

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

## CONTINUED

|  | 2016<br>R'000 | 2015<br>R'000 |
|--|---------------|---------------|
|--|---------------|---------------|

### N. RELATED PARTIES

Related party transactions exist between the Company and other subsidiaries within the Adcock Ingram Group. All transactions with related parties are concluded at arm's length.

The following related party transactions occurred:

#### Interest received

|                                              |        |        |
|----------------------------------------------|--------|--------|
| Adcock Ingram Healthcare Proprietary Limited | 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 | – |
|-----------------------|-------|---|

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<br>R'000 | 2015<br>R'000 |
|----------------------------------------------------------------------|---------------------------|---------------|---------------|
| Investment in Group Risk Holdings Proprietary Limited <sup>(1)</sup> | 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       |

<sup>(1)</sup> 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)<br>in profit before tax |                       |
|----------------------------------|----------------|---------------------------------------------|-----------------------|
|                                  | %              | June<br>2016<br>R'000                       | June<br>2015<br>R'000 |
| <b>Cash and cash equivalents</b> |                |                                             |                       |
| Cash at banks                    | +1             | <b>24</b>                                   | –                     |
| Bank overdraft                   | +1             | –                                           | (3 982)               |