2019 Integrated Report

adcock ingram

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As a leader, you need to have courage and be an example to others. Prayer takes me through the tough times and helps me to always have hope in people.
Rose Legodi
Chargehand
28 years' service
I'm working to save for my child's education. I want to save as much as I can so that he can get the best education he can.
Siyabonga Wiseman Zwane
Operator
3 years' service

About this report

Adcock Ingram regards the presentation of this report as a valuable opportunity to engage with its stakeholders and to respond to issues raised by them. The matters reported 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.

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), as amended from time to time.

Adcock Ingram has applied the principles of King IV[(1)] unless otherwise stated, the Companies Act, the JSE Limited Listings Requirements and other applicable legislative requirements. The Group subscribes to high ethical standards and principles of good corporate governance. For more details, and an overview of the Group governance and structure, please see the corporate governance section on pages 14 to 18.

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

SCOPE AND BOUNDARY

Adcock Ingram's Integrated Report covers the financial year 1 July 2018 to 30 June 2019.

The report is released at least 15 business days prior to its Annual General Meeting to be held on 22 November 2019. Comparatives are for the year 1 July 2017 to 30 June 2018.

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 India, individually and collectively, constitutes a small percentage of the Group's operations and are for that reason excluded from the operational review. Comparatives are included where available.

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

ASSURANCE

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

ANNUAL FINANCIAL STATEMENTS 2019

The annual financial statements for the year ended 30 June 2019 were approved by the Board on 27 August 2019.

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

B-BBEE SCORECARD

The Group's B-BBEE status has been verified by EmpowerLogic, an independent verification agency, for the 2018 financial year. Through the independent verification process conducted by the agency, the Group has been assessed as a Level 3 contributor in terms of the revised codes of the B-BBEE Act. This rating is valid until 20 November 2019.

OTHER INFORMATION

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

(1) *For compliance to King IV please refer to https://www.adcock.co.za/Content/pdf/KingIVComplianceReportImplementation2019.pdf*

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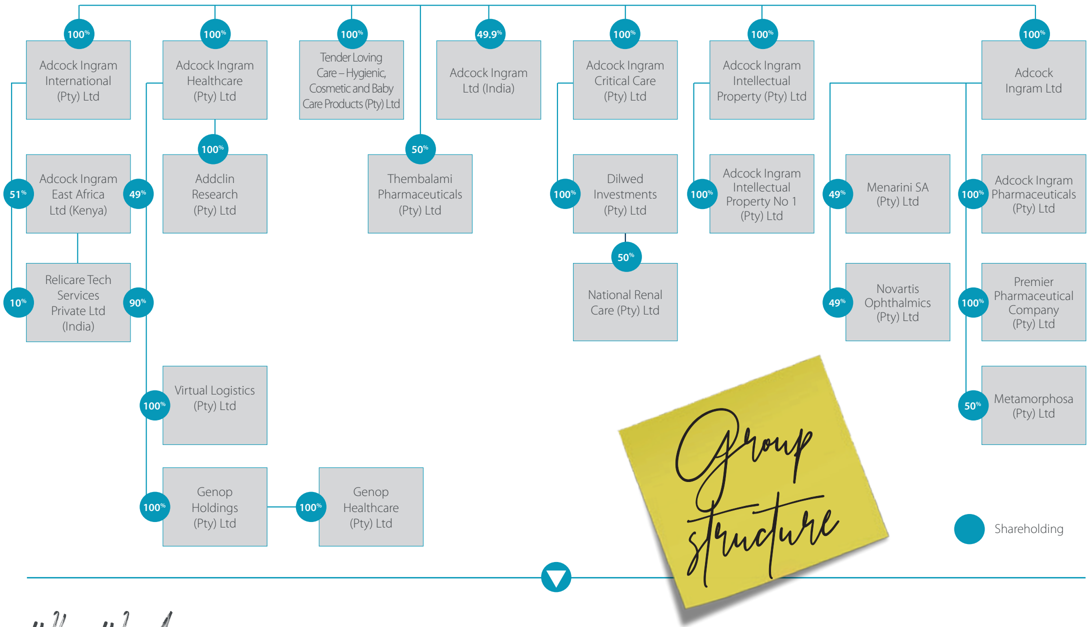
Adcock Ingram at a Glance

ADCOCK INGRAM HOLDINGS LIMITED



Who We Are

Adcock Ingram is a leading South African pharmaceutical manufacturer listed on the Johannesburg Stock Exchange.

Our mission is to provide quality products that improve the health and lives of people in the markets we serve.

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

Adcock Ingram started as a small Krugersdorp pharmacy almost 130 years ago and now ranks as the second-largest local manufacturer in the private pharmaceutical market and the second-largest supplier to the public sector in South Africa. Beyond the borders of our own country, we serve markets in other African countries and also conduct operations out of India.

Adcock Ingram operates through a decentralised, autonomous operational structure that consists of four business units, each one structured to serve specific consumer needs and to meet specific regulatory requirements.

BUSINESS UNITS

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

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

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

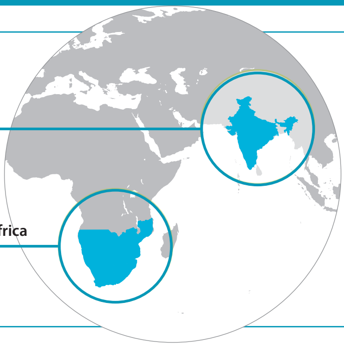
The **HOSPITAL** portfolio has a long history with Baxter which positions Adcock Ingram as a leading supplier of **critical care products**, including intravenous solutions, blood collection products and renal dialysis systems.

What Sets Us Apart

MAJOR ROLE PLAYER TO THE NATION'S HEALTHCARE SERVICES

Adcock Ingram is a leading manufacturer and supplier of hospital and critical care products in Southern Africa, and the largest supplier of critical care products to the South African public sector. Through a highly competitive tender system, we are a primary supplier of:

- Antiretroviral (ARV) medicines;
- critical care products in hospitals; and
- blood donation bags to the South African National Blood Services.



A LEVEL 3 B-BBEE CONTRIBUTOR

A GLOBAL FOOTPRINT

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

HIGH-TECH MANUFACTURING FACILITIES

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

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

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

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

DISTRIBUTION

The Group has an extensive national footprint which is fully compliant with pharmaceutical standards and delivers over a million units per trading day through its various distribution centres and/or hubs to hospitals, wholesalers, the Department of Health, pharmacies, clinics, healthcare practices and retail outlets. A broad range of services include bulk warehouse storage; direct delivery to healthcare customers through a fine picking system; delivery to all back-door retail outlets and distribution centres; temperature-sensitive deliveries; deliveries directly to renal home patients; management of customers returns; and warehousing solutions designed to ensure a consistent storage environment.

CONSISTENT FINANCIAL GROWTH

Turnover	Trading profit	HEPS	DPS	Net Cash
↑10.9%	↑12.4%	↑10.6%	↑16.3%	↑R448m
R7 078m	R955m	421.7c	200c	
(2018: R6 383m)	(2018: R850m)	(2018: 381.3c)	(2018: 172c)	(2018: R156m)

Leadership review from our Chairman and CEO

We are pleased to present the Company's 2019 Integrated Report to stakeholders. Despite a multitude of challenging factors, our financial results are testament to the fact that the business is progressing at a balanced pace.

INTRODUCTION

We present this year's Integrated Report as a Proudly Bidvest Company. Since 2014, Bidvest has been a significant shareholder, represented on the Adcock Ingram Board, providing the Company with valuable strategic and operational guidance. Subsequent to the unwinding of the Adcock Ingram Broad-Based Black Economic Empowerment Scheme in July 2019, Bidvest's shareholding increased to just over 50%, resulting in Adcock Ingram becoming a controlled subsidiary. Bidvest's decision to increase their stake validates their confidence in Adcock Ingram's people, supply chain and trusted brands, and is a compliment to the financial and operational performance of our Company in recent years.

Together we can build on the Company's 129-year heritage as Bidvest transitions into a deeper level of interaction with Adcock Ingram's Board and executive management.

This should facilitate identification of strategic and operational opportunities for growth, and allow Adcock Ingram to continue to improve the lives and health of the people in the markets that we serve.

ENVIRONMENT

The economic environment in South Africa has experienced a number of negative shifts over the last year. Statistics South Africa recently reported that the country is experiencing its highest unemployment levels in the last 11 years, and our GDP contracted 3.2% quarter-on-quarter in the first quarter of 2019, the biggest drop since 2008. None of these indicators hold good news for a company, that albeit somewhat defensive, relies on healthy consumer spend for large parts of its portfolio. The adverse global economic trade conditions have dealt a harsh blow to the Rand, further weakening its value and negatively impacting the cost of the large imported component of our products. Notwithstanding the aforementioned, Adcock Ingram is a well-diversified pharmaceutical company, operating across consumer healthcare, over-the-counter and prescription medicines, and life-saving hospital products, that has displayed its ability to remain resilient in these tough conditions.

INDUSTRY OVERVIEW

The pharmaceutical industry operates within a highly regulated framework, and the evolving landscape and legislative changes ultimately impact our organisation.

The spotlight over the last few months has been on the proposed National Health Insurance (NHI). After the NHI Bill was tabled in Parliament in August 2019, and the commentary that has unfolded has seen a range of emotions and uncertainty as to whether the implementation of universal healthcare coverage over the next decade will be successful. Despite our obvious concerns over the ability to fund NHI and the potential impact on the private sector healthcare industry, we remain optimistic that through a sincere and comprehensive consultation process, we will end up in a position where NHI can be rolled out in a progressive and financially sustainable manner. If this can be achieved, we believe that our broad portfolio positions the Company well as a supplier of affordable medicines within an NHI environment.

The South African Health Products Regulatory Authority (SAHPRA) has faced a challenging transition period over the last 18 months, but there appears to be some positive traction within the regulator. Considerable effort by the Backlog Clearance Programme Team has translated into positive progress in generating some outstanding registration certificates and approval of new products, and now that the submission windows for evaluation of dossiers related to various therapeutic classes have been published, it will probably be evident over the next year if the programme can be considered a success. The work streams at SAHPRA unrelated to the Backlog Programme, outside of Section 21 approvals and the work of the inspectorate, have been relatively slow, but we hope that once the recently advertised vacancies have been filled, South Africa will have a fully functional regulatory authority. This is an essential outcome for the sustainability of the pharmaceutical industry in South Africa.

In terms of price regulation, the most recent annual Single Exit Price (SEP) increase awarded was 3.78%. Price increases of these low magnitudes make it difficult to achieve acceptable long-term economic returns in some of our business units. In the absence of more optimal price increases, we will be forced to consider whether all of our operational structures can be supported within a lower margin environment. The industry, through the Pharmaceutical Task Group (PTG), has been in discussions with the National Department of Health over the last year, to provide more certainty on both the quantum and timing of the annual SEP adjustment.

PERFORMANCE

We are pleased to have reported a robust set of results for the year ended 30 June 2019. These results were achieved in spite of the challenging market conditions underpinned by weak economic growth, high levels of unemployment, as well as declining consumer spend.

The results can be accredited to our well-diversified portfolio of trusted brands and a steadfast focus on customer service and product quality.

These encouraging efforts translated into an increase in turnover of 11% and an increase in trading profits of 12%. Most of our commercial divisions showed an improvement in trading profit with the Prescription, Consumer and Hospital divisions all growing in double-digits. Both the Prescription and Hospital business units showed good market share gains. Our OTC division did not perform well in the second half of the financial year, mainly due to increased competitor activity after the down-scheduling of certain analgesic products and production inefficiencies at the high-volume-liquids factory.

Headline earnings from continuing operations for the past year increased to R701 million, an improvement of 11% when compared to the previous reporting year of R634 million.

ANDREW HALL
Chief Executive Officer

LINDSAY RALPHS
Chairman

LIVING THE STRATEGY

The Group operates through a decentralised business unit model which gives each division the opportunity to operate independently and entrepreneurially, although still aligned to the overall strategy of the business.

The OTC division is a leader in the pain, cough, colds and flu and anti-histamine therapeutic areas and competes in both the private and public sector as well, as in some export markets in sub-Saharan Africa. The tough trading conditions combined with manufacturing problems that caused inconsistent stock supply and shortages on some of our key brands, and down scheduling of former Prescription-only brands had a negative impact on the business, which translated into flat turnover year-on-year. Some of the top brands within the portfolio such as Corenza C and Citro-Soda showed good growth, but the cough mixture portfolio suffered due to stock shortages during winter. Nonetheless, there are some positive indicators in that Mypaid production has resumed after a global shortage of Ibuprofen was rectified. We have also made progress with SAHPRA regarding the registration of an active pharmaceutical ingredient in Adco-Linctopent, and have scheduled the supply to commence during the first quarter of the 2020 calendar year. This business unit is now operating with a new, well-experienced management team, in whom we have the confidence to improve the momentum once the supply chain issues have been corrected.

The Prescription division has shown excellent growth, turnover having improved by 22%, of which Genop contributed 13%. The division has shown strong market growth of more than 6% in the prescription private market, well ahead of the market growth of 3%, as reported by IQVIA. The launches of Innuvair, Rapacid and Versatis added almost 1% to the mix. Outside of Genop and new products, ex-factory volumes increased by more than 8% mainly as a result of increased demand in the ARV private market, and down-scheduling of some pain products which, contrary to the OTC business, benefited the Prescription segment. We continually invest efforts to build on our partnerships with multinational pharmaceutical companies, which we recently strengthened through our long-standing partnership with Leo Pharma by securing the sales and promotional rights to the dermatology business which they acquired from Bayer. Advantan, Scheriproct, Travocort and Skinoren are well-known brands within this portfolio. This partnership has positioned Adcock Ingram as the leading prescription dermatology business in South Africa. The division also secured a four-year extension to the Women's Health partnership with Novo Nordisk, which sustains its position as the leading women's health franchise in the country.

Adcock Ingram's ARV business is currently the second-largest in the private sector in South Africa, and has been another successful strategic growth driver for the business, with an 18% market share. Trivenz remains one of the top 10 pharmaceutical brands in the country. The government's 2018/2019 ARV tender results were positive and Adcock Ingram was awarded a 12% share of the overall tender, which will run for a three-year period. The tender includes supply of the new fixed dose combination tablet containing Dolutegravir. Our concern on the 2018/2019 tender, evidenced by orders in the first few months of the new financial year, is that the roll-out of the new fixed dose combination has been extremely slow, but Government is in the process of evaluating bids for greater supply of the fixed dose combination which had been originally planned to be phased out.

The Consumer business increased turnover by 15% with a strong performance from the leading brands despite the challenging consumer market. Panado and Compral have both shown double-digit growth within the pain category. Bioplus retained its market leadership position in the energy supplements segment and also showed double digit growth. The Gyna Guard brand is seeing good traction and achieved 10% growth. Our challenge in this segment of the Group is to broaden the portfolio of non-regulated products, particularly in personal and baby care. Over the course of the year, the acquisition team has engaged with a large number of companies and conducted due diligences on various targets, but none have materialised. Nonetheless, we remain committed to growth in this area.

The Hospital division remains the leading manufacturer and supplier of hospital and critical care products in Southern Africa, and reported an increase in turnover of 8%. The growth in the private market for the anchor portfolio in large volume parenterals and renal dialysis products has been key to the success of this operation over the last year. In the absence of significantly increased healthcare spend in South Africa, the market for many of the products within the division's portfolio is relatively finite, so within this framework it is important that bolt-on products and portfolios are pursued to sustain growth.

REST OF AFRICA

In line with the Group's strategy of not investing in fixed infrastructure in the Rest of Africa, we disposed of the subsidiary in Zimbabwe earlier in the financial year. In June 2019 the Group also sold its remaining stake in the operations in Ghana. It is our intention, that in markets on the continent that are of interest to the Company and where we are able to operate within the relevant regulatory environment, operations will be conducted through distributorships or agencies.

DISTRIBUTION

The Distribution Department continues with its efforts in maintaining regulatory compliance and cost containment, hampered somewhat by the diesel price adjustments, which are out of our control. Service delivery levels above our target of 98% were achieved over the financial year. Combining Adcock Ingram's volumes with those of other logistics providers in the pharmaceutical industry may result in better sustainability of supply and operating efficiencies in the long-term. We are in the process of conducting an evaluation of our presence in distribution and logistics beyond our distribution centre infrastructure.

TRANSFORMATION

The Group has retained a level 3 B-BBEE rating, and we are continuously working on all elements of our scorecard to attempt to retain our rating. This outcome will be difficult within the next financial year as the unwinding of Adcock Ingram's B-BBEE Scheme has resulted in a pro-forma rating of Level 4. We are pleased that the Youth Employment Service initiative was successfully implemented and at the end of March 2019 we had a total intake of 132 young people adding value to our organisation.

MANUFACTURING

Our manufacturing sites are a reflection of the quality of products that we produce, where we have a duty to consistently keep our customers and patients in mind. It is for this reason we are on a continuous journey to ensure that they are operating optimally and in line with stringent regulatory requirements.

The high-volume-liquids facility in Clayville experienced difficulties in the last six months of the reporting period, but despite these factors, factory recoveries were up year-on-year. The production of granules and powders, and Citro Soda grew significantly. The construction work on the new ophthalmic facility is complete and we are now entering the validation phase. Commercial production is scheduled to commence towards the end of the 2020 financial year.

The liquids, creams and ointments output at the Wadeville facility increased by more than 8%. We expect to bring a significant proportion of the volumes of Epi-Max production into this facility in the 2020 financial year.

The biggest challenge in this facility remains the sustainability of the ARV tabletting section, which in the absence of long-runs, is still sustaining under-recoveries. We are hopeful that the production of ARVs for the Government's ARV tender will alleviate this problem to some extent.

Our Critical Care facility in Aeroton has been focusing on delivering on the increased market demand in both the private and public sectors. Consistent supply out of this facility is critical to the healthcare of the population of South Africa and we are likely to experience capital expenditure at this factory to ensure that it maintains regulatory standards and production volumes.

BOARD

The Board of Directors continues to improve the Company's compliance with King IV to ensure meaningful implementation thereof. Corporate governance is about the structures, processes and practices that the Board uses to direct and manage the Company's operations. The Board is committed to adhering to good corporate governance and as a custodian thereof, ensures that the Company adheres to the highest standards of accountability and ethical standards. It is aware of its responsibility to lead the Group competently and with integrity to ensure fairness, accountability and transparency.

WAY FORWARD

We expect that the current economic environment, exchange rate weakness and volatility, and constraints on consumer spending will not improve materially in the short-term. However, we are committed to the growth of our well-respected and diversified basket of brands, and seeking additional affordable brands to augment our portfolios across the business.

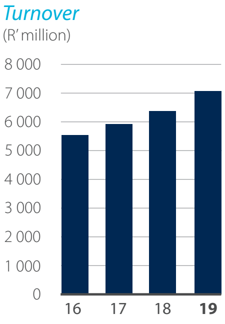
APPRECIATION

We thank the members of the Board, our customers, suppliers, partners and employees, whose combined contributions have all resulted in the positive results reported in this year's Integrated Report.

Financial review from our CFO

We are satisfied with this set of healthy results, especially seen in light of the volatile market and muted growth in the economy. During the year the Group disposed of its Zimbabwean subsidiary and its investment in Ghana, executing the strategy to hold no infrastructure in the rest of Africa.

DORETTE NEETHLING
Chief Financial Officer



^10.9%

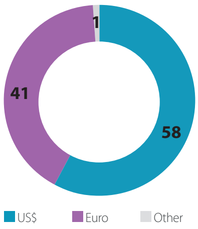
Turnover increased by R696 million to R7,078 million, supported by a change in mix of 5.4%, of which Genop contributed 4.6% after including it for 12 months in the current year, compared to six months in the prior year. Volume growth was a commendable 3.7% and price, mainly in the OTC and Consumer businesses, contributed the balance.

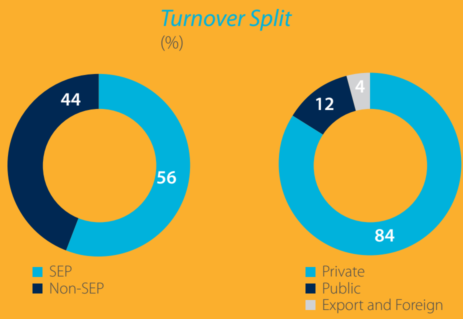
During the year the following material foreign currencies were bought in the South African businesses:

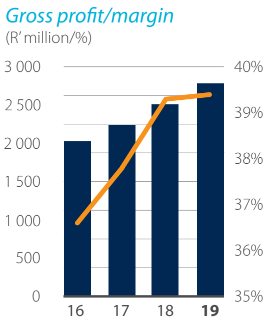
Euro 39 million @ R16.29, a 6.5% weakening over the prior year

US$ 65 million @ R14.00, a 5.3% weakening over the prior year.

The cost of our weighted basket of all currencies weakend 5.7% compared to the prior year.





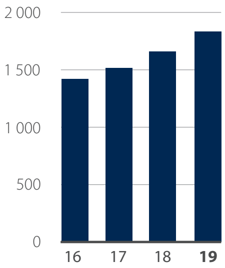


^11.1%

Gross profit of R2,789 million is R278 million higher than the comparative year, of which R124 million (4.9%) was contributed by Genop. Like-for-like, the increase was 6.4%, in line with the like-for-like sales growth.

Gross margin of 39.4% ended in line with the prior year (39.3%).

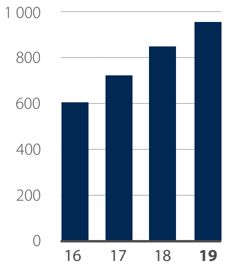
Operating expenses
(R' million)



^10.4%

Operating expenses, including Genop, ended 10.4% above the prior year. Excluding Genop, operating expenses increased by 5.1% compared to the prior year, driven in the main by the sales growth, coupled with higher cartage costs following a number of increases in the fuel price.

Trading profit
(R' million)



^12.4%

Trading profit of R955 million is 12.4% ahead of the comparative year, 8.7% ahead on a like-for-like basis.

Non-trading expenses of R72 million include:

- share-based expenses of R42 million;
- retrenchment costs of R12 million;
- impairments of R9 million (R6 million related to the AVL business and R3 million relating to the investment in the Ghana associate);
- a fair value adjustment related to the Black Managers Trust of R2 million;
- corporate activity costs of R6 million; and
- the release of the foreign currency reserve related to the disposal of the associate.

Operating profit of R884 million ended 10% ahead of the prior year.

Equity accounted earnings of R91 million increased 14% over the prior year. It includes results for:

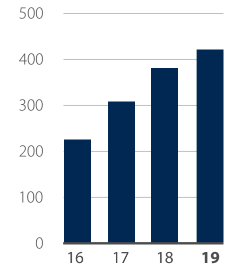
- National Renal Care (NRC), the joint venture with Netcare;
- the manufacturing plant in India, the joint venture with Meiji of Japan; and
- the Group's share of the operating loss from the Ayrton business in Ghana up until the date that investment was sold.

Profit before tax for the year is R966 million (2018: R880 million).

The **effective tax rate,** adjusted for equity accounted earnings is 30.8%, with non-deductible expenditure causing the increase over the statutory rate.

Net profit attributable to shareholders for the year is R688 million (2018: R638 million), an improvement of 7.8%.

HEPS
(Cents)



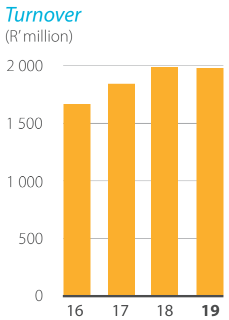
^10.6%

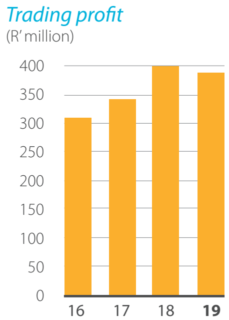
Headline earnings for the year from continuing operations amounted to R701 million, 10.6% ahead of last year. This also translates into a headline earnings per share improvement of 10.6% at 421.7 cents (2018: 381.3 cents).

Refer to note 29.1 for subsequent events

Financial review from the CFO *continued*

OVER THE COUNTER (OTC)



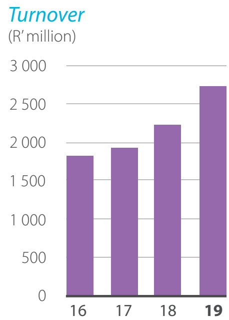


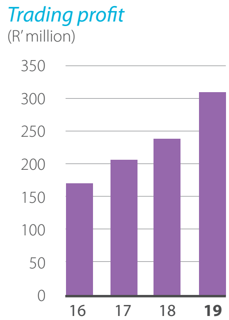
Net sales are R6 million below the prior year as the average price increase realised of 2.6% was offset by a decline in volumes of 2.9%. The volumes have been impacted by stocks-outs experienced on certain winter brands, difficult trading conditions evident by the retail channel being full of OTC products, and the failure of SAHPRA to issue export permits.

The gross margin is in line with last year.

The operating expenses were well controlled, increasing below inflation, but still resulting in trading profit of R388 million being 2.8% below the prior year.

PRESCRIPTION





Turnover improved by 22.4%, including the 13.2% impact as a result of the additional six months of sales from Genop (R295 million). Volumes increased by an impressive 8.7%, driven by growth in almost all segments, with exceptional growth of 17.6% in ARV volumes. Mix, due to new products sold on behalf of Lundbeck as well as sales of new products (Aclasta, Spec-Etoricoxib, Rapacid, Versatis), contributed 1.0%. Price deflation of 0.4% was seen in this division, impacted by the decrease in reference pricing of certain generic products due to competition and ARV products following pressure by funders.

The gross margin ended in line with the prior year as a result of a higher factory under-recovery, partly mitigated by a positive sales mix impact.

The operating expenses ended above the prior year, mainly due to the inclusion of Genop, and 3.1% ahead of the prior year on a like-for-like basis; below the sales increase. Trading profit of R310 million ended 29.5% ahead of the prior year, 16.2% like-for-like.

BALANCE SHEET

NON-CURRENT ASSETS

Property, plant and equipment at end June 2019 amounts to R1.5 billion. The net increase of R17 million since June 2018 resulted mainly from additions of R215 million, reduced by depreciation of R153 million and R46 million relating to the disposal of Datlabs.

Intangible assets, including goodwill, have a carrying value of R609 million and comprise of Generic, Consumer and OTC trademarks and licence agreements, as well as intangibles and goodwill recognised on the acquisition of Genop. An impairment of R6 million was recorded following the change in the AVL operating model. Amortisation amounted to R11 million for the year.

The investments in joint ventures of R506 million are the cost and subsequent equity accounted earnings after dividends, of the two joint ventures, adjusted for translation differences in the case of the Indian JV.

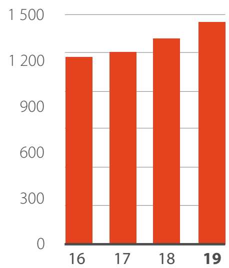
CURRENT ASSETS

Inventory of R1.3 billion (2018: R1.6 billion) is stated at the lower of cost and net realisable value, after provisions of R199 million (2018: R171 million). Days in inventory improved to 108 days compared to 136 days at June 2018, a very pleasing result from the focus on inventory management by the business units.

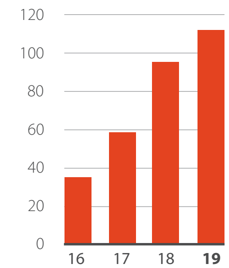
Trade accounts receivable of R1.6 billion (2018: R1.5 billion) are shown net of provisions of R77 million (2018: R79 million). Days in receivables are 64 days, slightly better than the

HOSPITAL

Turnover
(R' million)



Trading profit
(R' million)



Net sales increased by 7.9% over the prior year, driven by a volume improvement of 5.5% a mix benefit of 1.8% (Sabax diasol, Adco-Hygiene and Spider-Tech) and an average price increase of 0.6%.

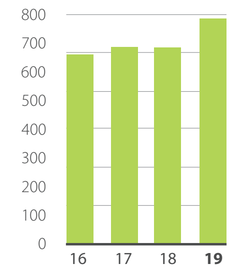
The gross margin ended higher than the prior year, benefitting from improved factory recoveries and an advantageous sales mix.

Operating expenditure ended higher than the prior year, mainly a consequence of the higher sales and distribution costs.

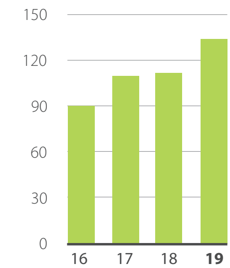
Trading profit of R112 million ended a very pleasing 17.7% ahead of the comparative year.

CONSUMER

Turnover
(R' million)



Trading profit
(R' million)



Turnover improved by 14.6% compared to the prior year, driven by an average price increase of 7.6%, a volume improvement of 6.8%, and a mix benefit of 0.2%.

The gross margin reduced slightly following prudent inventory provisions.

Operating expenditure was well controlled with the increase over the prior year a consequence of the higher sales and increased marketing expenditure to sustain the flagship brands.

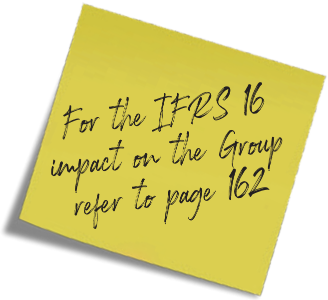
This resulted in trading profit of R134 million ending 19.6% higher than the prior year.

65 days reported in June 2018 due to the receipt of payments from Government as per the agreed payment plan and good collections ahead of the year-end close. The book remains well-controlled and 89% of receivables are due within 60 days or less.

Government debt is 14% of the total debtors' book for the current and prior years. Around 75% of this customer's total outstanding amount is due within 60 days or less. The State is complying with the agreed payment plan, which allowed for the settlement of arrears over two years.

LIABILITIES

The Group is comfortably able to service its obligations in the short-term with headroom in the working capital facility of R850 million and cash resources of R450 million as at year end.



Mapping out our approach to integrated thinking

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

Grounded in good governance …

GUIDED BY:

OUR MISSION

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

OUR VALUES

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

- We are committed to providing **quality** products and services
- Act with **integrity** at all times
- Believe in **transparency** and open communication
- Believe in **empowerment** of our people, thus encouraging entrepreneurship, innovation and accountability
- Practise **non-discrimination** and offer equal opportunity
- Have **respect** for people, society and the environment

… we can focus on our three strategic pillars …

Pillar 1

Build on the foundation

STRATEGIC FOCUS

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

Pillar 2

Growth and expansion

STRATEGIC FOCUS

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

Pillar 3

Transformation

STRATEGIC FOCUS

- Employment equity
- Preferential procurement
- Supplier development

Refer to page 19

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

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

This helps us re-evaluate our strategy …

… and evaluate stakeholder value.

Refer to page 65

Implemented through our business model...

- Our Capitals Defined
- Our Capital Inputs
- The regulatory and healthcare environment inform the way we do business
- We operate through a decentralised and autonomous working structure
- Our business activities extend from product sourcing to product sales
- Capital Outcomes

Refer to page 22

...and allocate our capital resources.

Financial	Manufactured
Natural	Social and relationship
Intellectual	Human

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

Refer to page 40

Financial	Manufactured
Natural	Social and relationship
Intellectual	Human

...we realise capital outcomes...

...we are able to perform strategically.

Refer to page 19

Grounded in good corporate governance

Corporate governance is about the structures, processes and practices that the Board uses to direct and manage the Company's operations. The Board is committed to adhering to good corporate governance, and as a custodian thereof, ensures that the Adcock Ingram Group adheres to the highest standards of accountability and ethics.

The Board of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

1 LULAMA BOYCE (40)
CA(SA), MCom (Fin Mgt)
Appointed: 24 May 2017

2 SIBONGILE GUMBI (47)
PhD in Pharmacology, MBA
Appointed: 13 August 2019

3 MATTHIAS HAUS (70)
MB ChB, MD, DCH, FCFP, FFPM, Dip Obst
Lead Independent Director
Appointed: 1 June 2012

4 CLAUDIA MANNING (52)
PhD
Appointed: 24 November 2016

5 ANNA MOKGOKONG (62)
BSc, MB ChB, DCom
Appointed: 10 April 2014

6 DEBBIE RANSBY (46)
CA(SA)
Appointed: 13 August 2019

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

7 NOMPUMELELO MADISA (40)
BSc, BCom (Honours), MCom (Finance and Investment)
Appointed: 23 November 2017

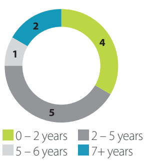
8 LINDSAY RALPHS (64)
CA(SA)
Chairman
Appointed: 24 November 2016

9 KEVIN WAKEFORD (59)
CA(SA)
Appointed: 27 August 2019

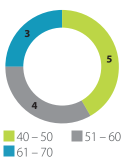
adcockingram/leadership.asp

Board diversity

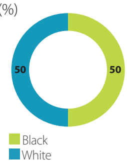
Tenure on Board



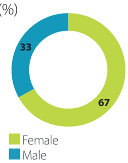
Age



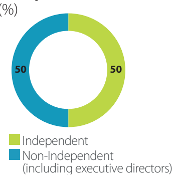
Race
(%)



Gender
(%)



Independence
(%)



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

Executive Committee

EXECUTIVE DIRECTORS

10 ANDREW HALL [57]
CA(SA), BPharm
Chief Executive Officer since November 2015. Joined September 2007 as CFO. Appointed as director: 15 July 2008

11 DORETTE NEETHLING [45]
CA(SA), MCom (Taxation)
Chief Financial Officer since 23 February 2016. Joined August 2007

12 BASADI LETSOALO [56]
MPsych , CLDP, MLPC, MPhil (Executive coaching)
Executive Director – Human Capital and Transformation since 25 August 2016. Joined January 2008

EXECUTIVE COMMITTEE

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

14 FRANS CRONJE
BSc, NDip (Ind Eng)
Operations and IT Executive

15 TOBIE KRIGE
BEng (Ind Eng), MBA
Distribution Executive

16 ASHLEY PEARCE
Dip Pharm, BCom
Managing Director – Prescription

17 SUDIER RAMPARSAD
MSc (Biotech), BSc
Managing Director – Over the Counter

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

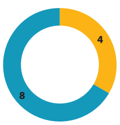
19 NTANDO SIMELANE
B. Juris, LLB, Advanced Company Law
Company Secretary and Head of Legal

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

21 TIM WALTER
BCom, BCom (Hons)
Mergers and Acquisitions Executive

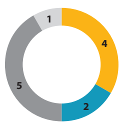
Diversity of the Executive Committee

Tenure on Exco



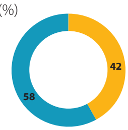
0 – 2 years 7+ years

Age



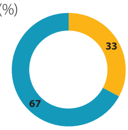
45 – 50 51 – 55
56 – 60 61 – 65

Race
(%)



Black
White

Gender
(%)



Female
Male

Grounded in good corporate governance *continued*

The Board continues to gradually improve the Company's compliance with King IV to ensure meaningful implementation thereof. The identified areas of improvement and the general compliance with King IV are addressed elsewhere in the Integrated Report.

The Board's roles and responsibilities

The Board is aware of its responsibility to lead the Group competently and with integrity to ensure fairness, accountability and transparency:

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

Committed to diversity

The Board's commitment to Adcock Ingram and its stakeholders:

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

- The Board is governed in accordance with its Charter and the Company's Memorandum of Incorporation (MOI), amongst others. The Board Charter sets out, *inter alia*, the principles and a formal process in terms of which directors are appointed, and the duties and responsibilities of the Board. This Charter ensures that there is a clear division of roles and responsibilities on the Board. Furthermore, no chairperson has a casting vote.
- 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 different committees, is responsible for setting the ethical tone "at the top" and monitors its implementation, to ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.
- The Board has approved the Code of Conduct and Ethics (the Code) which *inter alia* directs, its members, employees and other stakeholders (when dealing with Adcock Ingram) to model their conduct in accordance with its provisions and to report any suspected inappropriate, unethical and illegal activity or misconduct. The Code is reviewed annually or when a need arises to ensure it remains relevant.

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

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

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

The Board was led by an independent non-executive Chairman in the objective and effective discharge of its governance role and responsibilities.

The Board continually reviews the composition of its various committees to ensure that they are effective and appropriately constituted. During the review of its structures and practices, the Board concluded that, following Dr Manning's resignation from the PIC Board, and in the case of Dr Mokgokong, the termination of the B-BBEE scheme, there is absence of an interest, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in decision-making and accordingly declared them independent. The Chairmen of the Board and Risk and Sustainability Committee retired from the Board after having served for more than 10 years. As the Board is now led by a non-independent Chairman, the Board appointed a Lead Independent Director to achieve a balance of power and reinforce accountability mechanisms on the Board.

The Board does not have a formal succession plan. A skills matrix is in place, reflecting existing skills and is updated when the need arises. To fill a vacancy, the Board uses multiple sources to locate the required skills, including talent search firms and Board networks. The Board always endeavours to recruit directors with some level of governance experience and considers the number of outside professional commitments.

Directors are encouraged to attend external director development and internal 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 of the Company's facilities. The Company Secretary also inducts newly appointed directors (or directors whose roles have changed) on their statutory obligations as set out in the Companies Act, the MOI and other related regulations such as the JSE Listings Requirements. The sponsor also trains newly appointed directors on the JSE Listings Requirements. In the year under review, the Company Secretary presented to the Board a paper on "directors' liability".

The Board has conducted its performance evaluation and that of the Audit and Risk and Sustainability Committees. The Board will attend to the outcome of these evaluations in the coming year. The next evaluation of the performance of the Board and the remaining committees is due in 2021.

5 Actively pursuing transformation and ensuring employment practices of all employees through training and skills development.

The Board has an approved Gender and Race Diversity Policy which is available on the Company's website. Although the policy expressed a commitment to working toward achieving gender parity by no later than 2026, already eight of the 12 directors are female with different skills, background and qualifications. The Board remains committed to the undertaking made in the Policy that, when considered as a whole, it shall not have less than 50% directors who are black and 30% females who are black.

The Board, after recommendation from its Nominations Committee, always considers prospective members' skills set, diversity in terms of race and gender, as well as experience, including that of the industry. All recently appointed directors met the Board's requirements. Following these appointments, the Board is constituted by 50% of directors who are black and 67% female directors.

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

Intended outcomes

- **Ethical culture**
- **Transparent information sharing**
- **Good performance**
- **Effective control**

BOARD MEETING

The meeting attendance of scheduled board meetings and one special board meeting was as follows:

	Board meeting	Special
C Raphiri (Chairman)*	4/4	1/1
L Boyce	4/4	1/1
J John*	4/4	1/1
A Hall	4/4	1/1
M Haus*	4/4	1/1
T Lesoli*	1/1	*
B Letsoalo	4/4	1/1
N Madisa	4/4	1/1
M Makwana*	1/1	*
C Manning	4/4	1/1
A Mokgokong	4/4	1/1
D Neethling	4/4	1/1
L Ralphs	4/4	0/1
R Stewart*	4/4	1/1

**See changes to the Board.*

ACQUISITIONS COMMITTEE

The Committee consists of five (5) directors; three are non-executive directors and two are executive directors, and other non-executive directors are co-opted dependent on the nature of the opportunity. Relevant members of management are invited when necessary. The Committee's role includes monitoring and strengthening the objectivity and credibility of the Company's acquisition strategy and plans. It includes considering and making recommendations to the Board on major acquisition plans and terms applicable to these acquisitions.

The meeting attendance was as follows:

	Meeting attendance
A Hall	3/3
N Madisa	3/3
D Neethling	3/3
L Ralphs*	2/3
C Raphiri (Chairman)*	3/3
Invitees	
G Solomon	2/2
T Walter	1/1

Changes to directors' responsibilities and status

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

Effective date	Nature of the change
21 November 2018	Mr Mpho Makwana tendered his resignation as a Director and the Chairman of the Social, Ethics and Transformation (SET) Committee and HR, Remuneration and Nominations Committee (REM).
22 November 2018	Dr Tlalane Lesoli retired from the Board and did not offer herself for re-election.
20 February 2019	Dr Anna Mokgokong was appointed to chair the SET Committee. Dr Claudia Manning was appointed as a member of the SET Committee and REM Committee. She relinquished her position as a member of the Risk and Sustainability Committee. Mr Andrew Hall resigned as a member of the SET Committee but remained as a permanent invitee thereto.
30 June 2019	Mr Clifford Raphiri retired as Chairman of the Board and Nominations Committee as well as a member of the REM Committee. Dr Roger Stewart retired from the Board and as a member of the Audit Committee as well as Chairman of the Risk and Sustainability Committee.
1 July 2019	Mr Lindsay Ralphs was appointed as Chairman of the Board. Prof Matthias ("Matt") Haus was appointed as the Lead Independent Director.
31 July 2019	Ms Jenitha John resigned as a member of the Board, Chairperson of the Audit Committee and member of the Risk and Sustainability Committee.
13 August 2019	Ms Debbie Ransby and Dr Sibongile Gumbi were appointed as Board members.
27 August 2019	Ms Debbie Ransby was appointed as Chairperson of the Audit Committee and a member of the Risk and Sustainability Committee. Dr Sibongile Gumbi was appointed as a member of the Risk and Sustainability Committee. Mr Kevin Wakeford was appointed as a Board member as well as a member of the Acquisitions Committee. He will also be an invitee to the Audit Committee.

The newly appointed directors confirmed that they have sufficient time available to fulfil their responsibilities as members of the Board and relevant sub-committees.

Our strategic focus

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

1 BUILD ON THE FOUNDATION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2019	FOCUS AREAS FOR 2020 AND BEYOND
A relentless focus on customer service	▸ Maintained a 98.8% service level for on-time deliveries. ▸ Provided a monthly home-delivery service to over 1 500 home-dialysis patients country-wide.	▸ Maintain current services levels to customers and retailers. ▸ Implementation of Northern Gauteng warehouse to improve warehousing and delivery efficiencies.
Strict cost control	▸ Operating expenses increased by 5.1% on a like-for-like basis.	▸ Improve cost and expense discipline, particularly through the current uncertain economic conditions. ▸ Reconfigure the delivery network to optimise efficiencies.
Extracting manufacturing efficiencies and increasing throughput in factories	▸ Volumes packed in Wadeville increased by 5%. ▸ Clayville improved production volumes of granules and powders by 31%, however production of high-volume liquids and effervescent tablets were down 9% and 29% respectively. ▸ Commissioned an in-process laboratory (high-volume liquids line) and new liquid filling sachet line at Clayville. ▸ Upgrade to liquid booth in Wadeville completed (currently under validation).	▸ Planned commissioning of the new Ophthalmics (Clayville) and upgraded Ointments and Creams (Wadeville) production facilities. ▸ Improve in-line processes and procedures to improve manufacturing throughput and laboratory testing in each of our manufacturing facilities.
Focused investment in sales and marketing of our major brands to grow our market share	▸ The Prescription Division maintained their market-share in the prescription market. ▸ Consumer market share improved in key brands. ▸ The Hospital Division experienced double-digit growth across most product lines within private sector customers. ▸ The Prescription Division won approximately 12% of the ARV tender. ▸ Launched Versatis medicated plasters.	▸ Continue to leverage the strength of our brands to increase market share. ▸ Cooperate with the National Department of Health to maximise our share of the ARV tender into the South African market.
Maintaining full regulatory compliance in the factories and distribution centres	▸ Completed second round audit for EMA accreditation at Clayville plant.	▸ Finalisation of the EMA accreditation at Clayville.
Reinforcing the culture of responsibility, accountability and fun at work	▸ Staff turnover for the year was 6.1% compared to 10.1% in 2018 and an industry average of 11.7%.	▸ Continue to develop an engaged and loyal workforce.

2 GROWTH AND EXPANSION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2019	FOCUS AREAS FOR 2020 AND BEYOND
Acquisitions	▶ Engaged with 12 acquisition targets with five due diligence exercises completed. The final outcome on two offers was still in process at year-end, with the balance not having been successful. ▶ Pipeline developed of acquisition targets in less regulated product categories. ▶ Formalised and documented a uniform and systematic approach to M&A activities across all Adcock Ingram business units. ▶ Successfully divested Zimbabwean and Ghanaian businesses.	▶ Pursue acquisitions of predominantly non-regulated product portfolios and businesses for the Consumer division. ▶ Continue to investigate and where appropriate, acquire products and molecules that will complement the existing Adcock Ingram portfolios.
Partnerships	▶ Concluded a sales and marketing agreement with Leo Pharma's recently acquired dermatological portfolio. ▶ Renewed the license agreement for the Novo Nordisk Women's Health product portfolio for a further three-year period. ▶ Launched Dexeryl in the OTC division through a partnership with Pierre Fabre.	▶ Position Adcock Ingram to benefit from the possibility of multinational drug companies either divesting or partnering with local companies for non-core product ranges.
Innovation	▶ Launched Bioplus sugar-free drinks range and a new Island Tribe Kids range.	▶ Leverage existing brands to extend products into adjacent categories.
New customers and sales channels	▶ Maintained presence and profitability in Kenya (and adjacent East African territories).	▶ Continue to investigate expansion into appropriate new markets and channels, with a focus on South Africa.

New Island Tribe Kids Range

3 TRANSFORMATION

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2019	FOCUS AREAS FOR 2020 AND BEYOND
Transformation	▶ Maintained level 3 B-BBEE certification. ▶ Implemented the YES (Youth Employment Service) programme, with a total of 132 individuals granted a 12-month learnership.	▶ Successfully unwind Ad-Izinyosi empowerment scheme. ▶ Focus on empowerment initiatives in supplier and enterprise development to maximise Adcock Ingram's B-BBEE credentials.
Employment equity	▶ 87% of permanent employees are black and 48% are female. ▶ 58% of Board directors are black, and 58% are female. ▶ Improved black representation at middle and senior management levels. ▶ Winner: Gender reporting by JSE Listed Companies (Gender Mainstreaming Awards).	▶ Ongoing focus on improving black representation in middle and senior management.
Preferential procurement	▶ R1 764 million was spent on suppliers with a B-BBEE status of 4 or better, of which R498 million was spent on >51% black-owned suppliers including R200 million on >30% black, women-owned suppliers.	▶ Continued support of small- and medium- sized black-owned businesses.
Supplier development	▶ Spend on the owner driver scheme for the 2019 financial year was: - Enterprise development: R50.5 million (+87%) - Supplier development: R64.4 million (+49%).	▶ Fully developing the MyWalk project that will create local producers of school shoes for disadvantaged learners using recycled PVC.
Other	▶ CSI spend of R6.7 million. ▶ Adcock Ingram, with support from Bidvest, supplied crucial medical supplies to the Mozambican flood relief programme. ▶ Remained an active participant in various industry representative forums including Pharmisa, SMASA and the PTG.	▶ Continue to focus CSI programme on opportunities in the Healthcare and Education sub-sectors.

THE FRONT-ENDS FOCUS REMAINS ON:

Customers → Products → Service

Our business model

Our Capitals Defined → Our Capital Inputs

Financial capital

We use cash generated by our operations as well as debt financing if needed, to run our business and fund growth.

The Group has R450 million in cash as well as access to working capital facilities of R850 million to finance operations, expansions and acquisitions.

Human capital

Our human capital consists of a diverse set of people with specialist skills and experience suitable for our company needs.

2 614 permanent employees

Our strategy guides the way we allocate capitals to conduct business activities throughout the Group.

Intellectual capital

Our intellectual capital consists of our proprietary and licensed products, brands, dossiers, technologies, software, licenses and standard operating procedures.

- 1 344 registered trademarks in South Africa
- 98 pending trademark registrations in South Africa

Social and relationship capital

Our social and relationship capital is built on the relationships we have with our key stakeholder groups.

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

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

Manufactured capital

Our manufactured capital consists of all the tangible assets we rely on to conduct our operations and business activities.

- 3 manufacturing plants in South Africa
- 1 manufacturing plant (JV) in India
- The Group also has access to various third-party manufacturers
- 13 distribution centres/hubs throughout South Africa

Natural capital

We require packaging material, raw products, water, fuel, municipal electricity, land and air to conduct our activities and operations.

- Electricity usage (kWh):
  2019: 52 288 542
  (2018: 50 379 152)
- Water usage (Kl)
  2019: 243 898
  (2018: 271 318)
- Industrial coal usage (tonnes)
  2019: 4 621
  (2018: 4 831)

The regulatory and healthcare environment inform the way we do business

Regulatory bodies that inform the way in which business is conducted :

- The South African Health Products Regulatory Authority (SAHPRA)
- The Marketing Code of Authority (MCA)

Healthcare in South Africa

- The South African private pharmaceutical market, as measured by IQVIA MAT June 2019, is worth R44.6 billion, with 3.1 % value and 1.4% volume growth.
- Adcock Ingram holds a market share of 9,0% in value and 21% in volume.

We operate through a decentralised and autonomous working structure

The head office of the Group is located in Midrand, South Africa.

The Group is structured around four different business units that serve the needs of different customer segments and consumer healthcare needs. Each unit operates as a self-standing business with dedicated resources to conduct all primary business activities. Adcock Ingram provides shared services for all units' regulatory functions, credit control, IT systems and distribution needs.

OVER THE COUNTER
Refer to page 24

PRESCRIPTION
Refer to page 28

HOSPITAL
Refer to page 32

CONSUMER
Refer to page 36

Our business activities extend from product sourcing to product sales

Product sourcing

- Third party product providers
- Raw materials sourced locally or internationally

Research and development

- Buy intellectual property
- Develop intellectual property

Manufacturing

- Each facility has been built for a specific purpose, for the manufacturing of:
  - Oral liquids
  - Creams and ointments
  - Effervescent granules and powders
  - Tablets and capsules
  - Parenterals

Distribution

- 42 000 pallet spaces across sites including Midrand, Aeroton, Clayville, Cape Town, Durban, Bloemfontein, Port Elizabeth

Sales and marketing

- Sales and marketing activities differ from one division to the next depending on their regulations and customer base

Capital outcomes

Human capital
R1 407m
Employee remuneration, including share-based payments

Financial capital
R296m
Payments to providers of capital
(interest and dividends)

Manufactured capital
R215m
In capex

Social and relationship capital
R6.7m
Total CSI spend

Over the Counter

Sudier Ramparsad
Managing Director

Yudhveer Singh
Financial Director

Our Inputs

HUMAN CAPITAL

- **438 factory** and **laboratory staff**
- **157** sales, marketing and administration

INTELLECTUAL CAPITAL

Top brands include:

- Adco-dol
- Citro-Soda
- Corenza C
- Solphyllex
- Betapyn
- Allergex
- Alcophyllex
- Mayogel
- Adco-Napamol
- Dilinct

MANUFACTURED CAPITAL

- The **Clayville** facility, accredited with:
  South Africa (SAHPRA);
  Ghana (FDB);
  Tanzania (TFDA);
  Zimbabwe (MCAZ), and
  Ethiopia (FMHACA).
- Finished products are also sourced from:
  Wadeville; Bangalore; and third parties.

NATURAL CAPITAL

- Purchased: 21 064 kilolitres of water
  20 131 396 kWh of electricity

SOCIAL AND RELATIONSHIP CAPITAL

- Memberships include:
  Pharmaceuticals Made in South Africa;
  The Self-Care Association of South Africa.
- Regulatory bodies include:
  The Marketing Code Authority (MCA)
  The South African Health Products Regulatory Authority (SAHPRA)

A closer look at our Operating Model

OUR BUSINESS ACTIVITIES

The OTC division supplies medication for patients in South Africa's private and public sectors as well as certain export markets, predominantly in the self–medication category and to a lesser extent in the FMCG channel.

OTC is the market leader in schedule 1 and schedule 2 in pharmacy with a market share of 22% by value and 35% by volume(1).

OUR DISTINCT FEATURES

OTC comprises deeply seated legacy brands and competes in the following therapeutic categories:

- Pain
- Cough and cold
- Allergy
- Heartburn & Indigestion
- Energy

OUR CUSTOMERS AND MARKETS

In this highly competitive market, OTC provides products to independent pharmacies, corporate pharmacies, pharmaceutical wholesalers and other consumer retail channels.

OTC's target customer ranges across all LSM categories with a wide range of premium and economy priced brands.

(1) IQVIA MAT June 2019 S1 and S2

Our Outputs

TOTAL CAPACITY

- **28 million** effervescent tablets
- **400 tonnes** effervescent granules and powders
- **12 million** litres oral liquids

MARKET SHARE[2]

Volume market position: **#1**
Value market position: **#1**
Value market share: **22%**
Volume market share: **35%**

(2) IQVIA MAT June 2019 S1 and S2

Top 10 brands' turnover: R1 207 million

Trading in the OTC environment is becoming increasingly challenging. However, the division continues to enjoy market leadership in the therapeutic categories that it competes in. The OTC division's financial results were negatively impacted, mainly due to difficult trading conditions as a result of continued economic pressure.

PAIN

The pain market has been penetrated by brands that were down scheduled from schedule 3 (prescription only) to schedule S2 (OTC). In this highly competitive market, the OTC pain portfolio remains the market leader with OTC's brand Adco-dol maintaining its position as the market leader in the pain category in pharmacy.

The pain portfolio offers a full breadth of economy and premium brands.

COUGH AND COLD

OTC leads the cough and cold market with representation across cold preparations, expectorants and cough sedatives. The division experienced significant out of stocks in the current year yet it sustained its growth in a crowded market.

Corenza C remains the market leader in the OTC cough and cold basket.

ALLERGY

OTC 's flagship brand Allergex is the market leader in this category, growing well ahead of the market. Allergex continues to be supported with a marketing campaign that defends the brand and grows its market share. The anti-histamine portfolio has full representation across several key molecules. The portfolio of brands includes Levogex (levocetirizine), Ceticit (cetirizine) and Adco-Desloratidine (desloratidine).

HEARTBURN AND INDIGESTION

The OTC division has strong representation in the heartburn and indigestion category with high efficacy brands such as Citro-Soda and Adco Mayogel. Citro-Soda maintains market leadership with Adco-Mayogel continuing to show positive growth. Citro-Soda enjoys a strong promotional mix comprising above and below the line activity.

As part of the division's commercial transformation journey, to improve access of products, they embarked on a journey to grow the Citro-Soda brand through education and creating awareness that it can be used for heart burn and indigestion, mainly targeting male users. The purpose is to grow the brand into new markets through activations at Shisanyama restaurants. Promoters were placed at 100 outlets to improve visibility of the brand.

ENERGY

Vita-thion is the leading brand in the OTC energy portfolio and continues to compete in a highly contested market. Vita-thion continues to enjoy strong above-the-line advertising exposure to protect its market leadership and to grow the brand across the spectrum of affordability.

Over the Counter continued

Current Trends in our Markets

- Challenging economic conditions on the consumer continue to cause a **shift from premium brands to more economy brands and/or smaller pack sizes.**
- **Innovation and differentiation** remains an important growth driver.
- Constantly **evolving regulations** coupled with **capacity limitations** experienced at SAPHRA.
- Due to **increased access to information** in an **ever-evolving technologically driven environment,** consumers are actively educating themselves on **self-care and preventative therapies.**
- **Prescription to OTC down-scheduling facilitates** increased patient access of certain therapies.
- **Convenience, access and affordability to medicines** in specific channels, plays an important role in the consumer's choice.

Analysing the Outcomes

2019 ACHIEVEMENTS

Build on the Foundation

Focus on customer service, includes the constant management of the expectations of all customers. Continued investment in the sales and marketing of major brands.

New executive leadership was appointed in quarter three of the financial year, which resulted in a review of the business and structural and operational changes have commenced.

Growth and expansion

The division continues to explore expansion opportunities in Africa.

Opportunities to increase the factory throughput at Clayville saw the successful implementation of contract manufacturing during the year.

Dexeryl, an emollient aimed at the higher LSM market was launched.

Transformation

The division is well aligned with the Group's employment equity objectives and improved diversity at management level.

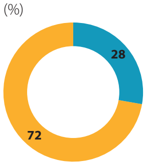
The division partnered with BlackIQ, a black-owned pharmaceutical wholesaler group, as part of its enterprise development strategy, to provide them with business-related guidance and mentoring to run a sustainable and financially independent business. Progress to date include stock planning for six of their pharmacies.

CITRO-SODA SHISANYAMA ACTIVATION

Works for heartburn, indigestion, UTIs and acid related to UBUMNANDI, which can lead to Gout

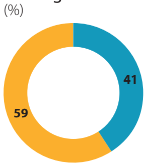
CONTRIBUTION TO COMPANY RESULTS

Turnover
(%)



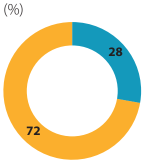
OTC
Other

Trading Profit
(%)



OTC
Other

Total assets
(%)



OTC
Other

FUTURE OUTLOOK

BUILD ON THE FOUNDATION

In order to grow on the solid foundation of the OTC division, management will be focusing on the following key areas:

- Constant stock supply of key brands;
- Cost management and containment in a very competitive market;
- Improving throughput at the Clayville facility;
- Successfully launching the ophthalmic facility; and
- Reinforcing the culture of empowerment, responsibility and accountability.

GROWTH AND EXPANSION

OTC will continue to explore opportunities in the rest of Africa, including strategic collaborations with multinational companies.

Expand into different channels and LSM's in South Africa to provide quality affordable self-care products to consumers.

The fourth industrial revolution, which will bring about new technologies will impact all disciplines, economies and industries. OTC has dedicated resources to adapt and be on the forefront of these advances and digitisation of the market place.

TRANSFORMATION

OTC will continue its campaign of preferential procurement to grow black-owned businesses.

OTC's employment equity strategy will continue to drive diversity, gender equality and youth employment.

Prescription

Adisha Singh
Financial Director

Ashley Pearce
Managing Director

Our Inputs

HUMAN CAPITAL

- **344 factory** and **laboratory staff**
- **388** sales, marketing and administration

INTELLECTUAL CAPITAL

Top brands include:

- Epi-Max
- Genpayne
- Estrofem
- Adco-Emtevir
- Synaleve
- Topzole
- Trivenz
- Urizone
- Adco-Zolpidem
- Adco Lamivudine/Zidovudine
- Myprodol

MANUFACTURED CAPITAL

- The **Wadeville** facility, accredited with:
  South Africa (SAHPRA);
  Ghana (FDB);
  Malawi (PMPB);
  Zimbabwe (MCAZ), and
  Botswana (DRU).
- Finished products are also sourced from: Bangalore and a range of partner companies.

NATURAL CAPITAL

- Purchased: 35 930 kilolitres of water
  9 095 290 kWh electricity

SOCIAL AND RELATIONSHIP CAPITAL

- Memberships include:
  Pharmaceuticals Made in South Africa (PHARMISA)
  The South African Generic Medicines Association
  Pharmaceutical Task Group (PTG)
- Regulatory bodies include:
  Marketing Code Authority (MCA)
  The South African Health Products Regulatory Authority (SAHPRA)

A closer look at our Operating Model

OUR BUSINESS ACTIVITIES

The division focuses on building and offering a broad range of medicines in targeted therapeutic areas for patients consulting healthcare professionals, generally where prescriptions are required. The business has a comprehensive portfolio of quality and affordable Generics and Pain medicines and also markets a range of innovator brands on behalf of multinational partners, including Leo Pharma, Novo Nordisk, Sandoz, Lundbeck, Takeda and Roche.

The Genop Healthcare business is a specialised instrument, surgical and pharmaceutical products company focused on servicing the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa, and owns and markets the well-known Epi-Max range.

The antiretroviral (ARV) portfolio consists of a range of high-quality, cost effective first- and second-line treatment options for people living with HIV, both adults and children.

OUR DISTINCT FEATURES

The division offers a diverse portfolio of prescription brands, ranging from quality affordable generics to innovator brands, which include the Company's own intellectual property brands as well as those marketed on behalf of multinational partners. This comprehensive portfolio allows the division to offer full scale patient solutions in the therapeutic categories it represents, enabling the division to achieve market leadership in the Pain, Women's Health, Dermatology and Osteoporosis categories. The division boasts one of the country's largest sales teams, reaching prescribers and pharmacists across the country. The scope in therapeutic offering, commercial footprint and coverage of key customers, positions the division as an attractive partner to multinational companies.

OUR CUSTOMERS AND MARKETS

The Prescription division services Specialists, General Practitioners, Hospitals and Pharmacies across the country, in both the public and private sector.

Our Outputs

MARKET SHARE[1]

- Volume Market position **#2**
- Volume Market Share: **12.3%**
- Value Market Position: **#4**
- Value Market Share: **6.3%**

CAPACITY

- **6 million ℓ** oral liquids
- **500 tonnes** creams/ointments
- **2 billion** tablets and capsules

[1] IQVIA MAT June 2019

Top 10 brands' turnover: R942 million

PAIN

The Pain portfolio is the leading prescription pain franchise in the country, and includes a comprehensive portfolio of brands that offer healthcare professionals and patients, effective pain solutions for mild to severe acute pain and chronic pain, including pain associated with cancer and auto-immune diseases, in a variety of dosage forms such as oral, topical, parenteral and transdermal. The pain portfolio includes leading, well-known brands such as Myprodol, Synaleve, Mypaid Forte and Myprocam.

WOMEN'S HEALTH

Women's Health recognises and celebrates the uniqueness of women and the portfolio includes treatments for conditions that occur more frequently in women. These include symptoms related to menopause, vaginal dryness, urinary tract infections (UTIs) and osteoporosis. As the leading Women's Healthcare franchise in the country, the portfolio offers flexible, high-quality treatment options to meet the needs of South African women through specific stages of their journey through life.

CENTRAL NERVOUS SYSTEM (CNS)

This franchise has established itself as a multinational partner of choice for CNS brands, promoting and distributing key brands such as Cipramil, Cipralex, Fluanxol and Rivotril on behalf of multinational partners Lundbeck and Roche. This portfolio offers treatments covering a range of central nervous system conditions, such as depression, anxiety, epilepsy, Alzheimer's and schizophrenia.

DERMATOLOGY

Dermatology covers a wide spectrum of dermatological conditions, including acne, eczema, emollients for dry skin, and brands for skin infections and psoriasis. Whilst most of these conditions are not life threatening, they significantly affect the patient's quality of life.

The franchise will also expand access of its portfolio into the over-the-counter space, with the successful down-scheduling of Fucidin, making it available to consumers on pharmacist recommendation. The legacy prescription dermatology franchise boasts well-known brands such as Fucidin, Roaccutane, Dovobet, Protopic and SBR Lipocream.

ARVs

The ARV portfolio includes a range of antiretroviral products indicated for the prevention and treatment of HIV, and is currently the second-largest ARV franchise in the private sector, with a 17,9% market share. Trivenz, which is a once daily, single tablet regimen for the treatment of HIV, is the biggest brand in the portfolio, and despite aggressive generic competition, the brand has secured a position as one of Top 10 pharmaceutical brands in the private pharmaceutical market, as reported by IQVIA.

GENERICS

This portfolio is the division's largest franchise, which includes a robust portfolio of medicines that span the major therapeutic areas such as CNS, Cardiovascular and Pain and consists of brands which treat both acute and chronic diseases. The portfolio includes some of the divisions leading brands such as Genpayne and Adco-Zolpidem, and has recently built on its generic pain offering with the first-to-market launch of Adco-Etoricoxib, indicated for the treatment of a range of acute and chronic pain conditions.

GENOP

The Genop business delivered the results expected at the time of the acquisition. Within Dermatology, Epi-Max remains and continues to build on its leadership position in the emollient category.

Current Trends in our Markets

- **Shifts in disease burden** from **infectious diseases** such as HIV and TB, **to chronic diseases.** (South African Generics Market Outlook 2017-2022).
- **Pricing pressures** driven by funders continue to **shape the private market** by driving the **switch to generic brands**.
- **New entrants into the ARV market** coupled with **pricing pressure** from funders continues to impact the value and growth of this market.
- Growth of **corporate pharmacy group house brand strategies** limits market penetration of generics in this channel.
- Increasing **interest in the adoption of Biosimilars** following global demand and widescale adoption of biosimilars.
- **Digital transformation** of **consumers, prescribers and dispensers** require pharmaceutical companies to be more innovative with how they **interact with these stakeholders.**

Analysing the Outcomes

2019 ACHIEVEMENTS

BUILD ON THE FOUNDATION

The Prescription business delivered revenue growth of 22.4% in the financial year, of which Genop contributed 13.2%. This translates to the division achieving in-market growth double that of the prescription market. According to IQVIA, the Prescription division delivered growth of 6.6%, versus the market at 3.2% (IQVIA June 2019).

The Generics business, delivered in-market MAT volume growth of 11.6%, ahead of the market which is currently growing at 5.8% (IQVIA June 2019).

The division successfully renewed its agreement with multinational partner Novo Nordisk, for the sales, marketing and distribution of the company's Women's Health portfolio of hormone replacement brands, such as Estrofem, Activelle and Vagifem.

Following on the acquisition of Genop in 2017, the Company integrated the Genop and Adcock Ophthalmology portfolios and teams into a single Ophthalmology franchise, optimising the depth and breadth of the customers we serve with a more robust portfolio offering.

GROWTH AND EXPANSION

The division expanded on the partnership with Leo Pharmaceuticals by obtaining the sales and promotional rights for their recently acquired Bayer dermatology portfolio, which includes brands such as Advantan, Travocort, Skinoren and Ultrabase, as well as Scheriproct which is used for the treatment of haemorrhoids. The extension of the Leo partnership will establish this franchise as the leading dermatology franchise in the country.

The division's new product launches during the financial year included:

- Rapacid, the first over-the-counter (OTC) Omeprazole.
- Fucidin OTC, following the down-scheduling of the brand to OTC status, making it available upon pharmacist recommendation.
- Versatis, a novel transdermal lidocaine patch indicated for the treatment of localised neuropathic pain.

The launch of Versatis strengthened the position of the pain franchise by expanding its offering to neuropathic pain. Versatis is indicated for the treatment of peripheral neuropathic pain associated with Herpes Zoster Virus.

The division delivered on its objective of being a leading player in the ARV category by securing a 12% share in the recently awarded ARV tender (R2.2bn). The company's investment into the oral solid dosage facility situated in Wadeville has increased its ability to manufacture and supply antiretroviral medicines to the public sector through the tender system, while continuing to meet the needs of the private ARV market. Adcock will also be a key supplier of the new generic fixed dose combination of tenofovir, lamivudine and dolutegravir (TLD), having been awarded a 12 % share of the 147 million patient packs over a three-year period.

The Prescription division will explore further multinational partnerships and acquisitions in the 2020 financial year, in order to expand Adcock Ingram's product offering.

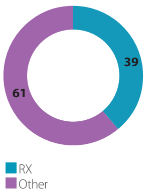
FUTURE OUTLOOK

BUILD ON THE FOUNDATION

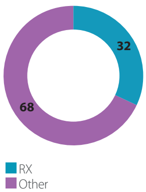
- The Prescription business will continue to leverage on the equity of the key brands in the portfolio.
- The business will continue to drive growth in the generic and pain segments, in line with that of their respective markets.
- Multinational partnerships remain a key pillar of the division's strategy, and the division will focus on maintaining key partnerships with Novo Nordisk (Women's Health), Takeda (Gastroenterology) and Lundbeck (CNS).

CONTRIBUTION TO COMPANY RESULTS

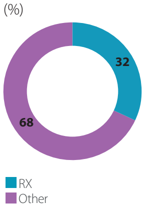
Turnover
(%)



Trading Profit
(%)



Total assets
(%)



GROWTH AND EXPANSION

- The Prescription division is committed to building a leading ARV franchise by effectively executing on the ARV tender, and successfully launching TLD in the public and private sector.
- The Prescription division, in partnership with Celltrion Healthcare, will bring to market a range of biosimilars in the rheumatology, gastroenterology and oncology therapeutic categories, which is set to transform access to these highly specialised treatments, by making them more affordable for patients to access.
- The business will execute the integration of the Bayer portfolio and team into the prescription business on behalf of Leo Pharma, ensuring that we continue to deliver value to the partner.
- The division is committed to executing launches with excellence, driving the potential of newly launched brands such as Nuvaco (TLD) and Versatis.

TRANSFORMATION

- The division continues to support the Witkoppen Healthcare Mobile Clinic, which provides access to basic quality healthcare services for the Diepsloot and Msawawa informal settlements.
- In addition, the division provides funding to The Hlokomela wellness project, which provides the Hoedspruit community, particularly sex workers, farm workers and their families, access to basic healthcare services. This initiative supports the division's objective of educating community members (especially sex workers), on health-related matters, such as HIV/AIDS.

Hospital

Top 10 brands' turnover: R902 million

Mohamed Mangel
Financial Director

Colin Sheen
Managing Director

Our Inputs

HUMAN CAPITAL

- **754** factory staff
- **116** sales, marketing and administration

INTELLECTUAL CAPITAL

- Only medical grade LVP plastic manufacturer on the continent

MANUFACTURED CAPITAL

- Our **Aeroton** facility, accredited with:
  South Africa (SAHPRA); and
  Kenya (PPB).
- Finished products are also sourced from third parties.

NATURAL CAPITAL

- Purchased: 172 658 kilolitres of water
  15 975 990 kWh electricity
- 4 621tonnes industrial coal usage

SOCIAL AND RELATIONSHIP CAPITAL

- Memberships include:
  Pharmaceuticals Made in South Africa (PHARMISA)
- Regulatory bodies include:
  Marketing Code Authority (MCA)
  The South African Health Products Regulatory Authority (SAHPRA)

A closer look at our Operating Model

OUR BUSINESS ACTIVITIES

Adcock Ingram Critical Care (AICC) is a leading manufacturer and supplier of hospital and critical care products in Southern Africa. Products are offered through multiple portfolios and across wide-ranging customer channels. The business is a fully integrated operation which spans through regulatory, R & D, manufacturing, marketing, sales and distribution. Beyond its world-class commercial capability, AICC manufactures an extensive range of products in its unique dual process factory which comprises a comprehensive plastics extrusion plant together with a fully accredited pharmaceuticals manufacturing facility.

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

In its efforts to maintain its leadership position, AICC continues to expand into newer novel portfolios which includes growth in opioid substitution therapy, oral and injectable analgesia, injectable pharmaceuticals, immunosuppressants and sports medicine.

OUR DISTINCT FEATURES

AICC is a uniquely positioned Medical, Pharmaceutical and Healthcare manufacturer servicing in the main, specialist channels across hospital, clinic and front-end healthcare professional service providers. AICC provides products and services that cut across several broad adjacencies from the most severe debilitating condition to human movement solutions directed to the consumer.

OUR CUSTOMERS AND MARKETS

Our customers remain the core essence of our existence, and apart from assisting patients in various forms of need, AICC directly services Hospitals, Pharmacies, Doctors, Renal Centres, Clinics, Blood Centres, Physiotherapists, Biokineticists and Kinesiologists.

Our core operating domain remains South Africa although expanded sales territories include parts of Sub-Saharan Africa

Our Outputs

TOTAL CAPACITY PER ANNUM:

- **33 million** units of large volume parenterals
- **35 million** units of small volume parenterals
- **4 million** pour bottles
- **1 million** blood collection bags
- Extrude more than 1900 metric tons of PVC sheeting and tubing per annum

RENAL

AICC remains largest supplier of goods and services within Peritoneal Dialysis (PD), Haemodialysis (HD), Continuous Renal Replacement Therapy (CRRT) and Renal Pharmaceuticals, in South Africa. National Renal Care, a joint venture between Netcare and AICC, remains the single largest service provider of renal services in South Africa. During the past year, an innovative new cycler for PD (Claria), which allows healthcare professionals to monitor dialysis patients remotely, was rolled out.

MEDICINE DELIVERY

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

TRANSFUSION THERAPIES

AICC is the largest manufacturer and supplier of blood bags in South Africa. The business has forged a close association with SANBS (South African National Blood Services) with whom it has enjoyed more than a 50-year relationship. The business continues to enjoy its manufacturing independence and benefits from a fully integrated manufacturing facility supporting the local manufacture of blood bags and tubing and is the largest supplier of free-flowing leucodepletion sets. Through its alliance with Applied Sciences in the USA, AICC has successfully installed the largest fleet of blood mixer/scales in Southern Africa.

BIOSCIENCE AND SPECIALISED PHARMACEUTICALS

AICC remains a leader in the supply of Haemophilia products as well as speciality pharmaceuticals including sodium polystyrene, heparin and 1 alpha hydroxylase.

Hospital continued

Current Trends in our Markets

- **Economic pressure** impacting patients where co-payments are required or electives more carefully considered.
- Funders are placing increasing **pressure** on hospitals with regard to patient admissions and patient stays, resulting in reduced hospital bed days and reduced admissions.
- Funding pressure is being experienced across the entire sector as private health insurers grapple with the tough operating climate, inflationary pressures and relatively static contributions and/or member base.
- **Increased regulations,** including those now required in the previously unregulated device environment.
- **Increased cost controls** as hospital groups tighten up on 'non-funded' expenses.
- **Increase in day clinics and homecare** as private insurers continue to manage hospital, surgical and specialised price inflation.
- An increase in **Managed Care Interventions.**
- Formularies and formulary **compliance** are on the increase in an attempt to manage costs with regards pharmaceuticals, devices and medical consumables.

Analysing the Outcomes

2019 ACHIEVEMENTS

BUILD ON THE FOUNDATION

Provided a monthly home-delivery service to over 1,500 home-dialysis patients country-wide.

GROWTH AND EXPANSION

AICC has progressed several innovations through the 2019 year which support ambitions in its base business and aspirations into adjacent categories.

These include:

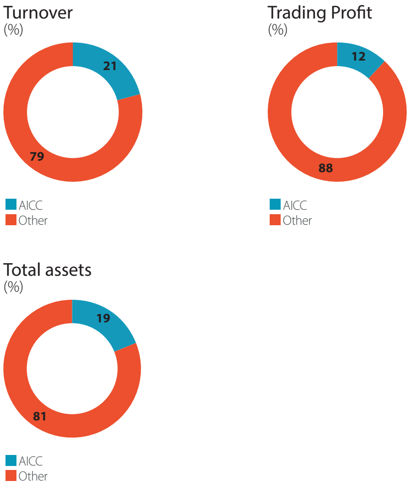
- Sports Medicine, Rehabilitation & Recovery – following the successful integration of SpiderTech (kinesiology tape) and its now market-leading position, the business is pursuing several opportunities in this new category with multiple Principal and Alliance discussions in progress.
- Disinfectants – AICC launched its own range of hand and surface disinfectants. Housed under the Adco-Hygiene brand, AICC has expanded several unique formulations which vary in size, scent, texture, colour and emulsion. The range is accredited with standards authorities and fulfils criteria of anti-bacterial, anti-viral and anti-fungal. All products are intended for home and professional use.
- Additional Strategic Alliance collaborations were formed.

TRANSFORMATION

Fully developing the MyWalk project that will create local producers of school shoes using recycled PVC.

MARSH – NATIONAL FIRE FIGHTING AWARD WINNERS

CONTRIBUTION TO COMPANY RESULTS



FUTURE OUTLOOK

BUILD ON THE FOUNDATION

The AICC business will continue to leverage on the equity and market share it has achieved in the various business portfolios including the quest to add to the already significant critical mass.

GROWTH AND EXPANSION

Strategic alliances and partnerships will become ever important as the businesses evolve and increase their presence within the various market sectors.

Innovative business models are in development with core customers which will further enhance the long range strategic tasks.

TRANSFORMATION

AICC together with Netcare, have established a fully integrated echo system which sees pvc-based IV fluid bags being recycled into school shoes through various enterprise development initiatives touching thousands of South African lives.

Consumer

Gail Solomon
Managing Director

Lauren Shimmin
Financial Director

Our Inputs

HUMAN CAPITAL

- **69** sales, marketing and administration employees

INTELLECTUAL CAPITAL

Top brands include:

- Panado
- Probiflora
- Gynaguard
- Bioplus
- Compral
- Cepacol

MANUFACTURED CAPITAL

- Finished products are sourced from: Clayville, Wadeville, Bangalore, and third parties.

SOCIAL AND RELATIONSHIP CAPITAL

- Memberships include:

  The Self-Care Association of South Africa; Society of Cosmetic Chemists SA, Cosmetic, Toiletry and Fragrance Association
- Regulatory bodies include:

  The Marketing Code Authority (MCA)

  The South African Health Products Regulatory Authority (SAHPRA)

A closer look at our Operating Model

OUR BUSINESS ACTIVITIES

This division is focused on the marketing, selling and distribution of medicinal and personal care brands. Our ranges include brands in the analgesic, energy, colds & flu, feminine hygiene, personal care, gut health, nutrition and vitamins & supplements categories. Our focus is and continues to be on growth opportunities for the division which will include acquisitions and new product launches within our chosen categories.

OUR DISTINCT FEATURES

We have market-leading brands in both the pharmacy and retail sectors. In these sectors we compete in a broad range of categories focusing on brands that include in and on the body solutions across multiple consumer profiles. Our core customers include corporate and independent pharmacies, pharmaceutical wholesalers, retailers and wholesaler cash & carry outlets.

We have the ability and infrastructure to sell, market and distribute our brands across these diverse channels.

OUR CUSTOMERS AND MARKETS

The division competes in the Fast Moving Consumer Goods (FMCG) market as well as distributing and marketing products in modern and traditional trade outlets. The business consists of three distinct channels: Pharmacy, Wholesale and Retail. The Pharmacy channel includes Clicks, Dis-Chem, Pharmaceutical Wholesale and Independent Pharmacy customers. The Retail channel comprises Shoprite, Pick n Pay, Spar, Woolworths, PEP and forecourts. The Wholesale channel includes customers like Massmart and local Independent Cash and Carry.

Our Outputs

MARKET SHARE:

Analgesics/Pain: **32.4%**

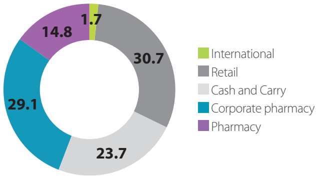
Gut: **35.4%**

Suncare: **2.7%**

Energy supplements: **41.8%**

Feminine hygiene: **44.2%**

Sales by channel
(%)



PAIN

The Consumer Pain segment shows continued growth with Panado ranked second in the Consumer market and Compral ranked fourth. Although there is mounting pressure to defend market share against generic entries, Panado's brand awareness and growth remains high and it remains the market leader in the tablets and syrups formats.

GUT/ PROBIOTICS

Probiflora has retained its market leader position in an increasingly competitive market. Probiflora Adult 9 Strain is the top selling product in the market with a share of 14.7%. New product launches and the widening scope of probiotic indications is driving growth in the overall category.

SUNCARE CATEGORY

Island Tribe achieved growth ahead of the market in double digits. The wide offering across lotions, sprays and gels enabled the brand to compete in a highly proliferated market. Continued support on the brand has driven awareness on the brand for continued share gains.

ENERGY

The division competes within the Energy Supplements and Energy Drinks segments. Bioplus is the market leader within the Energy supplements segment growing ahead of the market, driven by increased marketing and sales focus. The Liquid Tonics format remains the preferred Energy Supplement format amongst consumers and is driving the category growth, with Bioplus the market leader in Liquid Tonics. Bioplus Energy drinks had double-digit growth ahead of the segment despite various entrants into the market.

FEMININE HYGIENE

GynaGuard maintains its market leadership in Feminine Hygiene and continues to show double digit growth. Vaginal Capsules, which are measured in the Well-being segment, gained 44% market share points to achieve market leadership in capsule offering. Growth was driven by extensive marketing campaigns and education-based initiatives to drive awareness in the category.

(Source: AC Nielsen Value Share June 2019)

Current Trends in our Markets

- Within a tough South African economic environment of **rising unemployment and declining disposable income,** consumers have become more **cost conscious and value driven.** Consumers are reducing their expenditure on non-essential items whilst retailers respond by offering more **price promotions such as discounts on bulk buys.**
- Shoppers are doing more **targeted shopping** and **buy what they need** rather than what they want.
- Consumers with a **mid-to-high income** are adopting a more **proactive approach** to their health and well-being, **increasing** their consumption of **vitamins and dietary supplements.**
- Almost **80% of South Africans do not have access to private healthcare services,** which has **strengthened** the **self-medication trend.**
- An increasing number of South Africans have **internet access** and are **seeking more information** about their **symptoms online,** driving **self-medication** for the treatment of minor ailments.
- **Independent Pharmacies** play an important role in promoting a **culture of self-medication**. Consumers often **ask their pharmacist for advice** regarding how to treat different symptoms.
- **Pharmacy** remains the **leading distribution channel for Consumer Health Care in 2018.**
- **Clicks and Dis-Chem** have significantly increased in importance for **Personal Care and Health & Wellness focused purchases.**
- The **Informal Trade channel** has notably **lost shoppers,** as **formal retail expands its footprint** into predominantly trader serviced areas.

Our strong brands make for a successful financial year

Analysing the Outcomes

2019 ACHIEVEMENTS

BUILD ON THE FOUNDATION

Overall, the financial objectives for the business have been achieved. The strategy to focus and grow the core six brands has shown success with five of the brands achieving double digit growth on sales.

Panado, our largest brand and the second largest pain brand in the market achieved the best growth in four years. Success can be attributed to increased marketing and channel focus driving Panado as the paracetamol of choice for the consumer.

GROWTH AND EXPANSION

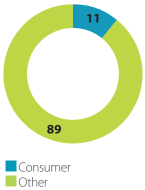
Acquisitions have been a core focus for the business with due diligences being conducted on multiple businesses. Plans to resurrect dormant brands are being evaluated. South Africa remains the key focus for 2020.

HUMAN CAPITAL CAPABILITY AND CAPACITY

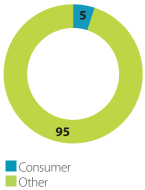
A restructure to streamline the business resulted in increased accountability within all departments, creating a dedicated customer focus, increased efficiencies and reduction in outsourced services.

CONTRIBUTION TO COMPANY RESULTS

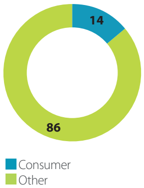
Turnover
(%)



Total Assets
(%)



Trading Profit
(%)



FUTURE OUTLOOK

BUILD ON THE FOUNDATION

- Brand consolidation and expansion.
- Increase availability to the consumer - distribution.
- Drive innovation within heritage brand portfolios.
- Maintain regulatory compliance in a changing environment.
- Achieve efficiencies in procurement.

GROWTH AND EXPANSION

- Growth through acquisitions and innovation.
- Expansion of product offerings into new categories and channels.
- Close portfolio gaps in existing categories.
- Focus on personal care portfolio – buy, build and launch.
- Focus on brand consolidation to drive Mega Brand strategy.

TRANSFORMATION

The Consumer business is in the process of finalising a transformation project.

Risk management

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

TERMS OF REFERENCE

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

ROLES AND RESPONSIBILITIES

The Board	Risk and Sustainability Committee
The Board is responsible for the Group's risk governance which is achieved through its oversight committee being the Risk and Sustainability Committee. Certain members of the Audit Committee are also members of the Risk and Sustainability Committee. The Board is updated on key risks and considers their residual level when formulating strategy, approving budgets and operational plans, and monitoring progress against business plans. The Board ensures that an adequate level of assurance is provided on control processes related to significant risks.	The roles and responsibilities of the Committee are governed by a formal Charter which is reviewed annually and approved by the Board. The following duties were assigned to it by the Board during the year under review: ▶ Ensure an appropriate and effective control environment and clear parameters within which risk is managed. ▶ Oversee issues relating to sustainability. ▶ Oversee the conducting of a Group-wide business risk assessment to identify the most significant commercial, financial, compliance and sustainability risks and implement processes and controls to mitigate these risks. ▶ Assist the Board in setting the risk strategy and policies in determining the Group's tolerance for risk.

COMPOSITION AND MEETINGS

The Committee consists of six (6) directors; four are non-executive directors and two are executive directors. Four (4) scheduled meetings are held per year. A Risk Advisor from Marsh Risk Consulting (Adcock Ingram's insurance brokers), a representative from the external auditors, as well as various senior members of management, are permanent invitees to these meetings.

The attendance of the Committee meetings was as follows:

	Meeting attendance
Chairman	
R Stewart*	4/4
Members	
A Hall	4/4
M Haus*	4/4
J John*	4/4
C Manning	4/4
D Neethling	4/4
Invitees	
J Bhana	3/3
F Cronje	4/4
W Kinnear (EY)	1/1
D Nabarro (Risk advisor – Marsh Risk Consulting)	3/4
S Pietropaolo	4/4
T Walter	2/2

See changes to the Board

PHILOSOPHY

Adcock Ingram recognises the inherent exposure, with regards to the broad range of risks the Group faces, in pursuing and achieving sustainable growth. This has cultivated a philosophy which is not to entrench a compliance-driven process, but rather to develop a culture which views Enterprise Risk Management (ERM) as a strategic enabler and ensures proactive and appropriate action is taken in mitigating risk exposure and taking advantage of opportunities.

Adcock Ingram acknowledges that risk can never be totally eliminated, but is committed to ensure that the implemented ERM process aligns to current best practices. This is to ensure that risk and control processes continuously evolve to improve decision-making.

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

KEY ACTIVITIES

RISK GOVERNANCE

The Enterprise Risk Management (ERM) process is coordinated centrally by the Head of Mergers and Acquisitions, as the Group's divisions have different product, market, operating and financial characteristics. The responsibility within the ERM process for identification of risks, vests largely with divisional management structures.

The ERM process is conducted regularly in a systematic and formalised manner in a workshop-type environment, using a "blue-sky" approach. At least annually this workshop is conducted without reference to prior work done.

The workshops aim to:

- identify risks which may impact the achievement of strategic and business objectives; and
- identify other risks (such as operational risks) from various risk sources.

Once a risk is identified, the following is agreed:

- the likelihood of the risk materialising as well as the severity in the absence of control(s);
- the control(s) and plan(s) currently in place to mitigate the risk;
- the effectiveness of the control(s) and plans(s) currently in place; and
- the identification of any additional control(s) and plan(s) if possible and/or necessary.

Following the identification of risks, the purpose is to manage the risks, including compilation of registers of significant risks. Risk registers, containing key business risks, are compiled, reviewed and updated on at least a quarterly basis. Registers are presented and discussed at various management levels and forums before they are presented and discussed at the Committee.

INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

The Board embraces the principle that technology and information should be governed in a way that supports the Company in setting and achieving the Group's strategic objectives. The Board, through this Committee, is responsible for the governance of technology and information but the implementation and execution of effective technology and information management is delegated to management. The Head of Information Technology (IT) regularly presents reports to the Committee on how these risks are approached and managed across the Group.

Adcock Ingram has implemented a number of arrangements governing and managing information and technology, including but not limited to:

- implementing a validation policy in terms of which technology and systems implementations are validated according to Good Manufacturing Practices (GMP) and Pharmaceutical Inspection Co-operation Scheme (PICS) principles.

The effectiveness of technology and information management is monitored through a variety of internal systems including the following audit functions:

- Group Internal Audit performs audits on different parts of the Group to test the effectiveness of internal controls;
- Group Quality Assurance audits use industry's best practices to ensure constant and continuous improvement of Adcock Ingram's quality systems, processes, technologies, infrastructure, regulatory compliance and technical support;
- audits conducted by pharmaceutical companies that make use of Adcock Ingram's production or distribution facilities;
- audits conducted by the External Auditors in accordance with the law; and
- the implementation of the Information Governance Policy.

Key areas of focus during 2019:

- replacing the Genop ERP systems by integrating Genop into the Adcock Ingram Oracle ERP environment;
- upgrading the Oracle ERP system in use;
- application system enhancements and expansions;
- infrastructure upgrades were undertaken;
- cyber security upgraded;
- phase two of the Quality Assurance system was implemented;
- the implementation of a laboratory information management system initiated at one of the facilities; and
- the optimisation of the forecasting and planning systems as well as the process manufacturing systems, which forms part of a continuous improvement initiative.

Planned areas of future focus areas include:

- further enhancements to the IT security environment;
- the integration of the IT environments of acquired businesses; and
- digitisation of business processes.

ENTERPRISE RISK MANAGEMENT

THREE LINES OF DEFENCE

The Group manages risk by employing the three lines of defence strategy. This promotes transparency and accountability.

First

Divisional Management

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

Second

Executive Management

- Challenging and overseeing activities of first line of defence.
- Design and implementation of policies and procedures as well as strategy in response to material and/or Corporate risks.
- Assurance providers to regulators as well as to the Board through this Committee.

Third

Independent Assurance Providers

- Internal audit.
- External audit.
- Other independent service providers.

The independent assurance providers objectively provide assurance regarding the activities of the first and second line of defence.

The following table summarises the major operational and strategic risks impacting the strategic pillars as well as the Company's ability to transform the Capitals, and the controls in place to mitigate these risks:

Strategic pillars impacted:

- Build on foundation
- Growth and expansion

Key Risks	Controls in place to mitigate the risks
Market share The action of any competitor or regulatory body can erode market share or impact growth.	Sales and marketing strategies are employed in each of the business units to cater for sector trading conditions. The autonomy allows focused and ongoing differentiation of product lines to adapt to customer requirements and competitor actions.
Foreign exchange The uncontrollable currency volatility and Rand weakness impacts the purchase price of the following, which are not locally available and have to be sourced internationally: ▸ active pharmaceutical ingredients (APIs); ▸ specialised machinery; and ▸ certain finished goods. This puts pressure on margins.	Forward cover continues to be taken out on all confirmed import orders.
Supply and cost pressure A limited number of suppliers of APIs and finished goods exist.	Ongoing focus on securing multiple sources of supply of key APIs. Stockholding of strategic raw materials and finished goods are maintained to mitigate any potential supply disruptions.
Cost-push versus pricing pressure SEP (Single Exit Price) increases do not keep pace with the level of cost-push.	Continuous improvement initiatives are in place to improve throughput and efficiencies in the manufacturing facilities. Focus on improvement in procurement practices to reduce input costs of raw materials. Portfolio diversification into non-SEP regulated products is a focus area for acquisitions.
Economic environment Economic data indicates very little, if any growth in the South African economy, resulting in the trading environment remaining difficult with the potential of further deterioration.	Continued efforts on diversification of the product portfolio, therapeutic categories, price-points and distribution touch-points will minimise the impact of poor economic conditions in a particular sector of the market. Increasing exports through distributorships reduces the exposure to the South African economy.

Risk management *continued*

Strategic pillar impacted:

- Transformation

Key Risks	Controls in place to mitigate the risks
Human capital In certain areas of the business, critical skills shortages and difficulty in recruiting top talent, are a reality. The need to attract and retain top talent is intensified by the transformation strategy.	Maintaining industry-related remuneration packages and other short- and long-term incentive schemes, supported by an investment in skills development of employees contributes to our ability to attract and retain staff whilst maintaining a sustainable talent pipeline.
Labour environment A significant number of employees are represented by trade unions. Labour disputes and work stoppages may disrupt business operations.	Employee forums, coupled with specific initiatives to address employee requirements at each of the major sites are in place. Further, contingency plans are in place to ensure continuity of supply if required.
Occupational health and safety Occupational injuries of employees who are key to the performance of the Group may occur.	Safety practices in the work place are continuously improved through stringent policies and procedures that are aligned to best practice.

Strategic pillars impacted:

- Build on foundation
- Growth and expansion

Key Risks	Controls in place to mitigate the risks
Customer, supplier and partner relationships Customers are the cornerstone of the business. Customer relationship management has been and continues to be a key focus area.	Each of our autonomous business units has an ongoing focus on servicing and maintaining relationships with the key stakeholders within their business.
Changes to the scheduling and re-classification of certain medicines Changes to the classification or scheduling of certain medicines by the Regulator can materially impact the sales and margins on certain products. The exemption for Schedule 0 medicines with regards to the SEP legislation is reviewed by the regulatory authorities on a periodic basis, currently every three years. Removal of this exemption could place further pressure on margins.	Schedule 0 exemption was granted for a further three years until December 2021. We are proactively engaging with the Regulator on any potential changes to medicines scheduling. Where required, alternate products are sourced to replace medicines that scheduling may change.
Proposed implementation of the National Health Insurance (NHI) scheme The NHI Bill was published for comment in early August 2019. The impact of NHI's implementation on Adcock Ingram is currently being assessed by the Company, but will undoubtedly have implications (both positive and negative) for the entire healthcare industry.	Ongoing assessment of the impact of NHI (and any proposed changes to the scheme) on Adcock Ingram. Adcock Ingram will make comments and submissions regarding the Bill, either directly or through industry representative groups. Further actions and controls will be implemented as greater certainty is obtained regarding the timelines, process and funding of the NHI.

Strategic pillars impacted:

- Build on foundation
- Growth and expansion

Key Risks	Controls in place to mitigate the risks
Regulatory The complex and ever-changing regulatory environment in which the Group operates, provides challenges which are common in the pharmaceutical industry.	Various operational and technical teams work closely together to ensure that compliance to industry and regulatory standards is maintained. This is achieved through continuous monitoring, a rigid approach to quality control and assurance, and a prudent business approach.
IT Infrastructure upgrades Adequacy and effectiveness of IT governance, the integration of IT systems, and cyber security.	The IT division employs best practice project management and IT development and maintenance methodologies to ensure that the IT infrastructure remains up to date and able to serve the businesses' needs. Over the past year, particular focus has been placed on ensuring that the cyber-security infrastructure of the Group is able to provide effective defence against attacks or intrusions.

Strategic pillars impacted:

- Build on foundation
- Growth and expansion
- Transformation

Key Risks	Controls in place to mitigate the risks
Interruption of supply by utility providers The interruption of supply of water and electricity poses the threat of suspending production and compromising product supply.	Ongoing maintenance and upgrading of back-up power and water facilities, including upgrading storage tank and water purification capacities.

Strategic pillars impacted:

- Build on foundation
- Growth and expansion

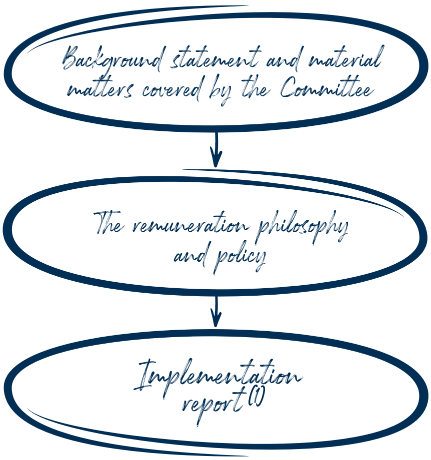
Key Risks	Controls in place to mitigate the risks
Product portfolio Parts of the product portfolio consists of relatively old molecules.	Ongoing focus on concluding partnerships with multinational principals in the Prescription, OTC and Hospital divisions to expand our product range. Continuing development of the non-regulated product portfolio, particularly in the Consumer business.
Plant mechanisation Stock levels and order infill rates may be put under strain in the event of a critical plant breakdown.	This risk is mitigated through ongoing maintenance plans, plant upgrades and, where possible, contingency plans are developed to produce key products at alternate sites within the Group.

Remuneration

This report provides an overview of the Group's approach to remuneration with particular focus on executives and non-executive directors.

The background against which Adcock Ingram's Remuneration Report is set, is continuously evolving, driven by macro and socio-economic factors, regulations and practical considerations.

In line with the King IV code on corporate governance for South Africa, the report is presented by the Company's Human Resources, Remuneration and Nominations Committee (Committee), appointed by the Board, which should ensure that the Company's remuneration aligns to achieve its strategic objectives and positive results in the short-, medium-, and long-term, and comprises three parts:



BACKGROUND STATEMENT

A key component in Adcock Ingram's sustained performance over many years has been its ability to attract, develop and retain competent talent in a highly competitive skilled market.

We strive towards making Adcock Ingram a preferred employer for current and prospective employees and rely on an employee value proposition (EVP) among other mechanisms to achieve and maintain this status.

During the year under review, the Company has conducted several divisional employee engagement surveys to assess the relevance of our offerings. The outcomes of the surveys and next steps were shared and explained to our employees.

At the Annual General Meeting (AGM) held on 21 November 2018, and in accordance with the recommendations of King IV, the Group presented both the remuneration policy and the implementation report as two separate non-binding resolutions to shareholders for approval. The Group received overwhelming confirmation from shareholders with 98.41% votes received in support of the remuneration policy and 98.72% endorsing the implementation report. The special resolution, for remuneration payable to non-executive directors, received 95.62% of the votes in its favour. In the event that the remuneration report and/or the policy are voted against by shareholders exercising 25% or more of the votes exercised, the Company shall in its voting results announcement, provide an invitation (including the manner and timing) to dissenting shareholders to engage with the Company.

(1) Refer to page 165

GOVERNANCE, COMMITTEE COMPOSITION AND MEETING ATTENDANCE

As a Committee of the Board, this Committee assists in setting the Group's remuneration policy as well as remuneration for non-executive directors. It operates according to approved terms of reference.

The Committee consists of four (4) non-executive directors. The majority are independent as defined by King IV. Three (3) scheduled meetings are held per year and when necessary, special meetings are held. The Chief Executive Officer (CEO) and the Executive Director (ED) for Human Capital and Transformation are permanent invitees at the Committee meetings but do not vote, and are not present when their own remuneration is discussed.

Committee members	Meeting attendance
Chairperson	
L Boyce	5/5
Members	
N Madisa*	2/3
M Makwana*	3/3
C Manning*	2/2
C Raphiri*	5/5
Invitees	
A Hall	5/5
B Letsoalo	5/5
C France (21st Century)	4/4
M Phillips (21st Century)	3/4

Nominations Committee Committee members	Meeting attendance
Chairperson	
C Raphiri*	5/5
Members	
L Boyce	5/5
N Madisa*	2/5
C Manning*	1/3
Invitees	
A Hall	3/4
M Haus	2/2
J John	1/1
B Letsoalo	4/4
D Neethling	1/1

** See changes to the Board.*

INDEPENDENT AND EXTERNAL ADVICE

The Committee continues to use independent external remuneration consultants for advice on remuneration and market benchmarking. 21st Century conducted a market positioning and individual benchmarking review for the executive directors and executive management as well as providing data for NED fees. The Committee is satisfied that 21st Century work was conducted objectively and independently.

THE KEY AREAS OF FOCUS BY THE COMMITTEE FOR THE REPORTING PERIOD WERE:

- reviewed its terms of reference to ensure alignment with King IV principles and recommended them to the Board for approval;
- approved the appropriate comparator group for benchmarking remuneration levels;
- reviewed and approved remuneration of the executive directors, executive management and the Head of Internal Audit;
- reviewed and recommended to the Board the fees for the non-executive directors (NED) for Shareholders approval at the AGM;
- in line with King IV recommendations the Committee reviewed single figure remuneration (guaranteed pay and variable pay) for executive directors and executive management;
- reviewed and approved the short-term incentive (STI) scheme and the standard operating procedure thereof;
- adopted the principle of "Malus and Clawback" in accordance with King IV. This means that the Board could either claim back a benefit (STI) that has already vested to a beneficiary or invoke forfeiture of a pre-vesting benefit, as a result of a transgression by a beneficiary. These principles are fully set out in the standard operating procedure of the STI scheme.
- approved and recommended the financial and non-financial metrics for STIs and long-term incentives (LTI);
- approved the implementation plan for the Performance-Based Long-Term Incentive Scheme (PBLTIS), which was approved by shareholders during the 2018 AGM;
- considered the phantom share option allocation for the retention of key talent;
- considered succession management for the executive directors and the executive management team;
- approved the principles for salary increases for non-bargaining unit employees;
- approved the remuneration report (including the policy and implementation) before publication in the Integrated Report; and
- reviewed the Gini-coefficient of the Group.

FUTURE FOCUS AREAS

- succession management for executive directors and development plans for potential successors to the executive management team;
- implementation of "malus and clawback" provisions on both short-term and long-term incentives;
- consider additional non-financial performance metrics in line with business strategy; and
- implement divisional health check surveys/employee engagement.

REMUNERATION PHILOSOPHY

Adcock Ingram's remuneration philosophy is aimed at driving a high-performance culture by ensuring that our employees are motivated and committed to the success of our business. It is designed to attract, develop, motivate, deploy and retain talented employees who enable the business to pursue and achieve its strategic objectives and enhance shareholder value.

The remuneration philosophy is transparent and based on the principles of market competitiveness, internal equity, transformation imperatives and includes pay for performance.

The principles reinforcing the remuneration policy are:

- remuneration practices are aligned with the corporate strategy, vision and values;
- remuneration is reviewed regularly through independent service providers to ensure that the Group remains competitive;
- remuneration recognises individual contributions, based on span of control, role, scope and responsibilities;
- incentive-based rewards are earned by achieving challenging performance targets consistent with shareholders' interests over the short- and long-term;
- the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the Company;
- performance conditions used in variable pay structures support positive outcomes across the economic, social and environmental context in which the Company operates, and/or the capitals the Company uses or affects; and
- the design of long-term incentives is prudent and does not expose shareholders to unreasonable financial risk.

BENCHMARKING

Benchmarking is a robust indicator of fairness and a competitive reward system.

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

Adcock Ingram aspires to pay variable pay at the market upper quartile (75th percentile) taking into account the following factors:

- affordability;
- performance;
- transformation;
- industry skills; and
- internal equity.

Benchmarking process:

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

A bias towards variable pay is intended to drive extraordinary performance, shareholder value, employee engagement and retention. Participation in the STI and LTI schemes are dependent on individual performance, criticality of the role and the level within the organisation.

NON-EXECUTIVE DIRECTORS (NED)

NED fees have been independently benchmarked by 21st Century. The remuneration was benchmarked against the national market data incorporating size and complexity. The factors that influence the NED remuneration include among others:

- Company remuneration philosophy; and
- the NED level of responsibility.

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

REMUNERATION FRAMEWORK

The remuneration policy and the implementation thereof are focused on achieving a fair and sustainable balance between guaranteed packages and variable pay (STIs and LTIs).

Below is the abridged framework:

	Guaranteed pay	Short-term incentives	Long-term incentives
Participation	All permanent employees	Executive directors, executive management and key employees	Executive directors,executive management and key employees
Performance Period	Ongoing	One (1) year	Three (3) to five (5) years
Mechanics	CPI, market-related and individual performance	Formula directed, with committee discretion	Formula directed
Method of delivery	Cash	Cash	Share options
Timing of delivery	Monthly with increases granted in December	Annually in September	As per vesting cycle
Performance measures	Individual performance targets	Trading profit**, ROFE and non-financial metrics	HEPS growth ROFE and non-financial metrics
Purpose	Attraction and retention	Delivery of one year strategic initiatives and financial performance	Attraction and retention

** The Committee is satisfied that the objectives of the remuneration policy were achieved*
*** Has to be achieved for any payment to be made.*

Detailed framework:

Remuneration

GUARANTEED PAY
To attract and retain high calibre talent with the optimum mixtures of competencies.

VARIABLE PAY
To motivate and retain executives and key employees to achieve short- and long-term financial and non-financial objectives of the Group

BASIC SALARY

- Market related salary tailored to roles and performance
- 13th cheque guaranteed for bargaining unit employees
- TGPs are reviewed annually against market data
- Increases are awarded in December each year to non-bargaining unit employees and in July to bargaining unit members
- The actual percentage increases awarded to non-bargaining unit employees are determined by considering CPI, business performance, market trends, affordability and addressing pay anomalies

BENEFITS

Market competitive suite of benefits offered as part of TGP, including:

- Provident fund
- Vehicle insurance
- Travel allowance
- Group life insurance
- Disability cover
- Funeral benefits
- Medical aid

Other non-financial benefits offered, including:

- Employee wellness
- Long service awards
- Learning and development opportunities

STI

Reward individual performance measured for a period of up to one year

SALES STAFF

For the achievement of sales targets, sales incentives are paid to qualifying sales employees on a quarterly basis.

KEY SENIOR EMPLOYEES

An annual performance incentive paid on the achievement of the following predetermined financial and non-financial targets for the year:

Commercial divisions (OTC, Prescription, Hospital and Consumer)

- Trading profit (70% weighting; in the case of managing directors the weighting is 65%)
- Return on funds employed (ROFE) (15% weighting), subject to the achievement of the trading profit target
- For managing directors an additional performance metric (20% weighting) is in place, and includes targets such as market share, new business development and factory performance.

Distribution

- Controllable costs (50%)
- On time delivery (25%)
- Order infill rate (25%), the last two (2) only payable if the first metric has been achieved.

Corporate

- Trading profit (70% weighting: in the case of executive directors, the weighting is 65%)
- Return on funds employed (ROFE) (15% weighting), subject to the achievement of the trading profit target
- For executive directors, additional performance metrics (20% weighting) are in place and include targets for transformation, headline earnings per share and disposal of non-core assets.

LTI

Motivate management and key talent to achieve long-term performance and to enhance retention

SCHEMES

Equity and phantom option schemes for the retention of critical employees and key skills by the annual allocation of options which vest in equal tranches, three (3), four (4) and five (5) years after the grant date.

Tiger Brands Black Managers Trust (BMT) for the retention of black managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Adcock Ingram employees who were employed prior to Adcock Ingram been separately listed on the JSE, form part of the scheme. Vested rights were issued subject to various lock-in periods.

Mpho ea Bophelo scheme which is governed according to equality and reparation principles. For more details, refer to Annexure B.

Eligibility
Equity and phantom option schemes:

- Executive management
- Senior management committee
- Other senior employees with critical skills

BMT:

- Black managers of the Tiger Brands Group, which at that time incorporated Adcock Ingram managers

Mpho ea Bophelo:

- All permanent black employees in South Africa and those who were naturalised before 1994, who have elected to participate in this scheme

Beneficiaries
Equity and Phantom option schemes:
44 employees

BMT: 145 remaining participants
Mpho ea Bophelo: 2 411 employees

The remuneration philosophy and reward framework are intended to achieve the following outcome:

Great company culture and leadership	The Group aspires to be a great place at which to work. A high-performance culture is the cornerstone of the Company and the leaders continuously strive to act ethically and with integrity in line with the Company's values.
Exciting and fun work	Where employees are not having fun they seldom produce good quality work.
Ongoing learning opportunity	Apart from learning and development, the importance of taking personal responsibility for continuous learning and self-development as a critical success factor, is emphasised. Employees are encouraged to continuously acquire new skills and knowledge so that they remain relevant.
Well-being	To achieve strategic objectives, employees should be placed at the centre of everything the Company does. It is therefore critical that investment is made in the well-being of employees. The wellness offerings such as ICAS, the gym, and the site clinic play a vital role in the achievement of this aspiration.
Shareholder value	The ultimate measure of the Company's success and sustainability is the extent to which shareholders' returns are measured.

PERFORMANCE OUTCOMES FOR THE STI PAID OUT IN SEPTEMBER 2018

As reported in the previous Integrated Report, the Company will disclose the STI performance on a historical basis and targets would include both financial and non-financial metrics. The performance outcome is listed below:

Commercial divisions (OTC, Prescription, Hospital and Consumer) were measured against the following:

- Trading profit (70% weighting; in the case of managing directors, the weighting was 60%).
- Return on funds employed (ROFE) (30% weighting), only payable if the trading profit target had been achieved
- For managing directors, an additional performance metric (10% weighting) was introduced, based on the individual's position and included targets for market share, new business development and factory performance, as examples.

For the Commercial divisions the following payments were made in September 2018, based on performance for the year to June 2018:

Business Unit	Trading Profit	ROFE	Additional performance Metrics	Amount Paid R'm	Number of Beneficiaries
Prescription	Stretched	Not achieved	Achieved	4.9	9
OTC	Stretched	Achieved	Achieved	4.4	7
Hospital	Stretched	Achieved	Achieved	3.5	5
Consumer	Not achieved	Not achieved	Not achieved	–	0

Corporate employees were measured against the following:

- Trading profit (70% weighting; in the case of executive directors the weighting was 60%).
- Return on funds employed (ROFE) (30% weighting), only payable if the trading profit target had been achieved.
- For Executive Directors an additional performance metrics (10% weighting) were introduced and included targets for transformation and headline earnings per share.

For Corporate employees the following payments were made in September 2018:

Business Unit	Trading Profit	ROFE	Additional performance Metrics	Amount Paid R'm	Number of Beneficiaries
Corporate	Stretched	Achieved	Achieved	16.3	21

For the Distribution division, the financial and non-financial metrics are different from the Commercial divisions. Distribution was measured against the following:

- Trading profit (40%);
- On-time delivery (25%);
- Order infill rate (25%); and
- New business development (10%).

The performance outcome is listed below:

Business Unit	Trading Profit	Service Levels	Additional performance Metrics	Amount Paid R'm	Number of Beneficiaries
Distribution	Not achieved	Achieved	Not achieved	0.8	4

SOCIAL, ETHICS AND TRANSFORMATION (SET) COMMITTEE

The Committee is constituted as a statutory committee in terms of section 72(4) and regulation 43(1) of the Companies Act (71 of 2008) and a Committee of the Board in respect of duties assigned to it.

COMPOSITION AND MEETINGS

The Committee consists of two non-executive directors and one executive director.
The attendance of the Committee meetings was as follows:

	Meeting attendance
Chairman	
A Mokgokong	3/3
Committee Members	
A Hall*	2/2
T Lesoli *	2/2
B Letsoalo	3/3
C Manning*	1/1
Invitees	
A Hall*	1/1
D Mashile (Public Affairs Executive)	3/3
D Nabarro (Marsh Risk Advisor)	3/3
S Pietropaolo (Head of Internal Audit)	3/3
K Singh (Corporate Communications Manager)	3/3

Refer changes to the Board.

Projects supported

SAME FOUNDATION

EFFORTS IN SUPPORT OF TROPICAL CYCLONE IDAI

ROLE OF THE COMMITTEE

The Committee's mandate and scope are informed by the Companies Act, its terms of reference, the Board charter, King IV on corporate governance for South Africa and the Company's policies.

ACHIEVEMENTS IN 2019

During the year, the Committee reviewed the terms of reference including the 6 capitals to align to King IV. Some of the key considerations by the Committee in 2019 include:

Manufacturing capital	Human capital	Intellectual capital	Natural capital	Social and relationship capital
▸ Monitoring the recovery to expense ratio metrics to measure factory performance and sustainability. ▸ Reviewed the sustainability of the owner-driver scheme. ▸ Implemented and monitored energy and water conservation initiatives at factories.	▸ Tracked talent management. ▸ Monitored the economic transformation programmes. ▸ Monitored achievement and challenges of the Employment Equity plan. ▸ Monitored the health and safety standards and statistics. ▸ Monitor the Broad-Based Black Economic Empowerment score card and associated risks. ▸ Monitored progress on learning and development initiatives.	▸ Monitored regulatory compliance. ▸ Monitored submission of product applications and amendments. ▸ Monitored compliance to advertising standards.	▸ Monitored the environmental and sustainability initiatives at factories such as: - Energy consumption; - water consumption; and - carbon footprint. ▸ Tracked factory environmental actuals against targets.	▸ Monitor progress on My Walk initiative (partnership between Netcare and Adcock Ingram Critical Care). ▸ Major projects were considered in relation to transformation strategy. ▸ Assessed stakeholder management activity report. ▸ Monitored the Group's media exposure. ▸ Monitored the implementation of the Youth Employment Services Programme (YES).

FUTURE FOCUS

- Continue tracking environmental performance
- Extend My Walk project
- Continue to improve B-BBEE scorecard performance and compliance
- Report on public interest (PI) score at the end of the financial year
- Revisit and revise the nature of social economic development initiatives to support business strategy
- Explore sustainable enterprise supplier development initiatives
- Build strong relationships with regulatory authorities (South African Health Products Regulatory Authority) to enable us to share our challenges and co-create solutions

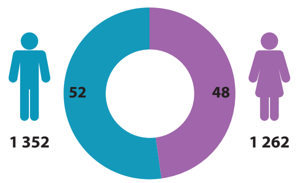
Human capital

At a glance

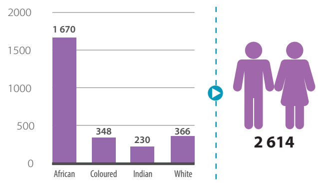
A culture of transparency, non-discrimination, innovation, quality and empowerment of our people.

Human capital is the glue that holds the strategic pillars of our organisation together and creates a culture where business success, compliance, diversity and inclusivity are seamlessly bound. We strive for a workplace that unleashes employees' potential, encourages an entrepreneurial mindset and fosters integrity at all times.

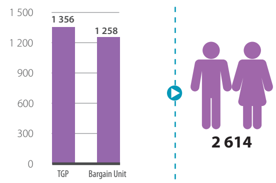
Headcount by gender



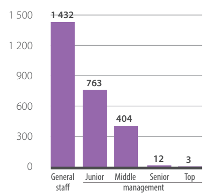
Headcount by race



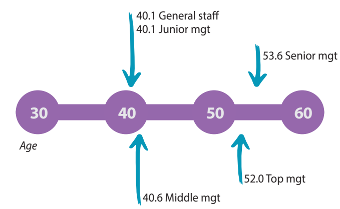
Headcount by remuneration type



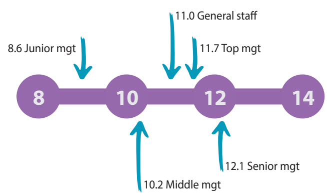
Headcount by grade



Average age by grade



Average length of service by grade (years)

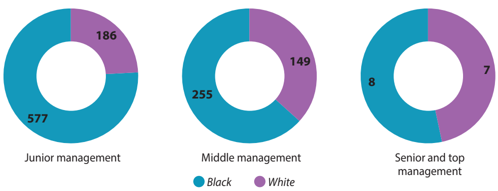


Disabled employees

2.6% of our workforce are disabled

67 People

Management composition

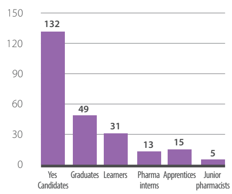


Training

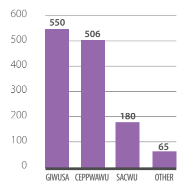
3.3% of payroll is invested in training programmes

471 People

Talent pipeline



Union representation



CAPACITY BUILDING

While we strive to grow, develop and retain our own timber, we are constantly searching for people who enjoy working in a heavily regulated, robust, progressive and changing environment and people who thrive on high performance. This approach is consistent across our business and is reflected in our Human Capital management practices.

Adcock Ingram continues to give full attention to executive succession plans and the growth of our leaders. Focused development programmes, job enlargement and on-the-job training is provided and encouraged for all employees.

TALENT MANAGEMENT

Adcock Ingram is committed to a talent management strategy focused on attracting, developing, rewarding and recognising the required capabilities and competencies to drive a high-performance organisation.

We have managed to mitigate the effects of the war for talent by refining our employee value proposition, learning and development interventions, enhancing the incentive framework, and embedding a supportive culture. Adcock Ingram's Human Capital (HC) team continuously conducts health check interviews to determine engagement levels, and push and pull factors for employees. These health check interviews include exit interviews, post-placement interviews and stay discussions.

Talent and succession management is vital for an organisation's effectiveness and its sustainability. With the succession planning process, we have the means of ensuring that the interventions and plans that are crucial to its operation are sustained beyond the tenure of the individual currently responsible for them. A succession planning approach focuses on building the pipeline of internal talent.

Our succession management follows the leadership model illustrated below.

Human capital continued

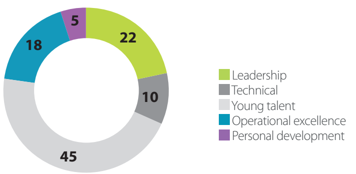
DEVELOPING AND RETAINING SKILLS

With the tightening labour market and shortening shelf life of skills, creating and maintaining a skilled workforce that will ensure effective and efficient manufacturing and delivery of our products and services, remain a challenge. Employees are able to advance their skills ranging from on-the-job training, functioning skills, basic literacy and numeracy, computer-based training, to management and leadership programmes.

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

Adcock Ingram focuses on the following categories in learning and development and depicts the number of participants.

Categories of training and participants
(%)



It should be noted that young talent includes the Youth Employment Service graduates.

The growth and development of talent is one of the human capital strategic priorities. A robust pipeline of young talent into the organisation ensures effective implementation of succession to meet short- and long-term business needs.

The table below depicts the beneficiaries of formal training interventions, and excludes all functional, compliance and safety training:

Male	
African	197
Coloured	16
Indian	15
White	15
Total male	**243**
Female	
African	188
Coloured	5
Indian	20
White	15
Total female	**228**
Total	**471**

Skills development at Adcock Ingram aims to:

- provide learning and career development opportunities for all employees;
- ensure a sustainable supply of talent to meet current and future business needs;
- implement leadership programmes aligned to succession management;
- support Adcock Ingram's transformation agenda, thereby improving the Broad-Based Black Economic Empowerment rating on skills development;
- ensure compliance with Skills Development legislation, such as Workplace Skills Plan (WSP), Annual Training Report, and Discretionary Grant Planning;
- lead and influence the Chemical Industries Education and Training Authority (CHIETA) regarding the pharmaceutical sector, environment and skills needs;
- forge strategic partnerships with external providers (Universities and Technikons) to compete for the best available talent in the pharmaceutical industry; and
- meet compliance requirements by implementing compliance, functional and safety training.

Skills development is critical to ensure that we have the right people capability to deliver on the Group strategy. As part of the strategy to develop employed as well as unemployed learners, various programmes were conducted during the period under review for a number of beneficiaries.

SKILLS DEVELOPMENT EXPENDITURE

Training expenditure as a percentage of leviable amount:	3.34%
Total training spend (females) =	R17.3 million
Total training spend (males) =	R17.1 million
Total training spend in South Africa =	R34.4 million

PROMOTING EMPLOYEE HEALTH AND WELLNESS

Over and above the devastating emotional, social and financial impact that the serious illness or death of a loved one and breadwinner can have on his or her family, illness and death of employees also negatively impact companies and the economy at large. In response, Adcock Ingram offers an Employee Assistance Programme in conjunction with ICAS that provides employees access to services promoting individual health and well-being, including financial and mental wellness.

We also provide on-site screening facilitated at our on-site clinics and include HIV testing and flu-vaccinations.

HEALTH AND SAFETY

Occupational Health and Safety statistics at the different sites are monitored quarterly and compared to the prior year's quarterly performance. There were neither fatalities nor occupational diseases during the period under review and no significant safety risks were noted. The Safety, Health and Environment (SHE) Committee meetings are held monthly with good attendance from the critical members of the Committee. In addition, realistic targets are set for the following quarter. Having regard to the 4th quarter's statistics, the Group as a whole had a marginal increase in reported First Aid cases, whilst both Medical and Lost Time cases showed slight declines. The Lost Time Injury Frequency Rate (LTIFR) improved from 0.49 to 0.38 and the Recordable Injury Frequency Rate (Recordable IFR) improved from 1.86 to 1.30. Overall, safety awareness at all sites improved and proactive awareness programmes are in place to ensure the safety and well-being of Adcock Ingram employees are not compromised in any way.

EMPLOYEE RELATIONS

Driven by our ambition of creating a constructive, safe and fair working environment for all our employees, our managers engage directly with employees regularly to address issues of mutual interest. We work closely with employees' representatives and shop stewards to ensure everyone has a voice in matters that affect them daily.

Our employees have freedom of association with over 43% of employees in South Africa belonging to unions (including three major sector unions).

During the year, the following initiatives were implemented to build sound relationship with the trade unions:

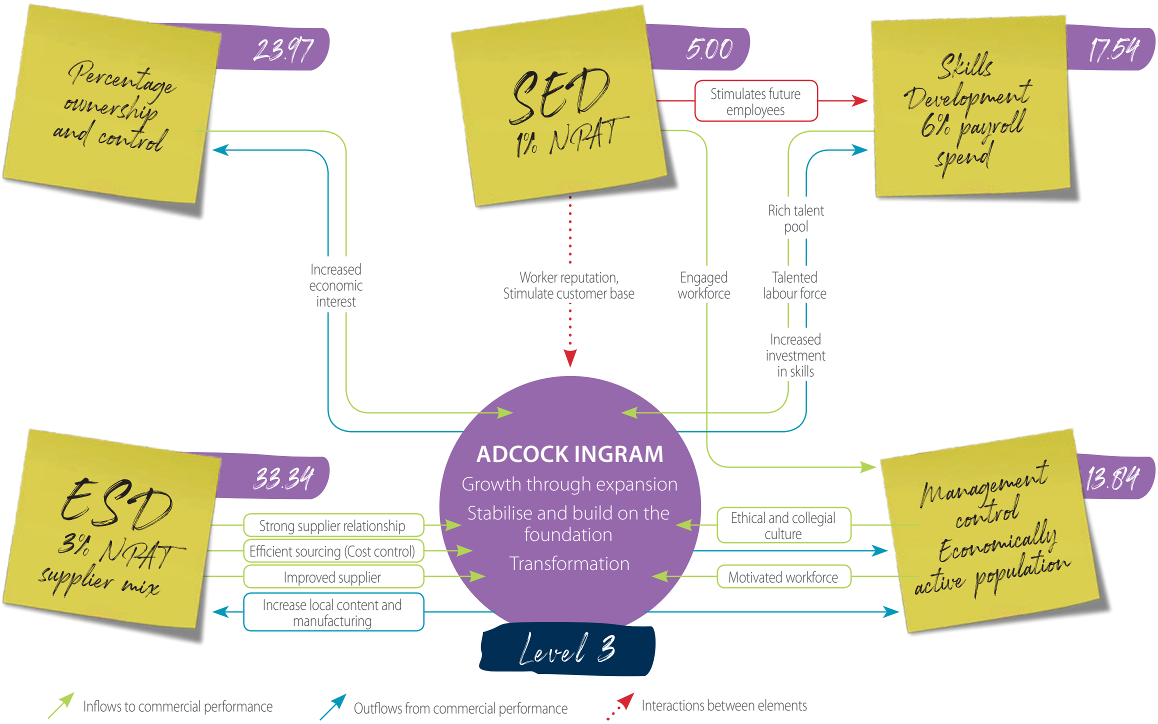
- Relationship building workshops were held.
- Attendance and participation of shop stewards at the transformation site forum.
- Monthly meetings between management and shop stewards to address issues of mutual interest.
- A workshop for shop stewards and employee representatives on effective management of substance abuse in the work place.

No days were lost during the financial year because of industrial action.

TRANSFORMATION, DIVERSITY AND INCLUSIVITY

Adcock Ingram retained its B-BBEE level 3 status in 2019. This was as a result of a concerted effort from the leadership team as well as business units focusing on all the various elements of the scorecard.

Below is our integrated approach to B-BBEE:



Human capital *continued*

PROGRESS ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Adcock Ingram will always remain compliant to the Broad-Based Black Economic Empowerment Act (B-BBEE Act) ensuring that we contribute meaningfully towards national priorities to transform the industries we operate in, to make the economy more inclusive. Under the purposeful stewardship of the Social, Ethics and Transformation Committee (SET), we have continued to improve on achieving our transformation agenda and plan to set the Company on a sustainable growth track. Therefore, the B-BBEE level status accomplished for the 2019 financial year as independently assessed by EmpowerLogic in November 2018 resulted in a Level 3.

SKILLS DEVELOPMENT

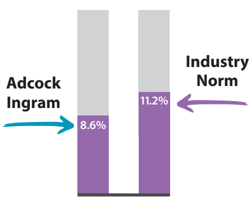
As one of the major players in the South African economy, we have a responsibility to intensify our drive to retain talent because of the associated costs in losing key talent and consistently do more work to align our employer brand, to attract potential talent and deepen our affinity with our employees.

It is without a doubt that a sustainable business is dependent on a skilled workforce; where good skills ensure effective and efficient manufacturing and delivery of our products and services, which is in line with Good Manufacturing Practice (GMP). GMP is what differentiates us in the market because our medicines and brands must consistently be produced and controlled according to quality standards with the key aim to reduce the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product.

One of the ways in which we get our employees engaged is in developing their skills, and they are enabled to advance more rapidly through the organisation and are also more likely to stay with Adcock Ingram. On offer for our people are various training opportunities ranging from basic literacy and numeracy, computer-based training, management and leadership programmes.

A careful balance is maintained in developing employees through training and meeting the business operational needs. We close the gap between current education and labour needs; provide meaningful real work learning experiences, and advance transformation as an essential strategic imperative for the Group. We consistently strive to be a learning organisation that responds to changing market demands and the unpredictable operating environment.

Attrition



WORKFORCE PROFILE OF EMPLOYEES IN SOUTH AFRICA

Number of permanent employees	2019	2018
Gender split		
Male	**1 352**	1 350
Female	**1 262**	1 260
Racial split		
African	**1 670**	1 652
White	**366**	388
Indian	**230**	227
Coloured	**348**	343
Ethnic and gender split		
Black male	**1 356**	1 189
White male	**146**	161
Black female	**1 041**	1 033
White female	**221**	227

TYPES OF EMPLOYEES

	2019	2018
Total guaranteed package	**1 356**	1 339
Bargaining unit	**1 258**	1 271
Permanent employees	**2 614**	2 610
Contract/temporary employees*	**312**	258

** Including YES candidates*

EMPLOYMENT EQUITY

We are continually pursuing our compliance to the Employment Equity Act, which is a national objective to achieve Employment Equity, by putting in place systems to enable a diversified and equitable workplace that reflects the South African demography. There has been far-reaching work done to ensure integrated and sustainable Employment Equity Act compliance and consultation across the business through the National Transformation Forum and site forums in all our business divisions.

The Forum is a structure that assists in monitoring and implementing measures to eliminate unfair discrimination in the workplace; and implement affirmative action measures to achieve equitable representation of designated groups (African, Coloured and Indian, also knowns as Black people) in all occupational categories and levels.

FOCUS

- Improve employee engagement (staff morale).
- Employ 5% of current intake of 132 YES graduates.
- Implement Human Capital metrics to add value to the business.
- Increase cover ratio for executive management successors in line with transformation.
- Consider sustainable enterprise supplier development.

Youth Employment Service YES

One of the growing concerns in our country over the more recent years has been the escalating unemployment rate more specifically amongst the youth. During his Budget Speech address in 2018, President Cyril Ramaphosa officially launched the YES initiative in an effort to introduce a cause to work towards closing the gap with this concerning reality. This was also a call to action for organisations to become involved in this country-wide imperative.

Adcock Ingram, in line with its transformation agenda, was one of the first companies to heed the call by the President and established a partnership with YES and committed to provide quality workplace experience to the unemployed youth.

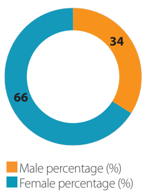
The first phase was launched at the head office in Midrand in November 2018, whereby 27 graduates were welcomed into the programme. We are proud to say that this programme is a growing success and the fact that we had a total intake of 132 graduates by the end of March 2019, is testament to this fact. There has been an appetite from the business to grant YES graduates permanent positions, subject to affordability and performance of the graduate.

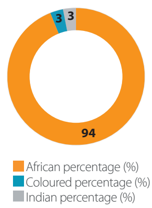
At this juncture, we saw it only fitting to host a commemoration ceremony that gave our graduates a platform to share their experiences. Also present on the day were YES graduates, representatives from YES, Dr Thato Matshaba, Director for HIV Prevention Programmes of the National Department of Health, representatives from The Chemical Industries Education & Training Authority (CHIETA), YES graduate mentors and we were also supported by the Executive Committee of Adcock Ingram.

'We are truly honoured to have partnered with YES to address the critical challenge of rising youth unemployment levels facing our country. Many of us overlook the fact that the youth of today are tomorrow's leaders, and listening to our graduates, a common theme is that they not only believe that they are gaining valuable skills and knowledge, but that they really have embraced the culture of the organisation. We believe that this initiative is built on a sustainable model and I would encourage other companies in South Africa to become part of this legacy' - Basadi Letsoalo

With sustainability being a core feature of YES, youth are equipped with smartphone devices which provides them with subsidised data and access to critical skills content including work readiness, health and safety, and financial wellness related material. Through the YES partnership with LinkedIn, YES youth are trained on how to build a professional profile on the world's largest professional networking site. Host companies are then able to track the performance of their youth through the YES supervisor app which provides real-time data gathering as well as insights on the success of the work placements.

GENDER AND RACE SPLIT





Intellectual capital

DRUG MANAGEMENT AND DEVELOPMENT (DMD)

OVERVIEW

The DMD department in Adcock Ingram comprises a team dealing with all key scientific functions in the Group, including Regulatory Compliance, Medical Affairs, Group Quality Assurance, and Research and Development Implementation.

A key part of Adcock Ingram's Intellectual Capital resides in this group of almost 100 employees ranging in skills from scientists, laboratory analysts, pharmacists and medical doctors.

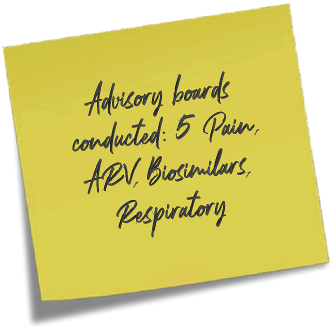
This group partners with all the divisions across Adcock Ingram and provides the necessary technical and professional services required by the Group. They are pivotal to the seamless functioning of Adcock Ingram's commercial functions. The team strives to maintain and keep abreast of cutting-edge research in pharmaceutical development by continuous process improvement and professional development initiatives in order to best serve Adcock Ingram.

100 years of Collective Senior Leadership Experience in Medical and Pharmaceutical sector

Research and development implementation (RD&I)	Medical affairs
The RD&I site is a stand-alone facility equipped with an analytical laboratory, a laboratory scale manufacturing plant and walk-in stability chambers.	Interacts with physicians and other healthcare professionals who utilise the Company's products.
Areas of responsibility	**Areas of responsibility**
▶ Sustaining the current product portfolio to support the organic growth of the business. ▶ Initiating product improvements in line with regulatory compliance and technological advancements in the pharmaceutical field. ▶ Technology transfer in collaboration with the production sites with the aim of introducing a high-level of operational efficiency. ▶ Generating product dossier source documents benchmarked to international requirements, to support expansion into new markets. ▶ Efficient testing and release of products to propel the supply chain in order to achieve speed to market.	▶ Provision of medical information to healthcare practitioners and consumers. ▶ Management of pharmacovigilance activities such as adverse events, safety updates and regular reporting to SAHPRA on pharmacovigilance requirements. ▶ Provides scientific support and training to internal stakeholders. ▶ Assists the regulatory departments in scientific reviews of package inserts/labels and clinical responses to SAHPRA. ▶ Drives all Advisory Boards in preparation for product launches. ▶ Maintains ongoing relationships with key physicians involved in Adcock Ingram's product pipeline and portfolio. ▶ Ongoing engagement with healthcare funders on reimbursement discussions around the pipeline products.

20 new product applications
12 new product approvals
207 amendment submissions

Medical information queries: 689
PV reports: 215



Responsible pharmacist and regulatory compliance	Group quality assurance
Responsible for ensuring that Adcock Ingram's licence with SAHPRA is maintained through enforcing the Medicines and Related Substances Act 101 0f 1965, with a mandate to ensure quality, safe and efficacious medicines are registered for the South African public.	Commitment to Good Manufacturing Practice and licence obligations across the Group's product manufacturing, storage and distribution value chain.
Areas of responsibility	**Areas of responsibility**
▸ Regulatory affairs systems: supports the Regulatory Affairs department's use of electronic systems (eCTD Docubridge) to manage dossier life cycles and provides training to regulatory staff to optimise system usage. ▸ Compliance department: reviews all marketing promotional material, Company organised events and sponsorships according to the Code of Marketing Practice for Health Products. ▸ Artwork department: responsible to ensure that all changes required to Adcock Ingram's packaging is evaluated and implemented timeously.	▸ Management of customer complaints; investigates, analyses and resolves to minimise the possibility of recurrence. ▸ Annual product quality reviews: to verify consistency of the manufacturing process, assess trends, determines the need for changes in specifications, production, manufacturing and/or control procedures and evaluates the need for re-validation. ▸ Vendor auditing to evaluate that suppliers provide the necessary goods/services to the required standards and these include API manufacturers, packaging suppliers, final product manufacturers, etc. ▸ Quality management oversight of all contract manufacturing sites for pharmaceuticals, CAMs, and food and cosmetics to ensure compliance to required standards. ▸ Stability program ensures that stability studies are performed annually on all registered products to evaluate product under different conditions of temperature and humidity during shelf life.

2019 Achievements

- Implementation of Phase 1 of CaliberQAMS for change controls, deviations and CAPAs across the Group and maintenance of 617 active users to date.
- Implementation of state-of-the-art pharmacovigilance system in order to optimise SAHPRA's and other health authorities' pharmacovigilance reporting.
- Leading an initiative in arranging an industry-wide pharmacovigilance conference involving stakeholders from industry and SAHPRA.
- RD&I implemented four major product improvement and technology transfer projects at the production sites of Adcock Ingram.
- The Quality Control Laboratory (QCL) at the RD&I site is one of only three QCL's in South Africa which are prequalified by the World Health Organisation (WHO) and may thus be invited to participate in critical monitoring projects that are undertaken periodically to assess the quality of medicines procured by United Nations (UN) agencies. In 2019, the RD&I QCL participated in a world-wide proficiency test which is an international metric of laboratory performance.

BRANDS AND REPUTATION

Over the years, Adcock Ingram has developed several iconic household brands such as Panado, Compral, Bioplus, and Gen-Payne, to name a few. Brands are evolved and kept relevant to their markets through regular monitoring of the South African retail and consumer landscape and continuous marketing activities, utilising various communication platforms such as in-store campaigns, digital campaigns, TV and print media. All promotional activities comply with the applicable legal, regulatory and professional requirements,

Adcock Ingram's in-house Information Technology department provides the digital backbone for all our management systems.

Adcock Ingram leverages its market-leading distribution system to provide sales and distribution services to many leading companies.

Adcock's Ingram's market share in the major product categories can be found in the various operational divisions' reviews.

Strategic Focus

- Ensure compliance to The Medicines and Related Substances Act 101 of 1965 (as amended) in South Africa with a mandate to ensure quality, safe and efficacious medicines are registered for the South African public. A key focus for this year was on Regulatory dossier compliance and the SAHPRA Backlog Project initiatives.
- RD&I to apply scientific knowledge and skills coupled with innovative approaches and suitable risk management tools to generate, compile and interpret technical data as evidence of the quality, safety and efficacy of Adcock Ingram products.
- Commitment to GMP and licence obligations across the Adcock Ingram value chain from raw material acquisition to final product release.
- Planning and implementing a validated electronic quality management system (CaliberQAMS) for six modules namely change control, deviation, CAPA, customer complaints, self-inspections and audit management across the Group in two phases.
- Actively participate and contribute to discussions that affect the South African pharmaceutical landscape in so far as regulatory and technical aspects, through representation on various trade and professional associations in South Africa. This is an ongoing strategic focus to ensure the Company's participation in pharmaceutical developments which affects the industry.
- Maintain scientific relationships with key stakeholders of Adcock Ingram, including physicians, healthcare funders and other healthcare professionals to ensure quality medical/scientific information on Adcock Ingram's products and pipeline with particular focus on launch products of ARVs and biosimilars.

TRADEMARK AND PATENTS

Adcock Ingram is the proprietor of the following which are protected through employment contracts, confidentiality agreements and license agreements.

Registered trademarks in South Africa	1 344
Pending trademark registration inside South Africa	98

MEMBERSHIP OF VARIOUS PROFESSIONAL BODIES AND INSTITUTIONS

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

Human capital	Health and Welfare Sector Education and Training Authority (HWSETA) Labour Affairs Association of the Pharmaceutical Industry (LAAPI) National Bargaining Council for the Chemical Industry (NBCCI) The Chemical Industries Education and Training Authority (CHIETA) Transport Education and Training Authority (TETA) South African Rewards Association (SARA)
Manufactured capital	Cosmetic, Toiletry and Fragrance Association (CTFA) Pharmaceuticals Made in South Africa (PHARMISA) The Self-care Association of South Africa, previously the Self-Medication Manufacturers Association of South Africa (SMASA) The South African Generic Medicines Association (SAGMA)
Intellectual capital	Board of Healthcare Funders (BHF) College of Medicine of South Africa (CMSA) Health Professions Council of South Africa (HPCSA) Industry Task Group (ITG) Pharmaceutical Society of South Africa (PSSA) Pharmaceutical Task Group (PTG) Society of Cosmetic Chemists SA (COSCHEM) South African Association of Pharmacists in Industry (SAAPI) South African Pharmacy Council (SAPC)
Social and relationship capital	Institute for Strategic Relations South Africa Marketing Code Authority (MCA) Pharmaceutical Crime Task Group Proudly South African Public Relations Institute for Southern Africa (PRISA) The SA SME Fund
Financial capital	Chartered Institute of Management Accountants (CIMA) Financial Reporting Investigations Panel (FRIP) Independent Regulatory Board for Auditors (IRBA) Information Systems Audit and Control Association (ISACA) Institute of Internal Auditors South Africa (IIA) South African Institute of Chartered Accountants (SAICA) South African Institute of Professional Accountants (SAIPA)

Natural capital

Being a responsible citizen includes the protection of the environment in which we operate. As a manufacturer of pharmaceutical products, the regular above inflation increases of energy and other utility costs, have a major impact on Adcock Ingram and the Group continually seeks way to minimise its impact on the natural resources without compromising on the quality of our products and a safe and healthy workplace for employees.

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

The Group's carbon footprint in South Africa, determined by "Carbon Calculated", is as follows and includes Genop for the full year (2018: 6 months):

	Notes	2019 Tonnes	2018 Tonnes
Scope 1			
Equipment owned or controlled		**13 655**	13 613
Air-conditioning and refrigeration gas refills		**384**	397
Vehicle fleet		**2 618**	2 517
Scope 1 total		**16 657**	16 527
Scope 2			
Electricity	1	**54 380**	47 860
Total scope 1 and 2		**71 037**	64 387
Scope 3			
Business travel		**2 217**	2 520
Employee commute		**4 740**	4 776
Transportation and distribution of raw materials and sold goods	2	**23 019**	21 594
Packaging materials	3	**11 452**	9 972
Consumption of office paper		**102**	113
Total waste (landfill and recycled)	4	**3 597**	3 948
Water and wastewater	5	**372**	405
Electricity transmission and distribution losses	6	**5 275**	4 341
Total scope 3		**50 774**	47 669
Total scope 1, 2 and 3		**121 811**	112 056
Outside of scopes		**1 459**	1 006
Grand total	7	**123 270**	113 062

1. The published emission factor for electricity increased by 10% between 2018 and 2019. Electricity usage in kWhs increased by 4%, largely from Wadeville and Clayville's increased consumption, coupled by production facilities under construction and in testing phase. Genop was also included for a full year compared to six months in 2018.
2. The increase is in line with the growth of business, Genop being included for a full year and the expansion of the owner-driver scheme.
3. Packaging data was refined in the current year, now also including laminates, not included previously. The actual tonnes increased by 7%, but there was an additional mix impact of 8% relating to the amount of foil and plastics used, that have very high emission factors applied to their usage.
4. The decrease is mainly related to a significant decrease in landfill in Clayville due to a move to incineration, equating to over 500 tonnes, partially offset by an increase at Aeroton.
5. Clayville installed a borehole reducing municipal water from 52 608kl to 21 064kl.
6. The 22% increase is relative to a 4% increase in kWh (refer point 1) and an 18% increase in this emission factor.
7. The overall increase of 10 208 tonnes (9%) needs to be seen in light of the increases in electricity and electricity transmission and distribution losses (refer points 1 and 6 above), contributing 7 454 tonnes (7%) of the increase, most of which related to factor changes between the years.

Social and relationship capital

The social and relationship capital pillar is embedded within the Adcock Ingram business strategy that has a defined stakeholder engagement approach. As a pharmaceutical manufacturing Company, we act at all times with integrity and transparency, and promote open communication with all our stakeholders.

Having to operate in an ever-changing environment, compels us to constantly refine our business approach to nurture our relationships with key stakeholders in a mutually beneficial manner. Our operating business divisions function on a model that allows them flexibility, while at the same time remaining accountable and responsive to their relevant stakeholder groups. Our business model is reinforced by strategic pillars of building on a solid platform, growth and expansion, and transformation, that cements the focus on our customers and consumers, employees, partners, suppliers and service providers, shareholders, the investor community, industry bodies, the media, regulatory authorities and Government.

Adcock Ingram's contribution to the socio-economic needs of South Africa is equally guided by engagements with our stakeholders, including communities and this is imperative to ensure that the Company remains competitive. The Board recently approved a policy that articulates and gives effect to its set directions on stakeholder relationships.

SMILE FOUNDATION

Stakeholder group	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Customers and consumers	Supply of safe, quality, efficacious and affordable products that are available in appropriate channels. Ethical, factual and professional interactions with healthcare practitioners. Maintaining and improving our service levels. Be a business partner to customers and support them to operate sustainable businesses.	Through service delivery, a top priority is to ensure brand loyalty and trust to grow the business. Customers provide extensive footprint through their expansion initiatives. Prescribers of our products, support brand loyalty.	Personal visits to customers by sales personnel, managers and executives. Other interactions include continuing professional education; customer surveys; a customer call centre; advertising; the corporate website; consumer focus groups and education campaigns.
Employees	Employees expect a stimulating and rewarding work environment, with prospects of career growth.	A well-motivated employee base, acting in line with the Adcock Ingram values, forms the foundation of our success as an organisation. Employees taking pride in the Company's contribution to society.	The Adcock Ingram intranet has relevant news that employees can access as well as policies and procedures. Training and development initiatives. Communication through plasma screens, screensavers, newsletters and corporate emails. Site management/shop steward meetings, site forum employment equity meetings, trustee meetings and conferences.
Regulatory authorities and Government	Participate, influence and contribute towards a sustainable pharmaceutical industry that continues to serve the healthcare needs of South Africa. Compliance with all applicable legislation and regulations. Growth and social upliftment of the communities in which we operate.	Regulatory body provides us with license to operate and manufacture in line with a regulatory framework. Supply quality and affordable medicines in order to promote access to medicines for the benefit of society. Support investment, empowerment, transformation and Corporate Social Responsibility initiatives.	Government engagement strategies are in place for dialogue with national, provincial and local government leaders as well as the South African Pharmacy Council. Engagement with SAHPRA is key to facilitate efficient product registration and compliance in all aspects, including manufacturing.
Communities	Continuous support towards projects addressing the interests and needs of the communities in which we operate.	Engagement with communities affords us an opportunity to understand and contribute to their needs.	Engagement through the Company's Corporate Social Responsibility programmes and initiatives undertaken by each operating division.

Stakeholder group	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Shareholders, investor community, financial institutions, banks and analysts	Open and transparent communication. Implement business strategy and structure for sustainable returns whilst managing risk, identify growth opportunities and follow good governance practices. Update on organisation's financial and operational performance.	Shareholders are encouraged to attend Adcock Ingram's Annual General Meeting and to discuss relevant issues with management.	Communicate through the Johannesburg Stock Exchange, press releases and face-to-face meetings.
Multinational partners and licensors	Building brands using our marketing expertise, and sales and distribution network offering a flexible service that reaches healthcare professionals. Achievement of commercial goals; alignment with international best practice standards for product promotion and regulatory adherence.	Partnerships are founded on marketing and distribution agreements. Allows the Company to enter or expand into new therapeutic categories.	Attendance and promotion at conferences and congresses to share best practice with relevant parties. Commercial reviews with partners.
Suppliers and service providers	Conduct business in an open, honest and transparent manner. A mutually beneficial and sustainable relationship, including timeous payments and fair terms.	Providing good quality raw materials and finished products fitting pharmaceutical standards. Assist in avoiding stock-outs of products. Suppliers aligned to the country's B-BBEE imperatives and also focus on emerging enterprises and black, women-owned businesses to assist with transformation objective.	Personal contact and consistent interaction at operational and management levels.
Industry bodies	Membership and participation to contribute towards an industry viewpoint and respond on regulatory issues and health policy.	Influence policies to create a sustainable local manufacturing pharmaceutical industry. Industry that serves the healthcare needs of South Africa. Updated regulatory and industry issues so that the Company can have a relevant position on matters.	Membership in Pharmaceuticals Made in South Africa (PHARMISA); The Self-Care Association of South Africa; the Pharmaceutical Task Group (PTG), the Marketing Code Authority (MCA) and Industry Task Group (ITG).
Media	Good corporate citizenship through transparent and responsible reporting and disclosure.	Brand reputation and awareness of new products.	Press releases, SENS announcements, media interviews and responses.

Group annual financial statements

CONTENTS

Directors' responsibility for and approval of the financial statements

The Board of directors (Board) of the Company are required by the Companies Act, 2008 to prepare annual financial statements that fairly present the state of affairs and business of the Company and of the Group at the end of the financial year and the profit for the year then ended. The annual financial statements are prepared in terms of International Financial Reporting Standards (IFRS) and include disclosures as required by the Companies Act. Suitable accounting policies have been used and applied consistently and reasonable and prudent estimates and judgements have been made.

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

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

The Board has considered the status of the Company and Group, including the sustainability of the business models, available financial resources at 30 June 2019, the budget and cash flow forecast up to September 2020, the current regulatory environment and potential changes thereto. The Board is satisfied that the Group will be able to continue as a going concern in the foreseeable future and has therefore continued to adopt the going-concern basis in preparing the annual financial statements.

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

Each of the Directors, confirm that to the best of their knowledge, the Company and Group annual financial statements for the year ended 30 June 2019, which were prepared in accordance with IFRS, give a true and fair view of the financial position and performance of the Company and Group.

The Company and Group annual financial statements, were approved by the Board of directors on 27 August 2019 and signed on its behalf by:

AG Hall
Chief Executive Officer

Dorette Neethling
Chief Financial Officer

27 August 2019

Certificate by Company Secretary

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

NE Simelane
Company Secretary

27 August 2019

Independent auditor's report

TO THE SHAREHOLDERS OF ADCOCK INGRAM HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited and its subsidiaries ('the group') and company set out on pages 79 to 170, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Valuation of intangible assets</th></tr>
<tr><td>(Consolidated financial statements only)

At year-end, the value of goodwill and other intangibles amounted to R609.4 million representing 10% of total assets and 14% of total equity. Intangible assets arise from the acquisition of standalone businesses and/or individual brands and trademarks.

As described in note 11 of the financial statements, the recoverable amount of the goodwill and indefinite life intangible assets has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management.

Key judgements that affected management's annual impairment test were:
▸ impairment model used by management;
▸ discount rate applied;
▸ inputs to the cash flow forecasts such as growth and terminal value rates;
▸ risk premiums added onto the discount rate by management; and
▸ assumptions regarding inflation; volume growth and margin management.

In performing the annual assessment of impairment in respect of the Adcock Virtual Logistics ('AVL') subsidiary it was noted that the Goodwill recognised on acquisition, was impaired at year-end. This followed the loss of a significant external customer which resulted in a change in strategy with regard to the 'last mile' distribution. This goodwill represented 1% of the total goodwill and other intangibles balances.

Goodwill and other intangibles are considered a key audit matter due to the size of the balance and due to the complexity and judgement involved in the calculation of the recoverable amounts, which are inherently uncertain and could change over time.

Refer to note 11 Intangible Assets</td><td>To assess the recoverable amounts of the goodwill and other intangible assets, we focused on the key assumptions made by management in their impairment tests and our procedures included, amongst others:
▸ we evaluated the model used by management in determining the value-in-use of the identified goodwill or intangible asset through comparison with prior years for consistency and our knowledge of industry practice;
▸ we involved our valuation specialists, who evaluated the reasonableness of the discount rates in light of our knowledge of the industry;
▸ we evaluated the accuracy of the inputs to the cash flow forecasts used in the impairment models by agreeing them the budgets approved by senior management and other relevant market and economic information;
▸ we assessed the completeness of the specific risk premiums added to the discount rate used to discount the cash flows by identifying the different risk dependent cash flows used in the valuation models;
▸ we independently calculated a range of possible impairments by performing a sensitivity analysis around the key assumptions of volume growth, margins and the discount rate used in the models;
▸ we recalculated the arithmetical accuracy of management's computations; and
▸ we assessed the completeness and accuracy of the disclosures relating to goodwill and intangible assets to assess compliance with disclosure requirements of IAS 38.</td></tr>
<tr><th colspan="2">Inventory valuation including obsolescence</th></tr>
<tr><td>(Consolidated financial statements only)

At year-end the value of inventories amounted to R1.313 billion, after the allowance for inventory obsolescence.

As described in note 15 of the financial statements, inventories are carried at the lower of cost and net realisable value.

In order to carry inventory at the lower of cost and net realisable value, management has to make judgements and estimates concerning the appropriate level of the allowance for slow moving and/or obsolete inventory. Such judgements and estimates include:
▸ management's expectations of forecast inventory demand;
▸ product expiry dates;
▸ inventory held in quality control; and
▸ plans to dispose of inventories that may be near to expiry.
Inventories are considered a key audit matter due to the size of the balance and due to the judgement involved in the calculation of the allowance for slow moving and obsolete inventories.</td><td>Our audit procedures for the allowance for slow moving and/or obsolete inventory, amongst others, included:
▸ we considered management's budgets and forecasts to gain an understanding of the forecast inventory demand, product expiry dates and inventories disposal plans for near expiry items;
▸ we assessed the reasonableness of the allowance policy based on historical sales performance by product using our suite of inventory analytic tools;
▸ we considered the expiry date inventory report to identify slow moving or obsolete inventories to what was included in the allowance;
▸ we inspected the condition of inventory when observing the physical inventory counts at a sample of locations;
▸ we assessed the cost basis and net realisable value of inventory using our suite of inventory analytic tools; and
▸ we assessed the completeness and accuracy of the disclosures relating to inventories to assess compliance with disclosure requirements included in International Financial Reporting Standards.</td></tr>
</table>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Group Annual Financial Statements 2019", which includes the Directors' report, the Audit Committee's report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of our auditor's report, and the Integrated Report which is expected to be made available to us after the date of our auditor's report. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young Inc.

ERNST & YOUNG INC.
Director: **Warren Kinnear**
Registered Auditor
Chartered Accountant CA(SA)

27 August 2019

102 Rivonia Road
Sandton
Johannesburg

Audit Committee report

This report is presented by the Audit Committee (Committee), appointed by the Board of Directors and endorsed by shareholders in respect of the year ended 30 June 2019. The report is prepared in accordance with the requirements of the Companies Act and the recommendations of King IV and describes, how the Committee discharged its obligations in terms thereof, including the fulfilment of those duties assigned to the Committee by the Board during the reporting period.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

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

Committee members	Qualifications	Meeting attendance[1]
Chairperson		
J John[2]	CA(SA), CD (SA), CIA, QIAL	3/3
Members		
L Boyce	CA(SA), MCom (Fin Mgt)	3/3
M Haus	MB ChB, MD, DCH, FCFP, FFPM	3/3
RI Stewart[3]	MB ChB, PhD	3/3

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

Invitees	Meeting attendance
AG Hall (CEO)	3/3
D Neethling (CFO)	3/3
Warren Kinnear (EY)	2/2
D Cathrall (EY)	1/1
I Bassa (EY)	3/3
S Pietropaolo (Head of Internal Audit)	3/3
R Essa (Group Finance)	3/3

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

[2] *Resigned subsequent to year-end.*

[3] *Retired 30 June 2019.*

ROLE AND FUNCTION OF THE COMMITTEE

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

EXECUTION OF FUNCTIONS DURING THE YEAR

INTERNAL AUDIT

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

EXTERNAL AUDIT

At the AGM for 2018, shareholders confirmed the re-appointment of Ernst and Young Inc. (EY), as independent external auditor until the 2019 AGM, the Committee and the Board approving and endorsing their terms of engagement and their fee structures. EY has been the external auditor since the Group's listing in 2008. The designated registered audit partner presently responsible for and who undertook the Group's audit is Mr Warren Kinnear. The Committee was satisfied with the quality of the external audit process and the team assigned to the audit. No matters of concern were noted by the Committee regarding the performance of the external auditors.

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

The Committee determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management. The audit fee for the year ended 30 June 2019 has been fully disclosed in note 6.1 of the annual financial statements. The Committee is also responsible for determining the nature and extent of non-audit services that the external auditor may provide and, in such circumstances, the Committee approves or in limited circumstances pre-approves proposals for such non-audit services.

The Committee assessed the quality and effectiveness of the external auditor by reviewing the audit plan, changes thereto as well as the robustness with which they handle key accounting issues and audit judgements. The Committee received the detailed external audit report for the year ended 30 June 2019 and was satisfied with their conclusions that both the consolidated and separate annual financial statements were fairly presented in all material respects and no material issues were raised.

As a result of the implementation of the mandatory audit firm rotation process, and taking into account that Ernst and Young Incorporated has been the Group's external auditor for more than 10 years, the Company initiated a change in auditor.

The Committee has nominated PWC as the independent external auditor of the Company for the year to June 2020. The Committee is satisfied that PWC can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. In arriving at the conclusion of independence, the Committee considered multiple factors, good governance and quality control processes currently applied to PWC, including the reviews conducted by IRBA on the external audit firm.

The Committee remains cognisant of the developments in the Audit profession. The external auditors continue to have unrestricted access to the Audit Committee and its Chairperson.

REPORTING

The Committee:

- considered and concurred with the adoption of the going-concern premise in the preparation of the financial statements;
- reviewed the appropriateness of the financial statements, other reports to shareholders and other financial announcements made public;
- considered whether the annual financial statements fairly present the financial position of the Company and of the Group as at 30 June 2019 and the results of operations and cash flows for the financial year then ended;
- considered the solvency and liquidity of the Company and considered and made recommendations to the Board on the dividend declarations;
- considered accounting treatments, the appropriateness of accounting policies adopted and the effectiveness of the Group's disclosure controls and procedures;
- considered whether any concerns were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements;
- reviewed the external auditor's audit report;
- considered and noted the key audit matters as determined by the external auditor;
- reviewed the representation letter, signed by management;
- confirmed that it has considered the findings contained in the 2019 proactive monitoring report, when the annual financial statements for 30 June 2019 were drafted; and
- reviewed the quality and integrity of the integrated report and the sustainability information before publication.

INTERNAL FINANCIAL AND ACCOUNTING CONTROLS

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

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

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

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

TECHNOLOGY AND INFORMATION GOVERNANCE

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

A key focus during the current reporting period included continuous enhancements to the IT applications and cyber security environment, upgrading of the Oracle e-Business suite application, integrating the IT operations and applications of Genop Healthcare Proprietary Limited and upgrading the technical infrastructure where required. The committee is also mindful of King IV's emphasis on IT matters, with nominative reference to periodic assessments, independent assurances and cybersecurity.

COMBINED ASSURANCE

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

COMPLIANCE

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

CONCLUSION

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

Following our review of the annual financial statements for the year ended 30 June 2019, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards, and present fairly the results of operations, cash flows and the financial position of the Company and the Group. The Committee therefore recommended the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited for approval to the Board of directors. At the forthcoming Annual General Meeting the annual financial statements will be presented to shareholders.

On behalf of the Committee

L Boyce
Chairperson (Acting)

27 August 2019

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 2019 which are set out from page 79.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Adcock Ingram is a leading South African healthcare group, operating in three geographical areas, namely Southern Africa, Rest of Africa and India. The southern African business consists of four principal divisions:

- a Consumer division selling a range of products mainly through FMCG retailers;
- an Over the Counter (OTC) division selling a range of OTC products that can be purchased without a prescription mainly through pharmacies;
- a Prescription division selling a range of branded and generic prescription products including specialised instrument and surgical products; and
- a Hospital products and services division.

BUSINESS COMBINATIONS

ACQUISITIONS

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

During the 2018 financial year, the Group acquired Genop Holdings Proprietary Limited, a highly specialised instrument, surgical and pharmaceutical products company focused on the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in southern Africa (note 1).

SHARE CAPITAL

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

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

	30 June 2019	30 June 2018
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust*	**5 168 592**	5 168 592
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**39 031**	6 740

** Held indirectly.*

DIVIDENDS TO SHAREHOLDERS

POLICY

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

INTERIM AND FINAL

2019

An interim dividend of 100 cents per share was declared and paid in relation to the six-month period ended 31 December 2018. A final dividend of 100 cents per share was declared following the results of the year ended 30 June 2019.

2018

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

SHAREHOLDERS

Please refer to the shareholder analysis section.

EVENTS AFTER 30 JUNE 2019

Refer to note 29 for any events which occurred subsequent to year-end

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 the Company's website. Changes to the composition and directors' responsibilities are detailed in the Integrated Report.

No director (or his/her associates) holds 1% or more of the ordinary shares of 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 annual financial statements. Details of the directors' shareholdings are reflected below.

Director	Number of shares 2019	Number of shares 2018
A Hall (directly held)	**21 433**	8 462
A Mokgokong (note 1) (indirectly held)	**3 445 642**	3 445 642

Note 1: Dr Mokgokong holds a 50% share in CIH Projects Proprietary Limited which in turn holds a 26.67% share in Ad-izinyosi (the BEE shareholder of the Group), within the BEE scheme described in Annexure B, section C.

RETIREMENT FUNDS

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

DIRECTORS' AND KEY MANAGEMENT REMUNERATION

Full details regarding non-executive and executive directors' and key management remuneration are set out in the Remuneration Implementation Report.

Consolidated statements of comprehensive income

Continuing operations	Notes	2019 R'000	2018 R'000
Revenue	3	**7 089 058**	6 405 316
Contracts with customers	3	**7 078 438**	6 382 706
Cost of sales		**(4 289 332)**	(3 871 397)
Gross profit		**2 789 106**	2 511 309
Selling, distribution and marketing expenses		**(1 318 830)**	(1 166 443)
Fixed and administrative expenses		**(514 855)**	(494 922)
Trading profit	6	**955 421**	849 944
Non-trading expenses	4	**(71 884)**	(46 895)
Operating profit		**883 537**	803 049
Finance income	5.1	**6 756**	18 270
Finance costs	5.2	**(18 404)**	(25 401)
Dividend income	3	**3 864**	4 340
Equity-accounted earnings		**90 714**	79 252
Profit before taxation		**966 467**	879 510
Taxation	7	**(269 435)**	(246 145)
Profit for the year from continuing operations		**697 032**	633 365
(Loss)/Profit after taxation for the period/year from discontinued operation	2.1	**(1 609)**	10 708
Profit for the year		**695 423**	644 073
Other comprehensive income which will subsequently be recycled to profit or loss			
Exchange differences on translation of foreign operations:			
– Continuing operations		**279**	1 126
– Joint venture and associate		**4 342**	(1 914)
– Discontinued operation		**2 770**	2 588
Movement in cash flow hedge accounting reserve, net of tax	20	**(23 612)**	4 582
Other comprehensive income transferred to profit or loss			
– Associate	4	**1 607**	
– Discontinuing operation	2.2	**(18 960)**	
Other comprehensive income which will not be recycled to profit or loss			
Fair value of investment		**27**	24
Actuarial profit on post-retirement medical liability, net of tax		**706**	634
Total comprehensive income for the year, net of tax		**662 582**	651 113

Consolidated statements of comprehensive income *continued*

	Notes	2019 R'000	2018 R'000
Profit attributable to:			
Owners of the parent		**687 986**	637 943
Non-controlling interests		**7 437**	6 130
		695 423	644 073
Total comprehensive income attributable to:			
Owners of the parent		**655 145**	644 983
Non-controlling interests		**7 437**	6 130
		662 582	651 113
Continuing operations:			
Basic earnings per ordinary share (cents)	8.1	**414.8**	377.2
Diluted basic earnings per ordinary share (cents)	8.1	**414.8**	377.2
Headline earnings per ordinary share (cents)	8.1	**421.7**	381.3
Diluted headline earnings per ordinary share (cents)	8.1	**421.6**	381.3
Discontinued operations:			
Basic (loss)/earnings per ordinary share (cents)	8.2	**(1.0)**	6.4
Diluted (loss)/earnings per ordinary share (cents)	8.2	**(1.0)**	6.4
Headline earnings per ordinary share (cents)	8.2	**1.2**	6.4
Diluted headline earnings per ordinary share (cents)	8.2	**1.2**	6.4
Total operations:			
Basic earnings per ordinary share (cents)	8.3	**413.8**	383.6
Diluted basic earnings per ordinary share (cents)	8.3	**413.8**	383.6
Headline earnings per ordinary share (cents)	8.3	**422.8**	387.7
Diluted headline earnings per ordinary share (cents)	8.3	**422.8**	387.7

Consolidated statement of changes in equity

		Attributable to holders of the parent							
				Non-distributable reserves					
	Notes	Issued share capital R'000	Share premium R'000	Continuing operations R'000	Discontinued operation R'000	Retained income R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
As at 1 July 2017		17 147	666 873	200 372		2 603 090	3 487 482	7 522	3 495 004
Movement in treasury shares	18.2, 19	(1)	(517)				(518)		(518)
Movement in share-based payment reserve	20			16 463			16 463		16 463
Total comprehensive income				7 040		637 943	644 983	6 130	651 113
Profit for the year						637 943	637 943	6 130	644 073
Other comprehensive income				7 040			7 040		7 040
Dividends	9.1					(235 904)	(235 904)	(11 239)	(247 143)
Balance at 30 June 2018		**17 146**	**666 356**	**223 875**		**3 005 129**	**3 912 506**	**2 413**	**3 914 919**
IFRS 9 adjustment, net of tax						**(4 386)**	**(4 386)**		**(4 386)**
Restated balance at 1 July 2018		**17 146**	**666 356**	**223 875**		**3 000 743**	**3 908 120**	**2 413**	**3 910 533**
Movement in treasury shares	18.2, 19	**(4)**	**(2 342)**				**(2 346)**		**(2 346)**
Movement in share-based payment reserve	20			**5 314**			**5 314**		**5 314**
Transfer to discontinued operation				**(16 190)**	**16 190**				
Total comprehensive income				**(16 651)**	**(16 190)**	**687 986**	**655 145**	**7 437**	**662 582**
Profit for the year						**687 986**	**687 986**	**7 437**	**695 423**
Other comprehensive income				**(16 651)**	**(16 190)**		**(32 841)**		**(32 841)**
Dividends	9.1					**(270 801)**	**(270 801)**	**(7 088)**	**(277 889)**
Balance at 30 June 2019		**17 142**	**664 014**	**196 348**	**-**	**3 417 928**	**4 295 432**	**2 762**	**4 298 194**

Consolidated statements of financial position

	Notes	2019 R'000	2018 R'000
ASSETS			
Property, plant and equipment	10	**1 538 198**	1 521 255
Intangible assets	11	**609 444**	626 242
Deferred tax	12	**8 671**	18 120
Other financial assets	13	**29 627**	34 010
Investment in joint ventures	14.1	**506 236**	445 150
Investment in associate	14.2	**–**	8 014
Non-current assets		**2 692 176**	2 652 791
Inventories	15	**1 312 551**	1 565 949
Trade and other receivables	16	**1 787 025**	1 641 295
Cash and cash equivalents	17	**448 252**	404 629
Taxation receivable	25.4	**10 789**	6 061
Current assets		**3 558 617**	3 617 934
Total assets		**6 250 793**	6 270 725
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18.2	**17 142**	17 146
Share premium	19	**664 014**	666 356
Non-distributable reserves	20	**196 348**	223 875
Retained income		**3 417 928**	3 005 129
Total shareholders' funds		**4 295 432**	3 912 506
Non-controlling interests		**2 762**	2 413
Total equity		**4 298 194**	3 914 919
Post-retirement medical liability	21	**15 637**	16 340
Deferred tax	12	**102 333**	118 914
Non-current liabilities		**117 970**	135 254
Trade and other payables	22	**1 683 923**	1 838 930
Bank overdraft	17	**–**	248 877
Cash-settled options	23	**18 699**	2 413
Provisions	24	**132 007**	130 332
Current liabilities		**1 834 629**	2 220 552
Total equity and liabilities		**6 250 793**	6 270 725

Consolidated statements of cash flows

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Operating profit before working capital changes	25.1	**1 237 405**	1 204 128
Working capital changes	25.2	**(208 600)**	(342 968)
Cash generated from operations		**1 028 805**	861 160
Finance income received	25.6	**7 350**	17 363
Finance costs paid	25.7	**(20 109)**	(25 605)
Dividend income received	25.8	**41 953**	30 100
Dividends paid	25.3	**(277 889)**	(247 143)
Taxation paid	25.4	**(274 147)**	(246 663)
Net cash inflow from operating activities		**505 963**	389 212
Cash flows from investing activities			
Decrease in other financial assets	25.11	**2 655**	5 232
Acquisition of business	25.5	**–**	(327 623)
Disposal of business	2.3	**15 940**	–
Purchase of property, plant and equipment: – Expansion		**(92 626)**	(84 684)
– Replacement		**(122 858)**	(134 564)
Purchase of intangible assets		**–**	(4 450)
Proceeds on disposal of investment in associate	14.2	**2 156**	–
Proceeds on disposal of property, plant and equipment		**1 288**	6 911
Net cash outflow from investing activities		**(193 445)**	(539 178)
Cash flows from financing activities			
Treasury shares for equity option scheme	25.10	**(21 818)**	(6 804)
Repayment of borrowings	25.9	**–**	(276 177)
Net cash outflow from financing activities		**(21 818)**	(282 981)
Net increase/(decrease) in cash and cash equivalents		**290 700**	(432 947)
Net foreign exchange difference on cash and cash equivalents		**1 800**	2 248
Cash and cash equivalents at beginning of year		**155 752**	586 451
Cash and cash equivalents at end of year	17	**448 252**	155 752

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 2019 were authorised for issue in accordance with a resolution of the directors on 27 August 2019. Adcock Ingram Holdings Limited is incorporated and domiciled in South Africa, where its ordinary shares are publicly traded on the Securities Exchange of the JSE Limited.

BASIS OF PREPARATION

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

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

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

THE GROUP[1] HAS MADE THE FOLLOWING ACCOUNTING POLICY ELECTION IN TERMS OF IFRS:

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

[1] *All references to Group hereafter include the separate annual financial statements, where applicable.*

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except where the Group has adopted IFRS and IFRIC interpretations and amendments that became effective during the year.

IFRS 9: FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

IFRS 9 is the new financial instrument accounting standard and includes the requirements for classification and measurement of financial assets and liabilities, the impairment and derecognition of financial assets, as well as general hedge accounting. IFRS 9 has no impact on financial liabilities.

The classification and measurement of the Group's financial assets are substantially the same as under IAS 39, except for:

- the reclassification of the long-term receivable from the Black Managers Share Trust, from amortised cost to fair value through profit or loss – refer note 13.1; and
- the measurement of the expected credit loss for trade receivables – refer note 16.

In measuring the provision for trade receivables, the Group has applied the new rules using the modified retrospective approach, whereby the financial statements are retrospectively adjusted and the cumulative impact (a reduction of R4.4 million after tax) was recorded on 1 July 2018, the initial date of implementing the standard, by recognising an adjustment to opening retained earnings. A simplified impairment approach was used, whereby the lifetime expected losses on trade receivables are recorded immediately.

The Group has chosen to continue to apply the hedge accounting requirements of *IAS 39*, instead of the requirements of *IFRS 9*, to all of its hedging relationships.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a five-step model for entities to use in accounting for revenue arising from contracts with customers. The new standard is based on the principle that revenue is recognised at an amount that reflects the consideration to which the entity expects to transferring goods or services to a customer. The new standard supersedes all current revenue recognition requirements under IFRS.

The Group adopted *IFRS 15* using the modified retrospective approach, where comparatives have not been restated, with the following impact on the Group's financial statements:

- disaggregated revenue disclosure – refer note 3; and
- refund liabilities for the non-performance on customer contracts will be recognised against revenue. This was not material to the Group and there was no impact on opening Retained Income.

IFRIC 22: FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION – INTERPRETATION

The interpretation clarifies the accounting for those foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability following the payment or receipt of an advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date on which an entity initially recognises the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of the transaction is established for each payment or receipt.

This interpretation had no impact on the Group's reported results or disclosures.

IFRS 2: CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS – AMENDMENTS

The amendments address three main areas:

- The effects of vesting conditions on a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

This standard had no impact on the Group's reported results or disclosures.

1. ACQUISITION OF BUSINESS

GENOP HOLDINGS PROPRIETARY LIMITED (GENOP)

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

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

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

The fair value of the trade receivables equaled the net amount of trade receivables and amounted to R74.3 million.

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

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

1. ACQUISITION OF BUSINESS (CONTINUED)

GENOP HOLDINGS PROPRIETARY LIMITED (GENOP) (CONTINUED)

During the previous financial year, Genop contributed R223.8 million towards revenue and reported a profit before income tax of R6.2 million.

If the Genop acquisition took place at the start of the previous financial year, the revenue would have been R452.3 million and profit before income tax would have been R24.5 million.

Transaction costs of R5.7 million were expensed and were included in non-trading expenses.

	2018 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	(5 662)
Net cash acquired with the business (included in cash flows from investing activities)	9 082

2. DISCONTINUED OPERATION

The Group disposed of its interest in Pharmalabs (Jersey) Limited, the owner of Datlabs Proprietary Limited (Datlabs) in Zimbabwe. The results of Datlabs are presented below.

2.1. STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2019 6 months R'000**	2018 12 months R'000
Revenue		**86 261**	157 549
Contracts with customers		**86 261**	157 549
Cost of sales		**(61 165)**	(102 838)
Gross profit		**25 096**	54 711
Selling, distribution and marketing expenses		**(11 374)**	(21 799)
Fixed and administrative expenses		**(8 803)**	(16 479)
Trading profit	a)	**4 919**	16 433
Non-trading expenses	b)	**(1 821)**	–
Operating profit		**3 098**	16 433
Finance costs		**–**	(786)
Profit before taxation		**3 098**	15 647
Taxation		**(1 115)**	(4 939)
Profit for the period/year from discontinued operation		**1 983**	10 708
Loss on disposal of the discontinued operation	2.2	**(3 592)**	–
(Loss)/Profit after taxation attributable to owners of the parent for the period/year from discontinued operation		**(1 609)**	10 708

Notes to the Group annual financial statements *continued*

	2019 6 months R'000	2018 12 months R'000
2. DISCONTINUED OPERATION (CONTINUED)		
2.1 STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)		
a) Trading profit has been arrived at after charging the following expenses:		
External auditor's remuneration		
– Audit fees current year	**–**	434
– Internal auditor's remuneration	**–**	246
Depreciation		
– Freehold land and buildings	**299**	649
– Plant, equipment and vehicles	**1 410**	7 413
– Computers	**21**	118
– Furniture and fittings	**104**	677
Inventories written off	**290**	3 388
Royalties paid	**1 189**	3 413
Total staff cost	**23 888**	45 011
Included in cost of sales	**14 419**	25 948
Included in operating expenses	**9 469**	19 063
b) Non-trading expenses		
Transaction costs	**1 821**	–
2.2 RECONCILIATION OF NET ASSETS AT DISPOSAL DATE		
Property, plant and equipment	**45 764**	
Inventories	**25 968**	
Trade and other receivables	**54 166**	
Taxation receivable	**1 038**	
Cash and cash equivalents	**20 245**	
Deferred tax	**497**	
Trade and other payables	**(85 890)**	
Provisions	**(3 051)**	
Net assets	**58 737**	
Consideration received	**(36 185)**	
Other comprehensive income recycled to profit or loss	**(18 960)**	
Loss on disposal of the discontinued operation	**3 592**	

	2019 6 months R'000	2018 12 months R'000
2. DISCONTINUED OPERATION (CONTINUED)		
2.3 CASH INFLOW ON DISPOSAL		
Consideration received	**36 185**	
Net cash disposed of with the discontinued operation	**(20 245)**	
Net cash inflow	**15 940**	
2.4 CASH FLOW STATEMENT		
Included in the Group's consolidated statement of cash flows are cash flows from the Zimbabwean discontinued operation. These cash flows are included as follows:		
Cash (outflow)/inflow from operating activities	**(3 631)**	40 165
Cash outflow from investing activities	**(7 264)**	(7 964)
Cash outflow from financing activities	**–**	(1 881)
Net cash (outflow)/inflow	**(10 895)**	30 320

	2019 R'000	2018 R'000
3. REVENUE		
Contracts with customers	**7 078 438**	6 382 706
Finance income	**6 756**	18 270
Dividend income – Black Managers Share Trust	**3 864**	4 340
	7 089 058	6 405 316

Contracts with customers by channel	Private	Public	Export and foreign	Total
30 June 2019				
Continuing operations:				
Southern Africa	**5 969 909**	**863 346**	**196 779**	**7 030 034**
OTC	**1 820 678**	**117 176**	**45 032**	**1 982 886**
Prescription	**2 355 191**	**319 832**	**64 626**	**2 739 649**
Hospital	**990 241**	**426 334**	**38 029**	**1 454 604**
Consumer	**737 800**	**4**	**49 092**	**786 896**
Other – shared services	**65 999**	**–**	**–**	**65 999**
Rest of Africa	**–**	**–**	**68 524**	**68 524**
Research and development services in India	**–**	**–**	**21 114**	**21 114**
Less: Inter-company sales	**–**	**–**	**(41 234)**	**(41 234)**
	5 969 909	**863 346**	**245 183**	**7 078 438**

Most of the Group's revenue from contracts with customers is recognised at a point in time.

Notes to the Group annual financial statements continued

	2019 R'000	2018 R'000
4. NON-TRADING EXPENSES		
Impairments (Refer Annexure G)	**8 568**	5 235
Intangible assets	**5 595**	2 700
Investment in associate	**2 973**	–
Long-term receivable	**–**	2 535
Fair value adjustment of long–term receivable	**1 763**	–
Transaction costs	**5 843**	7 315
Retrenchment costs	**12 347**	–
Share-based payment expenses (Refer Annexure B)	**41 756**	34 345
Cash-settled	**16 970**	4 656
Equity-settled	**21 037**	22 426
Black Managers Share Trust – equity-settled	**3 749**	323
Black Managers Share Trust – cash-settled	**–**	6 940
Release of foreign currency translation reserve on disposal of investment in associate	**1 607**	–
	71 884	46 895
5. FINANCE INCOME AND FINANCE COSTS		
5.1. FINANCE INCOME		
Bank	**6 194**	18 225
Receiver of revenue	**562**	45
	6 756	18 270
5.2. FINANCE COSTS		
Bank	**17 694**	7 177
Borrowings	**–**	15 561
Commitment fees	**687**	2 632
Receiver of revenue	**5**	–
Creditors	**18**	31
	18 404	25 401

	2019 R'000	2018 R'000
6. TRADING PROFIT		
6.1. TRADING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING EXPENSES/(INCOME):		
External auditor's remuneration		
– Audit fees current year	**10 502**	9 521
– Audit fees underprovision prior year	**777**	472
– Taxation services	**685**	295
– Other services	**184**	122
Depreciation		
– Freehold land and buildings	**18 968**	18 603
– Leasehold improvements	**7 057**	9 969
– Plant, equipment and vehicles	**92 112**	82 635
– Computer equipment	**29 764**	33 723
– Furniture and fittings	**3 324**	4 599
Amortisation of intangible assets	**11 203**	10 647
Inventories written off	**99 944**	91 466
Royalties paid	**38 342**	33 733
Movement in allowance for doubtful debts	**(7 859)**	8 276
Operating lease charges		
– Equipment	**5 200**	2 923
– Property	**43 454**	43 143
Foreign exchange (profit)/loss	**(1 060)**	4 850
Fees paid to related parties (refer to note 28)	**74 302**	56 747
Bad debts written off	**5 167**	–
Loss/(Profit) on disposal of property, plant and equipment	**677**	(1 968)

	2019 R'000	2018 R'000
6. TRADING PROFIT (CONTINUED)		
6.2. TOTAL STAFF COST*	**1 365 298**	1 210 411
Included in cost of sales	**592 091**	554 875
Salaries and wages	**529 522**	493 478
Employers' contribution to:	**62 569**	61 397
Medical	**15 505**	14 631
Retirement	**47 064**	46 766
Included in operating expenses	**773 207**	655 536
Salaries and wages	**676 284**	568 161
Employers' contribution to:	**96 923**	87 375
Medical	**19 086**	16 289
Retirement	**77 837**	71 086

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

	2019 R'000	2018 R'000
6.3. DIRECTORS' EMOLUMENTS		
Executive directors	**19 961**	19 497
Non-executive directors	**5 560**	6 728
Total	**25 521**	26 225

For more details, refer to Annexure J.

	2019 R'000	2018 R'000
6.4. KEY MANAGEMENT		
Salaries and bonuses	**29 602**	27 119
Retirement, medical and other benefits	**3 427**	3 040
Total	**33 029**	30 159

Key management comprises the Group Executive Committee, other than the executive directors. For more details, refer to Annexure J.

	2019 R'000	2018 R'000
7. TAXATION		
SOUTH AFRICAN TAXATION		
Current income tax		
– current year	**263 304**	244 282
– prior year overprovision	**(1 491)**	(1 396)
Deferred tax		
– current year	**3 352**	(6 597)
– prior year overprovision	**(109)**	(167)
– utilisation of tax loss	**–**	6 760
	265 056	242 882
FOREIGN TAXATION		
Current income tax		
– current year	**3 833**	4 601
– prior year underprovision	**(122)**	–
Deferred tax		
– current year	**(268)**	(1 175)
– prior year under/overprovision	**936**	(163)
	4 379	3 263
Total tax charge	**269 435**	246 145

In addition to the above, deferred tax amounting to R8.9 million has been released to other comprehensive income (2018: R1.8 million charge). Refer note 20.

	%	%
Reconciliation of the taxation rate:		
Effective rate	**27.9**	28.0
Adjusted for:		
Exempt income (dividend income)	**0.3**	0.1
Non-deductible expenses*	**(3.4)**	(2.8)
Prior year underprovision**	**0.3**	0.2
Equity accounted earnings	**2.6**	2.5
Utilisation of tax loss	**(0.1)**	–
Loss on discontinued operation	**0.5**	–
Capital gains tax	**(0.1)**	–
South African normal tax rate	**28.0**	28.0

	2019 R'000	2018 R'000
The Group has tax losses of R0.8 million (2018: R3.8 million) for offsetting against future taxable profits of the company in which the loss arose. All unutilised assessed losses from continuing operations were recognised as a deferred tax asset in the current year and the prior year.		
South Africa (indefinite expiry)	**772**	3 871

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

** *Current tax and deferred tax.*

	2019 R'000	2018 R'000
8. EARNINGS PER SHARE		
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**687 986**	637 943
Adjusted for:		
Loss/(Profit) attributable to Adcock Ingram from discontinued operation (note 2.1)	**1 609**	(10 708)
Earnings attributable to owners of Adcock Ingram from continuing operation	**689 595**	627 235
Adjusted for:		
Impairment of intangible assets	**5 595**	2 700
Impairment of investment in associate	**2 973**	–
Release of foreign currency translation reserve on disposal of investment in associate	**1 607**	–
Loss/(Profit) on disposal/scrapping of property, plant and equipment	**677**	(1 968)
Tax effect on loss/(profit) on disposal of property, plant and equipment	**(257)**	(42)
Adjustments relating to equity accounted joint ventures and associate		
Impairment of goodwill	**–**	5 312
Loss on disposal of long-term receivables	**–**	828
Loss/(Profit) on disposal of property, plant and equipment	**1 290**	(24)
Tax effect on loss on disposal of property, plant and equipment	**(445)**	–
Headline earnings from continuing operations	**701 035**	634 041
Discontinued operation		
(Loss)/Profit attributable to owners of Adcock Ingram from discontinued operation	**(1 609)**	10 708
Adjusted for:		
Loss on sale of discontinued operation (note 2.2)	**3 592**	–
Headline earnings from discontinued operation	**1 983**	10 708

	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	**175 748 048**	175 748 048
– Effect of ordinary treasury shares held within the Group	**(9 488 292)**	(9 455 491)
Shares entitled to dividend	**(4 319 700)**	(4 286 899)
Shares not entitled to dividend	**(5 168 592)**	(5 168 592)
Weighted average number of ordinary shares outstanding	**166 259 756**	166 292 557
Potential dilutive effect of outstanding share options	**2 014**	2 681
Diluted weighted average number of shares outstanding	**166 261 770**	166 295 238

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.

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.

	2019 Cents	2018 Cents
8. EARNINGS PER SHARE (CONTINUED)		
8.1. CONTINUING OPERATIONS		
Earnings		
Basic earnings per share	**414.8**	377.2
Diluted basic earnings per share	**414.8**	377.2
Headline earnings		
Headline earnings per share	**421.7**	381.3
Diluted headline earnings per share	**421.6**	381.3
8.2. DISCONTINUED OPERATIONS		
Earnings		
Basic earnings per share	**(1.0)**	6.4
Diluted basic earnings per share	**(1.0)**	6.4
Headline earnings		
Headline earnings per share	**1.2**	6.4
Diluted headline earnings per share	**1.2**	6.4
8.3. TOTAL OPERATIONS		
Earnings		
Basic earnings per share	**413.8**	383.6
Diluted basic earnings per share	**413.8**	383.6
Headline earnings		
Headline earnings per share	**422.8**	387.7
Diluted headline earnings per share	**422.8**	387.7
8.4. DISTRIBUTION PER SHARE		
Interim	**100.0**	86.0
Final [1]	**100.0**	86.0

[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.*

	R'000	R'000
9. DISTRIBUTIONS PAID AND PROPOSED		
9.1. DECLARED AND PAID DURING THE YEAR		
Distribution on ordinary shares		
Final dividend for 2018: 86 cents (2017: 76 cents)	**125 220**	110 671
Interim dividend for 2019: 100 cents (2018: 86 cents)	**145 581**	125 233
Total paid to equity holders of parent company	**270 801**	235 904
Dividends paid to non-controlling shareholders	**7 088**	11 239
Total dividend declared and paid to the public	**277 889**	247 143
9.2. PROPOSED SUBSEQUENT TO 30 JUNE 2019		
Final dividend for 2019: 100 cents per share	**171 432**	

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2019							
Carrying value at beginning of year							
Cost	902 408	101 076	945 604	181 690	35 134	199 095	2 365 007
Accumulated depreciation	(151 550)	(74 752)	(460 539)	(131 989)	(24 922)	–	(843 752)
Net book value at beginning of year	750 858	26 324	485 065	49 701	10 212	199 095	1 521 255
Current year movements – cost							
Additions	12 086	281	18 201	3 622	82	181 212	215 484
Transfer	43 424	5 338	91 821	17 968	2 421	(160 972)	–
Exchange rate adjustments	1 750	29	2 566	149	176	2	4 672
Disposal of business (note 2.2)	(31 546)	–	(43 878)	(1 428)	(2 586)	–	(79 438)
Disposals	–	(19)	(65 388)	(87 051)	(1 702)	–	(154 160)
Cost movement for current year	25 714	5 629	3 322	(66 740)	(1 609)	20 242	(13 442)
Current year movements – accumulated depreciation							
Depreciation*	(19 267)	(7 057)	(93 522)	(29 785)	(3 428)	–	(153 059)
Exchange rate adjustments	(374)	(8)	(1 774)	(136)	(133)	–	(2 425)
Disposal of business (note 2.2)	5 030	–	25 251	1 380	2 013	–	33 674
Disposals	–	3	63 646	86 878	1 668	–	152 195
Accumulated depreciation movement for current year	(14 611)	(7 062)	(6 399)	58 337	120	–	30 385
Carrying value at end of year							
Cost	928 122	106 705	948 926	114 950	33 525	219 337	2 351 565
Accumulated depreciation	(166 161)	(81 814)	(466 938)	(73 652)	(24 802)	–	(813 367)
Net book value at end of year	761 961	24 891	481 988	41 298	8 723	219 337	1 538 198
*Depreciation split as follows:	19 267	7 057	93 522	29 785	3 428	–	153 059
Continuing operations	18 968	7 057	92 112	29 764	3 324	–	151 225
Discontinued operation	299	–	1 410	21	104	–	1 834

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2018							
Carrying value at beginning of the year							
Cost	896 952	99 291	950 004	164 213	45 526	105 275	2 261 261
Accumulated depreciation	(133 027)	(65 688)	(461 828)	(122 720)	(32 903)	–	(816 166)
Net book value at beginning of the year	763 925	33 603	488 176	41 493	12 623	105 275	1 445 095
Current year movements – cost							
Additions	–	391	28 106	4 656	475	185 620	219 248
Transfer	4 948	2 481	51 637	31 417	1 317	(91 800)	–
Exchange rate adjustments	1 576	(12)	2 529	149	135	–	4 377
Additions through business combination (note 1.1)	–	100	10 932	6 050	1 209	–	18 291
Disposals	(1 068)	(1 175)	(97 604)	(24 795)	(13 528)	–	(138 170)
Cost movement for current year	5 456	1 785	(4 400)	17 477	(10 392)	93 820	103 746
Current year movements – accumulated depreciation							
Depreciation*	(19 252)	(9 969)	(90 048)	(33 841)	(5 276)	–	(158 386)
Exchange rate adjustments	(339)	(1)	(1 820)	(144)	(123)	–	(2 427)
Disposals	1 068	906	93 157	24 716	13 380	–	133 227
Accumulated depreciation movement for current year	(18 523)	(9 064)	1 289	(9 269)	7 981	–	(27 586)
Carrying value at end of year							
Cost	902 408	101 076	945 604	181 690	35 134	199 095	2 365 007
Accumulated depreciation	(151 550)	(74 752)	(460 539)	(131 989)	(24 922)	–	(843 752)
Net book value at end of year	750 858	26 324	485 065	49 701	10 212	199 095	1 521 255
*Depreciation split as follows:	19 252	9 969	90 048	33 841	5 276	–	158 386
Continuing operations	18 603	9 969	82 635	33 723	4 599	–	149 529
Discontinued operation	649	–	7 413	118	677	–	8 857

	Goodwill R'000	Trademarks and market–related intangibles R'000	Customer–related intangibles and licence agreements R'000	Total R'000
11. INTANGIBLE ASSETS				
2019				
Carrying value at beginning of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	–	(94 705)	(9 707)	(104 412)
Net balance at beginning of year	181 933	341 232	103 077	626 242
Cost movement for the year	–	–	–	–
Current year movements – accumulated amortisation				
Charge for the year	–	(10 123)	(1 080)	(11 203)
Impairment [(1)]	(5 595)	–	–	(5 595)
Accumulated amortisation movement for the year	(5 595)	(10 123)	(1 080)	(16 798)
Carrying value at end of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	(5 595)	(104 828)	(10 787)	(121 210)
Net balance at end of year	176 338	331 109	101 997	609 444

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

11. INTANGIBLE ASSETS (CONTINUED)

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

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

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

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	Other – Shared Services R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2019								
Carrying amount of goodwill			**163 758**	**12 580**	**–**	**176 338**	**–**	**176 338**
Carrying amount of other intangibles	**128 037**	**88 008**	**210 884**	**3 783**	**–**	**430 712**	**2 394**	**433 106**
Indefinite useful lives	**123 434**	**27 700**	**210 592**	–	**–**	**361 726**	**2 347**	**364 073**
Finite useful lives	**4 603**	**60 308**	**292**	**3 783**	**–**	**68 986**	**47**	**69 033**
Total	**128 037**	**88 008**	**374 642**	**16 363**	**–**	**607 050**	**2 394**	**609 444**
2018								
Carrying amount of goodwill			163 758	12 580	5 595	181 933	–	181 933
Carrying amount of other intangibles	128 662	96 326	211 598	4 228	1 080	441 894	2 415	444 309
Indefinite useful lives	123 434	27 700	210 592			361 726	2 347	364 073
Finite useful lives	5 228	68 626	1 006	4 228	1 080	80 168	68	80 236
Total	128 662	96 326	375 356	16 808	6 675	623 827	2 415	626 242

11. INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between two to seven 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 discount rate applied to cash flow projections is 14.01% (2018: 12.25%) for the intangible assets. The cash flows beyond the 10-year period are discounted at 14.01% (2018:12.25%) and applying a 0.5% long-term growth rate (2018: 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 assumptions; and
* Growth rate estimates

Gross margin

Gross margins are based on average values of between 27% to 50% in the three years preceding the start of the budget period. These are changed over the budget period for 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. The discount rate is derived from the Group's weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and of equity. The cost of equity is derived from the expected return on investment by the Group.

Raw materials price inflation

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

Market share assumptions

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

Growth rate estimates

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

Sensitivity to change in assumptions

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

Gross margin

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

Discount rates

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

Raw materials price inflation

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

Market share assumptions

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

Growth rate estimates

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

	2019 R'000	2018 R'000
12. DEFERRED TAX		
Balance at beginning of year	**(100 794)**	(71 550)
Acquisition of business (refer note 1)	**–**	(27 622)
Disposal of business (refer note 2.2)	**(497)**	–
Movement through profit or loss – continuing operations	**(3 911)**	1 342
– discontinued operation	**1 650**	(787)
Exchange rate adjustments	**(754)**	(388)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**9 182**	(1 782)
Fair value through OCI	**(244)**	(7)
IFRS 9 adjustment	**1 706**	–
Balance at end of year	**(93 662)**	(100 794)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(48 406)**	(50 909)
Property, plant and equipment	**(146 280)**	(137 402)
Pre-payments	**(4 239)**	(5 189)
Income received in advance	**12 700**	15 468
Provisions	**85 677**	79 762
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**5 179**	(4 003)
Tax loss available for future use	**216**	1 083
Other	**1 491**	396
	(93 662)	(100 794)
Disclosed as follows:		
Deferred tax asset	**8 671**	18 120
Deferred tax liability	**(102 333)**	(118 914)
13. OTHER FINANCIAL ASSETS		
13.1. LONG-TERM RECEIVABLE		
Black Managers Share Trust (BMT)		
Balance at beginning of year	**32 073**	39 840
Proceeds from sale	**(2 332)**	(5 232)
Fair value adjustment	**(1 763)**	–
Impairment (Refer Annexure G)	**–**	(2 535)
	27 978	32 073

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options until 30 September 2024 when the scheme is due to end or when a beneficiary dies. The proceeds on sale during the year is as a result of the capital contribution payments upon units being excercised after the lock-in period of R2.3 million (2018: R5.2 million). The fair value adjustment (2018: 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.

	2019 R'000	2018 R'000
13. OTHER FINANCIAL ASSETS (CONTINUED)		
13.2. INVESTMENTS		
Group Risk Holdings Proprietary Limited		
Balance at beginning of year	**1 937**	1 906
Disposal of shares	**(323)**	–
Revaluation of investment through other comprehensive income	**35**	31
	1 649	1 937
Total other financial assets	**29 627**	34 010

14. INVESTMENT IN JOINT VENTURES AND ASSOCIATE

14.1. INVESTMENT IN JOINT VENTURES

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

	2019 R'000	2018 R'000
Adcock Ingram Limited (India)	**274 752**	251 155
National Renal Care Proprietary Limited	**231 484**	193 995
	506 236	445 150

14.2. INVESTMENT IN ASSOCIATE

The Group disposed of its 25.1% share in Ayrton Drug Manufacturing Limited (Ghana) on 2 May 2019. This investment was previously accounted for using the equity method in the consolidated financial statements. The carrying value of the investment is set out below:

	2019 R'000	2018 R'000
Cost of investment	**5 133**	5 133
Share of post-acquisition profit	**1 603**	3 969
Exchange rate adjustments	**(1 607)**	(1 088)
Impairment	**(2 973)**	–
	2 156	8 014
Less: Proceeds on disposal	**(2 156)**	–
	–	8 014

Refer to Annexure F for more details on these investments

		2019 R'000	2018 R'000
15.	**INVENTORIES**		
	Raw materials	**375 198**	422 294
	Work-in-progress	**34 250**	31 556
	Finished goods	**903 103**	1 112 099
	Inventory value, net of provisions	**1 312 551**	1 565 949
	Inventories written down and recognised as an expense in cost of sales in profit or loss:		
	Continuing operations	**99 944**	91 466
	Discontinued operation (note 2.1)	**290**	3 388
		100 234	94 854
	Inventories are written off if aged, damaged, stolen or the likelihood of being sold is remote. Inventories are written down to the lower of cost and net realisable value.		
16.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**1 681 140**	1 552 765
	Less: Expected allowance for credit losses/Provision for impairment	**(32 257)**	(40 143)
		1 648 883	1 512 622
	Less: Provision for credit notes	**(45 095)**	(38 316)
		1 603 788	1 474 306
	Derivative asset at fair value	**–**	21 838
	Other receivables	**76 000**	61 970
	Bank interest receivable	**313**	907
	Sundry receivables(1)	**75 687**	61 063
	The maximum exposure to credit risk in relation to trade and other receivables	**1 679 788**	1 558 114
	Pre-payments	**85 935**	75 405
	VAT recoverable(2)	**21 302**	7 776
		1 787 025	1 641 295

(1) Includes income receivable from multinational partners.

(2) VAT recoverable will be received within one month.

61% (2018: 62%) of pre-payments will be recycled to other assets in the statement of financial position and the balance to profit or loss over the next 12 months.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the expected allowance for credit losses and provision for credit notes were as follows:

	Expected credit loss R'000	Credit notes R'000	Total R'000
At 1 July 2017	(28 370)	(40 047)	(68 417)
Charge for the year	(8 276)	(4 504)	(12 780)
Utilised during the year	–	1 233	1 233
Exchange rate adjustments	(472)	–	(472)
Acquisition of business	(3 025)	–	(3 025)
Unused amounts reversed	–	5 002	5 002
At 30 June 2018	**(40 143)**	**(38 316)**	**(78 459)**
IFRS 9 adjustment	**(6 092)**	**–**	**(6 092)**
At 1 July 2018 – Restated	**(46 235)**	**(38 316)**	**(84 551)**
Release/(Charge) for the year	**7 859**	**(11 407)**	**(3 548)**
Utilised during the year	**5 167**	**4 628**	**9 795**
Exchange rate adjustments	**(121)**	**–**	**(121)**
Disposal of business	**1 073**	**–**	**1 073**
At 30 June 2019	**(32 257)**	**(45 095)**	**(77 352)**

During the current year, receivables with a value of R5.2 million were written off (2018: nil).

TRADE RECEIVABLES	PROVISION MATRIX AS AT 30 JUNE 2019 (IFRS 9) Gross trade receivables R'000	Expected credit loss ratio %	Expected credit loss R'000	Estimated net carrying amount R'000
Days outstanding				
<30 days	**946 206**	**–**	**–**	**946 206**
31 – 60 days	**517 245**	**0.3%**	**1 526**	**515 719**
61 – 90 days	**123 618**	**0.5%**	**642**	**122 976**
91 – 180 days (past due)	**94 071**	**32.0%**	**30 089**	**63 982**
Total	**1 681 140**	**1.9%**	**32 257**	**1 648 883**

THE MATURITY ANALYSIS AS AT 30 JUNE 2018 (IAS 39)	2018 R'000
Neither past due nor impaired	
<30 days	900 537
31 – 60 days	471 922
61 – 90 days	54 394
Past due after impairments	
91 – 180 days	52 268
>180 days	33 501
Total	**1 512 622**

	2019 R'000	2018 R'000
16. TRADE AND OTHER RECEIVABLES (CONTINUED)		
Sundry receivables		
Neither past due nor impaired		
<30 days	**25 138**	26 402
31 – 60 days	**18 673**	5 250
61 – 90 days	**5 824**	6 745
>90 days	**26 052**	22 666
Total	**75 687**	61 063

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.

	2019 R'000	2018 R'000
17. CASH AND CASH EQUIVALENTS/OVERDRAFT		
Cash at banks	**448 252**	404 629
Bank overdraft	**–**	(248 877)
	448 252	155 752

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances in South Africa incurred interest at 8.3% during the previous financial year.

The fair value of the net cash approximates R448.3 million (2018: R155.8 million).

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

Refer to note 26.

	2019 R'000	2018 R'000
18. SHARE CAPITAL		
18.1. AUTHORISED		
Ordinary Share Capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
18.2. ISSUED		
Ordinary Share Capital		
Opening balance of 171 456 145 ordinary shares of 10 cents each	**17 146**	17 147
Movement of treasury shares	**(4)**	(1)
Closing balance of 171 423 855 ordinary shares of 10 cents each	**17 142**	17 146

	Number of shares 2019	Number of shares 2018
18. SHARE CAPITAL (CONTINUED)		
18.3. TREASURY SHARES		
Shares held by Group company		
– number of ordinary shares	**4 324 193**	4 291 903

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

	Number of shares 2019	Number of shares 2018
18.4. RECONCILIATION OF ISSUED SHARES		
Number of shares in issue	**175 748 048**	175 748 048
Number of ordinary shares held by Group companies*	**(4 324 193)**	(4 291 903)
Net shares in issue	**171 423 855**	171 456 145

* *Entitled to dividends*

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.

	2019 R'000	2018 R'000
19. SHARE PREMIUM		
Balance at the beginning of the year	**666 356**	666 873
Movement in treasury shares	**(2 342)**	(517)
	664 014	666 356

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 2017	125 357	5 712	3 919	38 257	27 127	200 372
Movement during the year, net of tax	16 463	4 582		1 800	658	23 503
BMT	323					323
Equity settled	22 426					22 426
Equity options exercised	(6 286)					(6 286)
Hedging reserve movement		6 364				6 364
Actuarial profit on post-retirement medical liability					634	634
Other movement for the year				1 800	31	1 831
Tax effect on movement		(1 782)			(7)	(1 789)
Balance at 30 June 2018	**141 820**	**10 294**	**3 919**	**40 057**	**27 785**	**223 875**
Movement during the year, net of tax	**5 314**	**(23 612)**		**(9 962)**	**733**	**(27 527)**
BMT	**3 749**					**3 749**
Equity settled	**21 037**					**21 037**
Equity options exercised	**(19 472)**					**(19 472)**
Hedging reserve movement		**(32 794)**				**(32 794)**
Other comprehensive income recycled to profit or loss				**(17 353)**		**(17 353)**
Actuarial profit on post-retirement medical liability					**942**	**942**
Other movement for the year				**7 391**	**35**	**7 426**
Tax effect on movement		**9 182**			**(244)**	**8 938**
Balance at 30 June 2019	**147 134**	**(13 318)**	**3 919**	**30 095**	**28 518**	**196 348**

20. NON-DISTRIBUTABLE RESERVES (CONTINUED)

SHARE-BASED PAYMENT RESERVE

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

CASH FLOW HEDGE ACCOUNTING RESERVE

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

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;
- 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).

	2019 R'000	2018 R'000
21. POST-RETIREMENT MEDICAL LIABILITY		
Balance at beginning of the year	**16 340**	16 793
Charged to operating profit	**36**	39
Benefits paid	**(1 277)**	(1 368)
Actuarial profit on post-employment medical liability released to other comprehensive income	**(942)**	(634)
Interest cost on benefit obligation	**1 480**	1 510
Balance at the end of the year	**15 637**	16 340

Refer to Annexure D.

	2019 R'000	2018 R'000
22. TRADE AND OTHER PAYABLES		
Trade accounts payable	**775 421**	1 008 439
Derivative liability at fair value[1]	**16 799**	–
Other payables	**830 154**	822 213
Accrued expenses	**655 374**	619 993
Black Managers Share Trust cash-settled options	**36 362**	36 363
Sundry payables	**138 418**	165 857
VAT payable[2]	**61 549**	6 573
Interest accrued	**–**	1 705
	1 683 923	1 838 930

[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:

	2019 R'000	2018 R'000
Trade payables		
<30 days	**499 171**	676 865
31 – 60 days	**146 947**	191 657
61 – 90 days	**67 332**	73 157
>90 days	**61 971**	66 760
Total	**775 421**	1 008 439
Other payables		
<30 days	**272 397**	236 308
31 – 60 days	**82 933**	64 011
61 – 90 days	**239 139**	251 388
>90 days	**235 685**	270 506
Total	**830 154**	822 213

	2019 R'000	2018 R'000
23. CASH-SETTLED OPTIONS		
Opening balance	**2 413**	7 384
Charged to operating profit	**16 970**	4 656
Payments made	**(684)**	(9 627)
	18 699	2 413

Refer to Annexure B

	2019 R'000	2018 R'000
24. PROVISIONS		
Leave pay	**54 149**	52 816
Bonus and incentive scheme	**31 430**	31 088
Other	**46 428**	46 428
	132 007	130 332
Made up as follows:		
Leave pay		
Balance at beginning of year	**52 816**	44 373
Arising during the year	**76 116**	72 710
Utilised during the year	**(67 434)**	(60 533)
Unused amounts reversed	**(4 459)**	(6 198)
Disposal of business (note 2.2)	**(3 051)**	–
Acquisition of business	**–**	2 255
Exchange rate adjustments	**161**	209
Balance at end of year	**54 149**	52 816
Bonus and incentive scheme		
Balance at beginning of year	**31 088**	31 557
Arising during the year	**31 430**	31 196
Utilised during the year	**(29 868)**	(31 665)
Unused amounts reversed	**(1 220)**	–
Balance at end of year	**31 430**	31 088

LEAVE PAY PROVISION

In excess of 97% of the balance represents the liability for employees in South Africa. In terms of the Group policy, employees in South Africa are entitled to accumulate leave benefits not taken within a leave cycle, up to a maximum of three times the employee's annual leave allocation, limited to a maximum of 30 days. The obligation is reviewed annually.

BONUS AND INCENTIVE PROVISION

Certain employees participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. These incentives are expected to be paid in September 2019.

OTHER

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

	2019 R'000	2018 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS		
25.1. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Profit before taxation from continuing operations	**966 467**	879 510
Profit before taxation from discontinued operation	**3 098**	15 647
Profit before taxation	**969 565**	895 157
Adjusted for:		
– amortisation of intangibles	**11 203**	10 647
– depreciation	**153 059**	158 386
– loss/(profit) on disposal/scrapping of property, plant and equipment	**677**	(1 968)
– dividend income	**(3 864)**	(4 340)
– finance income	**(6 756)**	(18 270)
– finance costs	**18 404**	26 187
– loss on sale of investment in associate	**1 607**	–
– impairment of investment in associate	**2 973**	–
– equity accounted earnings	**(90 714)**	(79 252)
– share-based payment expenses	**41 756**	34 345
– provision for accounts receivable impairment and credit notes	**3 548**	7 778
– increase in provisions and post-retirement medical liability	**4 804**	52 120
– straight-lining of leases	**(3 622)**	(907)
– impairment of intangible asset	**5 595**	2 700
– impairment of long-term receivable	**–**	2 535
– fair value adjustment of long-term receivable	**1 763**	–
– inventories written off	**100 234**	94 854
– increase in inventory provisions	**28 233**	19 306
– foreign exchange (profit)/loss	**(1 060)**	4 850
	1 237 405	1 204 128
25.2. WORKING CAPITAL CHANGES		
Decrease/(Increase) in inventories	**99 084**	(438 199)
(Increase)/Decrease in trade and other receivables	**(207 882)**	11 695
(Decrease)/Increase in trade and other payables*	**(99 802)**	83 536
	(208 600)	(342 968)
25.3. DIVIDENDS PAID		
Dividends paid to equity holders of the parent	**(270 801)**	(235 904)
Dividends paid to non-controlling shareholders	**(7 088)**	(11 239)
	(277 889)	(247 143)

** Includes cash settled options.*

	2019 R'000	2018 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)		
25.4. TAXATION PAID		
Amounts overpaid at beginning of year	**6 061**	9 642
Amounts charged to profit or loss	**(270 550)**	(251 084)
Continuing operations	**(269 435)**	(246 145)
Discontinued operations	**(1 115)**	(4 939)
Movement in deferred tax	**2 261**	(555)
Acquisition of business	**–**	1 579
Exchange rate adjustments	**(92)**	(184)
Disposal of business	**(1 038)**	–
Amounts overpaid at end of year	**(10 789)**	(6 061)
	(274 147)	(246 663)
25.5. NET CASH FLOW ON AQUISITION OF BUSINESSES		
Cash outflow on business combination (refer note 1)	**–**	327 623
25.6. FINANCE INCOME RECEIVED		
Finance income	**6 756**	18 270
Movement in receivable	**594**	(907)
	7 350	17 363
25.7. FINANCE COSTS PAID		
Finance costs – continuing operations	**(18 404)**	(25 401)
– discontinued operation	**–**	(786)
	(18 404)	(26 187)
Movement in accrual	**(1 705)**	582
	(20 109)	(25 605)
25.8. DIVIDEND INCOME RECEIVED		
Dividend income (note 3)	**3 864**	4 340
Dividend received from joint ventures	**38 089**	25 760
	41 953	30 100
25.9. MOVEMENT IN BORROWINGS		
Balance at beginning of year	**–**	251 908
Non-cash items: Acquisition of business (refer note 1)	**–**	24 297
Exchange rate adjustments	**–**	(28)
Balance at end of year	**–**	–
Cash movement in borrowings/Repayment of borrowings	**–**	276 177

	2019 R'000	2018 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)		
25.10. TREASURY SHARES (FOR EQUITY OPTION SCHEME)		
Purchase of treasury shares	**(21 445)**	(6 691)
Disposal of treasury shares	**19 099**	6 173
Net movement in treasury shares (note 18.2, 19)	**(2 346)**	(518)
Equity options settlement	**(19 472)**	(6 286)
	(21 818)	(6 804)
Refer Annexure B		
25.11. DECREASE IN OTHER FINANCIAL ASSETS		
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	**323**	–
Decrease in Black Managers Share Trust	**2 332**	5 232
	2 655	5 232

26. CONTINGENT LIABILITIES

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

27. COMMITMENTS AND CONTINGENCIES

27.1. OPERATING LEASE COMMITMENTS

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

	Lease 1 New Road	Lease 2 Durban	Lease 3 Cape Town	Lease 4 Port Elizabeth	Lease 5 Bloemfontein
Initial lease period (years)	10	12	10	5	5
Ending	30 November 2021	31 October 2022	31 August 2022	31 July 2022	30 June 2024
Renewal option period (years)	10	10	5	5	5
Ending	30 June 2031	31 October 2032	31 August 2027	31 July 2027	30 June 2029
Escalation %	7.3%	8.5%	8.5%	7.0%	7.0%

	2019 R'000	2018 R'000
27. COMMITMENTS AND CONTINGENCIES (CONTINUED)		
27.1. OPERATING LEASE COMMITMENTS (CONTINUED)		
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**45 868**	50 388
After one year but not more than five years	**171 343**	150 485
More than five years	**287 482**	1 455
	504 693	202 328
27.2. CAPITAL COMMITMENTS		
Commitments contracted for		
Within one year	**21 772**	32 932
Approved but not contracted for	**90 100**	63 258
Within one year	**90 100**	60 230
Between one and two years	**–**	3 028
	111 872	96 190
These commitments relate to property, plant and equipment.		
27.3. GUARANTEES		
The Group has provided guarantees to the amount of R3.1 million at 30 June 2019 (June 2018: R3.3 million)		
28. 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	**74 302**	56 747
Balance owing at reporting date	**13 899**	13 093

The payable balance is unsecured and will be repaid under normal terms applicable to trade creditors.

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

29. SUBSEQUENT EVENTS

29.1. ADCOCK INGRAM BROAD-BASED BLACK EMPOWERMENT SCHEME

Securities holders of AdBEE (RF) Limited (AdBEE) were notified on 31 May 2019 that AdBEE would not initiate the process of extending the Adcock Ingram Broad-Based Black Empowerment Scheme (Scheme) and accordingly the Scheme came to an end on 29 July 2019.

The value of a Scheme share did not exceed the maximum price (being R72.00) and therefore, on 1 August 2019, the Scheme transaction, in its entirety, was *ipso facto* cancelled *ab initio*.

The cancellation *ab initio* of the Scheme transaction had the effect that the Scheme shares held by Ad-izinyosi Proprietary Limited (Ad-izinyosi) ceased to be subject to a pledge and were returned by Ad-izinyosi to AdBEE securities holders.

The Mpho ea Bophelo Trust indirectly held 20% (5 168 592) of the Ad-izinyosi shareholding in Adcock Ingram Holdings Limited of 25 842 959 shares, which were treated as treasury shares for the purposes of calculating earnings per share (EPS) and headline earnings per share (HEPS). Following the cancellation of the Scheme, these shares will no longer be regarded as treasury shares.

Company statements of comprehensive income

	Notes	2019 R'000	2018 R'000
REVENUE	A	**64 439**	39 924
Operating expenses		**(369)**	(743)
Finance income	B.1	**26 350**	24 165
Finance costs	B.2	**(23 955)**	(24 533)
Dividend income	A	**38 089**	15 759
Profit before taxation		**40 115**	14 648
Taxation	C	**(567)**	321
Profit for the year		**39 548**	14 969
Other comprehensive income which will not be subsequently be recycled to profit or loss	I	**27**	24
Fair value of investment		**35**	31
Tax effect of revaluation		**(8)**	(7)
Total comprehensive income for the year, net of tax		**39 575**	14 993

Company statement of changes in equity

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained income/ (Accumulated loss) R'000	Total R'000
Balance at 1 July 2017		17 574	894 653	79 538	280 269	1 272 034
Total comprehensive income				24	14 969	14 993
Profit for the year					14 969	14 969
Other comprehensive income				24		24
Dividends	M.1				(242 846)	(242 846)
Balance at 30 June 2018		**17 574**	**894 653**	**79 562**	**52 392**	**1 044 181**
Total comprehensive income				**27**	**39 548**	**39 575**
Profit for the year					**39 548**	**39 548**
Other comprehensive income				**27**		**27**
Dividends	M.1				**(278 823)**	**(278 823)**
Balance at 30 June 2019		**17 574**	**894 653**	**79 589**	**(186 883)**	**804 933**

Company statements of financial position

	Notes	2019 R'000	2018 R'000
ASSETS			
Investments	D	**3 368 535**	3 368 823
Non-current assets		**3 368 535**	3 368 823
Cash and cash equivalents	E.1	**31 926**	30 809
Amounts owing by Group companies	F.1	**247 154**	265 154
Other receivables	K.2	**351**	93
Deferred tax	J	**–**	201
Taxation receivable	L.2	**286**	1 920
Current assets		**279 717**	298 177
Total assets		**3 648 252**	3 667 000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	G.2	**17 574**	17 574
Share premium	H	**894 653**	894 653
Non-distributable reserves	I	**79 589**	79 562
(Accumulated loss)/Retained income		**(186 883)**	52 392
Total equity		**804 933**	1 044 181
Amounts owing to Group companies	F.2	**2 154 068**	2 155 994
Deferred tax	J	**100**	–
Non-current liabilities		**2 154 168**	2 155 994
Bank overdraft	E.2	**–**	250 000
Other payables	K.1	**1 100**	2 667
Amounts owing to Group companies	F.2	**688 051**	214 158
Current liabilities		**689 151**	466 825
Total equity and liabilities		**3 648 252**	3 667 000

Company statements of cash flows

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Operating loss before working capital changes	L.1	**(369)**	(743)
Cash utilised in operations		**(369)**	(743)
Finance income, excluding accrual		**26 092**	24 072
Finance costs, excluding accrual		**(25 660)**	(22 828)
Dividend income	A	**38 089**	15 759
Dividends paid, excluding accrual		**(278 685)**	(242 726)
Taxation received/(paid)	L.2	**1 360**	(258)
Net cash outflow from operating activities		**(239 173)**	(226 724)
Cash flows from investing activities			
Decrease in investments	L.3	**323**	–
Net cash inflow from investing activities		**323**	–
Cash flows from financing activities			
Net increase/(decrease) in amounts owing to Group companies		**489 967**	(18 588)
Net cash inflow/(outflow) from financing activities		**489 967**	(18 588)
Net increase/(decrease) in cash and cash equivalents		**251 117**	(245 312)
Net cash and cash equivalents at beginning of year		**(219 191)**	26 121
Net cash and cash equivalents at end of year	E	**31 926**	(219 191)

Notes to the Company annual financial statements

		2019 R'000	2018 R'000
A.	**REVENUE**		
	Finance income	**26 350**	24 165
	Dividend income	**38 089**	15 759
		64 439	39 924
B.	**FINANCE INCOME AND FINANCE COSTS**		
	B.1. FINANCE INCOME		
	Bank	**8 989**	17 884
	Inter-Group interest	**17 361**	6 281
		26 350	24 165
	B.2. FINANCE COSTS		
	Borrowings	**23 955**	14 837
	Inter-Group interest	**–**	9 696
		23 955	24 533
C.	**TAXATION**		
	South African taxation		
	Current income tax		
	– current year	**274**	–
	– prior year over provision	**–**	(10)
	Deferred tax		
	– current year	**293**	(311)
		567	(321)
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**1.4**	(2.2)
	Adjusted for:		
	Exempt income (dividend income)	**26.6**	30.1
	Prior year over provision	**–**	0.1
	South African normal tax rate	**28.0**	28.0

	2019 Effective holding %	2018 Effective holding %	2019 R'000	2018 R'000
D. INVESTMENTS				
Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
Adcock Ingram Healthcare Proprietary Limited	**100**	100	**815 390**	815 390
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100	**104 000**	104 000
Adcock Ingram Critical Care Proprietary Limited	**100**	100	**284 979**	284 979
Adcock Ingram International Proprietary Limited	**100**	100	*	*
Tender Loving Care Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100	*	*
Thembalami Pharmaceuticals Proprietary Limited	**50**	50	*	*
Adcock Ingram Limited India	**49.9**	49.9	**31 930**	31 930
Group Risk Holdings Proprietary Limited[1]	**4.4**	5.3	**1 649**	1 937
			3 368 535	3 368 823

** Less than R1 000.*

[1] **Group Risk Holdings Proprietary Limited**	2019 R'000	2018 R'000
Balance at 1 July	**1 937**	1 906
Disposal of 0.9% interest	**(323)**	–
Revaluation of investment to fair value	**35**	31
Balance at 30 June	**1 649**	1 937

	2019 R'000	2018 R'000
E. NET CASH AND CASH EQUIVALENTS		
E.1. CASH AND CASH EQUIVALENTS		
Cash at banks	**31 926**	30 809
E.2. BANK OVERDRAFT	**–**	(250 000)
	31 926	(219 191)
Favourable balances attract interest at 6.00%. Overdraft balances incur interest at 8.35%.		
F. AMOUNTS OWING BY/TO GROUP COMPANIES		
F.1. AMOUNTS OWING BY GROUP COMPANIES		
Included in current assets		
Adcock Ingram International Proprietary Limited	**167 154**	167 154
Adcock Ingram Critical Care Proprietary Limited	**80 000**	98 000
	247 154	265 154
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	**2 154 068**	2 155 994
Included in current liabilities		
Adcock Ingram Healthcare Proprietary Limited	**688 051**	214 158
	2 842 119	2 370 152
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.		
G. SHARE CAPITAL		
G.1. AUTHORISED		
Ordinary share capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
G.2. ISSUED		
Ordinary share capital		
175 748 048 ordinary shares of 10 cents each	**17 574**	17 574
G.3. UNISSUED SHARES		
In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit, but subject to the provisions of the Companies Act.		
H. SHARE PREMIUM		
Balance	**894 653**	894 653

	Share-based payment reserve R'000	Other reserves R'000	Total R'000
I. NON-DISTRIBUTABLE RESERVES			
Balance at 1 July 2017	20 821	58 717	79 538
Fair value of investment		31	31
Tax effect of revaluation		(7)	(7)
Balance at 30 June 2018	**20 821**	**58 741**	**79 562**
Fair value of investment		**35**	**35**
Tax effect of revaluation		**(8)**	**(8)**
Balance at 30 June 2019	**20 821**	**58 768**	**79 589**

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

	2019 R'000	2018 R'000
J. DEFERRED TAX		
Balance at beginning of year	**201**	(103)
Movement through profit or loss	**(293)**	311
Fair value of investment through other comprehensive income	**(8)**	(7)
Balance at end of year	**(100)**	201

This balance comprises the temporary difference relating to the fair value adjustment of the investment in Group Risk Holdings Proprietary Limited, a financial asset designated at fair value through other comprehensive income (OCI).

	2019 R'000	2018 R'000
K. OTHER PAYABLES AND RECEIVABLES		
K.1. OTHER PAYABLES		
Interest accrued	**–**	1 705
Shareholders for dividends	**1 100**	962
	1 100	2 667
K.2. OTHER RECEIVABLES		
Interest accrued	**351**	93

	2019 R'000	2018 R'000
L. NOTES TO THE STATEMENTS OF CASH FLOWS		
L.1. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	**40 115**	14 648
Adjusted for:		
– dividend income	**(38 089)**	(15 759)
– finance income	**(26 350)**	(24 165)
– finance costs	**23 955**	24 533
	(369)	(743)
L.2. TAXATION RECEIVED/(PAID)		
Amounts overpaid at beginning of year	**1 920**	1 652
Amounts (charged)/released (to)/from profit or loss	**(274)**	10
Amount overpaid at end of year	**(286)**	(1 920)
	1 360	(258)
L.3. DECREASE IN INVESTMENTS		
Proceeds on sale of 0.9% interest in Group Risk Holdings Proprietary Limited	**323**	–
M. DISTRIBUTIONS		
M.1. DECLARED AND PAID DURING THE YEAR		
Final dividend for 2018: 86 cents per share (2017: 76 cents per share)	**128 918**	113 928
Interim dividend for 2019: 100 cents per share (2018: 86 cents per share)	**149 905**	128 918
Total declared and paid	**278 823**	242 846
M.2. DECLARED SUBSEQUENT TO THE REPORTING DATE		
Final dividend for 2019: 100 cents per share (2018: 86 cents per share)	**175 756**	128 918
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	**17 361**	6 281
Dividends received		
Adcock Ingram Limited India	**38 089**	15 759
Dividends paid		
Adcock Ingram Limited	**7 970**	6 942

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 IFRS 9	Classification per IAS 39	2019 R'000	2018 R'000
Investment in Group Risk Holdings Proprietary Limited[1]	Fair value through OCI	Available-for-sale	**1 649**	1 937
Amounts owing by Group companies[2]	At amortised cost	Loans and receivables	**247 154**	265 154
Amounts owing to Group companies[2]	At amortised cost	Loans and borrowings	**2 842 119**	2370 152
Bank[2]	At amortised cost	Loans and receivables	**31 926**	30 809
Bank overdraft[2]	At amortised cost	Loans and borrowings	**–**	250 000

[1] Level 3 The value of the investment is based on Adcock Ingram's proportionate share of the net asset value of this company.

[2] The carrying value approximates the fair value.

Financial risk management objectives and policies

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

The Company's financial assets comprise investments and receivables.

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

Interest rate sensitivity

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

	Change in rate %	Increase/(Decrease) in profit before tax 2019 R'000	2018 R'000
Cash and cash equivalents			
Cash at banks	+1	**319**	308
Bank overdraft	+1	**–**	(2 500)

Annexure A
Segment report

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

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

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

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

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

STATEMENT OF COMPREHENSIVE INCOME

	2019 R'000	2018 R'000
Revenue from contracts with customers		
Continuing operations		
Southern Africa	**7 030 034**	6 338 389
OTC	**1 982 886**	1 989 225
Prescription	**2 739 649**	2 237 620
Consumer	**786 896**	686 699
Hospital	**1 454 604**	1 347 698
Other – shared services	**65 999**	77 147
Rest of Africa	**68 524**	65 075
Research and development services in India	**21 114**	19 494
	7 119 672	6 422 958
Less: Intercompany sales	**(41 234)**	(40 252)
	7 078 438	6 382 706
Discontinued operation		
Rest of Africa	**86 261**	157 549
	7 164 699	6 540 255
The South African Government represents more than 10% of the Group's turnover, arising in the following segments:		
OTC	**117 176**	114 552
Prescription	**319 832**	272 234
Consumer	**4**	74
Hospital	**426 334**	413 953
	863 346	800 813

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Trading and operating profit

	2019 R'000	2018 R'000
Continuing operations		
Southern Africa	**944 752**	845 540
OTC	**388 361**	399 640
Prescription	**309 989**	239 435
Consumer	**134 177**	112 181
Hospital	**112 225**	95 312
Other – shared services	**–**	(1 028)
Rest of Africa	**8 609**	1 897
Research and development services in India	**2 060**	2 507
Trading profit	**955 421**	849 944
Less: Non-trading expenses	**(71 884)**	(46 895)
Operating profit	**883 537**	803 049
Discontinued operation – Rest of Africa		
Trading profit	**4 919**	16 433
Less: Non-trading expenses	**(1 821)**	–
Operating profit	**3 098**	16 433

STATEMENT OF FINANCIAL POSITION

	2019 R'000	2018 R'000
Total assets		
Southern Africa	**5 922 443**	5 844 806
OTC	**1 771 142**	1 761 603
Prescription	**2 020 144**	1 987 006
Consumer	**342 209**	315 425
Hospital	**1 189 750**	1 236 482
Other – shared services	**599 198**	544 290
Rest of Africa	**40 502**	163 141
India	**287 848**	262 778
	6 250 793	6 270 725
Current liabilities		
Southern Africa	**1 791 161**	2 110 992
OTC	**499 927**	662 233
Prescription	**564 611**	565 876
Consumer	**140 835**	100 057
Hospital	**388 949**	378 041
Other – shared services	**196 839**	404 785
Rest of Africa	**41 384**	106 474
India	**2 084**	3 086
	1 834 629	2 220 552
Capital expenditure [1]		
Continuing operations		
Southern Africa	**207 856**	210 933
OTC	**102 025**	98 446
Prescription	**62 994**	65 168
Consumer	**80**	–
Hospital	**1 930**	4 534
Other – shared services	**40 827**	42 785
Rest of Africa	**67**	321
India	**297**	30
	208 220	211 284
Discontinued operation		
Rest of Africa	**7 264**	7 964

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

Annexure A
Segment report *continued*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
OTHER

	2019 R'000	2018 R'000
Fair value adjustment of Long-term receivable	**1 763**	–
Hospital	**451**	–
Other – shared services	**1 312**	–
Impairments[1]		
Southern Africa	**5 595**	5 235
Consumer	**–**	2 700
Hospital	**–**	403
Other – shared services	**5 595**	2 132
Rest of Africa	**2 973**	–
	8 568	5 235
Depreciation and amortisation		
Southern Africa	**161 374**	159 230
OTC	**45 714**	42 264
Prescription	**29 776**	20 773
Consumer	**8 383**	8 417
Hospital	**24 118**	28 168
Other – shared services	**53 383**	59 608
Rest of Africa	**520**	459
Research and development services in India	**534**	487
	162 428	160 176
Discontinued operations		
Rest of Africa	**1 834**	8 857

[1] *Refer to Annexure G.*

Annexure B

Share-based payment plans

A GENERAL EMPLOYEE SHARE OPTION PLAN

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

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

The equity-settled scheme which was initiated in June 2014 has been replaced with the cash-settled scheme from August 2018.

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

	2019		2018	
EQUITY-SETTLED	Number	WAOP (Rand)	Number	WAOP (Rand)
Outstanding at the beginning of the year	**5 685 001**	**48.62**	4 860 000	44.97
Granted	**–**	**–**	1 945 000	57.73
Exercised	**(805 328)**	**46.66**	(346 999)	52.20
Forfeited	**(633 668)**	**48.34**	(773 000)	47.54
Outstanding at the end of the year	**4 246 005**	**48.92**	5 685 001	48.62
Vested and exercisable at the end of the year	**432 666**	**51.36**	49 000	52.20

	2019	2018
Weighted average share price of exercised options:	**R70.84**	R70.33
Weighted average remaining contractual life for the share options outstanding at reporting date:	**6.79 years**	7.80 years
Range of offer prices for options outstanding at the end of the year:	**R41.94 – R52.20**	R41.94 – R57.73
Average fair value of options granted during the year:	**–**	R24.23
Expense recognised for employee services received during the year (million):	**R21.03**	R22.43

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

Shares are bought in anticipation of employees taking possession of the vested shares, after settling the offer price or selling all their vested shares. When employees exercise their rights to the options, the employee may choose to have their shares sold on their behalf.

A GENERAL EMPLOYEE SHARE OPTION PLAN (CONTINUED)

CASH-SETTLED	2019 Number	2019 WAOP (Rand)	2018 Number	2018 WAOP (Rand)
Outstanding at the beginning of the year	**57 153**	**56.63**	1 016 193	57.85
Granted	**2 135 000**	**65.30**	–	–
Forfeited	**(200 000)**	**65.46**	(757 269)	59.13
Exercised	**(57 153)**	**56.63**	(201 771)	55.89
Outstanding at the end of the year	**1 935 000**	**65.29**	57 153	56.63
Vested and exercisable at the end of the year	**–**	**–**	57 153	56.63

	2019	2018
Weighted average share price of exercised options:	**R68.59**	R68.24
Weighted average remaining contractual life for the share options outstanding at reporting date:	**5.25 years**	0.65 years
Range of offer prices for options outstanding at the end of the year:	**R62.00 – R65.46**	R53.52 – R60.55
Carrying amount of the liability relating to the cash-settled options at reporting date (million):	**R18.70**	R0.41
Expense recognised for employee services received during the year (million):	**R16.97**	R4.66

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, Adcock Ingram and Oceana 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.

	2019			2018	
Number of shares	**Adcock Ingram**	**Tiger Brands**	**Oceana**	Adcock Ingram	Tiger Brands
Outstanding at the beginning of the year	**382 754**	**342 452**	**–**	460 575	395 385
Granted	**–**	**–**	**82 227**	–	–
Exercised	**(11 729)**	**(26 295)**	**–**	(77 821)	(52 933)
Outstanding at the end of the year[1]	**371 025**	**316 157**	**82 227**	382 754	342 452
Weighted average exercise price	**R62.06**	**R276.19**	**–**	R61.97	R392.38

[1] *All options have vested and are exercisable at the end of each year.*

	2019	2018
Weighted average remaining contractual life for the share options outstanding at reporting date:	**8.25 years**	9.25 years
Expense recognised for employee services received during the year (million):	**R3.74**	R7.26

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/Oceana Limited share price;
- outstanding debt projections; and
- optimal early exercise conditions.

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

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

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

BEE PARTICIPANTS

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

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

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (CONTINUED)

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

Equity-settled	2019 Number	2018 Number
Outstanding at the beginning of the year	**4 212 870**	4 094 880
Granted	**216 600**	233 700
Forfeited	**(85 500)**	(115 710)
Outstanding at the end of the year	**4 343 970**	4 212 870
Vested but not exercisable at the end of the year	**3 152 100**	2 081 070
Available for future distribution to qualifying employees	**824 662**	955 722

KEY TERMS AND CONTRACTUAL OBLIGATIONS

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

- the scheme shares will not be entitled to participate in any normal dividend distributions during the transaction period, but are only entitled to special dividends;
- AdBEE securities are listed on the main board of the JSE in the "Specialist Securities – Other Securities" sector as an Asset Based Security under the share code "ADE";
- whatever Ad-i may be entitled to receive from Adcock Ingram (other than dividend distributions), as the holder of the scheme shares, is deemed to be renounced to AdBEE and onward renounced by AdBEE to the securities holders;
- Ad-i issued one A redeemable preference share and one B redeemable preference share with no par value respectively to Adcock Ingram Holdings Limited and AdBEE;
- preference shares are not entitled to vote unless a resolution is proposed for a distribution of any nature to Ad-i shareholders;
- if the Adcock Ingram share price is below R36.00 per share during the empowerment period of 4 years, the directors of AdBEE can convene a meeting of the AdBEE securities holders to decide whether they should waive the AdBEE resolutive condition or not;
- if the Adcock Ingram share price is below R72.00 per share at the 4th anniversary, the Ad-i indebtedness to the holders of the securities will be calculated using the 30-day VWAP of the Adcock Ingram share price before this date, but not less than a minimum price of R52.00 per share and not more than R72.00 per share;
- if the Adcock Ingram share price is above R72.00 per share at the 4th anniversary, the Ad-i indebtedness shall be settled and the remaining Adcock Ingram shares in Ad-i released from the pledge;
- 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
- on inception of the scheme, R20.8 million was incurred as a one-off cost for the call options. The call options were fair valued using a Black-Scholes-Merton model taking into account the expected volatility, expected dividend yield, spot and strike price of the option, the exercise date and the risk-free interest rate of the call option.

SUBSEQUENT EVENTS

- refer to note 29 for events subsequent to the reporting date.

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 R121.0 million (2018: R119.5 million).

DEFINED BENEFIT PLAN

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

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

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

	2019 R'000	2018 R'000
Net benefit expense		
Interest cost on defined benefit obligation	**137**	131
Interest income on assets	**(172)**	(160)
Effect of paragraph 64	**35**	29
Net benefit expense	**–**	–
Benefit liability		
Defined benefit obligation	**(1 320)**	(1 550)
Fair value of plan assets	**2 692**	1 936
	1 372	386
Unrecognised due to Paragraph 64 limit	**(1 372)**	(386)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July	**(1 550)**	(1 495)
Interest cost	**(137)**	(131)
Benefits paid	**51**	42
Actuarial gain on obligation	**316**	34
Defined benefit obligation at 30 June	**(1 320)**	(1 550)
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July	**1 936**	1 820
Return	**172**	160
Benefits paid	**(51)**	(42)
Actuarial gain/(loss)	**635**	(2)
Fair value of plan assets at 30 June	**2 692**	1 936
Asset coverage over liabilities (times)	**2,0**	1,2

Annexure C

Defined contribution and defined benefit plan
continued

DEFINED BENEFIT PLAN (CONTINUED)

Assumptions	**2019 %**	2018 %
The assumptions used in the valuations are as follows:		
Discount rate	**9,3**	9,0
Future pension increases	**5,6**	5,9
Estimated asset composition		
Cash	**72,1**	66,4
Bonds	**27,9**	33,6

Sensitivity analysis	**Valuation R'000**	**+1% R'000**	**-1% R'000**
The liability was recalculated to show the effect of:			
2019			
A one percentage point variance in the discount rate assumption	**(1 320)**	**(1 268)**	**(1 378)**
A one percentage point variance in the pension increase rate	**(1 320)**	**(1 383)**	**(1 264)**
2018			
A one percentage point variance in the discount rate assumption	(1 550)	(1 493)	(1 610)
A one percentage point variance in the pension increase rate	(1 550)	(1 612)	(1 491)

Annexure D

Post-retirement medical liability

The Company and its subsidiaries operate a post-employment medical benefit scheme that covers certain retirees and one employee still in service. The liability is valued annually using the Projected Unit Credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 June 2019.

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.

	2019 R'000	2018 R'000
Net benefit expense		
Current service cost	**36**	39
Interest cost on benefit obligation	**1 480**	1 510
	1 516	1 549
Expected contributions within the next 12 months	**38**	41
Defined benefit obligation at 1 July	**(16 340)**	(16 793)
Interest cost	**(1 480)**	(1 510)
Current service cost	**(36)**	(39)
Benefits paid	**1 277**	1 368
Actuarial gains on obligation	**942**	634
Defined benefit obligation at 30 June	**(15 637)**	(16 340)

Assumptions	%	%
The assumptions used in the valuations are as follows:		
Discount rate	**9,7**	9,4
CPI increase	**5,8**	6,2
Healthcare cost inflation	**7,8**	8,2
Expected retirement age	**63**	63
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity analysis	Value R'000	+1%/year R'000	-1%/year R'000
The liability was recalculated to show the effect of:			
2019			
A one percentage point variance in the assumed rate of healthcare costs inflation	**(15 637)**	**(17 279)**	**(14 247)**
A one percentage point variance in the discount rate	**(15 637)**	**(14 285)**	**(17 259)**
A one year variance in the expected retirement age	**(15 637)**	**(15 560)**	**(15 719)**
2018			
A one percentage point variance in the assumed rate of healthcare costs inflation	(16 340)	(18 025)	(14 897)
A one percentage point variance in the discount rate	(16 340)	(14 951)	(17 987)
A one year variance in the expected retirement age	(16 340)	(16 250)	(16 435)

Annexure E
Financial instruments

FAIR VALUE HIERARCHY

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

Financial instruments	Classification per IFRS 9	Classification per IAS 39	Statement of financial position line item	Year end balance 2019 R'000	Year end balance 2018 R'000	Net gains 2019 R'000
Investment[1]	Fair value through OCI	Available-for-sale	Other financial assets	**1 649**	1 937	*Refer to note 13.2*
Black Managers Share Trust[1]	Fair value through profit and loss	Loans and receivables	Other financial assets	**27 978**	32 073	*Refer to note 13.1*
Trade and sundry receivables[3]	At amortised cost	Loans and receivables	Trade and other receivables	**1 679 475**	1 535 369	**–**
Foreign exchange contracts – derivative asset [2]	Fair value through OCI	Cash flow hedge	Trade and other receivables	**–**	21 838	**–**
Cash and cash equivalents[3]	At amortised cost	Loans and receivables	Cash and cash equivalents	**448 252**	404 629	**–**
Trade and other payables[3]	At amortised cost	Loans and borrowings	Trade and other payables	**1 605 575**	1 830 652	**–**
Foreign exchange contracts – derivative liability[2]	Fair value through OCI	Cash flow hedge	Trade and other payables	**16 799**	–	**(5 026)**
Bank overdraft[3]	At amortised cost	Loans and borrowings	Bank overdraft	**–**	248 877	**–**

Valuation techniques

[1] Level 3. The value of the investment in Group Risk Holdings Proprietary Limited is based on Adcock Ingram's proportionate share of the net asset value of the Company. The value of the investment in the Black Managers Share Trust is based on the expected capital contribution to be received from the scheme beneficiaries.

[2] Level 2. Fair value based on the ruling market rate at year-end. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and the forward exchange rate of a similar contract with similar terms and maturities concluded as at the valuation date multiplied by the foreign currency monetary units as per the FEC contract.

[3] The carrying value approximates fair value.

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 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 2019, 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 as follows:

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 trade 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, 69% (2018:71%) 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.

Substantially all debtors are non-interest bearing and repayable within 30 to 90 days.

Debtors are disclosed net of a provision for an expected credit loss and a provision for credit notes.

A fair value analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16.

Apart from the South African Government, which comprises 13.7% (2018: 14.1%) or R220.0 million (2018: R207.4 million) of trade receivables, there are no significant concentrations of credit risk within the Group arising from the financial assets of the Group.

The introduction of IFRS 9 and application of the Expected Credit Loss ('ECL') model in the current year resulted in an adjustment to the opening balance of retained earnings of R4.4 million after tax and an adjustment to trade receivables' doubtful debt provision of R6.1 million (refer Note 16).

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

Interest rate risk

the Group is exposed to interest rate risk as the following assets and liabilities carry interest at rates that vary in response to the lending rates in the operations in the specific country.

- Cash balances which are subject to movements in the bank deposit rates; and
- Short-term debt obligations with floating interest rates linked to the Johannesburg Interbank Agreed Rate and the South African prime rate.

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

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

Interest rate risk (continued)

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

	Change in rate	Increase/(Decrease) in profit before tax	
	%	**2019 R'000**	2018 R'000
Cash balances			
Cash and cash equivalents	+1	**4 483**	4 046
Bank overdraft	+1	**–**	(2 489)

Foreign currency risk

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

Foreign operations

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

	2019 Income/Expenses Average Rand	**2019 Assets/Liabilities Spot Rand**	2018 Income/Expenses Average Rand	2018 Assets/Liabilities Spot Rand
Ghanaian Cedi	**2.8073**	**2.5927**	2.8410	2.8662
Indian Rupee	**0.2014**	**0.2043**	0.1977	0.2005
Kenyan Shilling	**0.1399**	**0.1376**	0.1250	0.1360
United States Dollar	**14.2019**	**14.0808**	12.8635	13.7275

Foreign assets/liabilities

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

	Assets Rand	**Liabilities Rand**
2019		
Euro	**16.00**	**16.02**
US Dollar	**14.07**	**14.09**
2018		
Euro	15.99	16.00
US Dollar	13.72	13.73

Foreign currency risk (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 foreign currency exchange rate %	(Decrease)/Increase in profit before tax R'000	Increase/(Decrease) in other comprehensive income R'000
2019			
Euro	**+10**	**(6 220)**	**21 496**
	-10	**6 220**	**(21 496)**
US dollar	**+10**	**(9 371)**	**22 333**
	-10	**9 371**	**(22 333)**
2018			
Euro	+10	(8 108)	19 965
	-10	8 108	(19 965)
US dollar	+10	(9 476)	19 308
	-10	9 476	(19 308)

LIQUIDITY RISK

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The facilities in place in South Africa are R850 million for working capital purposes.

COLLATERAL PLEDGED

The Group has provided guarantees to various regulatory authorities to the amount of R3.1 million at 30 June 2019 (2018: R3.3 million).

HEDGING STRATEGY

The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for any order is in place. As a result, all material foreign liabilities were covered by forward exchange contracts at year-end. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The fair value is determined using the applicable foreign exchange spot rates at reporting dates.

At 30 June 2019, 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 2019 designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. All foreign exchange contracts will mature within 12 months. The cash flow hedges of expected future purchases were assessed to be effective.

The effective portion of the gains and losses on the hedging instruments that is included in the initial cost of inventory and subsequently part of cost of sales is R5.0 million (2018: R27.7 million). The ineffective portion that was taken to fixed operating cost was a profit of R2.5 million (2018: loss of R5.6 million).

Annexure E

Financial instruments *continued*

HEDGING STRATEGY (CONTINUED)

A summary of the material contracts, comprising at least 98% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate	R'000
2019			
Euro	**18 376**	**16.68**	**306 596**
US Dollar	**21 919**	**14.53**	**318 483**
2018			
Euro	17 131	15.67	268 483
US Dollar	19 444	13.15	255 637

The maturity analysis for the material outstanding contracts at:

	Euro '000	Rands '000	US Dollar '000	Rands '000
2019				
Within 30 days	**3 397**	**56 203**	**8 465**	**122 260**
31 to 60 days	**6 061**	**100 017**	**9 142**	**132 791**
61 to 90 days	**1 753**	**29 231**	**2 861**	**41 797**
> 90 days	**7 165**	**121 145**	**1 451**	**21 635**
	18 376	**306 596**	**21 919**	**318 483**
2018				
Within 30 days	6 666	103 160	10 268	133 442
31 to 60 days	4 014	62 172	2 856	38 235
61 to 90 days	3 490	56 466	4 061	53 957
> 90 days	2 961	46 685	2 259	30 003
	17 131	268 483	19 444	255 637

A summary of the material contracts settled during the year:

	Foreign currency '000	Average forward rate	R'000
2019			
Euro	**39 208**	**16.29**	**638 803**
US Dollar	**64 784**	**14.00**	**906 825**
2018			
Euro	35 321	15.30	540 533
US Dollar	51 345	13.30	682 957

CAPITAL MANAGEMENT

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

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

Given the current borrowings situation, the gearing ratio is not applicable in both years.

Annexure F
Interest in joint ventures and associate

The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The 25.1% minority share in Ayrton Manufacturing Limited (Ghana), was disposed of on 2 May 2019. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures and associate, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

		2019 R'000	2018 R'000
1.	**ADCOCK INGRAM LIMITED (INDIA)**		
	Statement of financial position		
	Property, plant and equipment	**195 218**	153 577
	Other financial assets	**–**	148 590
	Non-current assets	**195 218**	302 167
	Inventories	**110 356**	39 539
	Trade and other receivables	**208 634**	511 651
	Cash and cash equivalents	**136 818**	52 950
	Current assets	**455 808**	604 140
	Total assets	**651 026**	906 307
	Post-retirement medical liability	**5 925**	4 718
	Deferred tax	**19 051**	20 207
	Non-current liabilities	**24 976**	24 925
	Trade and other payables	**55 761**	42 328
	Short-term borrowings	**498**	–
	Provisions	**1 526**	1 420
	Taxation payable	**17 660**	334 317
	Current liabilities	**75 445**	378 065
	Total liabilities	**100 421**	402 990
	Equity	**550 605**	503 317
	Proportion of Group's ownership	**49,9%**	49,9%
	Carrying amount of the investment	**274 752**	251 155
	Statement of comprehensive income		
	Turnover	**520 764**	505 146
	Cost of sales	**(383 314)**	(395 407)
	Gross profit	**137 450**	109 739
	Selling, distribution and marketing expenses	**(76)**	(101)
	Fixed and administrative income	**26 816**	14 520
	Operating profit	**164 190**	124 158
	Finance income	**327**	69
	Finance costs	**(325)**	(652)
	Dividend income	**8 270**	4 917
	Profit before taxation	**172 462**	128 492
	Taxation	**(58 585)**	(83 739)
	Profit for the year	**113 877**	44 753
	Group's share of profit for the year	**56 825**	22 332
	Unearned income on inventory	**(1 233)**	(3 502)
	Group's share of profit for the year	**55 592**	18 830

	2019 R'000	2018 R'000
2. NATIONAL RENAL CARE PROPRIETARY LIMITED		
Statement of financial position		
Property, plant and equipment	**199 964**	167 897
Intangible assets	**106 040**	106 040
Loans receivable	**35 336**	34 988
Deferred tax	**27 815**	24 880
Non-current assets	**369 155**	333 805
Inventories	**21 728**	24 396
Trade and other receivables	**113 194**	103 532
Cash and cash equivalents	**207 174**	155 980
Current assets	**342 096**	283 908
Total assets	**711 251**	617 713
Long-term borrowings	**–**	3 510
Non-current liabilities	**–**	3 510
Trade and other payables	**121 504**	111 127
Short-term borrowings	**–**	255
Provisions	**17 853**	16 165
Taxation payable	**14 941**	8 166
Current liabilities	**154 298**	135 713
Total liabilities	**154 298**	139 223
Non-controlling interests	**93 985**	90 500
Equity	**462 968**	387 990
Proportion of Group's ownership	**50,0%**	50,0%
Carrying amount of the investment	**231 484**	193 995
Statement of comprehensive income		
Turnover	**1 105 903**	1 037 440
Cost of sales	**(830 302)**	(776 342)
Gross profit	**275 601**	261 098
Selling, distribution and marketing expenses	**(152 220)**	(124 403)
Fixed and administrative expenses	**(9 031)**	(2 984)
Trading profit	**114 350**	133 711
Non-trading (expenses)/income	**(2 605)**	25 480
Fair value gain on revaluation of investment in associate	**–**	37 760
Impairment of goodwill	**–**	(10 625)
Impairment of loans receivable	**(2 605)**	(1 655)
Operating profit	**111 745**	159 191
Finance income	**15 026**	9 040
Equity accounted earnings	**–**	830
Profit before taxation	**126 771**	169 061
Taxation	**(47 274)**	(39 471)
Profit for the year	**79 497**	129 590
Less:		
Non-controlling interests	**(4 521)**	(13 587)
Profit attributable to owners of the parent	**74 976**	116 003
Group's share of profit for the year	**37 488**	58 001

		2018 R'000
3.	**AYRTON DRUG MANUFACTURING LIMITED (GHANA)**	
	Statement of financial position	
	Property, plant and equipment	21 253
	Deferred tax	604
	Non-current assets	21 857
	Inventories	29 102
	Trade and other receivables	46 842
	Current assets	75 944
	Total assets	97 801
	Trade and other payables	17 070
	Provisions	993
	Bank overdraft	13 766
	Taxation payable	2 325
	Current liabilities	34 154
	Total liabilities	34 154
	Equity	63 647
	Proportion of Group's ownership	25,1%
	Group's share of net assets	15 975
	Fair value adjustment	(7 961)
	Carrying amount of the investment	8 014

Statement of comprehensive income	**2019 10 months R'000**	2018 12 months R'000
Turnover	**62 508**	102 895
Cost of sales	**(40 356)**	(44 268)
Gross profit	**22 152**	58 627
Selling, distribution and marketing expenses	**(5 980)**	(12 479)
Fixed and administrative expenses	**(23 593)**	(27 618)
Operating (loss)/profit	**(7 421)**	18 530
Finance income	**426**	–
Finance costs	**(3 496)**	(5 452)
(Loss)/profit before taxation	**(10 491)**	13 078
Taxation	**1 063**	(3 433)
(Loss)/profit for the year	**(9 428)**	9 645
Group's share of (loss)/profit for the year	**(2 366)**	2 421

Annexure G Impairments

			2019 R'000	2018 R'000
A	**IMPAIRMENTS IN SUBSIDIARIES**			
1	**Goodwill**			
	Reportable segment	**Asset**		
	Southern Africa (Other shared services)	Goodwill	**5 595**	–
	Goodwill relating to Virtual Logistics Proprietary Limited was impaired as the recoverable amount is lower than the carrying value, following the change in the operating model.			
2	**Other intangibles**			
	Reportable segment	**Asset**		
	Consumer	Trademark	–	2 700
	The brand underperformed in the previous reporting period and was not forecasted to achieve the same level of profitably as initially expected which contributed to the impairment.			
3	**Other**			
	Reportable segment	**Asset**		
	Southern Africa	Other financial assets - Black Managers Share Trust (BMT)	–	2 535
	As a result of the on-distribution of dividend income, in the accounts of the corporate beneficiaries of the BMT share option scheme, the cost of the capital contributions exceeded the terminal amount. This required an impairment of this asset in the prior year.			
4	**Goodwill**			
	Reportable segment	**Asset**		
	Ayrton Drug Manufacturing Limited (Ghana)	Investment in Associate	**2 973**	–
	The investment in the Ghana business was impaired as the recoverable amount was lower than the carrying value. The investment was disposed of in the current reporting period. refer Note 14.2			
	Total		**8 568**	5 235
B	**IMPAIRMENTS IN ASSOCIATES AND JOINT VENTURES**			
1	**Other assets**			
	Reportable segment	**Asset**		
	National Renal Care Proprietary Limited	Loans Receivable	–	1 655
	The recoverability of amounts due, granted in terms of an Enterprise and Supplier Development Plan became unlikely following a decline in trading conditions resulting in the impairment in the prior reporting period.			
2	**Intangibles**			
	Reportable segment	**Asset**		
	National Renal Care Proprietary Limited	Goodwill	–	10 625
	Goodwill relating to Lenasia Renal Centre Proprietary Limited was impaired in the prior reporting period as the recoverable amount is lower than the carrying value.			
	Total		–	12 280

Annexure H
Interest in subsidiary companies and joint ventures

	Shareholding	
Subsidiaries	**2019 %**	2018 %
Adcock Ingram Critical Care Proprietary Limited	**100**	100
Adcock Ingram Healthcare Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100
Adcock Ingram International Proprietary Limited	**100**	100
Adcock Ingram Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited*	**100**	100
Joint ventures		
Adcock Ingram Limited (India)	**49.9**	49.9
Thembalami Pharmaceuticals Proprietary Limited*	**50**	50
Indirect holdings		
Adcock Ingram East Africa Limited (Kenya)	**100**	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited*	**100**	100
Adcock Ingram Pharmaceuticals Proprietary Limited*	**100**	100
Addclin Research Proprietary Limited*	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**–**	25.1
Datlabs (Private) Limited (Zimbabwe)	**–**	100
Dilwed Investments Proprietary Limited	**100**	100
Genop Holdings Proprietary Limited	**100**	100
Genop Healthcare Proprietary Limited	**100**	100
Menarini SA Proprietary Limited**	**49**	49
Metamorphosa Proprietary Limited*	**50**	50
National Renal Care Proprietary Limited	**50**	50
Novartis Ophthalmics Proprietary Limited**	**49**	49
Pharmalabs (Jersey) Limited	**–**	100
Premier Pharmaceutical Company Proprietary Limited*	**100**	100
Relicare Tech Services Private Limited (India)	**100**	100
Virtual Logistics Proprietary Limited	**100**	100

Trusts and structured entities

AdBEE (RF) Limited***

Adcock Ingram Holdings Limited Employee Share Trust (2008)

Ad-Izinyosi (RF) Proprietary Limited***

Mpho ea Bophelo Trust

39 Owner-driver companies (2018: 39 companies)

* *Dormant entities.*

** *Regarded as subsidiaries and consolidated.*

*** *Not consolidated*

Annexure I Accounting policies

The principal accounting policies applied in the preparation and presentation of the annual financial statements are set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries, joint ventures and structured entities deemed to be controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an entity if and only if the Group has:

- power over the investee (i.e. current existing rights that give it the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote-holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

The financial results of the subsidiaries, including those with a different reporting period, are prepared for the same reporting period as the Group, using consistent accounting policies.

Investments in subsidiaries in the Company's financial statements are accounted for at cost less any impairment.

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent. These interests are presented separately in the consolidated statement of comprehensive income, and in the consolidated statement of financial position, separately from own shareholders' equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to any relevant non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

UNDERLYING CONCEPTS

The financial statements are prepared on the going-concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

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

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

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

FOREIGN CURRENCIES

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

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

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN CURRENCY BALANCES

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss.

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

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

FOREIGN OPERATIONS

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

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate.

The functional currencies of the foreign operations are as follows:

- joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- subsidiary, Relicare Tech Services Private Limited in India, the Indian Rupee; and
- subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling.

INTEREST IN GROUP COMPANIES

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the acquisition date, and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in non-trading expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the acquirer's share of the acquiree's identifiable net assets is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. In instances where the contingent consideration does not fall within the scope of IFRS9, it is measured in accordance with the appropriate IFRS.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS9 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.

Adcock Ingram International had a 25.1% shareholding in Ayrton Drug Manufacturing Limited, a company incorporated in Ghana. As the Group had significant influence over this entity, it was accounted for as an associate up until it was disposed of during the year.

Under the equity method, investments are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the profit or loss of these investments. Goodwill relating to equity-accounted investments is included in the carrying amount of the investment and is not tested separately for impairment.

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

The statement of comprehensive income reflects the Group's share of these investments' profit or loss. However, losses in excess of the Group's interest are not recognised. Additional losses are provided for and a liability is recognised, only to the extent that a legal or constructive obligation exists. Where a joint venture or associate recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and equity-accounted investments are eliminated to the extent of the interest in the underlying investment.

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

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

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Where an equity accounted investment's reporting date differs from the Group's, the joint venture prepares financial results for the same financial period as the Group. Where the equity accounted investment's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

The year-end of the joint venture, Adcock Ingram Limited (India) is March, whilst the year-end of National Renal Care Proprietary Limited is September.

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.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end.

Any adjustments to residual value, useful life or depreciation method applied, are changes in the accounting estimate and accounted for prospectively.

The following useful lives have been estimated:

Freehold land		Not depreciated
Freehold buildings	–general purpose	40 years
	–specialised	20 – 50 years
Leasehold improvements		The shorter of the lease term or the useful life
Plant, equipment and vehicles		3 – 15 years
Furniture and fittings		3 – 15 years
Computer equipment		3 years

Assets in the course of construction are carried at cost, including professional fees, less any impairment loss. When these assets are ready for its intended use, it is transferred into the appropriate category at which point depreciation commences on the same basis as on other property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

GOODWILL AND INTANGIBLE ASSETS

GOOD WILL

Goodwill is initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of any previously held equity interest in the acquiree, over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

INTANGIBLE ASSETS

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

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

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired due to a change in circumstances. The amortisation period and the amortisation method are reviewed at each year-end.

The following useful lives have been estimated:

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

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

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

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

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

RESEARCH AND DEVELOPMENT COSTS

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. Ten years are used in instances where the Group believes that assets have a value in use of ten or more years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

The following assets have specific characteristics for impairment testing:

GOODWILL

Goodwill is tested for impairment:

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

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment:

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

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

FINANCIAL ASSETS IN ACCORDANCE WITH IFRS 9 (applicable in the current financial year)

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified and measured at initial recognition at:

- amortised cost;
- fair value through other comprehensive income (OCI); or
- fair value through profit or loss;

based on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price (refer to accounting policy "Revenue").

All other financial assets should be measured at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured using the effective interest (EI) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to irrevocably classify its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near-term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

DERECOGNITION

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised or removed from the Group's consolidated statement of financial position when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

IMPAIRMENT OF FINANCIAL ASSETS

Further disclosures relating to significant assumptions are presented in Annexure E. Disclosures relating to the impairment of financial assets are also provided in the following notes:

- Trade receivables, Annexure E and Note 16.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due for more than a year and not subject to enforcement activity. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

FINANCIAL LIABILITIES IN ACCORDANCE WITH IFRS 9 (applicable in the current financial year)

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

SUBSEQUENT MEASUREMENT

All financial liabilities are subsequently measurement at amortised cost except for, financial liabilities at fair value through profit or loss that are held for trading and those designated at initial recognition as at fair value through profit or loss.

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 (EI) rate method. The EI amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss..

DERECOGNITION

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Comparatives: IAS 39 was applicable to the comparative year for the treatment of financial assets and financial liabilities.

FAIR VALUE OF FINANCIAL INSTRUMENTS

To measure fair value, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – quoted (unadjusted) prices in active markets;
- Level 2 – other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – valuation techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, risks and the fair value hierarchy.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and at banks, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are financial instruments whose value changes in response to an underlying factor, require no initial or little net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

HEDGE ACCOUNTING

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

CASH FLOW HEDGES

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the expected reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The charge relating to any provision is presented in profit or loss net of any reimbursement.

LEASES

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

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

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

REVENUE

Revenue comprises revenue from contracts with customers (turnover), dividend income and finance income.

REVENUE FROM CONTRACTS WITH CUSTOMERS (TURNOVER)

Turnover is measured based on the consideration specified in a contract with a customer and excludes amounts to be collected on behalf of third parties. The Group recognises revenue when it transfers control over a product to a customer. Variable consideration, in the form of rebates, discounts and fees is estimated at the most likely amount payable in terms of contracts with customers and netted off revenue at the time of recognition.

The Group recognises turnover, net of sales taxes and estimated sales returns, at the time it sells inventory to the customer, which is generally when delivery has taken place. Most turnover is recognised at a point in time and determined by the relevant shipping terms associated with the transaction. The Group disaggregates turnover into the following identified channels: private, public and export (foreign) sales.

Estimated sales returns are calculated using historical experience of actual returns as a percentage of sales, calculated at the end of each reporting period using the expected value method. A refund liability as applied to Revenue is recognised in provisions.

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. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability or receivable for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the Group operates.

DEFERRED TAX

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

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

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future, except:

- where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss, except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that results from an acquisition. In that case, the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority.

DIVIDENDS TAX

A dividends tax of 20% on dividend distributions is withheld from shareholders and paid to the South African Revenue Service, where applicable.

VALUE-ADDED TAX (VAT)

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

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

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

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

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

DEFINED CONTRIBUTION PLANS

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

POST-RETIREMENT MEDICAL OBLIGATIONS

The Group provides post-retirement healthcare benefits to certain of its retirees and one employee still in service. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, a discount rate based on current bond yields of appropriate terms and healthcare inflation costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in other comprehensive income in the period it occurs.

SHARE-BASED PAYMENTS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external appraiser using a modified version of the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

CASH-SETTLED TRANSACTIONS

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. Service vesting conditions are not included in the fair value but used to determine the number of instruments that will ultimately vest. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

ACCOUNTING FOR BEE TRANSACTIONS

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

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

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

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

TREASURY SHARES

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

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively, it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

JOINT VENTURE VERSUS JOINT OPERATION

Adcock Ingram Limited in India and National Renal Care in South Africa have been assessed as joint ventures and not joint operations after considering the following:

- the legal form of the separate vehicles does confer separation between the parties;
- the contractual terms and conditions provide the parties with rights to the net assets rather than rights to the assets and obligations for the liabilities; and
- other facts and circumstances.

CARRYING VALUE OF GOODWILL, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

SHARE-BASED PAYMENTS

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

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is estimated using a Black-Scholes option pricing model, as the employee share options are not traded on an active market, and the inputs used for the option pricing model require significant judgement and estimation.

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.

INVENTORY

To value inventory at the lower of cost and net realisable value, management is required to make certain judgements and estimates regarding the allowance for obsolescence. These include:

- expectations of forecast inventory demand;

- product expiry dates;
- inventory held in quality control; and
- plans to dispose of inventories that may be near to expiry.

STRUCTURED ENTITIES

Owner-driver companies

Various owner-driver companies exist in the Group. These entities were incorporated to support the distribution network of the Group and are consolidated into the Group in accordance IFRS 10.

Based on the contractual terms, the activities of these entities are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from these entities' operations. In addition, it was assessed that the Group controls each of these entities as there are insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

Ad-Izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited

The Group restructured their BEE vehicle, which was performed in line with the circular dated 28 May 2015. This has led to the formation of Ad-Izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited, a company with instruments listed on the JSE.

Adcock Ingram considered the relevant activities of both entities, the Company's involvement in facilitating the restructuring, the Company's protective rights in respect of the companies acting in accordance with their Memorandum of Incorporation; and the Company's lack of future financial exposure to the overall scheme. The conclusions were that in the Company's judgement the Group does not have power over the relevant activities of these two entities, nor benefits from the variable returns that would emanate from such entities. These entities are therefore not consolidated into the Group.

Mpho ea Bophelo Trust

The Mpho ea Bophelo Trust is an entity incorporated for the purpose of representing Adcock Ingram employees in the Group's BEE transaction and is consolidated in accordance with IFRS 10. The activities of this entity are conducted in accordance with the Group's specific business needs in that the Group obtains benefits from this operation. The Group retains the majority of the residual or ownership risks and rewards related to this entity or its assets and it was therefore considered that the Group controls this entity.

Consolidation of entities in which the Group holds less than the majority of voting rights

The Group considers that it controls Menarini SA Proprietary Limited and Novartis Ophthalmics Proprietary Limited even though it owns less than 50% of the voting rights as it controls the daily management and decision-making of these entities.

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. The Group intends to adopt these standards when they become effective.

IFRS 16: LEASES

IFRS 16: Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). *IFRS 16* replaces the previous leases standard, *IAS 17*, and related interpretations. I*FRS 16* has one model for lessees which will result in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the balance sheet, requiring a lessee to recognise a right-of-use asset and a concomitant lease liability.

Transition

The standard will be effective for the Group from 1 July 2019. The Group is planning to apply the standard retrospectively recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application (modified retrospective approach).

As part of the modified retrospective transition approach, the Group has elected to apply the practical expedient which allows single discount rates to be applied to portfolios of leases with reasonably similar characteristics, as well as for the recognition of the "right of use" asset at transition. The "right of use" asset initially equals the lease liability at the adoption date, adjusted primarily for the derecognition of the lease straight lining liability.

As an accounting policy election, the Group will apply the following recognition exemptions which allow for certain lease payments to be expensed over the lease term as opposed to be recognised as a "right of use: asset and related lease liability on the lease commencement date:

- Short-term leases: these are leases with a lease term of 12 months or less; and
- Leases of low value assets: these are leases where the underlying asset is of a low value. The threshold has been assessed at approximately R100 000.

Impact

The Group has performed a detailed impact assessment with the change from IAS 17 to IFRS 16.

General

The total charge to the income statement (excluding impairments) over the lease term before and after IFRS 16 is the same.

Impact on the statement of financial position as at 1 July 2019:

All leases will now be recognised in the statement of financial position:

a) A lease liability is initially raised at the adoption date, at the net present value of future lease payments; where the lease terms includes the non-cancellable lease commitments as well as the option to extend if it is reasonably certain.

b) A "right of use" (ROU) asset is initially raised at a value equal to the lease liability adjusted by payments made to the lessor before the lease commencement date/the balance of straight-lining for leases as recorded at 30 June 2019;

c) The lease liability and ROU asset differ in value over the lease term due to:

   i) The lease liability will decrease by the lease payments, net of the finance costs incurred; whilst

   ii) The ROU asset decreases through depreciation evenly over the lease term.

Impact on the income statement in the 2020 financial year:

a) The smoothed operating lease expense is now replaced by straight-lined depreciation and diminishing finance costs over the lease term.

b) The impact of profit before tax and headline earnings per share depends on the maturity of the lease portfolio as the charge to the income statement is front loaded due to the finance costs. Therefore, the cost to the income statement will be higher on a new lease compared to an older lease.

Impact on the cash flow statement in the 2020 financial year

a) There will be no impact on net cash and cash equivalents.

b) The lease payment (principal and finance costs) will be classified as financing activities. This will result in an increase in cash flows from financing activities and an increase in the net cash flows from operating activities.

Impact on Adcock Ingram:

In summary, the impact of adopting IFRS 16 is expected to be, as follows:

Impact on the statement of financial position as at 1 July 2019:

a) An increase in Property, Plant and Equipment of R308.3 million to account for the "right of use" assets.

b) An increase in Lease Liabilities of R336.8 million which represent the present value of future lease payments, discounting the minimum lease payments over the term of the lease. This will be disclosed as under long-term liabilities R285.1 million and short-term liabilities of R51.7 million.

c) A decrease in "other liabilities" of R28.5 million with the release of the straight-lining of leases balance, which is allocated against the ROU asset on adoption.

Impact on the income statement in the 2020 financial year:

a) The previously recognised operating lease charge is no longer recognised on the income statement, resulting in a decrease of R68.8 million* in operating expenses.

* The Midrand lease has been renewed, effective 1 July 2019. For the 2019 financial year, an operating lease charge of R21.3 million was incurred, under IAS 17. If this was lease was accounted in the 2020 financial year in terms of IAS 17, the operating lease charge would have been R35.1 million. Under IFRS 16, a total cost of R40.6 million (Depreciation of R22.3 million and finance costs of R18.3 million) would be recorded in 2020.

b) Depreciation to increase by R41.5 million due to the increased asset portfolio.

c) Operating profit to increase by R27.3 million

d) Finance costs to increase by R32.1 million due to the recognition of the lease liability, which will now be recognised to the income statement over the lease term.

e) A credit to Taxation of R1.3 million, impacted by the temporary differences which relate to the IFRS16 entries which are backed out of accounting profit.

f) Profit after tax to decrease by R3.5 million, driven by the maturity status of the current lease portfolio.

Impact on key financial metrics

Balance sheet (at adoption date)	Before R'm	Change R'm	After R'm
Property, plant and equipment	1 538.2	308.3	1 846.5
Total liabilities	1 952.6	308.3	2 260.9
Net cash/(debt)	0.4	(336.8)	(336.4)
Right of use asset as % of total assets	0%		5%

IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT – AMENDMENTS

The amendments to *IAS 19 Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment, effective from 1 July 2019, is not expected to have a significant impact on the Group's disclosure.

IAS 1 AND IAS 8: DEFINITION OF MATERIAL – AMENDMENTS

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

THE CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

A revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting;
- Chapter 2 – Qualitative characteristics of useful financial information;
- Chapter 3 – Financial statements and the reporting entity;
- Chapter 4 – The elements of financial statements;
- Chapter 5 – Recognition and derecognition;
- Chapter 6 – Measurement;
- Chapter 7 – Presentation and disclosure; and
- Chapter 8 – Concepts of capital and capital maintenance.

The new framework is effective for the Group from 1 July 2020.

Annexure J
Remuneration Implementataion Report

SENIOR MANAGEMENT

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

Remuneration

	2019 R'000	2018 R'000
Salary	**22 114**	19 916
Contributions to defined contribution plan	**3 427**	3 040
Gross remuneration	**25 541**	22 956

Short-term incentives

Based on the current year's performance, senior management qualifies for short-term incentives in the amount of R6 605 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2019. An incentive of R7 203 333 was paid in September 2018, relating to the prior year's performance, which was fully provided for at 30 June 2018.

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	Forfeited during the year	Exercised during the year	Balance at the end of the year
Equity						
	17/06/2014	52.20	280 000	(28 000)	(140 000)	112 000
	26/08/2015	41.94	441 000	(60 000)	(147 000)	234 000
	26/08/2016	42.30	441 000	(90 000)	–	351 000
	24/08/2017	57.73	491 000	(90 000)	–	401 000
			1 653 000	(268 000)	(287 000)	1 098 000

	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Forfeited during the year	Exercised during the year	Balance at the end of the year
Phantom							
	01/10/2012	59.56	8 890			(8 890)	-
	02/05/2013	60.55	17 617			(17 617)	-
	28/08/2018	65.46		585 000	(90 000)		495 000
	08/03/2019	64.50		130 000			130 000
			26 507	715 000	(90 000)	(26 507)	625 000

Annexure J

Remuneration Implementataion Report continued

Details of options exercised by senior management are as follows:

	Offer date	Offer price R	Weighted Average Exercise price R	Number of options	Gain realised on exercising of options R [1]
2019					
Equity					
	17/06/2014	**52.20**	**71.30**	**140 000**	**2 674 000**
	26/08/2015	**41.94**	**71.30**	**147 000**	**4 315 920**
				287 000	**6 989 920**
Phantom					
	01/10/2012	**59.56**	**71.30**	**8 890**	**104 369**
	02/05/2013	**60.55**	**71.30**	**17 617**	**189 383**
				26 507	**293 751**
2018					
Equity					
	17/06/2014	52.20	70.42	129 000	2 356 920
Phantom					
	03/01/2012	60.15	64.74	40 275	182 615
	01/05/2012	60.70	70.90	14 827	151 235
	01/10/2012	59.56	69.84	17 776	182 737
	02/01/2013	53.52	67.49	152 133	2 159 597
	02/05/2013	60.55	71.00	35 232	368 174
				260 243	3 044 358

[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]:

	2019 R'000	2018 R'000
Total	**6 395**	7 022

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

EXECUTIVE DIRECTORS

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

Service contracts for executive directors

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

Shareholding

AG Hall held 21 433 shares (2018: 8 462) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year end.

Remuneration

	Salary R'000	Contributions to defined contribution plan R'000	Gross remuneration R'000
2019			
AG Hall	**5 017**	**350**	**5 367**
D Neethling	**3 242**	**350**	**3 592**
B Letsoalo	**2 813**	**439**	**3 252**
	11 072	**1 139**	**12 211**
2018			
AG Hall	4 767	350	5 117
D Neethling	3 035	350	3 385
B Letsoalo	2 653	414	3 067
	10 455	1 114	11 569

Other

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

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

Short-term incentives

	2019 R'000	2018 R'000
AG Hall	**4 450**	3 500
D Neethling	**2 261**	2 500
B Letsoalo	**1 535**	1 750
	8 246	7 750

Based on the current year's performance, the executive directors individually qualify for incentives, following the achievement of the set targets for trading profit, ROFE, HEPS and Transformation. These incentives are fully provided for in the current year although payment will only be made in September 2019. The prior year incentives which were paid in September 2018, relating to the prior year's performance, were fully provided for at 30 June 2018.

Annexure J

Remuneration Implementataion Report *continued*

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	Exercised during the year	Balance at the end of the year
AG Hall							
Equity		17/06/2014	52.20	116 667		(58 333)	58 334
		26/08/2015	41.94	175 000		(58 333)	116 667
		26/08/2016	42.30	200 000		–	200 000
		24/08/2017	57.73	200 000		–	200 000
				691 667		(116 666)	575 001
Phantom		28/08/2018	65.46	–	200 000	–	200 000
D Neethling							
Equity		17/06/2014	52.20	40 000		(20 000)	20 000
		26/08/2015	41.94	90 000		(30 000)	60 000
		26/08/2016	42.30	150 000		–	150 000
		24/08/2017	57.73	150 000		–	150 000
				430 000		(50 000)	380 000
Phantom		28/08/2018	65.46	–	150 000	–	150 000
B Letsoalo							
Equity		17/06/2014	52.20	30 000		(15 000)	15 000
		26/08/2015	41.94	45 000		(15 000)	30 000
		26/08/2016	42.30	45 000		–	45 000
		25/11/2016	42.08	75 000		–	75 000
		24/08/2017	57.73	120 000		–	120 000
				315 000	–	(30 000)	285 000
Phantom		28/08/2018	65.46	–	120 000	–	120 000
BMT	TBL	31/01/2008	62.05	3 500	–	–	3 500
	AIP	31/01/2008	17.97	13 742	–	–	13 742
	TBL	01/07/2012	62.05	7 734	–	–	7 734
	AIP	01/07/2012	16.42	4 534	–	–	4 534
	OCE	31/01/2008	18.15	905	–	–	905
	OCE	01/07/2012	18.15	2 001	–	–	2 001
				32 416	–	–	32 416

TBL – Tiger Brands Limited
AIP – Adcock Ingram Holdings Limited
OCE – Oceana Group Limited

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)]
2019 – Equity					
AG Hall					
	17/06/2014	**52.20**	**71.30**	**58 333**	**1 114 160**
	26/08/2015	**41.94**	**71.30**	**58 333**	**1 712 657**
				116 666	**2 826 817**
D Neethling					
	17/06/2014	**52.20**	**71.30**	**20 000**	**382 000**
	26/08/2015	**41.94**	**71.30**	**30 000**	**880 800**
				50 000	**1 262 800**
B Letsoalo					
	17/06/2014	**52.20**	**71.30**	**15 000**	**286 500**
	26/08/2015	**41.94**	**71.30**	**15 000**	**440 400**
				30 000	**726 900**
2018					
AG Hall					
Equity	17/06/2014	52.20	70.90	58 333	1 090 827
Phantom	01/05/2012	60.70	70.90	26 262	267 872
	02/01/2013	53.52	70.90	32 019	556 490
				58 281	824 363
D Neethling					
Equity	17/06/2014	52.20	70.90	20 000	374 000
Phantom	02/01/2013	53.52	70.90	31 177	541 856
B Letsoalo					
Equity	17/06/2014	52.20	70.90	15 000	280 500
Phantom	02/01/2013	53.52	70.90	26 248	456 190

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

	2019 R'000	2018 R'000
AG Hall	**3 124**	3 154
D Neethling	**2 229**	2 038
B Letsoalo	**1 687**	1 454
	7 040	6 646

[(1)] *Amounts are show before taxation.*

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

Annexure J

Remuneration Implementatаion Report continued

NON-EXECUTIVE DIRECTORS

Current annual fees

The following fixed fees are in place since 1 December 2018.

	Chairman R	Member R
Committee		
Board	1 189 163	284 769
Audit	249 500	124 740
Risk and Sustainability	235 370	117 680
Human Resources, Remuneration and Nominations	180 000	82 700
Social, Ethics and Transformation	165 900	75 500
Acquisitions	249 500	124 740

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

Remuneration paid

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

	2019 R'000	2018 R'000
Boyce	**564**	452
Joffe	**–**	83
John	**643**	538
Haus	**518**	496
Lesoli[(1)]	**139**	323
Madisa[(2)]	**469**	226
Makwana[(1)]	**229**	557
Manning[(1)]	**407**	374
Mokgokong[(1)]	**380**	323
Ralphs[(2)]	**400**	329
Raphiri[(1)]	**1 172**	1 122
Sacks	**–**	415
Stewart[(1)]	**639**	614
	5 560	5 852

(1) *See changes to the Board and Board responsibilities.*

(2) *Paid to Bidvest Corporate Services Proprietary Limited.*

Shareholdings

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

Total direct and indirect shareholding	**2019**	2018
Mokgokong[(3)]	**3 445 642**	3 445 642

(3) *Dr. Mokgokong holds a 50% share in CIH Projects (Pty) Ltd, which in turn holds a 26.67% share in Ad-Izinyosi (the BEE shareholder of the Group), within the revised BEE scheme described in Annexure B, section D, of the annual financial statements. Refer to note 29.1 – Subsequent Events.*

Shareholder analysis

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 June 2019:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 181	72.8	1 189 082	0.7
1 001 – 10 000 shares	1 297	22.6	3 791 621	2.1
10 001 – 100 000 shares	190	3.3	5 767 196	3.3
100 001 – 1 000 000 shares	62	1.1	18 458 731	10.5
1 000 001 shares and above	11	0.2	146 541 418	83.4
Total	5 741	100	175 748 048	100.0

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	30 188 586	17.1
Adcock Ingram Limited	1	0.02	4 285 163	2.4
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0.02	39 031	0.0
Ad-Izinyosi (RF) Limited	1	0.02	25 842 959	14.7
Director	1	0.01	21 433	0.0
Public shareholders	5 737	99.93	145 559 462	82.9
Total	5 741	100.00	175 748 048	100.0

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

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 2019:

Investment manager	Total shareholding	%
BB Investment Company Proprietary Limited	76 713 289	43.6
Public Investment Corporation of South Africa	28 765 986	16.4
Ad-Izinyosi (RF) Limited*	25 842 959	14.7
Total	131 322 234	74.7

** Refer to note 29 – Subsequent Events*

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	163 072 067	92.79
United States of America and Canada	6 213 909	3.54
United Kingdom	5 715 915	3.25
Rest of Europe	533 759	0.30
Other[1]	212 398	0.12
Total	**175 748 048**	**100.0**

[1] *Represents all shareholdings except those in the above regions*

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)
2018 – July	1 699 062	107	65.50	59.03	64.25
2018 – August	4 560 045	307	71.98	61.80	71.26
2018 – September	3 638 547	242	71.50	59.12	62.86
2018 – October	3 628 096	223	68.50	56.00	57.36
2018 – November	2 576 300	152	66.50	56.63	58.00
2018 – December	1 348 142	81	62.59	57.88	62.40
2019 – January	1 241 476	76	66.00	58.78	63.49
2019 – February	3 663 728	239	69.12	59.04	65.00
2019 – March	2 431 392	151	66.50	57.51	61.50
2019 – April	1 333 168	84	68.84	60.17	65.84
2019 – May	4 116 824	254	66.29	60.00	60.20
2019 – June	7 837 680	482	67.96	59.05	59.60

FORWARD-LOOKING STATEMENTS

Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Glossary

ADCOCK INGRAM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/016236/06)
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

DIRECTORS

Ms L Boyce (Independent Non-executive Director)
Dr S Gumbi (Independent Non-executive Director)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Ms N Madisa (Non-executive Director)
Dr C Manning (Independent Non-executive Director)
Dr A Mokgokong (Independent Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr L Ralphs (Non-executive Director)
Ms D Ransby (Independent Non-executive Director)
Mr K Wakeford (Non-executive Director)

COMPANY SECRETARY

Mr NE Simelane

REGISTERED OFFICE

1 New Road, (c/o New Road & 7th Street), Midrand, South Africa
Private Bag X69, Bryanston,
2021, South Africa
Telephone: +27 11 635 0000
Fax: +27 86 553 0000
Customer Service: 0800 113 844

POSTAL ADDRESS

Private Bag X69, Bryanston, 2021

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051
Marshalltown, 2107

AUDITORS

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

SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

BANKERS

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

AGM	Annual general meeting
API	Active pharmaceutical ingredient
ARV	Antiretroviral
B-BBEE	Broad-based black economic empowerment
BMT	Black Managers Trust from Tiger Brands
CAMS	Complementary and alternative medicines
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNS	Central nervous system
CSI	Corporate social investment
DPS	Dividend per share
EMA	European Medicines Agency
FEC	Foreign exchange contracts
GMP	Good manufacturing practices
HEPS	Headline earnings per share
HIV	Human immunodeficiency virus
IFRS	International Financial Reporting Standards
kl	Kilolitre
kWh	Kilowatt hour
LSM	Living standards measure
LTI	Long-term incentive
MCA	Marketing Code of Authority
NED	Non-executive directors
NHI	National Health Insurance
OTC	Over the counter
PBLTIS	Performance based long-term incentive
PTG	Pharmaceutical Task Group
PVC	Polyvinyl chloride
QAMS	Quality assurance management system
SAHPRA	South African Health Products Regulatory Agency
SEP	Single exit price
STI	Short-term incentive
TGP	Total guaranteed pay
Variable pay	STI and LTI
YES	Youth Employment Service

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