963	–	–	14 963
	01/05/2012	60,70	42 834	–	–	42 834
	01/10/2012	59,56	26 666	–	–	26 666
	02/01/2013	53,52	267 439	–	(31 177)	236 262
	02/05/2013	60,55	79 273	–	–	79 273
			773 034	(66 214)	(70 260)	636 560

Details of options exercised by key management are as follows:

	Offer date	Offer price R	Weighted average exercise price R	Number of options	Gain realised on exercising of options ⁽¹⁾ R
2016					
Phantom	04/01/2010	51,12	53,67	13 855	35 283
2015					
Phantom	22/01/2008	34,69	70,67	20 329	731 437
	01/10/2008	34,78	58,18	88 771	2 077 268
	02/01/2009	33,38	58,18	104 801	2 598 701
	04/01/2010	51,12	58,56	45 481	338 155
				259 382	5 745 561

⁽¹⁾ Amounts shown before taxation

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

	2016 R'000	2015 R'000
Total	4 066	2 955

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

REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION

EXECUTIVE DIRECTORS

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

Shareholding and other fees

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

AG Hall

Remuneration

	2016 R'000	2015 R'000
Salary	3 608	3 134
Contributions to defined contribution plan	644	680
Gross remuneration	4 253	3 814

Short-term incentives

Based on the current year's performance, AG Hall qualifies for a short-term incentive in the amount of R2 300 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2016. An incentive of R1 713 650 was paid in September 2015, relating to the prior year's performance, which was fully provided for at 30 June 2015.

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued/ Forfeited/ Exercised during the year	Balance at the end of the year
Equity	17/06/2014	52,20	175 000	–	175 000
	26/08/2015	41,94	–	175 000	175 000
			175 000	175 000	350 000
Phantom	04/01/2010	51,12	76 744	(76 744)	–
	03/01/2011	62,29	72 429	–	72 429
	03/01/2012	60,15	79 507	–	79 507
	01/05/2012	60,70	78 786	–	78 786
	02/01/2013	53,52	96 057	–	96 057
			403 523	(76 744)	326 779

Details of options exercised are as follows:

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options(1) R
2016 Phantom	04/01/2010	51,12	52,60	76 744	113 581
2015 Phantom	01/10/2008	34,78	57,40	33 572	759 399
	02/01/2009	33,38	57,40	34 980	840 200
				68 552	1 599 599

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

	2016 R'000	2015 R'000
Total	1 052	452

⁽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.

D Neethling**Remuneration**

	2016 4 months ⁽¹⁾ R'000
Salary	865
Contributions to defined contribution plan	135
Gross remuneration	1 000

⁽¹⁾ Appointed 23 February 2016

Short-term incentives

Based on the current year's performance, D Neethling qualifies for a short-term incentive in the amount of R1 200 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2016.

Long-term incentives

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

	Offer date	Offer price R	Balance at the end of the year
Equity	17/06/2014	51,20	60 000
	26/08/2015	41,94	90 000
			150 000
Phantom	03/01/2011	62,29	14 773
	03/01/2012	60,15	19 000
	02/01/2013	53,52	31 177
			64 950

The following income was recognised in the statement of comprehensive income during the period under review, in terms of IFRS 2⁽²⁾:

	4 months 2016 R'000
Total	140

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

REMUNERATION REPORT (CONTINUED)

KB Wakeford

Remuneration

	2016 6 months ⁽¹⁾ R'000	2015 12 months R'000
Salary	1 788	3 492
Contributions to defined contribution plan	279	545
Gross remuneration	2 067	4 037

⁽¹⁾ Resigned 1 December 2015

Short-term incentives

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

Long-term incentives

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

	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Forfeited during the year	Balance at the end of the year
Equity	17/06/2014	52,20	200 000	–	(200 000)	–
	26/08/2015	41,94	–	200 000	(200 000)	–
			200 000	200 000	(400 000)	–

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

	2016 R'000	2015 R'000
Total	(939)	939

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

NON-EXECUTIVE DIRECTORS

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

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

The following fixed fees are in place since 1 December 2015.

Committee	Chairman R	Member R
Board	1 022 570	233 965
Audit	222 045	111 020
Risk and Sustainability	222 045	111 020
Human Resources, Remuneration and Nominations	91 155	57 850
Social, Ethics and Transformation	85 545	46 280

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

Remuneration paid

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

	2016 R'000	2015 R'000
Joffe ⁽¹⁾	503	974
Haus	447	434
Lesoli	275	267
Makwana	414	410
Mokgokong	275	267
Morar	395	384
Raphiri	760	310
Ralphs ⁽²⁾	101	278
Sacks	613	595
Stewart	555	540
Cleasby ⁽³⁾	179	–
	4 517	4 459

⁽¹⁾ Paid to Bidvest Corporate Services Proprietary Limited until May 2016

⁽²⁾ Paid to Bidvest Corporate Services Proprietary Limited. Resigned 11 November 2015

⁽³⁾ Paid to Bidvest Corporate Services Proprietary Limited. Resigned 15 June 2016

Shareholdings

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

	2016 R'000	2015 R'000
Joffe	19 200	19 200
Morar	1 500	1 500
Total direct and indirect shareholding	20 700	20 700

Terms for non-executive directors

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



The background of the page is a soft-focus photograph of several white, round pills. One pill is in sharp focus in the foreground, showing a diagonal score line. Other pills are blurred in the background, creating a sense of depth.

six

ANNUAL FINANCIAL
STATEMENTS

ANNUAL FINANCIAL STATEMENTS

71	DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS	
71	CERTIFICATE BY COMPANY SECRETARY	
72	INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADCOCK INGRAM HOLDINGS LIMITED	
73	AUDIT COMMITTEE REPORT	
74	DIRECTORS' REPORT	
76	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	
78	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	
79	CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	
80	CONSOLIDATED STATEMENTS OF CASH FLOWS	
81	ACCOUNTING POLICY ELECTIONS	
82	NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS	
112	COMPANY STATEMENTS OF COMPREHENSIVE INCOME	
113	COMPANY STATEMENT OF CHANGES IN EQUITY	
114	COMPANY STATEMENTS OF FINANCIAL POSITION	
115	COMPANY STATEMENTS OF CASH FLOWS	
116	NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS	
21	ANNEXURE A: SEGMENT REPORT	
124	ANNEXURE B: SHARE-BASED PAYMENT PLANS	
129	ANNEXURE C: DEFINED BENEFIT PLAN	
131	ANNEXURE D: POST-RETIREMENT MEDICAL LIABILITY	
132	ANNEXURE E: FINANCIAL INSTRUMENTS	
138	ANNEXURE F: INTEREST IN JOINT VENTURES	
140	ANNEXURE G: IMPAIRMENTS	
141	ANNEXURE H: INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES	
142	ANNEXURE I: ACCOUNTING POLICIES	

DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The annual financial statements for the year ended 30 June 2016, which appear on pages 74 to 157, which are in agreement with the books of account at that date, and the related Group annual financial statements, were approved by the board of directors on 25 August 2016 and signed on its behalf.

CD Raphiri
Chairman

AG Hall
Chief Executive Officer

D Neethling
Chief Financial Officer

25 August 2016

CERTIFICATE BY COMPANY SECRETARY

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

NE Simelane
Company Secretary

25 August 2016

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

We have audited the Group financial statements and annual financial statements of Adcock Ingram Holdings Limited set out on pages 76 to 125 which comprise the consolidated and separate statements of financial position as at 30 June 2016, the consolidated and separate statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Adcock Ingram Holdings Limited at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 eight years.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Dave Cathrall

Registered Auditor

Chartered Accountant (SA)

25 August 2016

AUDIT COMMITTEE REPORT

This report is presented by the Company's Audit Committee (the Committee), appointed by the board and elected by the shareholders in respect of the year ended 30 June 2016. It is prepared in accordance with the recommendations of King III and the requirements of the South African Companies Act, 71 of 2008, as amended, and describes how the Committee discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the board in respect of the reporting period.

COMPOSITION AND MEETINGS

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

Committee member	Meeting attendance
MI Sacks (Chairman)	4/4
M Haus	4/4
R Morar	2/4
RI Stewart	4/4
Invitees	
AG Hall	4/4
D Neethling	4/4
KB Wakeford	2/2*

* See changes to the board on page 56

Representatives of both the internal and external auditors attended all Committee meetings.

ROLE AND FUNCTION OF THE COMMITTEE

The role and responsibilities of the Committee are governed by a formal charter which is reviewed annually and approved by the board. A formal evaluation of the Committee is carried out by the board and the board is satisfied that the Committee has fulfilled all its statutory duties, including those duties assigned to it by the board during the year under review, as further detailed below.

EXTERNAL AUDIT

The Committee nominated Ernst and Young Inc., as independent external auditors, determined and approved their terms of engagement as well as their fees. The nomination of external auditors is presented to shareholders each year at the Annual General Meeting for approval. The Committee is satisfied that the Company's external auditors can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. The Committee is also responsible for determining the nature and extent of any non-audit services that the external auditors may provide to the Group and the Committee pre-approves any proposed contract with the external auditors for the provision of such non-audit services. The Committee can report that its working relationship with the designated partner is professional and functional.

INTERNAL FINANCIAL AND ACCOUNTING CONTROL

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

INTERNAL AUDIT

The Committee also evaluated the effectiveness of the internal audit department and concluded that it was satisfied with their planning, processes and application, including the quality of their reporting on internal audit outcomes and related matters.

COMPLIANCE

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

ANNOUNCEMENTS

The Committee is also responsible for reviewing the Group's financial data for distribution to shareholders or publication required under any regulatory or statutory authority. The Integrated Report of the Group covering the year under review was considered by the Committee and subsequently recommended for approval by the board.

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

MI Sacks
Chairman

25 August 2016

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 2016 which are set out from page 76.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Southern African business 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.
- A Hospital products and services division.

BUSINESS COMBINATIONS

ACQUISITIONS

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

DISCONTINUED OPERATIONS

The board decided to dispose of the Group's Indian operating subsidiary as well as dispose of the controlling stake in the Ghanaian subsidiary. These operations have been treated as held-for-sale and are reflected in the financial statements as discontinued operations.

SHARE CAPITAL

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

During the year under review, the number of shares in issue increased by 6 700 (2015: 96 600) ordinary shares to meet the obligations of the Adcock Ingram Holdings Employee Share Trust (2008).

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

	30 June 2016	30 June 2015
Adcock Ingram Limited	4 285 163	4 285 163
Mpho ea Bophelo Trust	5 168 592*	688 000
Blue Falcon Trading 69 Proprietary Limited	–	1 883 000

* Held indirectly

The change in ordinary treasury shares held by the Mpho ea Bophelo Trust and Blue Falcon Trading 69 Proprietary Limited, is due to the modification of the BEE scheme (refer to Annexure B).

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

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

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

SHAREHOLDERS

Please refer to the shareholder analysis on pages 158 and 159 of the integrated report.

GOING CONCERN

Page 83 sets out the directors' responsibilities for preparing the consolidated financial statements. The directors have considered the status of the Company and Group, including the sustainability of their business models, available financial resources at 30 June 2016, the current regulatory environment and potential changes thereto and are satisfied that the Group will be able to continue as a going concern in the foreseeable future.

SUBSIDIARIES AND JOINT VENTURES

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

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

DIRECTORS

The names of the directors who presently hold office are set out on pages 52 and 53 of the integrated report. Changes to the composition and directors' responsibilities are detailed on page 56.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. The directors beneficially hold, directly and indirectly 20 700 (2015: 20 700) ordinary shares in the Company. There has been no change in the holdings since the end of the financial year and up to the date of approval of the integrated report. Details of the direct directors' shareholdings are reflected below.

	Number of shares 2016	Number of shares 2015
Director		
B Joffe	19 200	19 200
R Morar	1 500	1 500

RETIREMENT FUNDS

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

DIRECTORS' AND KEY MANAGEMENT REMUNERATION

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Continuing operations	Notes	2016 R'000	2015 R'000
REVENUE	3	5 559 896	5 182 715
Turnover	3	5 545 610	5 158 901
Cost of sales		(3 516 089)	(3 284 696)
Gross profit		2 029 521	1 874 205
Selling, distribution and marketing expenses		(1 004 534)	(951 169)
Fixed and administrative expenses		(419 293)	(405 010)
Trading profit	6	605 694	518 026
Non-trading expenses	4	(52 449)	(18 960)
Operating profit		553 245	499 066
Finance income	5.1	5 107	13 144
Finance costs	5.2	(76 888)	(96 683)
Dividend income	3	9 179	10 670
Equity-accounted earnings		59 288	65 608
Profit before taxation		549 931	491 805
Taxation	7	(170 547)	(141 873)
Profit for the year from continuing operations		379 384	349 932
Loss after taxation for the year from discontinued operations	2.1	(200 242)	(151 123)
Profit for the year		179 142	198 809
Other comprehensive income which will subsequently be recycled to profit or loss		107 129	61 722
Exchange differences on translation of foreign operations:			
– Continuing operations		31 493	16 121
– Discontinued operations		89 071	45 121
Fair value (loss)/gain on available-for-sale asset, net of tax	20	(588)	403
Profit on sale of shares	20	1 067	–
Movement in cash flow hedge accounting reserve, net of tax	20	(13 914)	77
Other comprehensive income which will not subsequently be recycled to profit or loss			
Actuarial profit/(loss) on post-retirement medical liability	20	6 079	(442)
Total comprehensive income for the year, net of tax		292 350	260 089
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		168 801	197 932
Non-controlling interests		10 341	877
		179 142	198 809
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		279 736	260 419
Non-controlling interests		12 614	(330)
		292 350	260 089

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2016 cents	2015 cents
Continuing operations:			
Basic earnings per ordinary share	8.1	223.6	204.2
Diluted basic earnings per ordinary share	8.1	223.6	204.2
Headline earnings per ordinary share	8.1	226.1	198.7
Diluted headline earnings per ordinary share	8.1	226.1	198.7
Discontinued operations:			
Basic loss per ordinary share	8.2	(122.2)	(87.0)
Diluted basic loss per ordinary share	8.2	(122.2)	(87.0)
Headline earnings/(loss) per ordinary share	8.2	2.6	(38.6)
Diluted headline earnings/(loss) per ordinary share	8.2	2.6	(38.6)
Total operations:			
Basic earnings per ordinary share	8.3	101.4	117.2
Diluted basic earnings per ordinary share	8.3	101.4	117.2
Headline earnings per ordinary share	8.3	228.7	160.1
Diluted headline earnings per ordinary share	8.3	228.7	160.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to holders of the parent							Non-controlling interests		Total	
		Issued share capital		Non-distributable reserves		Total attributable to ordinary share-holders						
				Continuing operations	Discontinued operations held-for-sale							
Notes		R'000	Share premium R'000	R'000	R'000	Retained income R'000		R'000		R'000		R'000
As at 1 July 2014		16 878	510 920	426 415		1 784 688	2 738 901		118 578		2 857 479	
Share issue	18, 19	10	2 018				2 028				2 028	
Movement in share-based payment reserve	20			16 098			16 098				16 098	
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2					(31)	(31)		(101)		(132)	
Total comprehensive income				62 487		197 932	260 419		(330)		260 089	
Profit for the year						197 932	197 932		877		198 809	
Other comprehensive income				62 487			62 487		(1 207)		61 280	
Disposal of non-controlling interest in Bioswiss Proprietary Limited	1.1								(14 101)		(14 101)	
Dividends	9.1								(4 537)		(4 537)	
Balance at 30 June 2015		16 888	512 938	505 000		1 982 589	3 017 415		99 509		3 116 924	
Share issue	18, 19	1	189				190				190	
Movement in share-based payment reserve	20			12 578			12 578				12 578	
Transfer to discontinued operations				(58 200)		58 200						
Implementation of BEE scheme		258	153 746			(44 587)	109 417		(79 883)		29 534	
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	1.2					(1)	(1)		(1)		(2)	
Total comprehensive income				24 137		86 798	168 801	279 736	12 614		292 350	
Profit for the year						168 801	168 801		10 341		179 142	
Other comprehensive income				24 137		86 798	110 935		2 273		113 208	
Dividends	9.1					(190 762)	(190 762)		(6 215)		(196 977)	
Balance at 30 June 2016		17 147	666 873	483 515	144 998	1 916 040	3 228 573		26 024		3 254 597	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	2016 R'000	2015 R'000
ASSETS			
Property, plant and equipment	10	1 423 173	1 490 828
Intangible assets	11	276 070	743 156
Deferred tax	12	8 129	12 091
Other financial assets	13	74 310	91 106
Investment in joint ventures	14	354 139	279 135
Non-current assets		2 135 821	2 616 316
Inventories	15	1 167 005	1 207 581
Trade and other receivables	16	1 398 501	1 408 728
Cash and cash equivalents	17	200 555	147 379
Taxation receivable	26.4	84 087	77 948
Current assets		2 850 148	2 841 636
Assets classified as held-for-sale	2.2	610 638	–
Total current assets		3 460 786	2 841 636
Total assets		5 596 607	5 457 952
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	17 147	16 888
Share premium	19	666 873	512 938
Non-distributable reserves: Continuing operations	20	483 515	505 000
Discontinued operations held-for-sale	20	144 998	–
Retained income		1 916 040	1 982 589
Total shareholders' funds		3 228 573	3 017 415
Non-controlling interests		26 024	99 509
Total equity		3 254 597	3 116 924
Long-term borrowings	21	500 000	513 753
Post-retirement medical liability	22	16 994	22 796
Deferred tax	12	75 868	81 854
Non-current liabilities		592 862	618 403
Trade and other payables	23	1 564 265	1 328 431
Bank overdraft	17	11 755	304 210
Short-term borrowings	21	–	13 273
Cash-settled options	24	3 117	6 519
Provisions	25	69 906	70 192
Current liabilities		1 649 043	1 722 625
Liabilities classified as held-for-sale	2.2	100 105	–
Total current liabilities		1 749 148	1 722 625
Total equity and liabilities		5 596 607	5 457 952

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	827 372	724 550
Working capital changes	26.2	113 752	(126 423)
Cash generated from operations		941 124	598 127
Finance income received	26.6	17 249	14 409
Finance costs paid	26.7	(86 689)	(103 871)
Dividend income received		23 835	10 670
Dividends paid	26.3	(196 977)	(4 537)
Taxation paid	26.4	(176 421)	(87 312)
Net cash inflow from operating activities		522 121	427 486
Cash flows from investing activities			
Decrease in other financial assets	26.8	11 961	37 962
Disposal of business	26.5	–	(2 663)
Purchase of property, plant and equipment – Expansion		(34 650)	(23 560)
– Replacement		(60 792)	(56 304)
Proceeds on disposal of property, plant and equipment		486	2 243
Proceeds on disposal of intangibles		2 009	–
Disposal of non-controlling interest in Blue Falcon Trading Proprietary Limited		(11 616)	–
Net cash outflow from investing activities		(92 602)	(42 322)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		(2)	(132)
Proceeds from issue of share capital		190	2 028
Proceeds from sale of shares		30 410	–
Increase in borrowings		–	23 915
Repayment of borrowings		(19 816)	(506 031)
Net cash inflow/(outflow) from financing activities		10 782	(480 220)
Net increase/(decrease) in cash and cash equivalents		440 301	(95 056)
Net foreign exchange difference on cash and cash equivalents		10 992	9 986
Cash and cash equivalents at beginning of year		(156 831)	(71 761)
Cash and cash equivalents at end of year	17	294 462	(156 831)

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 and structured entities (the "Group") for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 25 August 2016. 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 International 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.

NO CHANGES IN FINANCIAL POLICY IN THE CURRENT YEAR

The accounting policies adopted are consistent with those of the previous financial year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. DISPOSAL OF BUSINESS AND ACQUISITION OF ADDITIONAL INTERESTS IN AYRTON

1.1 DISPOSAL OF BUSINESS

On 11 May 2015 the Group disposed of its 51% holding in Bioswiss Proprietary Limited (Bioswiss). Refer to note 26.5 for cash flow on disposal.

1.2 ACQUISITION OF ADDITIONAL SHARES IN AYRTON

On 1 April 2010, Adcock Ingram International Proprietary Limited, a wholly-owned subsidiary of Adcock Ingram Holdings Limited, acquired a 65.59% stake in a listed Ghanaian pharmaceutical company, Ayrton Drug Manufacturing Limited (Ayrton) for R121 million, to establish a presence in West Africa. The fair value of the net assets of Ayrton (excluding goodwill on the original acquisition) was R63 million. Goodwill, intangible assets and certain plant and equipment were subsequently impaired.

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

	% shares	Cash consideration paid to non-controlling shareholders	Carrying value	Recognised in retained earnings within equity
On acquisition	65.59	33 636	33 636	–
2011	5.76	10 336	5 294	5 042
2012	6.79	11 060	8 912	2 148
2013	0.18	342	223	119
2014	0.14	241	175	66
2015	0.11	132	101	31
2016	*	2	1	1
Total	78.57	55 749	48 342	7 407

* < 0.01

Refer to note 2

2016
R'0002015
R'000

2. DISCONTINUED OPERATIONS

The board has resolved to dispose of:

- Adcock Ingram Private Limited (India)
- Ayrton Drug Manufacturing Limited (Ayrton)

The results of these businesses are presented below and the net assets were classified as held-for-sale as completion of the disposals are expected subsequent to year-end.

2.1 STATEMENT OF COMPREHENSIVE INCOME

REVENUE	412 289	376 211
TURNOVER	403 892	369 468
Cost of sales	(175 204)	(162 018)
Gross profit	228 688	207 450
Selling, distribution and marketing expenses	(143 210)	(164 062)
Fixed and administrative expenses	(53 883)	(110 431)
Trading profit/(loss) (refer b)	31 595	(67 043)
Non-trading expenses (refer a)	(230 307)	(87 365)
Operating loss	(198 712)	(154 408)
Finance income	8 397	6 743
Finance costs	(8 574)	(4 300)
Loss before taxation	(198 889)	(151 965)
Taxation	(1 353)	842
Loss for the year from discontinued operations	(200 242)	(151 123)
Loss attributable to:		
India	(139 583)	(131 833)
Ayrton	(60 659)	(19 290)
	(200 242)	(151 123)
Profit/(Loss) attributable to:		
Owners of the parent	(203 403)	(146 868)
Non-controlling interests	3 161	(4 255)
	(200 242)	(151 123)
a) Non-trading expenses		
Impairment of assets transferred to held-for-sale	207 971	–
India	135 012	–
Ayrton	72 959	–
Transaction costs	22 656	–
Profit on sale of intangible asset	(320)	–
Impairment of Intangible assets	–	74 432
Impairment of property, plant and equipment	–	7 390
Retrenchment costs	–	770
Scrapping of property, plant and equipment	–	2 241
Lease cancellation expenses	–	316
Write-off of India rental deposit	–	2 216
	230 307	87 365

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

2016
R'000

2015
R'000

2. DISCONTINUED OPERATIONS (continued)

2.1 STATEMENT OF COMPREHENSIVE INCOME (continued)

b) Trading profit/(loss)

Trading profit/(loss) has been arrived at after charging/(crediting) the following expenses/(income):

Depreciation

– Freehold land and buildings	347	205
– Leasehold improvements	32	698
– Plant, equipment and vehicles	1 084	1 089
– Computers	20	5 534
– Furniture and fittings	30	2 549
Amortisation of intangible assets	111	50 561
Inventories written off	4 616	5 755
Foreign exchange profit	(3 790)	(883)
Bad debts written off	–	1 748
Loss/(Profit) on disposal of property, plant and equipment	70	(506)
Total staff cost	93 119	86 931

Included in cost of sales	9 721	7 740
Included in operating expenses	83 398	79 191

2.2 STATEMENT OF FINANCIAL POSITION

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

ASSETS

Property, plant and equipment	19 234
Cost	72 313
Accumulated depreciation	(53 079)
Intangible assets	381 109
Cost	756 753
Accumulated amortisation	(375 644)
Inventories	32 757
Trade and other receivables	56 660
Taxation receivable	2 114
Cash and cash equivalents	118 764
Total assets	610 638

2016
R'0002015
R'000

2. DISCONTINUED OPERATIONS (continued)

2.2 STATEMENT OF FINANCIAL POSITION (continued)

LIABILITIES

Long-term borrowings	5 464
Short-term borrowings	5 971
Bank overdraft	13 102
Trade and other payables	71 733
Provisions	3 835

Total liabilities	100 105
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Net assets/(liabilities) classified as held-for-sale

India	527 174
Ayrton	(16 641)

Net assets	510 533
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Foreign currency translation reserve related to assets classified as held-for-sale:	(148 663)
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India	(203 987)
Ayrton	55 324

Share issue expenses related to assets classified as held-for-sale – India	3 665
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Net assets	365 535
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2.3 CASH FLOW STATEMENT

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

Cash outflow from operating activities	(6 061)	(15 804)
Cash outflow from investing activities	(1 962)	(7 522)
Cash (outflow)/inflow from financing activities	(8 419)	12 516
Net cash outflow	(16 442)	(10 810)

3. REVENUE

Turnover	5 545 610	5 158 901
Finance income	5 107	13 144
Dividend income – Black Managers Share Trust	9 179	10 670
	5 559 896	5 182 715

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
4. NON-TRADING EXPENSES		
Impairments*	8 638	(2 039)
Intangible assets	3 149	–
Inventories	–	(8 375)
Long-term receivable and investment	5 489	6 336
Transaction costs	3 892	13 678
Share-based payment expenses**	39 919	15 081
Cash-settled	(3 131)	(7 092)
Equity-settled	12 556	7 071
Black Managers Share Trust – equity-settled	(1 724)	745
Black Managers Share Trust – cash-settled	3 961	4 840
Once-off call option charge	20 821	–
Mpho ea Bophelo Trust – equity-settled	7 436	9 517
Lease cancellation expenses	–	500
Profit on disposal of business	–	(8 260)
	52 449	18 960

* Refer to Annexure G

** Refer to Annexure B

5. FINANCE INCOME AND FINANCE COSTS

5.1 FINANCE INCOME

Bank	3 070	9 042
Receiver of revenue	2 009	3 673
Other	28	429
	5 107	13 144

5.2 FINANCE COSTS

Bank	32 654	23 364
Borrowings	41 745	71 286
Commitment fees	2 447	1 350
Finance leases	–	76
Receiver of revenue	–	506
Other	42	101
	76 888	96 683

2016
R'0002015
R'000

6. TRADING PROFIT

6.1 TRADING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING EXPENSES/(INCOME):

External auditors' remuneration

– Audit fees current year	8 265	8 310
– Audit fees overprovision prior year	(1 264)	(528)
– Taxation services	–	252
– Other services	1 135	893

Internal auditors' remuneration

363 298

Depreciation

– Freehold land and buildings	20 863	18 496
– Leasehold improvements	9 215	8 964
– Plant, equipment and vehicles	78 128	68 733
– Computers	24 105	24 600
– Furniture and fittings	5 080	4 858

Amortisation of intangible assets

9 050 9 811

Inventories written off

63 986 92 045

Royalties paid

37 824 33 451

Operating lease charges

– Equipment	2 748	1 791
– Property	40 717	40 600

Foreign exchange (gain)/loss

(2 454) 6 370

Fees paid to related parties (refer to note 29)

31 215 38 310

Loss/(profit) on disposal of property, plant and equipment

888 (1 244)

6.2 TOTAL STAFF COST*

987 720 905 916

Included in cost of sales

451 993 384 427

Salaries and wages	388 877	334 333
Employers' contribution to:	63 116	50 094
Medical	18 054	16 057
Retirement	45 062	34 037

Included in operating expenses

535 727 521 489

Salaries and wages	464 369	455 529
Employers' contribution to:	71 358	65 960
Medical	13 951	12 993
Retirement	57 407	52 967

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
6. TRADING PROFIT (continued)		
6.3 DIRECTORS' EMOLUMENTS		
Executive directors	6 261	11 601
Non-executive directors	4 518	4 459
Total	10 779	16 060

For more details, please refer to pages 64 to 67.

6.4 KEY MANAGEMENT

Salaries and bonuses	33 835	32 022
Retirement, medical and other benefits	3 830	3 689
Total	37 665	35 711

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

7. TAXATION

South African taxation

Current income tax		
– current year	152 522	79 722
– prior year under provision	14 359	5 945
Deferred tax		
– current year	(100)	17 680
– prior year over provision	(3 480)	(3 068)
– utilisation of tax loss	4 679	43 522
	167 980	143 801

Foreign taxation

Current income tax		
– current year	1 137	–
Deferred tax		
– current year	1 430	(1 928)
	2 567	(1 928)
Total tax charge	170 547	141 873

In addition to the above, deferred tax amounting to R5.5 million has been charged to other comprehensive income (2015: R0.1 million released from). Refer note 20.

7. TAXATION (continued)

	2016 %	2015 %
Reconciliation of the taxation rate:		
Effective rate	31.0	41.5
Adjusted for:		
Exempt income (dividend income)	1.9	2.1
Non-realisation of deferred tax	0.1	(6.3)
Non-deductible expenses*	(6.2)	(13.9)
Prior year under provision**	(2.0)	(0.9)
Equity accounted earnings	3.0	5.4
Utilisation of tax loss not previously recognised	0.4	–
Other	(0.2)	0.1
South African normal tax rate	28.0	28.0

The Group has tax losses of R108.7 million (2015: R207.1 million) for offsetting against future taxable profits of the companies in which the tax losses arose. The Group has utilised R16.7 million (2015: R155.4 million) of the tax losses relating to South African operations. All unutilised assessed losses from continuing operations has been recognised as deferred tax asset in the current year. The unutilised assessed loss of R11 million has not been recognised as deferred tax asset in the prior year.

	2016 R'000	2015 R'000	Expiry
Ghana***	–	15 583	Between two and five years
India****	–	56 008	Between five and eight years
South Africa	108 698	135 477	Indefinite
	108 698	207 068	

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

** Current tax and deferred tax

*** Discontinued operations (refer note 2)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
8. EARNINGS PER SHARE		
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	168 801	197 932
Adjusted for:		
Loss attributable to owners of Adcock Ingram from discontinued operations (note 2.1)	203 403	146 868
Earnings attributable to owners of Adcock Ingram from continuing operations	372 204	344 800
Adjusted for:		
Impairment of intangible assets	3 149	–
Loss/(profit) on disposal/scraping of property, plant and equipment	888	(1 244)
Tax effect on loss/(profit) on disposal of property, plant and equipment	(23)	(227)
Profit on disposal of business (note 1.1)	–	(8 260)
Adjustments relating to equity accounted joint ventures		
– Loss on disposal of property, plant and equipment	211	56
– Tax effect on loss on disposal of property, plant and equipment	–	(23)
– Loss on disposal of long-term receivable	–	328
– Tax effect on loss on disposal of long-term receivable	–	51
Headline earnings from continuing operations	376 429	335 481
Discontinued operations		
Loss attributable to owners of Adcock Ingram from discontinued operations	(203 403)	(146 868)
Adjusted for:		
Impairment of held-for sale assets (note 2.1)	207 971	–
Impairment of property, plant and equipment	–	7 390
Share of non-controlling interest in the impairment of property, plant and equipment	–	(1 819)
Impairment of intangible assets	–	74 432
Profit on sale of intangible asset	(320)	–
Loss on disposal/scraping of property, plant and equipment	70	1 735
Headline earnings/(loss) from discontinued operations	4 318	(65 130)
	Number of shares	
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	175 741 348	175 644 748
– Effect of ordinary shares issued during the year	5 528	45 744
– Effect of ordinary treasury shares held within the Group	(9 262 130)	(6 856 163)
Weighted average number of ordinary shares outstanding	166 484 746	168 834 329
Potential dilutive effect of outstanding share options	–	6 700
Diluted weighted average number of shares outstanding	166 484 746	168 841 029

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.

	2016 Cents	2015 Cents
8. EARNINGS PER SHARE (continued)		
8.1 CONTINUING OPERATIONS		
Earnings		
Basic earnings per share	223.6	204.2
Diluted basic earnings per share	223.6	204.2
Headline earnings		
Headline earnings per share	226.1	198.7
Diluted headline earnings per share	226.1	198.7
8.2 DISCONTINUED OPERATIONS		
Loss		
Basic loss per share	(122.2)	(87.0)
Diluted basic loss per share	(122.2)	(87.0)
Headline earnings		
Headline earnings/(loss) per share	2.6	(38.6)
Diluted headline earnings/(loss) per share	2.6	(38.6)
8.3 TOTAL OPERATIONS		
Earnings		
Basic earnings per share	101.4	117.2
Diluted basic earnings per share	101.4	117.2
Headline earnings		
Headline earnings per share	228.7	160.1
Diluted headline earnings per share	228.7	160.1
8.4 DISTRIBUTION PER SHARE		
Interim	50.0	–
Final ⁽¹⁾	54.0	81.0

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

	2016 R'000	2015 R'000
9. DISTRIBUTIONS PAID AND PROPOSED		
9.1 DECLARED AND PAID DURING THE YEAR		
Total paid to equity holders of parent company	190 762	–
Dividends paid to non-controlling shareholders	6 215	4 537
Total dividend declared and paid to the public	196 977	4 537
9.2 DISTRIBUTION ON ORDINARY SHARES		
Final dividend for 2015: 81 cents	117 952	
Interim dividend for 2016: 50 cents	72 810	
	190 762	
9.3 PROPOSED SUBSEQUENT TO 30 JUNE 2016		
Final dividend for 2016: 54 cents per share	80 949	

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold improve- ments R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2016							
Carrying value at beginning of year							
Cost	885 616	99 728	893 411	196 587	55 833	34 138	2 165 313
Accumulated depreciation	(93 360)	(48 454)	(343 411)	(157 853)	(31 407)	–	(674 485)
Net book value at beginning of year	792 256	51 274	550 000	38 734	24 426	34 138	1 490 828
Current year movements – cost							
Additions	2 852	461	22 262	355	608	68 904	95 442
Transfer	19 077	1 446	31 894	16 262	1 914	(70 593)	–
Exchange rate adjustments	11 094	971	10 137	2 762	2 204	(50)	27 118
Reclassification to assets held-for-sale (note 2.2)	(20 988)	(6 710)	(9 529)	(17 336)	(17 750)	–	(72 313)
Disposals	(195)	–	(13 572)	(7 322)	(850)	–	(21 939)
Cost movement for current year	11 840	(3 832)	41 192	(5 279)	(13 874)	(1 739)	28 308
Current year movements – accumulated depreciation							
Depreciation*	(21 210)	(9 247)	(79 212)	(24 125)	(5 110)	–	(138 904)
Exchange rate adjustments	(1 191)	(241)	(7 209)	(2 296)	(914)	–	(11 851)
Impairment	(15 892)	(1 086)	(1 248)	(89)	(467)	–	(18 782)
Reclassification to assets held-for-sale (note 2.2)	16 391	2 879	10 309	14 729	8 771	–	53 079
Disposals	161	–	12 643	7 095	596	–	20 495
Accumulated depreciation movement for current year	(21 741)	(7 695)	(64 717)	(4 686)	2 876	–	(95 963)
Carrying value at end of year							
Cost	897 456	95 896	934 603	191 308	41 959	32 399	2 193 621
Accumulated depreciation	(115 101)	(56 149)	(408 128)	(162 539)	(28 531)	–	(770 448)
Net book value at end of year	782 355	39 747	526 475	28 769	13 428	32 399	1 423 173
Property, plant and equipment with a carrying value of R40.5 million in Datlabs have been pledged as security for the bank overdraft of the Zimbabwean operation. Refer note 17.							
*Depreciation split as follows:	21 210	9 247	79 212	24 125	5 110	–	138 904
Continuing operations	20 863	9 215	78 128	24 105	5 080		137 391
Discontinued operations	347	32	1 084	20	30		1 513

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improve- ments R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2015							
Carrying value at beginning of the year							
Cost	847 098	102 417	872 294	172 767	38 697	65 526	2 098 799
Accumulated depreciation	(74 313)	(41 107)	(281 288)	(126 948)	(20 723)	–	(544 379)
Net book value at beginning of the year	772 785	61 310	591 006	45 819	17 974	65 526	1 554 420
Current year movements – cost							
Additions	231	–	29 527	18 841	4 766	26 499	79 864
Transfer	36 886	1 188	2 582	4 640	12 591	(57 887)	–
Exchange rate adjustments	1 401	292	1 002	947	430	–	4 072
Disposal of business (note 1.1)	–	–	(6)	(229)	(14)	–	(249)
Disposals	–	(4 169)	(11 988)	(379)	(637)	–	(17 173)
Cost movement for current year	38 518	(2 689)	21 117	23 820	17 136	(31 388)	66 514
Current year movements – accumulated depreciation							
Depreciation*	(18 701)	(9 662)	(69 822)	(30 134)	(7 407)	–	(135 726)
Exchange rate adjustments	(346)	(86)	(309)	(569)	(230)	–	(1 540)
Disposal of business (note 1.1)	–	–	3	103	5	–	111
Impairment ⁽¹⁾	–	–	(3 542)	(645)	(3 203)	–	(7 390)
Disposals	–	2 401	11 547	340	151	–	14 439
Accumulated depreciation movement for current year	(19 047)	(7 347)	(62 123)	(30 905)	(10 684)	–	(130 106)
Carrying value at end of year							
Cost	885 616	99 728	893 411	196 587	55 833	34 138	2 165 313
Accumulated depreciation	(93 360)	(48 454)	(343 411)	(157 853)	(31 407)	–	(674 485)
Net book value at end of year	792 256	51 274	550 000	38 734	24 426	34 138	1 490 828

⁽¹⁾ Refer to Annexure G on impairments.

Property, plant and equipment with a carrying value of R35.6 million in Datlabs and R17.1 million in Ghana have been pledged as security for the bank overdraft of the Zimbabwean operation and the bank overdraft and short-term borrowings of the Ghanaian operation. Refer to notes 17 and 21.

*Depreciation split as follows:	18 701	9 662	69 822	30 134	7 407	–	135 726
Continuing operations	18 496	8 964	68 733	24 600	4 858		125 651
Discontinued operations	205	698	1 089	5 534	2 549		10 075

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market- related intangibles R'000	Customer- related intangibles and licence agreements R'000	Manu- facturing- related intangibles R'000	Total R'000
2016					
Carrying value at beginning of year					
Cost	12 580	756 652	263 572	1 605	1 034 409
Accumulated amortisation	–	(145 553)	(144 095)	(1 605)	(291 253)
Net balance at beginning of year	12 580	611 099	119 477	–	743 156
Current year movements – cost					
Reclassification to assets held-for-sale (note 2.2)	–	(596 734)	(158 414)	(1 605)	(756 753)
Disposals	–	(2 018)	–	–	(2 018)
Exchange rate adjustments	–	77 071	4 746	–	81 817
Cost movement for the year	–	(521 681)	(153 668)	(1 605)	(676 954)
Current year movements – accumulated amortisation					
*Charge for the year	–	(9 167)	6	–	(9 161)
Reclassification to assets held-for-sale (note 2.2)	–	231 561	142 478	1 605	375 644
Disposals	–	330	–	–	330
Impairment of asset transferred to held-for-sale ⁽¹⁾	–	(135 180)	–	–	(135 180)
Impairment ⁽¹⁾	–	(3 149)	–	–	(3 149)
Exchange rate adjustments	–	(12 320)	(6 296)	–	(18 616)
Accumulated amortisation movement for the year	–	72 075	136 188	1 605	209 868
Carrying value at end of year					
Cost	12 580	234 971	109 904	–	357 455
Accumulated amortisation	–	(73 478)	(7 907)	–	(81 385)
Net balance at end of year	12 580	161 493	101 997	–	276 070
⁽¹⁾ Refer to Annexure G on impairments.					
*Amortisation split as follows:	–	9 167	(6)	–	9 161
Continuing operations	–	9 050	–	–	9 050
Discontinued operations	–	117	(6)	–	111

11. INTANGIBLE ASSETS (continued)

	Goodwill R'000	Trademarks and market- related intangibles R'000	Customer- related intangibles and licence agreements R'000	Manu- facturing- related intangibles R'000	Total R'000
2015					
Carrying value at beginning of year					
Cost	12 580	712 861	254 754	1 605	981 800
Accumulated amortisation	–	(93 792)	(50 225)	(1 605)	(145 622)
Net balance at beginning of year	12 580	619 069	204 529	–	836 178
Current year movements – cost					
Disposal of business (note 1.1)	–	–	(226)	–	(226)
Exchange rate adjustments	–	43 791	9 044	–	52 835
Cost movement for the year	–	43 791	8 818	–	52 609
Current year movements – accumulated amortisation					
*Charge for the year	–	(43 654)	(16 718)	–	(60 372)
Impairment ⁽¹⁾	–	–	(74 432)	–	(74 432)
Exchange rate adjustments	–	(8 107)	(2 720)	–	(10 827)
Accumulated amortisation movement for the year	–	(51 761)	(93 870)	–	(145 631)
Carrying value at end of year					
Cost	12 580	756 652	263 572	1 605	1 034 409
Accumulated amortisation	–	(145 553)	(144 095)	(1 605)	(291 253)
Net balance at end of year	12 580	611 099	119 477	–	743 156
⁽¹⁾ Intangible assets have been impaired where the Group does not expect these assets to generate any future economic benefit. Refer to Annexure G.					
*Amortisation split as follows:	–	43 654	16 718	–	60 372
Continuing operations	–	9 811	–	–	9 811
Discontinued operations	–	33 843	16 718	–	50 561

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (continued)

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

	OTC R'000	Consumer R'000	Prescription R'000	Hospital R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2016							
Carrying amount of goodwill				12 580	12 580		12 580
Carrying amount of other Intangibles	85 289	85 262	90 592	–	261 143	2 347	263 490
Indefinite useful lives	78 807		90 592		169 399	2 347	171 746
Finite useful lives	6 482	85 262			91 744		91 744
Total	85 289	85 262	90 592	12 580	273 723	2 347	276 070
2015							
Carrying amount of goodwill				12 580	12 580		12 580
Carrying amount of other intangibles	85 917	93 684	93 741		273 342	457 234	730 576
Indefinite useful lives	78 807		93 741		172 548	2 347	174 895
Finite useful lives	7 110	93 684			100 794	454 887	555 681
Total	85 917	93 684	93 741	12 580	285 922	457 234	743 156

IMPAIRMENT TESTING OF OTHER INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives is ten years.

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

The pre-tax discount rate applied to cash flow projections, before adjusting for risk, is 22.6% (2015: 19.2%) for the intangible assets in the continuing operations. The cash flows beyond the 10-year period are discounted using a 0.5% long-term growth rate (2015: 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% and 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.

11. INTANGIBLE ASSETS (continued)

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% has 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.

Sensitivity to change in assumptions

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

Gross margin

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

Discount rates

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

Raw materials price inflation

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

Market share assumptions

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

Growth rate estimates

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
12. DEFERRED TAX		
Balance at beginning of year	(69 763)	(13 088)
Change in tax rate of trusts	–	33
Disposal of business (note 1.1)	–	(424)
Movement through profit or loss – continuing operations	(2 529)	(56 206)
– discontinued operations	(172)	842
Exchange rate adjustments	(798)	(798)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	5 411	(29)
Revaluation of available-for-sale asset to fair value	112	(93)
Balance at end of year	(67 739)	(69 763)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	(30 099)	(23 960)
Property, plant and equipment	(133 327)	(137 325)
Pre-payments	(2 520)	(5 587)
Income received in advance	4 125	3 446
Provisions	54 371	56 412
Revaluations of foreign currency contracts (cash flow hedges) to fair value	5 578	1 449
Tax loss available for future use	33 453	34 750
Other	680	1 052
	(67 739)	(69 763)
Disclosed as follows:		
Deferred tax asset	8 129	12 091
Deferred tax liability	(75 868)	(81 854)

13. OTHER FINANCIAL ASSETS

13.1 LONG-TERM RECEIVABLE (AT AMORTISED COST)

Black Managers Share Trust (BMT)

Balance at beginning of year	88 191	136 191
Proceeds from sale	(11 961)	(41 664)
Impairment (Refer to Annexure G)	(4 135)	(6 336)
	72 095	88 191

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

2016
R'0002015
R'000

13. OTHER FINANCIAL ASSETS (continued)

13.2 INVESTMENT

Group Risk Holdings Proprietary Limited

Balance at beginning of year	2 915	2 764
Disposal of shares	–	(345)
Revaluation of investment through other comprehensive income	(700)	496
	2 215	2 915
	74 310	91 106

14. INVESTMENT IN JOINT VENTURES

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

Adcock Ingram Limited (India)	230 955	171 787
National Renal Care Proprietary Limited	123 184	107 348
	354 139	279 135

Refer to Annexure F for further details.

15. INVENTORIES

Raw materials	317 876	351 849
Work-in-progress	24 756	33 265
Finished goods	824 373	822 467
Inventory value, net of provisions	1 167 005	1 207 581
Inventories written down/(reversed) and recognised as an expense/(income) in profit or loss:		
Cost of sales	63 986	92 045
Non-trading expenses	–	(8 375)
	63 986	83 670
Continuing operations	63 986	83 670
Discontinued operations (note 2)	4 616	5 755
	68 602	89 425

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	1 366 829	1 259 457
Less: Provision for credit notes	(35 271)	(21 195)
Provision for impairment	(11 067)	(14 255)
	1 320 491	1 224 007
Derivative asset at fair value ⁽¹⁾	576	294
Other receivables	44 793	75 585
Bank interest receivable ⁽²⁾	–	10 785
Sundry receivables	44 793	64 800
The maximum exposure to credit risk in relation to trade and other receivables	1 365 860	1 299 886
Pre-payments	21 574	58 785
VAT recoverable ⁽²⁾	11 067	50 057
	1 398 501	1 408 728

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

⁽²⁾ VAT recoverable and bank interest receivable will be received within one month.

65% (2015: 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.

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 2014	(8 192)	(8 835)	(17 027)
Charge for the year	(10 215)	(27 140)	(37 355)
Utilised during the year	1 748	14 780	16 528
Unused amounts reversed	2 404	–	2 404
At 30 June 2015	(14 255)	(21 195)	(35 450)
Charge for the year	(7 424)	(17 326)	(24 750)
Utilised during the year	–	3 250	3 250
Transfer to assets held-for-sale	4 384	–	4 384
Unused amounts reversed	6 228	–	6 228
At 30 June 2016	(11 067)	(35 271)	(46 338)

No provisions were utilised in the current year (2015: R1.7 million in Ghana). Trade debtors are impaired when the event of recoverability is highly unlikely, or there is an expected decrease in future inflows.

2016
R'0002015
R'000**16. TRADE AND OTHER RECEIVABLES (continued)**

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

Trade Receivables

Neither past due nor impaired

<30 days	723 313	654 479
31 – 60 days	448 237	425 452
61 – 90 days	95 293	84 291

Past due after impairments

91 – 180 days	40 982	52 557
>180 days	12 666	7 228

Total	1 320 491	1 224 007
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Sundry Receivables

Neither past due nor impaired

<30 days	17 067	38 912
31 – 60 days	8 241	13 492
61 – 90 days	2 788	4 373
>90 days	16 697	8 023

Total	44 793	64 800
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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.

17. CASH AND CASH EQUIVALENTS/OVERDRAFT

Cash at banks	200 555	147 379
Bank overdraft	(11 755)	(304 210)
	188 800	(156 831)

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

The fair value of the net bank overdraft approximates R188.8 million (2015: R156.8 million).

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

Property, plant and equipment to the value of R40.5 million in Datlabs have been pledged as security for the bank overdraft of R11.8 million. Refer to note 10. In the prior year property, plant and equipment to the value of R35.6 million in Datlabs and R17.1 million in Ghana were pledged as security for the bank overdrafts of R13.7 million and R11.0 million respectively.

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
18. SHARE CAPITAL		
18.1 AUTHORISED		
Ordinary Share Capital		
250 000 000 ordinary shares of 10 cents each	25 000	25 000
19 458 196 A shares of 10 cents each	–	1 946
6 486 065 B shares of 10 cents each	–	649
18.2 ISSUED		
Ordinary Share Capital		
Opening balance of 168 885 185 ordinary shares (2015: 168 788 585) of 10 cents each	16 888	16 878
Issue of 6 700 ordinary shares of 10 cents each (2015: 96 600 shares)	1	10
Movement of treasury shares	258	–
	17 147	16 888

6 700 (2015: 96 600) ordinary shares were issued, in various tranches during the year, to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

The terms and conditions of the A and B ordinary shares were:

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

- (i) these A and B ordinary shareholders could not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances had become zero at any time prior to the respective release dates, in which event these A and B ordinary shares could be entitled to participate in all special dividends declared or paid by the Company;
- (ii) A and B ordinary shares would remain certificated and would not be listed on any stock exchange;
- (iii) for so long as the ordinary shares were listed on the JSE, the rights attaching to these A and B ordinary shares could not be amended in any material respect without the prior written approval of the JSE; and
- (iv) these terms and conditions could only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

18.3 TREASURY SHARES

		Number of shares
Shares held by the BEE Participants		
– number of A shares	–	19 458 196
– number of B shares	–	6 486 065
– number of ordinary shares	–	2 571 000
Shares held by Group company		
– number of ordinary shares	4 285 163	4 285 163
	4 285 163	32 800 424

As required by IFRS, both Blue Falcon Trading 69 Proprietary Limited and the Mpho ea Bophelo Trust were consolidated into the Group's annual financial statements and all A, B and ordinary shares held by them were accounted for as treasury shares in the prior year.

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

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

Number of shares

18. SHARE CAPITAL (continued)

18.4 RECONCILIATION OF ISSUED SHARES

Number of shares in issue	175 748 048	201 685 609
Number of A and B shares held by the BEE participants	–	(25 944 261)
Number of ordinary shares held by the BEE participants	–	(2 571 000)
Number of ordinary shares held by the Group company	(4 285 163)	(4 285 163)
Net shares in issue	171 462 885	168 885 185

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.

2016
R'0002015
R'000

19. SHARE PREMIUM

Balance at the beginning of the year	512 938	510 920
Issues of 6 700 ordinary shares (2015: 96 600)	189	2 018
Movement of treasury shares	153 746	–
	666 873	512 938

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

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 2014	376 856	(183)	3 919	29 402	16 421	426 415
Movement during the year, net of tax	16 098	77		62 449	(39)	78 585
Movement for the year	17 333	106		62 449	496	80 384
Tax effect of net movement on cash flow hedge and investment		(29)			(93)	(122)
Accelerated Mpho ea Bophelo Trust payment	(1 235)					(1 235)
Actuarial loss on post-retirement medical liability					(442)	(442)
Balance at 30 June 2015	392 954	(106)	3 919	91 851	16 382	505 000
Movement during the year, net of tax	12 578	(13 914)	–	118 291	6 558	123 513
Movement for the year	39 089	(19 325)		118 291	(700)	137 355
BMT	(1 724)					
Equity-settled	12 556					
Bophelo – one-off call option charge	20 821					
Bophelo – recurring charge	7 436					
Tax effect of net movement on cash flow hedge and investment		5 411			112	5 523
Accelerated Mpho ea Bophelo Trust payment	(26 511)					(26 511)
Actuarial loss on post-retirement medical liability					6 079	6 079
Profit on sale of shares					1 067	1 067
Balance at 30 June 2016	405 532	(14 020)	3 919	210 142	22 940	628 513
Split as follows:						
– Continuing operations	405 532	(14 020)	3 919	61 479	26 605	483 515
– Discontinued operation	–	–	–	148 663	(3 665)	144 998
	405 532	(14 020)	3 919	210 142	22 940	628 513

Share-based payment reserve

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

20. NON-DISTRIBUTABLE RESERVES (continued)

Capital redemption reserve

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

Foreign currency translation reserve

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

Legal reserves and other

This represents:

- an unutilised merger reserve when Premier Pharmaceuticals and Adcock Ingram merged;
- share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India);
- actuarial losses on the Group's post-retirement medical liability; and
- a fair value adjustment on the Group's investment in Group Risk Holdings Proprietary Limited (refer to note 13.2).

	2016 R'000	2015 R'000
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21. LONG-TERM BORROWINGS

Unsecured

C&F Agency – India ⁽¹⁾	–	4 989
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Secured

Nedbank ⁽²⁾	500 000	500 000
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Stannic – Critical Care Owner Driver Companies ⁽³⁾	–	11 398
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Stanbic – Ghana ⁽⁴⁾	–	10 639
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	500 000	527 026
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Less: Current portion included in short-term borrowings	–	(13 273)
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	500 000	513 753
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⁽¹⁾ These unsecured loans bear interest at rates varying between 7.5% and 9.0% per annum and are repayable upon termination of C&F Agency contracts in India.

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

⁽³⁾ These secured loans incurred interest at 60 basis points below the Prime lending rate** and were repayable over a period of 60 months, but were settled in April 2016. The Group preferred to provide direct assistance to the Critical Care owner drivers in order to qualify for additional Enterprise and Supply Development spend for BBBEE.

⁽⁴⁾ This secured loan bears interest at the Stanbic Bank Base Rate (***) + 400 basis points and is repayable within 12 months.

Property, plant and equipment were pledged as security for this loan. Refer to note 10.

Loans (1) and (4) have been transferred to assets held-for sale during the current year. Refer to note 2.2.

* JIBAR – Johannesburg Interbank Agreed Rate. On 30 June 2016: 7.30% (2015: 6.133%)

** Prime lending rate on 30 June 2016: 10.50% (2015: 9.25%)

*** Stanbic Bank Base Rate (Ghana) on 30 June 2016: 23.07% (2015: 25.10%)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

21. LONG-TERM BORROWINGS (continued)

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

	Unsecured loans at fixed interest rates R'000	Secured loans at variable interest rates R'000	Total R'000
2016			
Capital repayment on loans			
– payable within 12 months	–	–	–
– payable within 12 to 24 months	–	–	–
– payable thereafter	–	500 000	500 000
	–	500 000	500 000
Interest payment on loans*			
– payable within 12 months	–	45 300	45 300
– payable within 12 to 24 months	–	45 300	45 300
– payable thereafter	–	22 650	22 650
	–	113 250	113 250
2015			
Capital repayment on loans			
– payable within 12 months	–	13 273	13 273
– payable within 12 to 24 months	–	2 473	2 473
– payable thereafter	4 989	506 291	511 280
	4 989	522 037	527 026
Interest payment on loans*			
– payable within 12 months	449	41 103	41 552
– payable within 12 to 24 months	449	39 571	40 020
– payable thereafter	898	59 892	60 790
	1 796	140 566	142 362

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

22. POST-RETIREMENT MEDICAL LIABILITY

	2016 R'000	2015 R'000
Balance at beginning of the year	22 796	22 034
Charged to operating profit	1 942	1 858
Benefits paid	(1 665)	(1 538)
(Released)/Charged to other comprehensive income	(6 079)	442
Balance at the end of the year	16 994	22 796

For more details refer to Annexure D.

2016
R'0002015
R'000

23. TRADE AND OTHER PAYABLES

Trade accounts payable	726 919	671 919
Derivative liability at fair value ⁽¹⁾	23 552	205
Other payables	806 060	649 666
Accrued expenses	616 772	519 450
Sundry payables	189 288	130 216
VAT payable ⁽²⁾	5 252	2 932
Interest accrued	2 482	3 709
	1 564 265	1 328 431

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

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

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

Trade Payables

<30 days	414 413	514 936
31 – 60 days	157 200	74 672
61 – 90 days	48 339	13 510
>90 days	106 967	68 801
Total	726 919	671 919

Other Payables

<30 days	313 362	222 591
31 – 60 days	92 336	148 379
61 – 90 days	211 218	163 745
>90 days	189 144	114 951
Total	806 060	649 666

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

24. CASH-SETTLED OPTIONS

Opening balance	6 519	14 782
Released from operating profit	(3 131)	(7 092)
Payments made	(271)	(1 171)
	3 117	6 519

Refer to Annexure B

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
25. PROVISIONS		
Leave pay	40 378	42 254
Bonus and incentive scheme	29 528	27 938
	69 906	70 192
Made up as follows:		
Leave pay		
Balance at beginning of year	42 254	45 331
Arising during the year	56 914	68 660
Utilised during the year	(51 348)	(66 282)
Unused amounts reversed	(4 675)	(5 581)
Reclassification to disposal group held-for-sale (note 2.1))	(3 835)	–
Disposal of business (note 2.1)	–	(369)
Exchange rate adjustments	1 068	495
Balance at end of year	40 378	42 254
Bonus and incentive scheme		
Balance at beginning of year	27 938	–
Arising during the year	32 228	27 938
Utilised during the year	(21 788)	–
Unused amounts reversed	(8 850)	–
Balance at end of year	29 528	27 938

Leave pay provision

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

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 2016.

2016
R'0002015
R'000

26. NOTES TO THE STATEMENTS OF CASH FLOWS

26.1 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

Profit before taxation from continuing operations	549 931	491 805
Loss before taxation from discontinued operations	(198 889)	(151 965)
Profit before taxation	351 042	339 840
Adjusted for:		
– amortisation of intangibles	9 161	60 372
– depreciation	138 904	135 726
– loss on disposal/scrapping of property, plant and equipment	958	491
– dividend income	(9 179)	(10 670)
– finance income	(13 504)	(19 887)
– finance costs	85 462	100 983
– profit on disposal of business	–	(8 260)
– equity accounted earnings	(59 288)	(65 608)
– share-based payment expenses	39 919	15 081
– accelerated Mpho ea Bophelo settlement	(26 511)	(1 235)
– provision for accounts receivable impairment and credit notes	10 888	18 423
– increase in provisions and post-retirement medical liability	2 760	25 055
– profit on disposal of intangibles property, plant and equipment	(320)	–
– impairment in discontinued operations	207 971	–
– straight-lining of leases	3 555	6 196
– impairment of property, plant and equipment and intangible assets	3 149	81 822
– impairment of long-term receivable and investment	5 489	6 336
– inventories written off	68 602	89 425
– increase/(decrease) in inventory provisions	14 558	(57 243)
– foreign exchange (gain)/loss	(6 244)	5 487
– write-off of India rental deposit	–	2 216
	827 372	724 550

26.2 WORKING CAPITAL CHANGES

Increase in inventories	(89 656)	(139 408)
Increase in trade and other receivables	(56 006)	(182 471)
Increase in trade and other payables	259 414	195 456
	113 752	(126 423)

26.3 DIVIDENDS PAID

Dividends paid to equity holders of the parent	(190 762)	–
Dividends paid to non-controlling shareholders	(6 215)	(4 537)
	(196 977)	(4 537)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000
26. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)		
26.4 TAXATION PAID		
Amounts overpaid at beginning of year	77 948	76 306
Amounts charged to profit or loss	(171 900)	(141 031)
Movement in deferred tax	2 648	55 397
Exchange rate adjustments	(1 149)	(36)
Deconsolidation of Blue Falcon Trading Proprietary Limited	119	–
Amounts overpaid at end of year	(84 087)	(77 948)
	(176 421)	(87 312)
26.5 NET CASH FLOW ON DISPOSAL OF BUSINESS		
Consideration received	–	7 344
Net cash disposed of	–	(10 007)
Cash outflow	–	(2 663)
26.6 FINANCE INCOME RECEIVED		
Finance income – continuing operations	5 107	13 144
– discontinued operations	8 397	6 743
	13 504	19 887
Add/(less) – movement in receivable	10 785	(5 478)
– current year receivable transferred to assets held-for-sale	(7 040)	–
	17 249	14 409
26.7 FINANCE COSTS PAID		
Finance costs – continuing operations	(76 888)	(96 683)
– discontinued operations	(8 574)	(4 300)
	(85 462)	(100 983)
Less: movement in accrual	(1 227)	(2 888)
	(86 689)	(103 871)
26.8 DECREASE IN OTHER FINANCIAL ASSETS		
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	–	345
Decrease in Black Managers Share Trust	11 961	37 617
	11 961	37 962

27. CONTINGENT LIABILITIES

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

28. COMMITMENTS AND CONTINGENCIES

28.1 OPERATING LEASE COMMITMENTS

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

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

The India leases have not been included in the operating lease commitments, as the India business has been classified as a discontinued operation held-for-sale during the current financial year (refer to note 2.1).

Future minimum rentals payable under all non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
Within one year	36 028	34 957
After one year but not more than five years	170 620	166 228
More than five years	39 516	86 574
	246 164	287 759

28.2 CAPITAL COMMITMENTS

Commitments contracted for		
Within one year	11 362	7 000
Approved but not contracted for		
Within one year	38 577	33 026
	49 939	40 026

These commitments relate to property, plant and equipment

28.3 GUARANTEES

The Group has provided guarantees to the amount of R6.2 million at 30 June 2016 (June 2015: R15.7 million of which R12.7 million relates to a supplier in India.)

29. RELATED PARTIES

Related party transactions exist between the Company, subsidiaries, joint ventures 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.

The Bidvest Group Limited

Purchase of services	31 215	38 310
Balance owing at reporting date	4 681	3 420

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

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2016 R'000	2015 R'000
Revenue	A	354 146	65 247
Operating expenses		(354)	(266)
Share-based payment expenses		(20 821)	–
Finance income	B.1	49 490	65 247
Finance costs	B.2	(41 444)	(57 778)
Dividend income	A	304 656	–
Profit before taxation		291 527	7 203
Taxation	C	(2 154)	(2 117)
Profit for the year		289 373	5 086
Other comprehensive income which will subsequently be recycled to profit or loss	I	(588)	403
Revaluation of available-for-sale asset		(700)	496
Tax effect of revaluation		112	(93)
Total comprehensive income for the year, net of tax		288 785	5 489

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Issued share capital R'000	Share premium R'000	Non- distributable reserves R'000	Accumulated Loss R'000	Total R'000
As at 1 July 2014		20 158	947 863	269 883	(162 325)	1 075 579
Share issue	G.2/H	10	2 018			2 028
Total comprehensive income				403	5 086	5 489
Profit for the year					5 086	5 086
Other comprehensive income				403	–	403
Balance at 30 June 2015		20 168	949 881	270 286	(157 239)	1 083 096
Share issue	G.2/H	1	189			190
Repurchase and cancellation of A&B shares	G.2/H	(2 595)	(55 417)	58 012		–
Movement in share-based payment reserve				20 821		20 821
Total comprehensive income				(588)	289 373	288 785
Profit for the year					289 373	289 373
Other comprehensive income				(588)	–	(588)
Dividends	M.1				(196 377)	(196 377)
Balance at 30 June 2016		17 574	894 653	348 531	(64 243)	1 196 515

COMPANY STATEMENTS OF FINANCIAL POSITION

	Notes	2016 R'000	2015 R'000
ASSETS			
Investments	D	3 369 101	3 369 801
Non-current assets		3 369 101	3 369 801
Cash and cash equivalents	E.1	2 367	–
Amounts owing by Group companies	F.1	327 154	269 318
Taxation receivable	L.2	600	103
Current assets		330 121	269 421
Total assets		3 699 222	3 639 222
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	G.2	17 574	20 168
Share premium	H	894 653	949 881
Non-distributable reserves	I	348 531	270 286
Accumulated loss		(64 243)	(157 239)
Total equity		1 196 515	1 083 096
Amounts owing to Group companies	F.2	2 155 994	2 155 994
Deferred tax	J	118	230
Non-current liabilities		2 156 112	2 156 224
Bank overdraft	E.2	–	398 229
Other payables	K	783	1 673
Amounts owing to Group companies	F.2	345 812	–
Current liabilities		346 595	399 902
Total equity and liabilities		3 699 222	3 639 222

COMPANY STATEMENTS OF CASH FLOW

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Operating loss before working capital changes	L.1	(354)	(266)
Cash utilised in operations		(354)	(266)
Finance income		49 490	65 247
Finance costs, excluding accrual		(42 420)	(59 577)
Dividend income	A	304 656	–
Dividends paid, excluding accrual		(196 291)	(81)
Taxation paid	L.2	(2 651)	(2 771)
Net cash inflow from operating activities		112 430	2 552
Cash flows from investing activities			
Decrease in investments	L.3	–	345
Net cash inflow from investing activities		–	345
Cash flows from financing activities			
Proceeds from issue of share capital		190	2 028
Net increase in amounts owing to Group companies		287 976	249 062
Net cash inflow from financing activities		288 166	251 090
Net increase in cash and cash equivalents		400 596	253 987
Cash and cash equivalents at beginning of year		(398 229)	(652 216)
Cash and cash equivalents at end of year	E	2 367	(398 229)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

	2016 R'000	2015 R'000		
A. REVENUE				
Finance income	49 490	65 247		
Dividend income	304 656	–		
	354 146	65 247		
B. FINANCE INCOME AND FINANCE COSTS				
B.1 FINANCE INCOME				
Bank	22 416	43 266		
Inter-Group interest	27 074	21 981		
	49 490	65 247		
B.2 FINANCE COSTS				
Borrowings	41 444	57 760		
Receiver of Revenue	–	18		
	41 444	57 778		
C. TAXATION				
South African taxation				
Current income tax				
– current year	2 154	2 022		
– prior year under provision	–	95		
	2 154	2 117		
Reconciliation of the taxation rate:	%	%		
Effective rate	0.7	29.4		
Adjusted for:				
Exempt income	29.3	–		
Non-deductible expenses	(2.0)	(0.1)		
Prior year under provision	–	(1.3)		
South African normal tax rate	28.0	28.0		
	2016 effective holding %	2015 effective holding %	2016 R'000	2015 R'000
D. INVESTMENTS				
Adcock Ingram Limited	100	100	2 130 587	2 130 587
Adcock Ingram Healthcare Proprietary Limited	100	100	815 390	815 390
Adcock Ingram Intellectual Property Proprietary Limited	100	100	104 000	104 000
Adcock Ingram Critical Care Proprietary Limited	100	100	284 979	284 979
Adcock Ingram Limited India	49,9	49,9	31 930	31 930
Adcock Ingram International Proprietary Limited	100	100	*	*
Thembalami Pharmaceuticals Proprietary Limited	50	50	*	*
Group Risk Holdings Proprietary Limited ⁽¹⁾	6	6	2 215	2 915
Tender Loving Care Hygienic, Cosmetic and Baby Products Proprietary Limited	100	100	*	*
			3 369 101	3 369 801
* Less than R1 000				
⁽¹⁾ Group Risk Holdings (Pty) Limited				
Balance at 1 July			2 915	2 764
Disposal			–	(345)
Revaluation of investment to fair value			(700)	496
			2 215	2 915

	2016 R'000	2015 R'000
E. CASH AND CASH EQUIVALENTS		
E.1 CASH AT BANKS	2 367	–
E.2 BANK OVERDRAFT	–	398 229

Positive balances attract interest at 5,75% and overdrafts incur interest at 8,0%.

F. AMOUNTS OWING BY/TO GROUP COMPANIES

F.1 AMOUNTS OWING BY GROUP COMPANIES

Included in current assets

Adcock Ingram Healthcare Proprietary Limited	–	102 154
Adcock Ingram International Proprietary Limited	167 154	167 154
Adcock Ingram Critical Care Proprietary Limited	160 000	–
Mpho ea Bophelo Trust	–	10
	327 154	269 318

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

F.2 AMOUNTS OWING TO GROUP COMPANIES

Included in non-current liabilities

Adcock Ingram Limited	2 155 994	2 155 994
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Included in current liabilities

Adcock Ingram Healthcare Proprietary Limited	345 812	–
	2 501 806	2 155 994

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.

Fair value approximates carrying value.

G. SHARE CAPITAL

G.1 AUTHORISED

Ordinary share capital

250 000 000 ordinary shares of 10 cents each	25 000	25 000
19 458 196 A shares of 10 cents each	–	1 946
6 486 065 B shares of 10 cents each	–	649

The terms and conditions of the A and B ordinary shares were that:

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

- these A and B ordinary shareholders could not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances had become zero at any time prior to the respective release dates, in which event these A and B ordinary shares would have been entitled to participate in all special dividends declared or paid by the Company;
- A and B ordinary shares would remain certificated and would not be listed on any stock exchange;
- for so long as the ordinary shares were listed on the JSE, the rights attaching to these A and B ordinary shares could not be amended in any material respect without the prior written approval of the JSE; and
- these terms and conditions could only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

	2016 R'000	2015 R'000
G. SHARE CAPITAL (continued)		
G.2 ISSUED		
Ordinary share capital		
Opening balance of 201 685 611 ordinary shares (2015: 201 589 011) of 10 cents each	20 168	20 158
Repurchase and cancellation of 19 458 196 A shares of 10 cents each	(1 946)	–
Repurchase and cancellation of 6 486 065 B shares of 10 cents each	(649)	–
Issue of 6 700 ordinary shares of 10 cents each (2015: 96 600 shares)	1	10
	17 574	20 168

6 700 (2015: 96 600) ordinary shares were issued, in various tranches during the year, to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

The modified BEE structure was implemented in July 2015. As part of the modification of the old BEE scheme, the A and B shares were repurchased by the Company for a nominal amount of R100 and cancelled. For full details of the modified scheme including the share-based expenses of R20,8 million arising in the current year refer to Annexure B.

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 at beginning of the year	949 881	947 863
Reversal of share premium on repurchase and cancellation of A shares	(55 417)	–
Issues of 6 700 ordinary shares (2015: 96 600)	189	2 018
	894 653	949 881

I. NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Other reserves R'000	Total R'000
Balance at 1 July 2014	269 000	883	269 883
Movement during the year	–	403	403
Balance at 30 June 2015	269 000	1 286	270 286
Movement in share-based payment reserve	20 821	–	20 821
Revaluation of available-for-sale asset		(700)	(700)
Tax effect of revaluation		112	112
Repurchase and cancellation of the A&B shares		58 012	58 012
Balance at 30 June 2016	289 821	58 710	348 531

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

	2016 R'000	2015 R'000
J. DEFERRED TAX		
Balance at beginning of year	(230)	(137)
Other comprehensive income movement	112	(93)
Balance at end of year	(118)	(230)
This balance comprises the following temporary difference relating to the revaluation of the available-for-sale financial asset	(118)	(230)
K. OTHER PAYABLES		
Interest accrued	–	976
Shareholders for dividends	783	697
	783	1 673
L. NOTES TO THE STATEMENTS OF CASH FLOWS		
L.1 OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	291 527	7 203
Adjusted for:		
– dividend income	(304 656)	–
– finance income	(49 490)	(65 247)
– finance costs	41 444	57 778
– one-off call option charge	20 821	–
	(354)	(266)
L.2 TAXATION PAID		
Amounts overpaid/(underpaid) at beginning of year	103	(551)
Amounts charged to the statement of comprehensive income	(2 154)	(2 117)
Amount overpaid at end of year	(600)	(103)
	(2 651)	(2 771)
L.3 DECREASE IN INVESTMENTS		
Proceeds on sale of 1% interest in Group Risk Holdings Proprietary Limited	–	345
M. DISTRIBUTIONS		
M.1 PAID DURING THE YEAR		
Dividends on ordinary shares		
Final dividend for 2015: 81 cents per share	121 424	–
Interim dividend for 2016: 50 cents per share	74 953	–
Total declared and paid	196 377	–
M.2 PROPOSED SUBSEQUENT TO 30 JUNE 2016		
Distribution on ordinary shares		
Final dividend for 2016: 54 cents per share (2015: 81 cents per share)	80 949	121 418

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

CONTINUED

	2016 R'000	2015 R'000
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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	27 074	21 981
--	--------	--------

Dividends received

Adcock Ingram Intellectual Property Proprietary Limited	300 000	–
Adcock Ingram Limited India	4 656	–
	304 656	–

Dividends Paid

Adcock Ingram Limited	5 614	–
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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	2016 R'000	2015 R'000
Investment in Group Risk Holdings Proprietary Limited ⁽¹⁾	Available-for-sale	2 215	2 915
Amounts owing by Group companies	Loans and receivables	327 154	269 318
Amounts owing to Group companies	Loans and borrowings	2 501 806	2 155 994
Bank	Loans and receivables	2 367	–
Bank overdraft	Loans and borrowings	–	398 229

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

Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings and a bank overdraft. 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	
	%	June 2016 R'000	June 2015 R'000
Cash and cash equivalents			
Cash at banks	+1	24	–
Bank overdraft	+1	–	(3 982)

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:

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

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

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

2016
R'000

2015
R'000

STATEMENT OF COMPREHENSIVE INCOME

Turnover

Continuing operations

Southern Africa	5 388 857	5 022 770
OTC	1 668 438	1 454 224
Consumer	662 981	628 991
Prescription	1 830 669	1 812 735
Hospital	1 226 769	1 126 820
Rest of Africa	178 594	147 400
Research and development services in India	15 099	11 565
	5 582 550	5 181 735
Less: Intercompany sales	(36 940)	(22 834)
	5 545 610	5 158 901

Discontinued operations

India	258 936	257 672
Rest of Africa (Ghana)	144 956	111 796
	403 892	369 468

The South African Government represents more than 10% of the Group's turnover, arising in the following segments:

OTC	67 700	57 492
Consumer	431	2 608
Prescription	284 570	252 474
Hospital	412 972	374 491
	765 673	687 065

TRADING AND OPERATING PROFIT

Continuing operations

Southern Africa	607 043	520 894
OTC	310 022	260 717
Consumer	90 476	79 301
Prescription	171 453	148 099
Hospital	35 092	32 777
Rest of Africa	(3 522)	(4 261)
Research and development services in India	2 173	1 393
Trading profit	605 694	518 026
Less: Non-trading expenses	(52 449)	(18 960)
Operating profit	553 245	499 066

ANNEXURE A – SEGMENT REPORT CONTINUED

	2016 R'000	2015 R'000
Discontinued operations		
India	7 269	(58 143)
Rest of Africa (Ghana)	24 326	(8 900)
Trading profit/(loss)	31 595	(67 043)
Less: Non-trading expenses	(230 307)	(87 365)
Operating loss	(198 712)	(154 408)

STATEMENT OF FINANCIAL POSITION

Total assets**Continuing operations**

Southern Africa ⁽¹⁾	4 198 690	4 064 031
OTC	1 556 402	1 419 863
Consumer	325 800	393 820
Prescription	1 216 989	1 209 513
Hospital	1 099 499	1 040 835
Rest of Africa	143 854	193 171
India	230 955	852 153
Other – shared services	412 470	348 597
	4 985 969	5 457 952

Discontinued operations

India	584 844	–
Rest of Africa (Ghana)	25 794	–
	610 638	–

Current liabilities**Continuing operations**

Southern Africa ⁽¹⁾	1 467 171	1 128 353
OTC	519 701	365 103
Consumer	152 377	134 216
Prescription	521 124	416 365
Hospital	273 969	212 669
Rest of Africa	91 694	106 349
India	–	109 489
Other – shared services	90 178	378 434
	1 649 043	1 722 625

Discontinued operations

India	57 671	–
Rest of Africa (Ghana)	42 434	–
	100 105	–

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

	2016 R'000	2015 R'000
Capital expenditure⁽²⁾		
Continuing operations		
Southern Africa	56 252	42 002
OTC	17 427	3 730
Consumer	274	176
Prescription	8 369	8 867
Hospital	30 182	29 229
Rest of Africa	1 700	8 640
India	–	287
Other – shared services	33 142	28 935
	91 094	79 864
Discontinued operations		
India	777	–
Rest of Africa (Ghana)	3 571	–
	4 348	–
⁽²⁾ Capital expenditure consists of additions to property, plant and equipment, but excludes additions to intangible assets.		
OTHER		
Impairments⁽³⁾		
Continuing operations		
Southern Africa	3 437	479
Prescription	3 149	–
Hospital	288	479
Rest of Africa	–	–
Other – shared services	5 201	5 857
	8 638	6 336
Discontinued operations		
India	135 012	74 432
Rest of Africa (Ghana)	72 959	7 390
	207 971	81 822
Depreciation and amortisation		
Continuing operations		
Southern Africa	92 152	87 956
OTC	39 629	35 401
Consumer	8 439	9 281
Prescription	15 860	14 223
Hospital	28 224	29 051
Rest of Africa	4 589	3 657
Research and development services in India	918	940
Other – shared services	48 782	42 909
	146 441	135 462
Discontinued operations		
India	–	58 065
Rest of Africa (Ghana)	1 624	2 571
	1 624	60 636

⁽³⁾ Impairments include impairments of long-term receivables, intangible assets, property, plant and equipment and assets held-for-sale.

ANNEXURE B – SHARE-BASED PAYMENT PLANS

A. GENERAL EMPLOYEE SHARE OPTION PLAN

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

Options vest as follows:

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

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

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

Original equity-settled (issued whilst part of Tiger Brands)	2016		2015	
	Number	WAOP	Number	WAOP
Outstanding at the beginning of the year	6 700	28,33	103 300	20,42
Exercised and paid in full	(6 700)	28,33	(96 600)	19,96
Outstanding at the end of the year	–	–	6 700	28,33
Exercisable at the end of the year	–	–	6 700	28,33

	2016	2015
The weighted average share price at the date of exercise, for the options exercised:	R50,10	R46,98
Weighted average remaining contractual life for the share options outstanding at reporting date:	0 years	0,25 years
Range of offer prices for options outstanding at the end of the year:	–	R28,33
Loan relating to a former Adcock Ingram employee outstanding at reporting date:	–	R128 539

Adcock Ingram equity-settled	2016		2015	
	Number	WAOP	Number	WAOP
Outstanding at the beginning of the year	1 602 200	52,20	1 665 000	52,20
Granted during the year	1 899 800	41,94	233 000	52,20
Forfeited	(436 000)	41,94	(295 800)	52,20
Outstanding at the end of the year	3 066 000	46,64	1 602 200	52,20
Exercisable at the end of the year	–	–	–	–

	2016	2015
Weighted average remaining contractual life for the share options outstanding at reporting date:	8.67 years	8.96 years
Offer price for options outstanding at the end of the year:	R41,94 – R52,20	R 52,20
Fair value of options granted during the year:	R18,80	R 15,13
Expense recognised for employee services received during the year (R million):	12,56	7,07

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

Cash-settled	2016		2015	
	Number	WAOP	Number	WAOP
Outstanding at the beginning of the year	1 885 559	57,05	2 906 072	56,61
Forfeited	(152 865)	51,12	(950 205)	57,29
Exercised	(116 801)	53,16	(70 308)	34,72
Outstanding at the end of the year	1 615 893	57,85	1 885 559	57,05
Vested and exercisable at the end of the year	931 539	59,29	637 226	57,61

	2016	2015
Weighted average share price of exercised options:	R53,59	R49,27
Weighted average remaining contractual life for the share options outstanding at reporting date:	1,82 years	2,52 years
Range of offer prices for options outstanding at the end of the year:	R53,52 – R62,29	R51,12 – R62,29
Carrying amount of the liability relating to the cash-settled options at reporting date (R million):	3,12	6,52
Income recognised for employee services received during the year (R million):	3,13	7,09

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

B. BLACK MANAGERS SHARE TRUST

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

Number of shares held by Adcock Ingram employees	2016		2015	
	Adcock Ingram	Tiger Brands	Adcock Ingram	Tiger Brands
Outstanding at the beginning of the year	709 963	622 963	1 054 232	1 054 232
Forfeited	(27 604)	(14 335)	(32 669)	(32 669)
Exercised	(149 041)	(104 941)	(311 600)	(398 600)
Outstanding at the end of the year	533 318	503 687	709 963	622 963
Vested and exercisable at the end of the year	456 792	413 648	544 500	461 400
Weighted average exercise price	R47,12	R314,55	R49,35	R361,17

	2016	2015
Weighted average remaining contractual life for the share options outstanding at reporting date:	11,25 years	12,25 years
Expense recognised for employee services received during the year (R million):	2,23	5,58

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

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

ANNEXURE B – SHARE-BASED PAYMENT PLANS CONTINUED

C. ORIGINAL BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

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

BEE PARTICIPANTS

The entities which participated in the transaction were:

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

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

During the scheme's existence, Blue Falcon's shareholders were as follows:

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

ESTIMATED ECONOMIC COSTS

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

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

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

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

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

Equity-settled	2016 Number	2015 Number
Outstanding at the beginning of the year	4 359 600	4 668 300
Sold	(2 985 635)	–
Forfeited	–	(110 600)
Cancelled	(1 335 465)	–
Paid out ⁽¹⁾	(38 500)	(198 100)
Outstanding at the end of the year	–	4 359 600
Vested at the end of the year	–	3 368 400
Exercisable at the end of the year ⁽²⁾	–	38 500
Available for future distribution to qualifying employees	–	1 335 465
Expense recognised for employee services received during the year (R million)	7,43	9,52

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

⁽²⁾ Became exercisable as a result of death, disability, retirement or retrenchment.

KEY TERMS AND CONTRACTUAL OBLIGATIONS

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

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

MODIFICATION OF THE BEE SCHEME

On 10 July 2015, shareholders approved the following:

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

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

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

ANNEXURE B – SHARE-BASED PAYMENT PLANS CONTINUED

D. REVISED BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

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

Adcock Ingram shareholders sold 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) on 17 July 2015. Thus, for every one share contributed to the scheme, a shareholder received one security in AdBee, entitling the holder to a *pro rata* portion of the Ad-I indebtedness (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. Refer to significant accounting judgements and estimates disclosure in accounting policy.

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

BEE PARTICIPANTS

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

- CIH Projects (Pty) Limited (26,67%)
- Blue Falcon 64 Proprietary Limited (26,67%)
- BDH Group Proprietary Limited (26,67%)
- Bophelo Trust (20,00%)

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

Equity-settled	2016 Number
Issued and outstanding at the end of the year	4 024 200
Available for future distribution to qualifying employees	1 144 392

No shares have vested at the end of the year and none are exercisable.

KEY TERMS AND CONTRACTUAL OBLIGATIONS

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

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

SHARE CALL OPTIONS

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

For further details of the scheme arrangements, refer to "Circular To Adcock Shareholders" issued 28 May 2015 which could be found on the investors' section on  www.adcock.com.

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 R98.2 million (2015: R81.1million).

Defined benefit plan

In addition, the Company and its subsidiaries contribute to a retirement benefit fund in respect of certain retirees. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act No 24 of 1956, as amended. Funds must, in terms of the Pension Fund Act, be valued at least every three years. The last full actuarial valuation was done on 30 September 2013.

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

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

	2016 R'000	2015 R'000
Net benefit expense		
Interest cost on defined benefit obligation	104	129
Interest income on assets	(136)	(876)
Effect of paragraph 64	32	747
Net benefit expense	–	–
Benefit liability		
Defined benefit obligation	(1 168)	(1 318)
Fair value of plan assets	1 710	1 701
	542	383
Unrecognised due to Paragraph 64 limit	(542)	(383)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July	(1 318)	(1 523)
Interest cost	(104)	(129)
Benefits paid	123	46
Actuarial gains on obligation	131	288
Defined benefit obligation at 30 June	(1 168)	(1 318)

ANNEXURE C – DEFINED CONTRIBUTION AND DEFINED BENEFIT PLAN CONTINUED

	2016 R'000	2015 R'000
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July	1 701	10 206
Return	136	876
Benefits paid	(123)	(46)
Actuarial loss*	(4)	(9 335)
Fair value of plan assets at 30 June	1 710	1 701

Asset coverage over liabilities (times) **1.5** 1.3

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

Assumptions	%	%
The assumptions used in the valuations are as follows:		
Discount rate	9.70	8.30
Future pension increases	7.40	6.20
Estimated asset composition		
Cash	74.44	59.75
Bonds	25.56	40.25

Sensitivity analysis	Valuation R'000	+1% R'000	-1% R'000
The liability was recalculated to show the effect of:			
2016			
A one percentage point increase variance in the discount rate assumption	(1 168)	(1 094)	(1 255)
A one percentage point variance in the pension increase rate	(1 168)	(1 256)	(1 091)
2015			
A one percentage point increase variance in the discount rate assumption	(1 318)	(1 236)	(1 414)
A one percentage point variance in the pension increase rate	(1 318)	(1 415)	(1 234)

ANNEXURE D – POST-RETIREMENT MEDICAL LIABILITY

The Company and its subsidiaries operate a post-employment medical benefit scheme that covers certain retirees and one employee still in service. The liabilities are valued annually using the Projected Unit Credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 June 2016.

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.

	2016 R'000	2015 R'000
Net benefit expense		
Current service cost	36	33
Interest cost on benefit obligation	1 906	1 825
	1 942	1 858
Expected contributions within the next 12 months	39	35
Defined benefit obligation at 1 July	(22 796)	(22 034)
Interest cost	(1 906)	(1 825)
Current service cost	(36)	(33)
Benefits paid	1 665	1 538
Actuarial profits/(losses) on obligation	6 079	(442)
Defined benefit obligation at 30 June	(16 994)	(22 796)
Assumptions	%	%
The assumptions used in the valuations are as follows:		
Discount rate	9.90	8.70
CPI increase	7.60	6.50
Healthcare cost inflation	9.60	8.50
Expected retirement age	63	63
Post-retirement mortality table	PA(90) ultimate table	PA(90) ultimate table

Sensitivity analysis	Valuation R'000	+1% R'000	-1% R'000
The liability was recalculated to show the effect of:			
2016			
A one percentage point variance in the assumed rate of healthcare costs inflation	(16 994)	(18 790)	(15 462)
A one percentage point variance in the discount rate	(16 994)	(15 506)	(18 767)
A one year variance in the expected retirement age	(16 994)	(17 074)	(16 918)
2015			
A one percentage point variance in the assumed rate of healthcare costs inflation	(22 796)	(25 299)	(20 665)
A one percentage point variance in the discount rate	(22 796)	(20 720)	(25 276)
A one year variance in the expected retirement age	(22 796)	(22 868)	(22 729)

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	2016 R'000	2015 R'000
Investments ⁽¹⁾	Available-for-sale	Other financial assets	2 215	2 915
Black Managers Share Trust	Loans and receivables	Other financial assets	72 095	88 191
Trade and sundry receivables	Loans and receivables	Trade and other receivables	1 365 284	1 288 807
Foreign exchange contracts – derivative asset ⁽²⁾	Fair value cash flow hedge	Trade and other receivables	576	294
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	200 555	147 379
Long-term borrowings	Loans and borrowings	Long-term borrowings	500 000	513 753
Trade and other payables	Loans and borrowings	Trade and other payables	1 532 979	1 321 585
Foreign exchange contracts – derivative liability ⁽²⁾	Fair value cash flow hedge	Trade and other payables	23 552	205
Short-term borrowings	Loans and borrowings	Short-term borrowings	–	13 273
Bank overdraft	Loans and borrowings	Bank overdraft	11 755	304 210

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

It is, and has been throughout 2016, 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 continuing operations in South Africa and Zimbabwe and the discontinued operations in India and Ghana:

- Cash balances which are subject to movements in the bank deposit rates; and
- Long-term and short-term debt obligations with floating interest rates linked to the Johannesburg Interbank Agreed Rate, the South African prime, Indian bank lending rates and the Stannic Bank Base Rate (Ghana).

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

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

INTEREST RATE RISK (continued)

Interest rate risk

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	
		2016 R'000	2015 R'000
Liabilities			
Indian rupee loans*	+1	(55)	(50)
Ghanaian Cedis*	+1	(60)	(106)
South African loans at variable rates	+1	(5 000)	(5 114)
Cash balances			
Cash and cash equivalents	+1	2 006	1 474
Bank overdraft	+1	(118)	(3 042)

* Discontinued operations

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 credit worthy.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Individual credit limits are defined in accordance with an independent assessment. In addition, 90% (2015: 88%) 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 11.7% (2015: 11.1%) or R154.9 million (2015: R139.9 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

Although the Group is in a net debt position it has limited exposure to liquidity risk as all obligations in the foreseeable future will be met.

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans, with facilities in place in South Africa of R1 billion each, respectively.

The maturity profile of the Group's long-term financial liabilities at 30 June 2016, based on contractual undiscounted payments, is shown in note 21 and the maturity profile of the trade and other payables in note 23.

The Group has provided guarantees to the amount of R6.2 million at 30 June 2016 (2015: R15.7 million)

Foreign currency risk

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

ANNEXURE E – FINANCIAL INSTRUMENTS CONTINUED

Foreign operations

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

	2016 Income/Expenses Average (Rand)	2016 Assets/Liabilities Spot (Rand)	2015 Income/Expenses Average (Rand)	2015 Assets/Liabilities Spot (Rand)
Kenyan Shilling	0.1409	0.1456	0.1250	0.1225
Ghanaian Cedi*	3.7135	3.7230	3.2046	2.7910
United States Dollar	14.5184	14.7168	11.4565	12.1699
Indian Rupee**	0.2188	0.2179	0.1846	0.1913

* Discontinued operation

** Discontinued operation and continuing operation

Foreign assets/liabilities

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

	Assets Rand	Liabilities Rand
2016		
US Dollar	14.71	14.72
Euro	16.35	16.37
2015		
US Dollar	12.16	12.17
Euro	13.55	13.56

CASH FLOW HEDGES

The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for the order of inventory is in place. As a result, all material foreign liabilities were covered by forward exchange contracts at year-end.

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

At 30 June 2016, 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 2016 designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. All foreign exchange contracts will mature within 12 months. The cash flow hedges of expected future purchases were assessed to be effective.

A summary of the material contracts, comprising at least 98% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate	R'000
2016			
US Dollar	14 845	15.62	231 904
Euro	11 302	17.70	200 100
2015			
US Dollar	11 443	12.34	141 177
Euro	14 926	13.63	203 479

CASH FLOW HEDGES (continued)

The maturity analysis for the material outstanding contracts at:

	US Dollar '000	Rands '000	Euro '000	Rands '000
2016				
Within 30 days	5 639	87 158	4 007	70 129
31 to 60 days	3 386	51 220	2 484	44 197
61 to 90 days	1 107	17 689	1 454	25 606
> 90 days	4 713	75 837	3 357	60 168
	14 845	231 904	11 302	200 100
2015				
Within 30 days	5 125	62 956	5 213	69 935
31 to 60 days	2 780	34 283	4 482	61 220
61 to 90 days	2 772	34 305	1 888	25 676
> 90 days	766	9 633	3 343	46 648
	11 443	141 177	14 926	203 479

A summary of the material contracts settled during the year:

	Foreign currency '000	Average forward rate	R'000
2016			
US Dollar	51 420	14.17	728 681
Euro	34 190	14.91	509 805
Swedish Krona	61 229	1.68	103 025
2015			
US Dollar	46 244	11.43	528 482
Euro	24 351	13.98	340 535
Swedish Krona	53 689	1.51	81 258

ANNEXURE E – FINANCIAL INSTRUMENTS CONTINUED

CASH FLOW HEDGES (continued)

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

	Change in foreign currency exchange rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
2016			
US dollar	+10	(7 300)	15 932
	-10	7 300	(15 932)
Euro	+10	(5 372)	13 488
	-10	5 372	(13 488)
Swedish Krona	+10	(497)	338
	-10	497	(338)
2015			
US dollar	+10	4	9 801
	-10	(4)	(9 814)
Euro	+10	(4 369)	14 520
	-10	4 369	(14 443)
Swedish Krona	+10	(1 240)	975
	-10	1 240	(975)

CAPITAL MANAGEMENT

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

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

Continuing operations	2016 R'000	2015 R'000
Interest-bearing loans and borrowings	511 755	831 236
Less: Cash and short-term deposits	(200 555)	(147 379)
Net debt	311 200	683 857
Equity	3 252 597	3 116 924
Gearing ratio (%)	10	22

ANNEXURE F – INTEREST IN JOINT VENTURES

The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

1. ADCOCK INGRAM LIMITED (INDIA)

STATEMENT OF FINANCIAL POSITION

	2016 R'000	2015 R'000
Property, plant and equipment	183 796	166 631
Non-current assets	183 796	166 631
Inventories	67 025	65 693
Trade and other receivables	374 087	330 360
Cash and cash equivalents	116 743	36 956
Current assets	557 855	433 009
Total assets	741 651	599 640
Post-retirement medical liability	3 659	2 631
Deferred tax	22 526	19 927
Non-current liabilities	26 185	22 558
Trade and other payables	40 663	85 359
Provisions	1 205	1 041
Taxation payable	210 763	146 418
Current liabilities	252 631	232 818
Total liabilities	278 816	255 376
Equity	462 835	344 264
Proportion of Group's ownership	49.9%	49.9%
Carrying amount of the investment	230 955	171 787

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June

Turnover	504 722	482 603
Cost of sales	(380 372)	(352 231)
Gross profit	124 350	130 372
Selling, distribution and marketing expenses	(365)	(351)
Fixed and administrative expenses	2 069	(7 417)
Operating profit	126 054	122 604
Finance income	2 071	872
Finance costs	(992)	(1 130)
Profit before taxation	127 133	122 346
Taxation	(46 067)	(42 475)
Profit for the year	81 066	79 871
Group's share of profit for the year	40 452	39 856
Unearned income on inventory	(7 000)	–
Group's share of profit for the year	33 452	39 856

2. NATIONAL RENAL CARE PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION

	2016 R'000	2015 R'000
Property, plant and equipment	122 492	93 157
Loans receivable	33 266	33 266
Investment in associate	15 407	10 744
Deferred tax	14 658	11 777
Non-current assets	185 823	148 944
Inventories	20 265	17 820
Trade and other receivables	52 856	65 769
Cash and cash equivalents	160 700	128 103
Current assets	233 821	211 692
Total assets	419 644	360 636
Trade and other payables	96 524	79 622
Provisions	11 897	11 996
Taxation payable	2 952	1 455
Current liabilities	111 373	93 073
Total liabilities	111 373	93 073
Non-controlling interests	61 903	52 868
Equity	246 368	214 695
Proportion of Group's ownership	50.0%	50.0%
Carrying amount of the investment	123 184	107 348

STATEMENT OF COMPREHENSIVE INCOME

Turnover	831 281	783 698
Cost of sales	(658 650)	(627 048)
Gross profit	172 631	156 650
Selling, distribution and marketing expenses	(100 277)	(79 595)
Fixed and administrative (expenses)/income	(3 103)	328
Operating profit	69 251	77 383
Finance income	8 763	6 365
Finance costs	(144)	(219)
Equity accounted earnings	4 925	3 052
Profit before taxation	82 795	86 581
Taxation	(22 088)	(22 858)
Profit for the year	60 707	63 723
Less:		
Non-controlling interests	(9 035)	(12 218)
Profit attributable to owners of the parent	51 672	51 505
Group's share of profit for the year	25 836	25 752

ANNEXURE G – IMPAIRMENTS

1. CONTINUING OPERATIONS

		2016 R'000	2015 R'000
A. OTHER INTANGIBLES			
The trademark impaired relates to the following brand:			
Reportable segment	Brand		
Prescription	Prelone	3 149	–
Volumes and pricing for this product are under pressure and consequently forecast profitability has been reduced.			
B. INVENTORIES			
Reportable segment	Category		
Prescription	ARV's	–	(8 375)
Due to the high inventory levels in the market at the end of 2014, the probability of sales of certain products became remote, particularly when coupled with a short-term expiry date. Following the sale of a portion of these products in the prior year, part of the provision was reversed.			
C. OTHER			
Reportable segment	Asset		
Southern Africa	Other financial assets – Black Managers Share Trust (BMT)	4 135	6 336
Southern Africa	Other debtors	1 354	–
		5 489	6 336
As a result of the on-distribution of dividend income, in the accounts of the corporate beneficiaries of the BMT share option scheme, the cost of the capital contributions exceeded the terminal amount at both reporting years. This required an impairment of this asset.			
The Bophelo Trust's investment in Ad-Izinyosi was higher than its 20% share of the assets, leading to R1.4 million impairment of the investment in the Bophelo accounts.			
TOTAL		8 638	(2 039)

2. DISCONTINUED OPERATIONS

A. AYRTON DRUG MANUFACTURING LIMITED (GHANA)			
Impairment of assets transferred to held-for sale	72 959	–	
Property, plant and equipment	–	7 390	
	72 959	7 390	
Assets held-for-sale were impaired in the current year, after comparing the pre-impairment carrying value of the business' net assets against the fair value less cost to sell based on the latest estimated proceeds on the sale of the Group's controlling interest in this business.			
The recoverable amount, based on a value in use, of certain plant and equipment in the Ghanaian production facility reduced in the prior year which required an impairment.			
B. ADCOCK INGRAM HEALTHCARE PRIVATE LIMITED (INDIA)			
Impairment of assets transferred to held-for sale	135 012	–	
Other intangibles	–	74 432	
	135 012	74 432	
Assets held-for-sale were impaired in the current year, after comparing the pre-impairment carrying value of the business' net assets against the fair value less cost to sell based on the latest estimated proceeds on the sale of the Group's interest in this business.			
During the prior year, the recoverable amount of certain intangibles in the Cosme business in India reduced due to the performance in that business which required an impairment.			
Total	207 971	81 822	

ANNEXURE H – INTEREST IN SUBSIDIARY COMPANIES AND JOINT VENTURES

	Shareholding	
	June 2016 %	June 2015 %
Subsidiaries		
Adcock Ingram Limited	100	100
Adcock Ingram Healthcare Proprietary Limited	100	100
Adcock Ingram Intellectual Property Proprietary Limited	100	100
Adcock Ingram Critical Care Proprietary Limited	100	100
Adcock Ingram International Proprietary Limited	100	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited	100	100
Joint ventures		
Thembalami Pharmaceuticals Proprietary Limited	50	50
Adcock Ingram Limited (India)	49,9	49,9
Indirect holdings		
Adcock Ingram Pharmaceuticals Proprietary Limited	100	100
Premier Pharmaceutical Company Proprietary Limited	100	100
Metamorphosa Proprietary Limited	50	50
Menarini SA Proprietary Limited **	49	49
Novartis Ophthalmics Proprietary Limited **	49	49
Addclin Research Proprietary Limited	100	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited	100	100
Dilwed Investments Proprietary Limited	100	100
Adcock Ingram Namibia Proprietary Limited	100	100
National Renal Care Proprietary Limited	50	50
Pharmalabs (Jersey) Limited	100	100
Datlabs (Private) Limited	100	100
Adcock Ingram Healthcare Private Limited (India)	100	100
Adcock Ingram East Africa Limited	100	100
Ayrton Drug Manufacturing Limited (Ghana)	78,57	78,57
Ayrton Drug Manufacturing Limited (Sierra Leone)	78,57	78,57
Trusts and structured entities		
Adcock Ingram Holdings Limited Employee Share Trust (2008)		
Mpho ea Bophelo Trust		
AdBEE (RF) Limited*		
Ad-Izinyosi Proprietary Limited*		
19 Owner-driver companies (2015: 19 companies)		

* Not consolidated – refer accounting policies

** Regarded as subsidiaries

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 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 (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote-holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial results of the subsidiaries are prepared for the same reporting period using consistent accounting policies.

Investments in subsidiaries in the Company's financial statements are accounted for at cost less any impairment.

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent. These interests are presented separately in the consolidated statement of comprehensive income, and in the consolidated statement of financial position, separately from own shareholders' equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to any relevant non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

Subsidiaries acquired with the intention of disposal within 12 months are consolidated in line with the principles of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and disclosed as held for sale.

An item or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transactions rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are not subsequently depreciated or amortised and are held at the lower of their carrying value or fair value less costs to sell (incremental costs directly attributable to the sale, excluding the finance costs and income tax expense). A discontinued operation is a separate major line of business or geographical area of operation that has been disposed of, or classified as held for sale, as part of a single coordinated plan.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

In the statement of financial position, assets and liabilities classified as held for sale are presented separately from other assets and liabilities as current items.

UNDERLYING CONCEPTS

The financial statements are prepared on the going-concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

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

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

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively.

If after making every reasonable effort to do so, it is impracticable to apply the change retrospectively, it is applied prospectively from the beginning of the earliest period practicable.

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

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

FOREIGN CURRENCIES

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

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

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN CURRENCY BALANCES

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

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 (ie translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

FOREIGN OPERATIONS

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

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate. The functional currencies of the foreign operations are as follows:

- joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- subsidiary, Adcock Ingram Healthcare Private Limited in India (discontinued operation), the Indian Rupee;
- subsidiary, Relicare Tech Services Private Limited in India, the Indian Rupee;
- subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling; and
- subsidiary, Ayrton Drug Manufacturing Limited in Ghana (discontinued operation), the Ghanaian Cedi.

INTEREST IN GROUP COMPANIES

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income, as appropriate. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

EQUITY-ACCOUNTED INVESTMENTS

The equity-accounted investments are the Group's investments in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. The Group has the following joint ventures:

- Adcock Ingram Holdings Limited has a 49.9% interest in Adcock Ingram Limited, a company incorporated in India, which is involved in the manufacturing of pharmaceutical products; and
- Adcock Ingram Critical Care Proprietary Limited has a 50% indirect interest in National Renal Care Proprietary Limited, a company incorporated in South Africa, which provides renal healthcare services.

Under the equity method, investments are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the profit or loss of these investments. Goodwill relating to equity-accounted investments is included in the carrying amount of the investment and is not tested separately for impairment.

Joint ventures are accounted for from the date that joint control is obtained to the date that the Group ceases to have joint control.

The statement of comprehensive income reflects the Group's share of these investments' profit or loss. However, losses in excess of the Group's interest are not recognised. Additional losses are provided for and a liability is recognised, only to the extent that a legal or constructive obligation exists. Where a joint venture recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and equity-accounted investments are eliminated to the extent of the interest in the underlying investment.

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

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

Upon loss of joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an equity accounted investment is classified as held for sale in terms of IFRS 5, equity accounting is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

Where an equity accounted investment's reporting date differs from the Group's, the joint venture prepares financial results for the same period as the Group. Where the equity accounted investment's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

The year-end of the joint venture, Adcock Ingram Limited (India) is March whilst the year-end of National Renal Care Proprietary Limited is September.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item is also accounted for separately if the recognition criteria are met. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant is depreciated separately.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end.

Any adjustments to residual value, useful life or depreciation method applied are accounted for prospectively.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

The following useful lives have been estimated:

Freehold land		Not depreciated
Freehold buildings	– general purpose	40 years
	– specialised	20 – 50 years
Leasehold improvements		The lease term or useful life, whichever is the shorter period
Plant, equipment and vehicles		3 – 15 years
Furniture and fittings		3 – 15 years
Computer equipment		3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in profit or loss in the year the asset is derecognised.

GOODWILL AND INTANGIBLE ASSETS

GOODWILL

Goodwill is initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of any previously held equity interest in the acquiree, over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

INTANGIBLE ASSETS

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

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

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

The following useful lives have been estimated:

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

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

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

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

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

RESEARCH AND DEVELOPMENT COSTS

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

Development costs arise on the application of research findings to a plan or design for the production of new or substantially improved materials, products or services, before the start of commercial production.

Development costs are only capitalised when the Group can demonstrate the technical feasibility of completing the project, its intention and ability to complete the project and use or sell the materials, products or services flowing from the project, how the project will generate future economic benefits, the availability of sufficient resources and the ability to measure reliably the expenditure during development. Otherwise development costs are recognised in profit or loss.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 10 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 10th year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following assets have specific characteristics for impairment testing:

GOODWILL

Goodwill is tested for impairment

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

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

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment

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

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets within the scope of IAS 39 are classified as financial assets through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group's classification of financial assets is as follows:

Description of asset	Classification
Amounts owing by Group companies	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Investments	Available-for-sale
Other financial assets	Loans and receivables/Available-for-sale

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

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

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

Available-for-sale financial assets

Available-for-sale financial assets could include equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated 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. If determined to be impaired, the cumulative loss is reclassified from the available-for-sale reserve to profit or loss in the statement of comprehensive income.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired by a significant amount or for a prolonged period of time, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss even though the financial asset has not been derecognised.

DERECOGNITION

Financial assets or parts thereof are derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original costs of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less an impairment loss on that investment previously recognised in the statement of comprehensive income – is reclassified from other comprehensive income to profit or loss. Increases in fair value after impairment are recognised directly in other comprehensive income. Impairment losses on available-for-sale equity instruments are not reversed through profit or loss.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group has classified financial liabilities, as follows:

Description of liability	Classification
Loans payable and borrowings	Loans and borrowings
Trade and other payables	Loans and borrowings
Loans from subsidiaries	Loans and borrowings
Bank overdraft	Loans and borrowings
Amounts owing to Group companies	Loans and borrowings

SUBSEQUENT MEASUREMENT

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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

DERECOGNITION

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand and at banks, short-term deposits with an original maturity of three months or less and highly liquid investments.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

DERIVATIVE INSTRUMENTS

Derivatives are financial instruments whose value changes in response to an underlying factor, require no initial or little net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

HEDGE ACCOUNTING

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging

instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

CASH FLOW HEDGES

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income through profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LEASES

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee. Finance lease assets and liabilities are recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor.

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

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

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

REVENUE

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

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

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

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

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

BORROWING COSTS

All borrowing costs are expensed in the period they occur, as none of the borrowing costs were directly attributable to the acquisition, construction or production of an asset which qualify for capitalisation. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

TAXES

CURRENT INCOME TAX

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

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income and not in profit or loss. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability 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 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 joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss, except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that results from an acquisition. In this case, the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority.

DIVIDENDS TAX

A Dividends Tax of 15% on dividend distributions is withheld from shareholders and paid to the South African Revenue Service, where applicable.

VALUE-ADDED TAX (VAT)

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

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

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

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

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

DEFINED CONTRIBUTION PLANS

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

DEFINED BENEFIT PLANS

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

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

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

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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

POST-RETIREMENT MEDICAL OBLIGATIONS

The Group provides post-retirement healthcare benefits to certain of its retirees and one employee still in service. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, a discount rate based on current bond yields of appropriate terms and healthcare inflation costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of the defined benefit obligation.

SHARE-BASED PAYMENTS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external appraiser using a modified version of the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in the statement of comprehensive income in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. If at the date of modification, the total fair value of the share-based payment is increased, or is otherwise beneficial to the employee, the difference is recognised as an additional expense.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation (acceleration of vesting), and any unrecognised expense recognised immediately. Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above. The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

CASH-SETTLED TRANSACTIONS

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

ACCOUNTING FOR BEE TRANSACTIONS

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

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

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

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

TREASURY SHARES

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

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

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.

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 with IFRS 10.

Based on the contractual terms, the activities of these entities are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from these entities' operations. In addition, it was assessed that the Group controls each of these entities as there is insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

AD-IZINYOSI (RF) PROPRIETARY LIMITED AND ADBEE (RF) LIMITED

During the year, the Group facilitated the restructuring of their existing 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 was that in the Company's judgement the Group does not have power over the relevant activities of these two entities, nor benefit from the variable returns that would emanate from such entities. These entities are therefore not consolidated into the Group.

ANNEXURE I – ACCOUNTING POLICIES CONTINUED

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 MAJORITY OF VOTING RIGHTS

The Group considers that it controls Menarini SA Proprietary Limited and Novartis Ophthalmics Proprietary Limited even though it owns less than 50% of the voting rights as it controls the daily management and decision making of these entities.

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

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

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

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

FAIR VALUE OF BEE SHARE ALLOCATIONS

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

SHARE-BASED PAYMENTS

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

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

DEFERRED TAX ASSETS

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

PROVISIONS

The establishment and review of provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

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

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

IFRS 9: FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

IFRS 9 as issued by the IASB in July 2014, replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together the following three aspects of the accounting for financial instruments:

- classification and measurement;
- impairment; and
- hedge accounting.

IFRS 9 will be effective for the Group from 1 July 2018 and early application is permitted. The Group has not yet quantified the effect of this standard.

IFRS 11: JOINT ARRANGEMENTS – ACCOUNTING FOR ACQUISITION OF INTERESTS IN JOINT OPERATIONS

The amendments require an entity acquiring an interest in a joint operation to determine whether an asset or business is acquired. In the case of acquiring a business, all of the principles in IFRS 3 *Business Combinations* should be applied. The amendments to IFRS 11 will be effective for the Group from 1 July 2016.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The standard requires retrospective application. There are also more disclosure requirements than the current IAS 18 standard with the aim to enable users of financial statements to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 will be effective for the group from 1 July 2018 and the impact if any, has not yet been determined.

IFRS 16 LEASES

IFRS 16 requires lessees to account for all leases in a similar way to finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and depreciation expense on the right of use of the asset. These amendments will be effective from 1 July 2019 and key financial metrics would be impacted, but not to a material extent, for the Group.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS – DISCLOSURE INITIATIVE AMENDMENTS

The amendments clarify:

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

IAS 7 STATEMENT OF CASH FLOWS – DISCLOSURE INITIATIVE AMENDMENTS

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments will be effective from 1 July 2017 and are not expected to have a significant impact on the Group's disclosure.

IAS 12 INCOME TAXES – RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES AMENDMENTS

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. These amendments will be effective from 1 July 2017 and are not expected to have a significant impact on the Group's disclosure.

SHAREHOLDER ANALYSIS

1. REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listing Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 June 2016:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 676	72.9	1 408 445	0.8
1 001 – 10 000 shares	1 496	23.3	4 329 965	2.5
10 001 – 100 000 shares	187	2.9	4 779 377	2.7
100 001 – 1 000 000 shares	48	0.7	13 845 971	7.9
1 000 001 shares and above	11	0.2	151 384 290	86.1
Total	6 418	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	0.07	30 148 822	17.2
Adcock Ingram Limited	1	0.02	4 285 163	2.5
Ad-Izinyosi Proprietary Limited	1	0.02	25 842 959	14.7
Directors	2	0.03	20 700	0.0
Public shareholders	6 414	99.93	145 599 226	82.8
Total	6 418	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 2016:

Investment manager	Total shareholding	%
BB Investment Company (Pty) Ltd	65 832 569	37.5
Public Investment Corp. of South Africa	38 650 341	22.0
Ad-Izinyosi Proprietary Limited	25 842 959	14.7
Total	130 325 869	74.2

4. GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	160 886 286	91.55
United States of America and Canada	3 259 511	1.85
United Kingdom	9 956 073	5.66
Rest of Europe	159 161	0.09
Rest of the World ⁽¹⁾	1 487 017	0.85
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)
2015 – July	2 944 007	145	51.50	47.91	50.20
2015 – August	3 703 092	185	55.00	45.01	50.89
2015 – September	2 754 544	138	54.90	48.31	49.90
2015 – October	2 832 175	149	56.50	48.46	52.00
2015 – November	4 487 037	228	53.50	48.60	49.96
2015 – December	6 380 482	309	51.47	42.00	49.98
2016 – January	2 689 436	109	50.00	35.44	38.99
2016 – February	4 114 620	160	43.00	36.50	38.50
2016 – March	2 741 651	112	45.00	36.50	43.99
2016 – April	3 305 355	145	46.90	40.50	42.00
2016 – May	2 304 818	97	43.43	38.83	40.70
2016 – June	1 352 532	57	44.70	38.05	44.29

Source: iNet BFA

NOTICE OF ANNUAL GENERAL MEETING

ADCOCK INGRAM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2007/016236/06

JSE share code: AIP

ISIN: ZAE000123436

("Adcock Ingram" or "the Company")

Board of Directors ("Board"): Mr A Hall (CEO), Prof M Haus, Dr B Joffe (Deputy Chairman), Dr T Lesoli, Ms BJ Letsoalo, Mr M Makwana, Dr A Mokgokong, Mr R Morar, Ms D Neethling, Mr C Raphiri (Chairman), Mr M Sacks and Dr R Stewart.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of shareholders of Adcock Ingram will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 24 November 2016 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(1)(a)(i)) of the Companies Act 71 of 2008 ("**Companies Act**") (such Annual General Meeting being hereinafter referred to as the "**Annual General Meeting**").

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

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

- (a) receive this Notice of Annual General Meeting as being 23 September 2016; and
- (b) participate in and vote at the Annual General Meeting as being 18 November 2016.

The last day to trade in the Company's shares, in order to participate in and vote at the Annual General Meeting is 15 November 2016.

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 165 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 2016.

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 2016, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("**Companies Regulations**").

3. RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Ordinary Resolution 1

- 3.1 To elect Dr A Mokgokong, who is retiring by rotation in accordance with clause 17.1 of the Company's Memorandum of Incorporation ("MOI"), as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act.
- 3.2 Dr Mokgokong, being eligible and available, offers herself for re-election.

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 proposed Audit Committee members listed below currently serve on the same committee and, accordingly, offer themselves for re-election:

- 4.1.1 Mr M Sacks (Chairman) (as Ordinary Resolution 2.1);
- 4.1.2 Prof M Haus (as Ordinary Resolution 2.2); and
- 4.1.3 Dr R Stewart (as Ordinary Resolution 2.3).

5. RATIFICATION OF APPOINTMENT OF EXECUTIVE DIRECTORS**Ordinary Resolution 3**

To ratify by way of separate divisible resolutions, as required by paragraph 18.2.1 of the Company's MOI and the JSE Listings Requirements, the appointment by the Board of the following executive directors:

- 5.1 Ms D Neethling, as Chief Financial Officer and Executive Director of Adcock Ingram (as Ordinary Resolution 3.1); and
- 5.2 Ms BJ Letsoalo, as the Executive Director: Human Capital and Transformation of Adcock Ingram (as Ordinary Resolution 3.2).

6. RE-APPOINTMENT OF EXTERNAL AUDITORS**Ordinary Resolution 4**

To re-appoint Ernst & Young as independent External Auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall) and to note the remuneration of the independent External Auditors as determined by the Audit Committee of the Board for the past year's audit as reflected in note 6.1 to the annual financial statements.

7. DELEGATION OF AUTHORITY**Ordinary Resolution 5**

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 Annual General Meeting.

8. APPROVAL OF THE REMUNERATION POLICY**Ordinary Resolution 6**

To endorse, by way of a non-binding advisory vote, the Company's and the Group's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out on page 58 of the Integrated Report.

9. FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED PARTIES**Special Resolution 1**

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

10. PROPOSED REMUNERATION OF NON-EXECUTIVE DIRECTORS PAYABLE WITH EFFECT FROM 1 DECEMBER 2016**Special Resolution 2**

Shareholders are requested to approve the proposed fees and remuneration payable to non-executive directors, for their services as directors with effect from 1 December 2016 until the next Annual General Meeting in accordance with the proposed remuneration as set out in the explanatory notes.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

11. SHARE REPURCHASE

Special Resolution 3

To authorise the directors to approve and implement the acquisition by the Company (or by a subsidiary of the Company in terms of section 48(2)(b) of the Companies Act), of ordinary shares of the Company, by way of a general authority, which shall only be valid until the Company's next Annual General Meeting or 15 (fifteen) months from the date of the passing of this special resolution, whichever period is the shorter, and subject to the Companies Act, the MOI, the JSE Limited ("JSE") Listings Requirements, when applicable, and the following limitations, namely:

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

Having considered the effects of a maximum repurchase, the directors are of the opinion that:

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

The Board confirms that, having considered the effects of the maximum repurchase, it has passed a resolution approving the repurchase and confirming that the Company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

STATEMENT OF INTENT

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

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

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

- Major shareholders of the Company – page 158;
- Share capital of the Company – page 117.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 52 and 53 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

MATERIAL CHANGE

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

12. AMENDMENTS TO THE COMPANY'S MEMORANDUM OF INCORPORATION

Special Resolution 4

To approve the following amendments to the Company's MOI in terms of section 16(1)(c) of the Companies Act:

- 13.1 the removal of (i) all references in the MOI to the A ordinary shares having a par value of R0,10 each in the authorised share capital of the Company ("**A Ordinary Shares**") and the B ordinary shares having a par value of R0,10 each in the authorised share capital of the Company ("**B Ordinary Shares**"); and (ii) the preferences, rights, limitations and other terms attaching to the A Ordinary Shares and B Ordinary Shares as more fully set out in Schedule AB of the MOI, and giving effect to various other consequential changes required by the amendments contemplated in (i) and (ii) as aforesaid;
- 13.2. the amendment of clause 4.5 of the MOI to render the provisions thereof consistent with the latest publication of Schedule 10 of the JSE Listings Requirements;
- 13.3 the amendment of clause 12.2 of the MOI and the insertion of a new clause 12.3 in the MOI to permit shareholders to vote on any of the following resolutions which may be proposed from time to time, in writing, in terms of section 60 of the Companies Act:
 - 13.3.1 the change of the name of the Company;
 - 13.3.2 any odd lot offers to shareholders;
 - 13.3.3 the increase in the authorised share capital of the Company; and/or
 - 13.3.4 the approval of any amendments to this MOI;
- 13.4 the amendment of clause 19.7.1 of the MOI to provide that a resolution of the Board that is in writing, shall be valid and effectual as if it had been passed at a meeting of the Board duly called and constituted, if it is signed and approved by all of the directors of the Company, other than those directors who are conflicted (whether in terms of the Companies Act or in terms of any common law principles relating to conflicts of interest of directors); and
- 13.5 the amendment of clause 36 of the MOI to provide for the new fraction entitlement principle of rounding down, as contemplated by Bulletin 1 of 2016, published by the JSE on or about 18 January 2016, and approved by the Financial Services Board in terms of the Board Notice 274 of 2015 published in Government Gazette No 39531 on or about 18 December 2015.

Any other business

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

Electronic communication and participation

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

- must contact the Company Secretary: ntando.simelane@adcock.com or +27 (0)11 635 0143 during business hours (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.

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, treasury shares and unlisted securities will not have their votes taken into account at the Annual General Meeting for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Please note that, in accordance with section 63(1) of the Companies Act, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

verified. Accordingly, meeting participants (including shareholders and proxies) must provide satisfactory identification. Without limiting the generality hereof, the Company will accept a valid South African identity document, a valid driver's licence or a valid passport as satisfactory identification.

Forms of proxy must be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited (70 Marshall Street, corner Sauer Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107), by no later than 09:00, on 22 November 2016 provided that they may be handed to the chairperson of the meeting at any time prior to the proxy exercising any right at the meeting.

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

By order of the Board

NE Simelane
Company Secretary

Midrand
30 September 2016

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 2016 to shareholders, together with the reports of the directors and the Audit Committee at the Annual General Meeting. These are contained within the Integrated Report.

Shareholders are advised that, in terms of section 62(3)(d) of the Companies Act, a copy of the complete annual financial statements for the preceding financial year may be obtained by submitting a written request to the Company Secretary, and electronic copies are available on the Adcock Ingram website  www.adcock.com.

PRESENTATION OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulations requires the Social and Ethics Committee, through 1 (one) of its members, to report to the shareholders on matters within its mandate at the Annual General Meeting. The Social, Ethics and Transformation Committee's report will be visually presented during the Annual General Meeting. The visual report is available on  www.adcock.com.

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 so to retire at each Annual General Meeting shall be any non-executive director(s) who were appointed by the Board to fill a vacancy or as an addition to the Board in terms of clause 15.5 of the MOI and those non-executive director(s) who at the date of the Annual General Meeting would have held office for a period of 3 (three) years or more since their last election, and amongst directors having equal tenure since their last election those shall retire in alphabetical order.

The following non-executive directors accordingly retire by rotation as required by the MOI:

- 1.1 Dr A Mokgokong; and
- 1.2 Mr R Morar.

Dr Mokgokong has offered herself for re-election and, having been evaluated and had her suitability for re-appointment confirmed by the Nominations Committee, is eligible for re-election.

A brief *curriculum vitae* in respect of Dr Mokgokong, is set out on page 53 of the Integrated Report.

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

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

Ordinary Resolution 2 – Election of the Audit Committee members

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

- 2.1 Mr M Sacks (Chairman) (as Ordinary Resolution 2.1);
- 2.2 Prof M Haus (as Ordinary Resolution 2.2); and
- 2.3 Dr R Stewart (as Ordinary Resolution 2.3).

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 pages 52 and 53 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 Annual General Meeting of the Company.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

Ordinary Resolution 3 – Ratification of appointment of the executive directors

In terms of paragraph 18 of Adcock Ingram's MOI, the Board may from time to time appoint one or more executive directors as the Board deems fit, and such executive director shall not, whilst he/she continues to hold that position or office, be subject to mandatory retirement in terms of the MOI. However, in compliance with the JSE Listings Requirements, the appointment of such executive director to the office of director shall, in terms of paragraph 18.2.1 of the MOI, terminate if not ratified by ordinary resolution at the next annual general meeting following such appointment.

The following executive directors were appointed by the Board since the previous annual general meeting of the Company:

- 3.1 Ms D Neethling was appointed to the position of Chief Financial Officer and Executive Director of Adcock Ingram on 23 February 2016; and
- 3.2 Ms BJ Letsoalo was appointed as Executive Director: Human Capital and Transformation of Adcock Ingram on 25 August 2016.

It is accordingly necessary for the appointment of the abovementioned executive directors to be ratified by ordinary resolution at the annual general meeting. Brief curricula vitae in respect of Ms D Neethling and Ms B Letsoalo is set out on pages 50 and 51 of the Integrated Report.

To be approved, each of Ordinary Resolution 3.1 and Ordinary Resolution 3.2 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If each of Ordinary Resolutions 3.1 and 3.2 are approved, the effect would be to ratify the Board's appointment of (i) Ms D Neethling to the position of Chief Financial Officer and Executive Director of Adcock Ingram; and (ii) Ms BJ Letsoalo to the position of Executive Director: Human Capital and Transformation of Adcock Ingram.

Ordinary Resolution 4 – Re-appointment of External Auditors

In terms of section 90(1) of the Companies Act the Company must appoint an auditor each year at its Annual General Meeting by way of an ordinary resolution of the shareholders entitled to exercise voting rights on that resolution. In terms of section 94(7)(a) (as read with section 90(2)) of the Companies Act, the Audit Committee of the Company must nominate a registered auditor for appointment as auditor of the Company who is, in the opinion of the Audit Committee, independent of the Company.

The Audit Committee has nominated Ernst & Young Inc. ("EY") as the independent external auditors of the Company. The Audit Committee is satisfied that EY and the individual auditor designated by Ernst & Young as responsible for performing the functions of the Company's auditor on behalf of Ernst & Young, namely Mr Dave Cathrall, can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. 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 page 73 of the Integrated Report.

Ernst & Young Inc. has confirmed its willingness to continue in office and Ordinary Resolution 4 proposes the re-appointment of that firm as the Company's auditors with effect from 1 December 2016 until the next Annual General Meeting. As contemplated in section 90(3) of the Companies Act, the name of the designated auditor, Mr Dave Cathrall, forms part of the resolution. 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 4 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 4 is approved, the effect would be to approve the appointment of EY as the independent external auditors of the Company until the next Annual General Meeting of the Company.

Ordinary Resolution 5 – Delegation of Authority

This reason for Ordinary Resolution 5 is to authorise any 1 (one) director or the Company Secretary of the Company to do all such things and sign all documents and take all such action as he/she may consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which Ordinary Resolution 5 will be considered.

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 – Approval of the Remuneration policy

Chapter 2 paragraph 186 of King III dealing with boards and directors requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's and the Group's remuneration report is contained on pages 58 to 67 of the Integrated Report. Ordinary Resolution 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into account when reviewing the Company's and the Group's remuneration policy.

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 2016

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 2016 until the next Annual General Meeting as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 67 the Integrated Report. Since the coming into effect of the Companies Act, in particular sections 65(11), 66(8) and (9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders (i.e. a resolution passed with the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution) within the previous 2 (two) years.

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

Category	Current annual remuneration	Proposed annual remuneration payable with effect from 1 December 2016
Board		
Chairman	1 022 570	1 083 920
Deputy Chairman		500 000
Board member	233 965	248 000
Audit Committee		
Chairman	222 045	235 370
Audit Committee member	111 020	117 680
Risk and Sustainability Committee		
Chairman	222 045	235 370
Committee member	111 020	117 680
Human Resources, Remuneration and Nominations Committee		
Chairman	91 155	118 075
Committee member	57 850	61 270
Social, Ethics and Transformation Committee		
Chairman	85 545	118 075
Committee member	46 280	58 500

ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

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 2016 until the next Annual General Meeting.

Special Resolution 3 – Share Repurchase

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

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

If Special Resolution 3 is approved, the effect would be to authorise the Company and/or its subsidiary company/ies by way of a general authority to acquire the Company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the provisions of the JSE Listings Requirements and the Companies Act as set out in Special Resolution 3.

Special Resolution 4 – Amendments to the Company's MOI

In terms of section 16(1)(c) of the Companies Act, the Company's MOI may be amended at any time if, *inter alia*, a special resolution to amend it is proposed by the Board and adopted at a shareholders' meeting of the Company.

The Board has proposed the amendments to the MOI as more fully set out in Special Resolution 4 for the reasons set out below:

- 4.1 The preferences, rights, limitations and other terms attaching to the A Ordinary Shares and the B Ordinary Shares, as set out in Schedule AB of the existing MOI, were peculiar to the holding of those shares under the previous Adcock Ingram BEE scheme. Pursuant to the resolution of the shareholders which approved such matters, passed by the requisite majority of shareholders on or about 10 July 2015, all of the issued A Ordinary Shares and B Ordinary Shares were repurchased by the Company from the holders thereof as at that date and the previous Adcock Ingram BEE scheme was terminated in accordance with the terms set out in the circular to Adcock Ingram's shareholders dated 28 May 2015. There are therefore no A Ordinary Shares or B Ordinary Shares currently in issue and the Board accordingly believes it prudent to amend the MOI to formally cancel and remove references to all the A Ordinary Shares and all the B Ordinary Shares in the authorised share capital of the Company. The effect of this amendment to the MOI will be to reduce the authorised share capital of the Company by the number of existing A Ordinary Shares and existing B Ordinary Shares, such that following the implementation of such amendment, the authorised share capital of the Company shall comprise 250 000 000 ordinary shares having a par value of R0,10 each in the share capital of the Company.
- 4.2 Clause 4.5. of the MOI as currently drafted reflects various minor inconsistencies with paragraph 10.1 of Schedule 10 to the JSE Listings Requirements. The Board accordingly proposes the amendments contemplated in item 13.2 of Special Resolution 4 above to ensure clarity and compliance by the Company with the JSE Listings Requirements.
- 4.3 Pursuant to Board Notice 108 of 2014 as published by the Financial Services Board in Government Gazette No. 37964, dated 29 August 2014, section 10.11 of Schedule 10 to the JSE Listings Requirements was amended to provide that the memoranda of incorporation of issuers may permit shareholders to approve resolutions proposed in respect of the matters listed in items 13.3.1 to 13.3.4 (inclusive) of Special Resolution 4 above, in writing, in terms of section 60 of the Companies Act. The Board proposes the amendments contemplated in item 13.3 of Special Resolution 4 to provide shareholders with the flexibility to approve the aforementioned matters in writing, should it be necessary or desirable in the applicable circumstances.
- 4.4 Clause 19.7.1, which specifies the formalities for passing a written resolution of the Board, creates a technical difficulty in that it requires all directors, including directors who have a personal financial interest or another common law conflict of interest in respect of the matters being considered and/or decided in terms of the applicable resolution, to sign and approve the written resolution. The Board accordingly proposes that clause 19.7.1 of the MOI be amended to provide that a resolution of the Board which is in writing, shall be valid and effectual as if it had been passed at a meeting of the Board duly called and constituted, if it is signed and approved by all of the directors, other than those directors who are conflicted (whether by reason of a personal financial interest or otherwise).

- 4.5 Pursuant to Board Notice 274 of 2015 as published by the Financial Services Board in Government Gazette No. 39531, dated 18 December 2015, section 18.1(o) of Schedule 18 to the JSE Listings Requirements was amended to provide for a new fraction entitlement principle which will result in all allocations of securities being rounded down to the nearest whole number and a cash payment being made for the fraction at a beneficial holder level. The new fraction entitlement principle further provides that the weighted average traded price for the "last day to trade" (as defined in the JSE Listings Requirements) + 1 less 10% must be used as the cash value of the aforementioned cash payment. In terms of the letter issued by the JSE to sponsors, designated advisers and company secretaries of issuers on or about 19 February 2016 in respect of the treatment of fractions, issuers are afforded a period of up to 1 May 2017 to amend their memoranda of incorporation to provide for the aforesaid new fraction entitlement principle. The Board accordingly proposes the amendments contemplated in item 13.5 of Special Resolution 4 to ensure compliance by the Company with the JSE Listings Requirements.

A copy of the MOI incorporating the proposed amendments (which amendments are highlighted for shareholders' consideration) is available for inspection from 30 September 2016 until 24 November 2016 during normal business hours at the registered office of the Company at 1 New Road, Midrand, Gauteng and may be obtained from the Company's website at www.adcock.com.

In terms of section 164(2)(a) of the Companies Act, any notice given to shareholders of a meeting to consider adopting a resolution to amend the MOI of the Company by altering the preferences, rights, limitations or other terms of any class of shares in the Company in any manner materially adverse to the rights or interests of the holders of that class of shares must include a statement informing shareholders of their rights under the section 164 of the Companies Act. The Board is of the view that the adoption of the proposed amendments to the MOI in terms of Special Resolution 4 will not result in a material adverse change to the interests of the existing shareholders as contemplated in section 164(2)(a) of the Companies Act in as much as such shareholders do not hold A Ordinary Shares or B Ordinary Shares. Notwithstanding the foregoing, an extract of section 164 of the Companies Act, setting out shareholders' rights under that section, accompanies the notice of Annual General Meeting to which these explanatory notes are attached in the event that any shareholder believes a material adverse change may nevertheless occur.

To be approved, Special Resolution 4 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

If Special Resolution 4 is approved, the effect would be to amend the MOI in the manner contemplated by Special Resolution 4 and as explained above.

Quorum

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

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

FORM OF PROXY IN RESPECT OF THE ANNUAL GENERAL MEETING

Adcock Ingram Holdings Limited

(Incorporated in the Republic of South Africa)

Registration number 2007/016236/06

JSE share code: AIP ISIN: ZAE000123436

("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, 24 November 2016 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 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 30 September to which this Form of Proxy is attached and not defined herein shall bear the same meanings herein.

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

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

of (address)

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

votes, do hereby appoint: or failing him/her, or, failing him/her, the chairman of the Annual General Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng, on Thursday, 24 November 2016 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 IN RESPECT OF THE ANNUAL GENERAL MEETING

CONTINUED

	Number of votes		
	In favour of the Resolution	Against the Resolution	Abstain from voting on the Resolution
Ordinary Resolution 1 To re-elect Dr A Mokgokong as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes herself available for re-election.			
Ordinary Resolution 2 To re-elect the following non-executive directors as Audit Committee members by way of separate resolutions Numbers:			
2.1 Mr M Sacks (Chairman)			
2.2 Prof M Haus			
2.3 Dr R Stewart			
Ordinary Resolution 3 To ratify, by way of separate resolutions, the appointment by the Board of the following executive directors:			
3.1 Ms D Neethling as Chief Financial Officer and Executive Director of Adcock Ingram; and			
3.2 Ms BJ Letsoalo as Executive Director: Human Capital and Transformation of Adcock Ingram.			
Ordinary Resolution 4 To re-appoint EY as the independent External Auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall) and to note the remuneration of the independent External Auditors as determined by the Audit Committee.			
Ordinary Resolution 5 To authorise any one director of the Company or the Company Secretary to do all such things and sign all such documents (including any amendments thereto) to implement all the resolutions tabled and approved at this Annual General Meeting.			
Ordinary Resolution 6 To endorse by way of a non-binding vote the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees).			
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 2016 until the next Annual General Meeting as set out in the notice of this Annual General Meeting.			
Special Resolution 3 To approve a general authority to repurchase the Company's shares subject to the provisions of the JSE Listings Requirements and the Companies Act as set out in the notice of this Annual General Meeting.			
Special Resolution 4 To approve the proposed amendments to the memorandum of incorporation of the Company as set out in the notice of this Annual General Meeting.			

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

Signed by me (full names)

in my capacity as

at (place)

on this (date, month and year)

Signature

Please read the notes on the reverse hereof.

NOTES TO COMPLETION OF FORM OF PROXY

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 15 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
6. If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
7. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of the votes exercisable by the shareholder or by the proxy.
8. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the foregoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.
9. To be effective, completed forms of proxy should be:
 - (i) lodged with or mailed to Computershare Investor Services Proprietary Limited

Hand deliveries to: Ground Floor, 70 Marshall Street Johannesburg, 2001	Postal deliveries to: PO Box 61051 Marshalltown, 2107
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to be received by 09:00 on 22 November 2016 or not less than 48 hours before any adjourned or postponed meeting); or
 - (ii) 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) handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting), provided that, should the relevant shareholder return such form of proxy in terms of (ii) above, the relevant shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Adcock Ingram.
12. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
13. Notwithstanding the foregoing, the chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
14. Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
15. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
16. A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.

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

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

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

NOTES TO COMPLETION OF FORM OF PROXY CONTINUED

EXTRACT OF THE SECTION 164 OF THE COMPANIES ACT

164. Dissenting shareholders appraisal rights

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in sections 112, 113, or 114,
 That notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder-
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (v) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
 - (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
 - (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent:
 - (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,
 a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

COMPANY DETAILS

ADCOCK INGRAM HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 2007/016236/06
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

Directors

Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Dr B Joffe (Deputy Chairman)
Dr T Lesoli (Independent Non-executive Director)
Ms BJ Letsoalo (Executive Director: Human Capital and Transformation)
Mr M Makwana (Independent Non-executive Director)
Dr A Mokgokong (Non-executive Director)
Mr R Morar (Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr C Raphiri (Independent Non-executive Chairman)
Mr M Sacks (Independent Non-executive Director)
Dr R Stewart (Independent Non-executive Director)

Company secretary

NE Simelane

Registered office

1 New Road, Midrand, 1682

Postal address

Private Bag X69, Bryanston, 2021

Transfer secretaries

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

Auditors

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

Sponsor

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

Bankers

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

ENQUIRIES

For questions regarding this report, contact
Ntando Simelane – Company Secretary
Email Ntando.simelane@adcock.com
Tel +27 11 6350143

More information is also available
on www.adcock.com
Adcock Ingram welcomes feedback
from stakeholders at
investor.relations@adcock.com

FORWARD-LOOKING STATEMENTS

Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Word such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.



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