adcock ingram
Adding value to life

ANNUAL REPORT 2008

CONTENTS

2 Financial highlights and strategy
4 Highlights of Adcock's history
6 Board of directors
8 Executive committee
10 Chairman's report
14 Group chief executive officer's report
20 Chief financial officer's report
26 Operational review
32 Corporate governance
36 Responsibility for annual financial statements
37 Independent auditor's reports
39 Directors' approval
39 Certificate by company secretary
40 Statutory information
42 Segmental reporting
43 Accounting policies
58 Consolidated group income statements
59 Consolidated group balance sheets
60 Consolidated group cash flow statements
61 Consolidated group statement of changes in equity
62 Notes to the group annual financial statements
90 Company income statement
91 Company balance sheets
92 Company cash flow statement
93 Company statement of changes in equity
94 Notes to the company annual financial statements
96 Annexure A – interest in subsidiary companies and joint ventures
97 Annexure B – extract from pre-listing statement
98 Shareholder spread
100 Notice of annual general meeting
Form of proxy

Adcock Ingram is a leading South African pharmaceutical company with a proud 118 year heritage, a portfolio of trusted, quality brands and generics and an entrenched value system that assures integrity.

Growing from humble beginnings as a small Krugersdorp pharmacy in 1890, Adcock's portfolio now includes an extensive range of prescription and over the counter (OTC) products, life saving hospital equipment, diagnostic products and services.

Recently unbundled and re-listed on the JSE Limited, Adcock is poised to pursue its vision ***To be recognised as a leading world class branded healthcare company*** and its mission of ***Adding value to life.***

Financial highlights

	2008	2007
Group summary (R millions)		
Turnover	**3 301**	2 879
Earnings before exceptional items, interest and taxation	**1 005**	961
Attributable profit before minority interest	**653**	560
Total assets	**2 713**	2 522
Operating cash flow	**439**	719
Ordinary share performance (cents)		
Diluted headline earnings per share	**385**	368
Diluted earnings per share	**376**	323
Operating cash flow per share	**254**	417
Net asset value per share – 30 September	**957**	(29)
Market price per share – 30 September	**3 370**	*
Financial statistics		
Operating margin (EBIT on turnover) (%)	**30,4**	33,4
Interest cover (times)	**25,4**	8,0
Ratios		
Debt/equity	**2,6**	n/a
Current (times)	**2,4**	0,9

*Listed on JSE in 2008

Segmental highlights

	Revenue		EBIT before exceptional items	
	2008	2007	2008	2007
Group (R millions)	**3 301**	2 879	**1 005**	961
Pharmaceuticals	**2 130**	1 866	**754**	717
OTC (Schedule 0-2)	**1 088**	957	**417**	400
Prescription (Schedule 3-7)	**1 042**	909	**337**	317
Hospital products	**1 171**	1 013	**251**	244

Key capabilities

- Ability to attract, develop and retain the best people
- Strong partnerships and a reputation for quality and innovation
- Operational excellence
- Customer focus underpinned by trusted brands for life
- Integrated service delivery

Strategy

- Significant investment and recapitalisation programme
- Optimising our business portfolio
- Continuing record of strong organic growth
- Targeted acquisitions in selected markets
- Developing an exportable competence

EXECUTING OUR STRATEGY

A glossary of acronyms used in this report appears on the inside back cover

HERITAGE

From humble beginnings as a small family-owned pharmacy based in Krugersdorp in the 1890s, Adcock Ingram has become a leading South African healthcare company with a distinguished track record spanning over a century. As we look towards a bright future as a newly listed entity on the JSE, we will continue to create a legacy of quality innovation, pursue strong business partnerships and follow our mission of ***Adding value to life.***

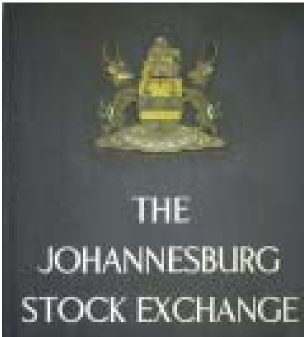
1890 E.J. Adcock Pharmacy opened its doors in Krugersdorp, which established the roots of what was destined to become South Africa's No.1 pharmaceutical company.

1937 Ingram's Camphor Cream launched.

1940 First pharmaceutical manufacturing facility commissioned.

1948 Relationship established with leading international company, Baxter Healthcare (Baxter).

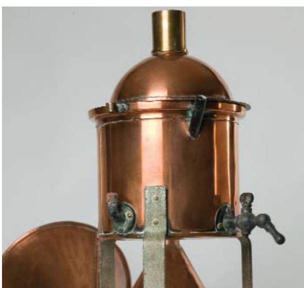
1950 Adcock Ingram listed on the Johannesburg Stock Exchange.



1977 Restan Laboratories signed a joint venture agreement with Dispersa (Switzerland) to market their Eye Care range in South Africa.

1978 Tiger Oats Limited acquired the Tannenbaum family shareholding, thus becoming the majority shareholder in Adcock Ingram.

1979 Adcock's Critical Care Division (AICC) commissioned South Africa's first medical grade plastics facility.



1982 Licence agreement signed for Jeyes range. The trademark was later purchased for specific markets.

1986 Acquisition of Baxter's 40% share of AICC.

1987 Acquisition of the Mer-National Division from Dow Chemicals Africa and the remaining 50% shareholding in Restan Laboratories gave critical mass to Adcock's business.

Myprodol, the locally developed and patented analgesic/anti-inflammatory was launched.

1988 Acquisition of Sterling Winthrop's interests in South Africa strengthened the group's franchise in the OTC market with leading brands.

1990 Agreements with, amongst others, Leppin, Laser, Pharmatec, Zurich Pharmaceuticals, Menarini, Covan Pharmaceuticals and Salters provided access to a host of leading brands. These included Panado and Fastum Gel.

1996 Merger between Adcock Ingram and Premier Pharmaceuticals created South Africa's leading supplier of Healthcare products.

1998 AICC celebrated its 50th anniversary.

1999 Construction of a new R25 million Research and Development centre commenced.

2003 Acquisition of Abbott Citro Soda business facilitated growth in the consumer health market.

Acquisition of the Park-Med generics business from Pfizer Laboratories extended Adcock Ingram's range of generic products and boosted the company's franchise particularly in the generic cardiovascular and central nervous system markets.

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

2001 Acquisition of Steri-Lab, provided the base from which to develop a medical diagnostics business known as Adcock Ingram Scientific.

2002 Acquisition of Robertsons Homecare catapulted Adcock Ingram into the position of a leading player in the home care market with renowned brands such as Doom, Airoma and the ICU range of household cleaners.

2005 AICC acquired 74% of The Scientific Group. Partner, Brimstone Investment Corporation's shareholding of 26% provides an important BEE component.

2007 Adcock Ingram launches its range of generic ARV products.

Adcock's research and development facility achieved WHO accreditation, making it the first stand-alone facility to achieve such accreditation in Southern Africa.

Joint venture with an Indian Partner leads to formation of Adcock Ingram Bangalore.

2008 Partnership with Baxter International renewed and licence agreement signed in terms of which the exclusive relationship with AICC is extended for 15 years should Baxter's call option not be exercised.

Adcock Ingram takes occupation of its brand new, state of the art hub in Midrand, South Africa.

Adcock Ingram unbundled from Tiger Brands Limited and independently listed on 25 August 2008 in the healthcare sector of the JSE Limited.

Board of directors

From left to right:

CD Raphiri, AG Hall, T Lesoli, RI Stewart, JJ Louw, EK Diack, AM Thompson, LE Schönknecht, KDK Mokhele

Adcock Ingram's board of directors was appointed on 15 July 2008 just prior to the company's unbundling from Tiger Brands Limited. The board comprises two executive and seven non-executive directors, all of whom are classified as independent.

KDK Mokhele
Chairman
PhD Microbiology, MSc Food Science, BSc Agriculture

Khotso Mokhele was the founder president of the National Research Foundation and served as its CEO from 1999-2006. He has been the chairman of the National Skills Authority, acting as an adviser to the Minister of Labour and Chairman of the Premier's Economic Advisory Council for the Free State Province. In addition to his non-executive chairmanship of Adcock, in which position he also chairs the human resources, remuneration and nominations committee, Dr Mokhele serves in a non-executive capacity on the boards of ArcelorMittal (Chairman), Impala Platinum Holdings, Tiger Brands Limited and Zimplat Holdings as well as board of trustees of the Hans Merensky Foundation.

EK Diack
BAcc, CA (SA), AMP (Harvard), AMP (UCT)

Eric Diack is a chartered accountant who was previously the CEO of Anglo American Ferrous and Industries Division. In addition to his directorship of Adcock, Mr Diack serves as a non-executive director of ArcelorMittal, Ayavuna Appliance Holdings and Ayavuna Appliance Investments and Deplian Investments. He has previously been a director on the boards of ten listed companies as well as numerous major unlisted companies. He is the chairman of the Adcock audit committee.

T Lesoli
MB BS, Dip of Child Health

Tlalane Lesoli is a medical doctor and is a registered practitioner with the South African Medical and Dental Council as well as the British General Medical Council. She has served as a medical director for the Transmed Medical Fund and she co-founded and managed a health products company, Mother Earth Distributors. Dr Lesoli is a non-executive director on various other boards, including Woman Investment Africa Network and Global Africa Resources. She chairs the transformation committee of Adcock.

CD Raphiri
BSc. Mechanical Engineering, Graduate Diploma in Engineering, MBA

Clifford Raphiri began his career as a consulting engineer with Andersen Consulting. After a stint at Metal Box (now Bevcan) as a project engineer, he went on to join SA Breweries (SAB) as a quality assurance technologist and has served in various manufacturing leadership positions. He is currently employed as the manufacturing and technical director of SAB and serves on the various SAB boards.

LE Schönknecht
BCompt (Hons), CA (SA)

Leon Schönknecht is a chartered accountant who previously held the position of CEO of United Pharmaceutical Distributors (UPD). He was later appointed managing director of New Teltron (Pty) Limited as well as being appointed the non-executive chairman of UPD and director of the Premier Group. Mr Schönknecht remains the managing director of New Teltron (Pty) Limited.

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

Roger Stewart served as associate professor of physiology at the University of Stellenbosch and a fellow of the American College of Chest Physicians. He was a group executive at the South African Medical Research Council. Dr Stewart was also responsible for local and international products and business development for the SA Druggists Group. He has also served on the boards of a number of private companies in Southern Africa and Europe.

AM Thompson
BSc (Civil Engineering), MBA

Andrew Thompson spent much of his career in the Mondi Group where he joined as Group Fibre Resources Manager in 1987. He rose quickly through the ranks to become Group CEO in 1999 and Executive Chairman in 2003. During 1996 to 2004, he represented the Mondi Group's interests on the boards of some 20 subsidiary and associated companies. Mr Thompson currently serves on the board of Mondi Packaging South Africa and is a Trustee of WWF (SA).

The CVs of the executive directors appear on page 8 of this annual report.

Executive committee

Jonathan Louw
Chief Executive Officer
MB.ChB, MBA

Jonathan Louw joined Adcock in 2001 as new business development executive, overseeing geographic expansion and spearheading acquisitions such as those of the consumer business of Abbot Laboratories and the Parke-Med division of Pfizer. He took over the management of the pharmaceutical business in late 2002, restructuring the business and integrating the acquisition of the Organon business and Vita Thion. He is currently the chief executive officer of the Adcock Group which includes the Pharmaceuticals and Hospital Products divisions and the Vice President of the Pharmaceutical Industry Association of South Africa.

Andy Hall
Chief Financial Officer
CA (SA), BPharm

Andy Hall joined Adcock Ingram in October 2007 as the chief financial officer from his previous position of chief financial officer of Enaleni Pharmaceuticals. Prior to that, Andy was the partner in charge of health sciences at Ernst & Young where he spent 13 years. Prior to joining Ernst & Young he was involved in retail pharmacy for two years and in sales and marketing with Pfizer for five years.

Bill Tweedie
Managing Executive – OTC & Pharmaceuticals
BCompt (Hons), CA (SA)

Bill Tweedie has held various financial positions within both Adcock and Tiger Brands over the last 17 years, including that of group financial executive of Tiger Brands. Four and a half years ago Bill embarked on a career change and joined Adcock as the category executive of the OTC division, responsible for sales and marketing. During his time with the group he has also held the position of financial director of the Critical Care division and was instrumental in starting the joint venture National Renal Care in the role of general manager. Bill was appointed as managing executive: pharmaceuticals in December 2007.

Kuben Pillay
Executive – Strategic Trade, ARVs & Public Sector
BSc, NHD, PBL, MBA

Kuben Pillay graduated as an industrial chemist and has been in the Industry for 26 years. He joined Adcock in 1994 as a process chemist in research and development. Kuben was appointed to the Adcock executive team in 2001 as drug management and development executive. In October 2006, Kuben was appointed to his current position which involves a focus on Public Sector business, ARVs, interaction with various government bodies, industry and trade organisations on strategic pharmaceutical and policy matters.

Basadi Letsoalo
Executive – Human Resources
Hons Psych, CLDP, MPsych, MLCP

A trained clinical psychologist, Basadi Letsoalo joined Adcock in January 2008. After a few career changes, she found herself drawn to the retail banking sector, initially with ABSA as head of HR Information Management and later with Standard Bank SA as head of transformation. Basadi spent a short stint with the Edcon Group as HR Strategist for special assignments.

Viral Desai
Executive – New Business Development
BPharm, BCom

Viral Desai was appointed the new business development executive in October 2007. His experience includes the acquisition of new products, businesses and technology, the negotiating of licence agreements with local and international partners, the effective integration of new products within Adcock and the development of the Hospital Products division's five year rolling growth plans. He first joined Adcock in 1999 as a regulatory affairs pharmacist and in May 2002 was appointed as the regulatory and clinical information manager for the group. In that role he managed medicines regulatory matters relating to the product pipeline, promotional material and compliance with the various acts governing the pharmaceutical industry. He has also served on a number of industry bodies from a technical perspective.

Kym Rowat
Managing Executive – Hospital Products
Dip General Nursing, Midwifery, Psychiatry, Intensive Care (Hons), IMM, MBA

Kym Rowat joined the Adcock group in 2000, after a five year career at 3M, developing sales and marketing competencies and achieving global recognition in 1997 with the 3M Sub Saharan Marketing Award. Since joining the Hospital Products division, Kym has held various roles, including marketing, key accounts, tenders and customer services. In 2002 she became category executive for medicine delivery and highlights include the consistent growth of the core products through value add proposals, the successful launch of the Infusion pumps to a 54% market share and double digit growth in the new product pipeline with generic injectable drugs. She was appointed managing executive of Adcock Ingram Critical Care (AICC) in January 2008.

Kennedy Mubaiwa
Medical Executive – Drug Management & Development
MB.ChB, Dip Anaesthesia, MBA

Kennedy Mubaiwa joined Adcock in June 2005 as the medical executive responsible for drug management and development (DMD). He was previously the medical director at Eli Lilly. Kennedy has focused on streamlining the DMD capabilities of Adcock in an effort to increase the number and speed of dossier registrations with the MCC. He has also expanded the capacity to register dossiers in non-English speaking African countries. Group quality assurance was added to his portfolio in 2006 as Adcock embarked on a drive to meet PICs standards across all of its manufacturing sites.

Shawn Landman
CEO – The Scientific Group
BCom, BAcc, CA(SA)

Shawn Landman joined The Scientific Group in August 2001 as commercial director. In October 2005 Adcock Ingram acquired 74% of the shareholding of The Scientific Group and Shawn was appointed as CEO. He was previously financial director of Verimark. Prior to that Shawn held a financial management role within the listed engineering group, Dorbyl, which he joined after completion of his articles with KPMG.

Ramani Naidoo
Group Company Secretary
BA, LLB, Cert M&A

Ramani Naidoo joined Adcock as group company secretary and head of legal in July 2008. She was a practising attorney for seven years prior to taking up a position as company secretary of the Airports Company SA. Her other positions have included head of legal services for the Southern Sun Group, group company secretary of the SABC, and director of Edward Nathan Corporate Governance Advisory Services. She has a special interest in and has written extensively on corporate governance.

Chairman's report

Dr Khotso Mokhele
Chairman

INTRODUCTION

It is with great pleasure that I present the first annual report of Adcock Ingram Holdings Limited (Adcock) following our successful listing on the JSE Limited in August 2008. Our unbundling from Tiger Brands and subsequent JSE listing represents a significant milestone in our 118 year history and marks a new era for Adcock.

With a tradition of dependable heritage and having some of the most trusted brands in the country, Adcock is well poised to pursue its own business objectives of becoming a leading world-class branded healthcare company, growing and expanding into new markets, in South Africa and beyond our borders.

Despite our listing in difficult market conditions, Adcock has reported a satisfactory set of maiden results.

ECONOMIC ENVIRONMENT

Notwithstanding the current extreme volatility of global markets, we attribute the relative ease with which Adcock has weathered the storm to the facts that Adcock is a major supplier of essential healthcare products in South African and neighbouring markets, and that it continues to be relatively ungeared in the midst of the global financial crisis. We also have the benefit of being able to generate ongoing strong cash flows.

On the local front, national policies in South Africa continue to move towards generics and lower pricing. Our recently launched proprietary Antiretrovirals (ARV) portfolio means that Adcock is well placed to grow this sector of its business.

We take this opportunity to warmly welcome the new Minister of Health, Ms Barbara Hogan, and wish her well in her challenging portfolio. We look forward to continue building a solid relationship with the Department of Health (DoH).

BOARD OF DIRECTORS

Adcock's new board of directors was formally appointed on 15 July 2008 just prior to the company's unbundling from Tiger Brands. The board, which comprises two executive and seven independent non-executive directors, was specifically constituted having regard to the demands of the increasingly competitive and highly regulated space into which the newly listed Adcock would be launched. The directors collectively boast a broad base of skills and experience which includes specific knowledge of the pharmaceutical industry and the healthcare professions, industrial, manufacturing, engineering, scientific research and technology sectors. In terms of the board charter, the board may co-opt additional individuals with specific skills wherever it deems necessary or seek professional guidance on any issue before it. A budget for this purpose is maintained by the company secretary.

The four board committees – risk, audit, transformation and remuneration (including human resources and nominations) – allow the board to focus in depth on areas requiring specific attention, accordingly serving to enhance accountability within the company.

GOVERNANCE

Good corporate governance will be integral to the success of Adcock and the directors are committed to ensuring that good governance becomes part of the Adcock way of life. As chairman of the board, I am mindful of the reputational damage resulting from the corporate governance lapses recently experienced by Adcock. Besides providing strategic direction, a key priority of the board, therefore, has been to firm up the levels of governance and regulatory compliance across the business. The board is determined to ensure that such practices are a thing of the past and that the operations of the group adhere to the highest ethical standards.

Our new company secretary brings with her a wealth of corporate governance experience. Adcock's legal affairs manager has recently been appointed the group's ethics officer and has undergone stringent ethics training to prepare him for this role. I am pleased to announce that, in the opinion of the board, the governance practices that Adcock has and continues to put in place will allow us to steer this business forward profitably and sustainably.

I am, moreover, delighted to report that a forensic compliance audit conducted prior to unbundling by Webber Wentzel Bowens, and a comprehensive audit of the group's compliance with the competition legislation by Edward Nathan Sonnenbergs, both independent firms of attorneys, found that Adcock is substantially compliant with all the key regulations and best governance practices, with only minor exceptions raised. These exceptions have largely been addressed and the few outstanding issues are being resolved as a matter of urgency.

We are committed to contributing to the growth of our economy and the wellbeing of the communities we serve and in which we operate.

CHALLENGES

One of our immediate challenges as a board and as a company is to build on our solid foundations and grow the newly-listed Adcock for the benefit of all its stakeholders. As a leading player in the healthcare sector, Adcock faces the following key challenges:

Regulation

Regulation in the healthcare sector globally continues to increase as the cost of healthcare remains a primary focus for many governments. The South African healthcare industry has followed many international regulatory trends, but also has its own peculiar dynamics. A significant step in the regulatory process was the introduction of Single Exit Pricing (SEP) in 2004. Government has also recently proposed the introduction of International Benchmarking. Uncertainty concerning the form which International Benchmarking will take in South Africa and when it will be introduced is a challenge for Adcock and other industry players.

Competition

The South African market continues to attract new international and domestic competitors. A natural upshot of this increased competition is the likely compression of margins for the entire industry.

Adcock is nevertheless well-positioned to protect and grow its market share as a result of its substantial portfolio of products, trusted heritage of quality and integrity of its brands and a highly motivated and vibrant management team. Despite the challenges, the underlying dynamics of the healthcare sector continue to offer an attractive business outlook overall. These include:

Chairman's report *continued*

- Increased access to medical schemes through the introduction of the Government Employee Medical Scheme (GEMS);
- Continued economic growth and the emergence of a sizeable black middle class;
- Ageing population;
- General under-diagnosis of many diseases;
- Private and public hospital infrastructure expansion;
- Substantial funding being made available to combat HIV and AIDS; and
- Increasing knowledge and acceptance of the benefits of western medicines in communities that historically relied on traditional remedies.

South African environment

As a South African company whose operations and customers are predominantly located within the borders of South Africa, Adcock has a distinct and vital role to play in this region. We are committed to contributing to the growth of our economy and the wellbeing of the communities we serve and in which we operate. South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development and the extent to which these challenges are not overcome is likely to have a negative impact on the economy and, in turn, on our group's performance.

As a board, our efforts must ensure that we drive Adcock towards being a proud corporate citizen which embraces sustainable business practices for the benefit of all its stakeholders. I am therefore pleased to report that Adcock has made good progress in achieving all seven pillars of the broad based black economic empowerment codes of good practice. We have embarked on a process to enhance the equity ownership level within the group and are committed to concluding this process timeously.

CORPORATE SOCIAL INVESTMENT

In line with our corporate values, Adcock is also actively involved in social enterprise initiatives and will continue to support these worthy causes. The company contributes 1% of its annual post-tax profits to Unite-4-Health, an organisation which supports efforts to improve access to healthcare, especially for disadvantaged South Africans.

Our recent initiatives in this regard include the following projects:

- **Red Cross Children's Hospital, Cape Town**
  A R4 million Unite-4-Health donation has been made to the Red Cross Children's Hospital towards the construction of a new modern theatre complex. The Adcock Unite-4-Health Operating Theatre will enable surgical teams to operate on 25% more children each year.

- **Heart of Soweto Study, Chris Hani Baragwanath Hospital, Johannesburg**
  Unite-4-Health has committed R3 million in support of a study which tracks the incidence of cardiovascular disease in a developing world scenario. Funding has, in part, been used to upgrade the Cardiovascular Unit at Chris Hani Baragwanath Hospital.

- **Soweto Hospice, Johannesburg**
  Unite-4-Health has donated R1 million to the Women's Ward at the new, state of the art Soweto Hospice which caters for HIV and AIDS patients and provides outreach support for home-based caregivers.

- **Michael Maponya Clinic, Soweto, Johannesburg**
  The Michael Maponya Clinic which caters for the primary healthcare needs of the Pimville community was upgraded in

partnership with the local and provincial authorities. Unite-4-Health committed R600 000 towards improved efficiencies and enhanced conditions for both patients and staff.

- **Donald Woods Foundation HIV Programme**
  The Mbashe-Madwaleni HIV Programme is set to be the largest integrated rural HIV programme in South Africa, addressing all areas of impact on the community with a decentralised roll-out of care integrated with tuberculosis, paediatric, palliative and home-based care. Adcock donated R4,5 million towards the building of three clinics at Mbashe-Madwaleni area in the rural Eastern Cape Province.

- **The Bigshoes Foundation**
  Unite-4-Health contributed R1,2 million to the Bigshoes Foundation (Bigshoes) in order to enable the extension of its medical services for orphaned and vulnerable children in the KwaZulu-Natal area. Bigshoes also helps train community healthcare and child care workers at children's homes to improve the quality of care for children in facilities.

APPRECIATION

I would like to thank my fellow board members for their ongoing guidance and for working tirelessly through the period prior to the unbundling and subsequently to get the "show on the road". It is a privilege for me to be part of such a dynamic team.

In particular, I would like to extend my and the board's sincere gratitude to Dr Nicky Padayachee who served Adcock so ably as a non-executive director from the period prior to unbundling to his resignation on 1 December 2008. Dr Padayachee has taken up a challenging new position in the DoH. We wish him every success in this endeavour.

Our CEO, Jonathan Louw, and his management team have been an enduring source of inspiration for all Adcock's employees during difficult times and my gratitude goes to all of you.

Finally, I would like to express my appreciation to all Adcock employees for their loyalty, dedication and hard work. We value your contribution and look forward to working together with you to build this great company.

Dr Khotso Mokhele
Chairman

Group chief executive's report

Dr Jonathan Louw
Group chief executive officer

INTRODUCTION

The publication of this annual report – our first as a listed company – marks the turning point in what has been an exciting, yet challenging time for Adcock Ingram (Adcock). Adcock's unbundling from Tiger Brands and listing on the JSE Limited has created a focused, innovative South African healthcare company, which is now able to embark on its own growth strategy of acquiring new businesses and expanding into the global arena over time.

The company's three divisions – Over the counter (OTC), Prescription and Hospital products – have all grown revenue and profits under challenging market conditions. The strength of our core brands has supported volume and market share gains. Adcock currently enjoys 10,8% value share of the private healthcare market and is the number one supplier of OTC and critical care products. We are the number two supplier of generic products countrywide.

We are also well on our way to establishing our own unique culture as an independent listed entity. Our new site in Midrand forms the hub of most of our pharmaceutical and Scientific Group business operations. This model, which incorporates a distribution centre, sales and marketing, regulatory and administrative centre in one site, is duplicated in Cape Town, Bloemfontein, Durban and Port Elizabeth.

JSE LISTING

Adcock was unbundled from Tiger Brands Limited and independently listed on the main board of the JSE Limited on 25 August 2008. The re-entry onto the main bourse, with Adcock having been previously listed from 1950 and delisted in 1999 on acquisition by Tiger Brands, marks an exciting new opportunity for us to take our place as a focused, leading, independent South African healthcare company. The separation from our former parent has already unlocked shareholder value, and going forward, we expect to enhance our strategic flexibility by growing through focused acquisition and internationalisation of our business.

Since our JSE listing, Adcock's share price has performed well despite the turbulent global and local economic environment. The anticipated rebalancing of some investor portfolios following the unbundling resulted in significant volumes traded in the first weeks after listing. Trading volumes have since normalised. The resilience of our share price, notwithstanding the volatility of global

markets, has been encouraging, with the Adcock share price having outperformed the Healthcare Index to the financial year end.

Adcock will continue to consolidate our market leading position through the promotion of our corporate and product specific brand image to increase penetration and maintain our "top of mind" position.

STRATEGIC FOCUS

Adcock's short- to medium-term strategy is based on a significant investment and recapitalisation programme which will drive our business objectives for the current local and future international markets. Our strategy envisages actively targeting synergistic acquisitions in selected local markets and expanding into the rest of Africa.

The total capital expenditure in manufacturing facilities, expected to be funded from our internally generated cash flows, is forecast at approximately R1,1 billion with the expenditure phased over five years to 2013. Some R230 million of this was spent in 2008, primarily in respect of the distribution centre and new office hub in Midrand.

The Adcock group's business strategy is based on leveraging the following key strengths:

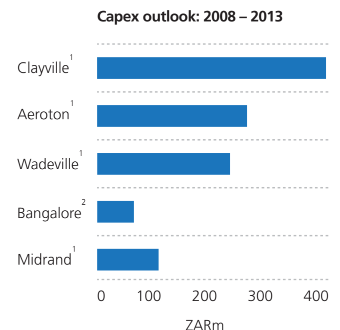
- An industry leading footprint in branded prescription, OTC and hospital products, thus ensuring a loyal customer base of doctors, pharmacists, hospitals and retailers;
- A leading corporate brand in the South African healthcare industry with a heritage of trusted quality;
- The ability to attract, develop and retain key people in the industry; and
- Robust partnerships with key principals with a strong pipeline of innovation in core therapeutic categories, and a planned entry into new niche therapeutic areas.

- **Capital investment in infrastructure**
  The major upgrades of our South African manufacturing facilities at Wadeville and Clayville to PICs, WHO and FDA standards, will increase our competitive advantage locally, enabling Adcock to compete more effectively in the liquids, tablets, capsules and effervescents markets. Both facilities are situated in close proximity to Adcock's new distribution centre, thereby aiding the logistics of supplying our customers and significantly shortening lead times. Our Aeroton facility is also undergoing a major upgrade to PICs standards and will focus on large and small volume parenterals. These upgrades should be completed by mid-2010 with approval and technical support from Baxter International.

  In addition, our modern manufacturing facility for tablets and capsules in Bangalore, India, which presently has MHRA, TGA and MCC approval, is awaiting MCC approval of the recently completed second phase expansion. The coming-on-line of this facility will provide increased opportunities for Adcock to rationalise its manufacturing activities taking into account the proximate availability of active pharmaceutical ingredients (API).

- **Increasing market penetration**
  Adcock will continue to consolidate our market leading position through the promotion of our corporate and product specific brand image to increase penetration and maintain our "top of mind" position. The group currently boasts South Africa's largest sales force, which in turn is supported by a strong service franchise and a specialised marketing infrastructure.

- **Securing further market share by launching new products**
  Our drive to secure additional market share in South Africa will be spearheaded by the



Part 1	Structural changes to facilitate production of effervescents and powders
Part 2	Greenfield high volume liquid plant - to cover all high volume liquids manufactured by Adcock currently in design and detailed costing phase
Facility and equipment upgrade	
Phase 1	Structural upgrades for accreditation purposes
Phase 2	Upgrade utilities and equipment for increased ARV capacity
Increase tablet and capsule capacity	
New pharmaceutical warehouse and distribution centre	

Group chief executive's report *continued*

launch of new branded and generics in both existing and new therapeutic areas. Adcock's strong innovation pipeline represents one of its greatest strengths. At the time of writing this report, there were 181 dossiers for 98 new products awaiting MCC approval with a further 118 dossiers for 60 new products planned within the next year.

- **Capturing demand in sub-Saharan Africa**
  Adcock has been very successful in becoming a domestic supplier of choice in its local markets with the latest Campbell Belman's Survey of Confidence ranking Adcock as number 1 among general practitioners and number 2 among pharmacists out of 12 pharmaceutical companies. Adcock's strong brands, trusted heritage of quality and South African footprint provide key opportunities to expand into other sub-Saharan markets.

- **Growing through acquisitions and in-licensing of new products**
  To supplement our current network of some 60 partnerships globally, Adcock intends to continue sourcing new proprietary products by leveraging our strong brand name supported by our specialised sales and marketing teams and after-market service offering. A team of specialists within Adcock is dedicated to identifying and exploiting opportunities for value-adding acquisitions.

- **Baxter relationship**
  Adcock enjoys a longstanding and mutually beneficial relationship with Swiss based multinational, Baxter International spanning some 50 years. Until 1986 Baxter owned 40% of the hospital products division at which time it sold its shareholding to Adcock. Baxter has continued to supply a range of hospital products and intellectual expertise to Adcock Ingram Critical Care (Pty) Limited (AICC). The parties recently entered into revised agreements which provide for the extension of the exclusive relationship with AICC, for a further period of at least 15 years from 1 March 2008, should Baxter not exercise its call option. In addition, the revitalised relationship will result in new technologies and products from Baxter International flowing into the AICC business.

REGULATORY ENVIRONMENT

The recent initiative by the Department of Health (DoH) to introduce international benchmarking is seen as a challenge for the greater pharmaceutical industry. Broadly, the proposed international benchmarking methodology envisages that the prices of originator and combination products will be benchmarked against the prices of those same products, where available, in a basket of countries (South Africa, Australia, New Zealand, Spain and Canada), and then fixed at the lowest applicable price in ZAR terms over a phased period.

There are a number of areas in which Adcock and representatives of the pharmaceutical industry believe the proposed international benchmarking regulations lack clarity and are fundamentally flawed. The industry, represented by the Pharmaceutical Task Group (PTG), of which Adcock is a member, has made various submissions to the regulator since May 2007 challenging the implementation of the proposed international benchmarking framework as drafted.

Whilst Adcock remains committed to working with government to increase access to affordable healthcare in South Africa, we are unable to support the implementation of the international benchmarking framework in its current form. As currently framed, the regulations are unclear and are likely to be detrimental to the sustainability of the South Africa pharmaceuticals sector in the medium to long term. The uncertainty around the international benchmarking initiative is a challenge for both Adcock and other industry players and will require active management involvement in the months ahead.

Notwithstanding our efforts to manage our fixed cost base and increase our operating efficiencies, the unprecedented increase in

manufacturing costs, fuelled in part by price increases of imported API and the effects of the adverse exchange rate, have seriously impacted our business. As an industry, we face significant cost increase pressures which are currently in double digits.

The nature of the regulatory environment means that we are unable to pass price increases on to the consumer. Increases in single exit prices (SEPs) are determined by regulation; the last SEP increase granted to the industry was 6,5% in May 2008. The capacity of the industry to absorb extraordinary increases is limited and the industry, through the PTG, made an approach to the DoH for a special price increase from January 2009. The outcome of this application will have far reaching implications not just for Adcock but for the South African pharmaceutical industry as a whole.

In common with the DoH and the Medicines Control Council (MCC), we embrace the ideal of quality, affordable, accessible healthcare for all South Africans. Two landmark pieces of legislation are currently before Parliament in the form of the National Health Amendment Bill and the Medicines and Related Substance Amendment Bill. The former will regulate the way in which fees and medical service charges are structured, while the latter aims to restructure the MCC for more efficient functioning and increase regulation in terms of complementary products, foodstuffs and cosmetics with medicinal claims. The MCC has an impeccable track record of setting high standards for the quality, safety and efficacy of products on the South African market and we have every confidence that their role will become even more meaningful under the new legislation. As Adcock we are committed to working with the MCC to facilitate the quick and cost effective entry of quality new products onto the South African market.

OPERATING ENVIRONMENT

The South African healthcare market benefits from favourable demographic trends, such as government initiatives to combat HIV and AIDS and sustained growth in the middle classes, which enjoy increasing levels of real disposable income and increased access to healthcare products. Government policy is targeted at increasing the number of individuals on private medical insurance through initiatives such as the GEMS. There is also ongoing significant capital expenditure on public hospitals both in the construction of new facilities and on the refurbishment or replacement of ageing medical facilities and equipment.

OUR PEOPLE

For Adcock to realise its vision of being a leading, world class branded healthcare company, we have to be able to attract and retain people who are the "best of breed" – creative, innovative, energetic and passionate about delivering value in their individual areas of expertise. We have made real and measurable progress towards achieving our transformation targets, with 53% of our current managerial staff being from historically disadvantaged communities. Our key focus areas continue to be the attraction and retention of black talent in line with our 2013 transformation strategy of being a level 4 rated enterprise. We have made significant strides towards the achievement of our broad based black economic empowerment targets, in terms of the BEE codes of good practice, moving from a level 7 enterprise in 2007 to a level 6 enterprise in 2008.

EXECUTIVE COMMITTEE

The day-to-day management of Adcock's business is entrusted to an executive committee (Exco) made up of 10 senior managers who collectively have more than 110 years of industry experience. Diverse in terms of experience, skills, gender and race, this passionate and enthusiastic team is more than sufficiently skilled to take this business forward. My gratitude goes to the members of Exco for their unparalleled loyalty and dedication to Adcock and its shareholders, for the many late nights and early mornings through which we thrashed out the strategy

Group chief executive's report *continued*

and fine-tuned the vision, and for their unwavering belief that Adcock can truly be a great company in its own right.

TOWARDS THE FUTURE

While we anticipate an uncertain regulatory environment, continued currency volatility and a slowdown in the South African economy in the year to come, we remain committed to our vision of growing Adcock, organically and by prudent acquisiton, into a leading world class branded healthcare company that creates value for shareholders.

The intense focus of the South African government on healthcare and the high levels of government spending in this area should, in the face of realistic price increases, augur well for Adcock and our strong brands supported by ongoing innovation, new products and our skilled sales and marketing teams will, we believe, serve us well in the challenging times ahead.

APPRECIATION

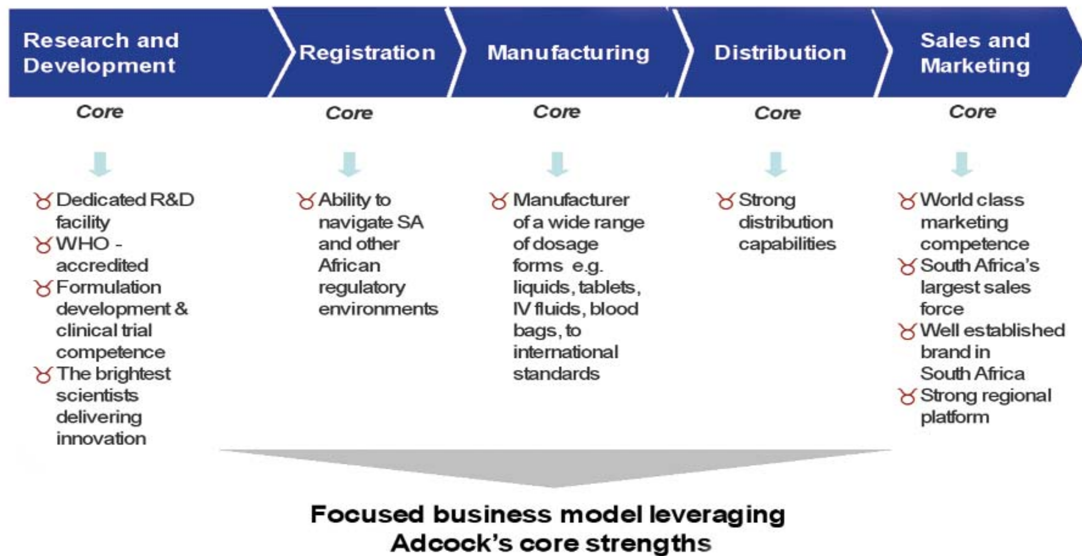
Our fresh start as an independently listed company, with a vibrant, yet experienced, management team, new facilities and an exciting capital investment programme, are indeed highlights of the past year.

My sincere appreciation goes to our chairman, Dr Khotso Mokhele and the board of directors for their leadership and support.

Finally, to my colleagues at Adcock, a huge thank you for your passion, loyalty and commitment to Adcock. The years ahead are going to be exciting and challenging and I look forward to sharing them with all of you.

Dr Jonathan Louw
Chief Executive Officer

Delivering across the value chain



- 66% of Adcock's portfolio is made up of strong brands
- 38 new proprietary products were developed in the last two years
- We currently have access to 299 new dossiers through to 2012 representing 158 new products
- Our integrated operations, across the value chain, represent South Africa's largest industry footprint

- Doctors prescribe more Adcock Ingram products than any other company in South Africa.
- Adcock enjoys more than 50% market share, with every second OTC brand sold in SA, an Adcock Ingram product.
- AICC is SA's largest supplier of hospital and Critical Care products.

- Adcock employs almost 2000 people in its six South African operations and a further 500 people in India
- We currently have a relationship network with over 60 partners from around the globe
- Adcock has the only integrated medical grade plastics plant in South Africa
- Our dedicated, WHO and MCC approved, research and development facility at Aeroton has over 40 full-time scientists dedicated to identifying and developing new products
- Through our Addclin joint venture, we have access to a 36 bed bio-equivalence and Phase I clinical trial unit

Chief financial officer's report

Andy Hall
Chief Financial Officer

UNBUNDLING AND SEPARATE LISTING ON JSE LIMITED

Adcock Ingram Holdings Limited's (Adcock) results are presented for the first time as an independent group following the unbundling from Tiger Brands Limited and separate listing on 25 August 2008.

Pro forma balance sheets and income statements for the financial years ended 30 September 2007 and 2008 have been presented to provide a meaningful year-on-year comparison of the business and are the basis for this commentary. The pro forma income statement for the year ended 30 September 2007 and balance sheet at that date were disclosed previously in the pre-listing statement dated 29 July 2008.

FINANCIAL RESULTS

Headline earnings

Headline earnings for the year ended 30 September 2008 of R668,8 million (2007: R638,8 million) reflect an increase of 4,7% over the prior year. At the headline earnings per share (HEPS) level, this translates into an increase of 4,6%, based on 172,6 million average weighted shares in issue at 30 September 2008.

Headline earnings in the current year exclude capital profits of R2,0 million and impairments of intangible assets amounting to R17,8 million. These impairments resulted from agency or licence agreements which have either been terminated with notice by the principals or have a reasonable probability of short-term termination. It should be noted that headline earnings includes the cost of a settlement reached with the Competition Commission in Adcock Ingram's Critical Care business amounting to R53,5 million.

Earnings per share (EPS) improved by 16,5% to 378,5 cents (2007: 324,9 cents), somewhat more than the increase in HEPS as a result of reduced gearing in the current year.

Turnover

Turnover rose 14,6% to R3,3 billion (2007: R2,9 billion). The turnover should be seen in the light of the following:

- A price rise of 6,5% granted by the Department of Health in May 2008, the previous increase of 5,2% having been allowed in January 2007;
- A loss of tenders in the Pharmaceutical and Hospital divisions, reducing public sector sales across both segments (excluding ARV's) by approximately 30% year-on-year;
- The conversion of certain ephedrine-containing OTC brands to prescription-only products in April 2008 which contributed revenue of R41,9 million in 2007; and
- Inordinately low stocks of blood at the national blood service during most of the year. Blood donations in the Egoli region

(Johannesburg, Pretoria and Vaal) were 18% down on the prior year and the average blood amount at any one time was 1-2 days compared to 3-5 days in the previous year.

It is therefore pleasing to report that the sales growth is primarily volume related, with the Pharmaceutical division, excluding public sector business, showing 7% volume growth and the Hospital division growing in double digits. The award of the major portion of the Efavirenz state tender to Adcock Ingram positively impacted turnover in the last quarter of the financial year, with encouraging uptake by the government.

Profit margins

Gross profit increased by 10,2% to R1,82 billion (2007: R1,65 billion) with margins declining from 57% in 2007 to 55% in 2008, the primary contributing factors being the delay in price increases granted by the state in relation to the level and timing of cost-push being experienced by the business, and to a lesser extent product sales mix from increased anti-retroviral sales and higher revenue in The Scientific Group. The cost-push on manufacturing costs is partly attributable to local inflation-related production expenses, but more to raw materials, particularly active ingredient prices which in the second half of the year were impacted abnormally by shortages out of China. The gross profit remains highly susceptible to Rand weakness, with between 50% and 100% of the product cost being directly related to an imported component, the Pharmaceutical division being more at risk than the Hospital segment. The gross margin pressure is evident in both segments of the business, with Pharmaceutical margins having declined to 63% from 65% and Hospital margins to 41% from 44%. Pharmaceutical gross profit was also negatively impacted by inventory write-offs of R8,1 million as a result of the rescheduling of certain ephedrine-containing products.

It is therefore pleasing to report that the sales growth is primarily volume related, with the Pharmaceutical division, excluding public sector business, showing 7% volume growth and the Hospital division growing in double digits.

Operating income before abnormal items increased by 4,5% to R1,005 billion (2007: R961,1 million), with margins reducing from 33,4% in 2007 to 30,4% in 2008, this loss of leverage being carried down from the gross profit line. Operating expenses increased by 18% to R818 million (2007: R693 million), reflecting the costs of operating a stand-alone corporate office, particularly staff and IT costs. Sales and distribution expenses rose by 13% to R365 million (2007: R324 million), measured as a percentage of sales as 11,1% in 2008 compared to 11,3% in 2007. Other overheads, including marketing expenses, were 23% higher at R453 million (2007: R369 million), the significant contributors to the increase being an increase in IT costs due to the implementation of Oracle, staff costs and increased amortisation of intangibles. The expenses in 2008 were adversely impacted by retrenchment costs of R8,4 million in the Pharmaceutical division, once-off advisers' listing fees of R5,7 million and legal and auditing fees of R6,3 million in connection with the contraventions of the Competition Act in Adcock Ingram Critical Care.

Net financing costs, including income from cash-related investments, for the year under review are R36,7 million compared to R113,8 million in 2007. The decrease is attributable to an interest-bearing loan receivable of R1,9 billion outstanding for the first four months of the year which arose from the sale of the consumer business unit to Tiger Brands Limited in 2007. Net interest cover for the year is a healthy 25 times (2007: 8 times).

Chief financial officer's report *continued*

Financing activities realised cash inflows of R998 million, sourced primarily via the unbundling from Tiger Brands Limited, leaving the group cash positive at year end to the extent of R395 million.

Profit before tax grew by 13,1% to R907,4 million (2007: R801,9 million). The effective tax rate is 26,9% (2007: 29,2%), the rate differential being attributable mainly to corrections made to prior year estimates. Non-deductible expenditure of R127,4 million, including amortisation and impairments of intangibles of R30,7 million and R16,4 million relating to IFRS2 expenses, was offset by exempt income of R130,8 million. This resulted in profit after tax growing by 16,8% to R663,4 million (2007: R568,0 million).

The share of profits attributable to minority interests increased from R7,7 million in 2007 to R10,3 million in 2008, the primary beneficiary of the improvement being Brimstone, the minority shareholder in The Scientific Group.

CASH FLOWS

Cash operating profit from continuing operations increased by 5% from R1,03 billion to R1,08 billion. Cash of R741 million generated from operations was adverse due to a significant investment of R286 million in working capital in the year under review. Inventories absorbed R133 million as supply chain management was encouraged to build inventory during the factory upgrades in order to minimise stock-outs. Inventory at year-end includes ARV related stock of R35 million to facilitate continuity of supply to the public sector. Accounts receivable absorbed cash of R236 million, but credit control remains very tight with only R1 million of debtors having been written off in the current year and days outstanding at year end amounting to 63.

After interest, taxation and dividend outflows, there was a net cash inflow of R440 million.

The significant outflow in investing activities of R280 million is in line with the forecast spend on the extensive facility upgrades across the group. Capital expenditure of R230 million was mainly expansionary and regulatory in nature, made up of R34 million at Wadeville, R25 million at Clayville, R39 million at Bangalore, R30 million at Aeroton, R10 million at The Scientific Group and R53 million in Midrand where the group's sales, marketing, administration and distribution centre is now located. The balance of the capital expenditure relates to computers, and furniture and fittings. In addition, Adcock's portion of the joint venture in Bangalore was acquired at a cost of R32 million in November 2007. Intangible asset acquisitions of R19 million relate mainly to a progress payment on the Donmed trademark. Thus, prior to financing activities, the group generated net cash inflows of R159 million, adhering to the commitment that the capital expenditure programme would be funded out of operating cash flows.

Financing activities realised cash inflows of R998 million, sourced primarily via the unbundling from Tiger Brands Limited, leaving the group cash positive at year end to the extent of R395 million. Thus the group is well placed to continue funding the remaining approximately R770 million of its capital expenditure programme through 2011 and initiate its share buy-back programme, if favourable. The group has R1,3 billion of available unutilised short-term facilities with two separate institutions to service operating requirements, and has capacity for gearing in order to invest into the facilities, pipeline and product portfolio.

FINANCIAL POSITION

The carrying value of property, plant and equipment increased by R192 million during the year, as explained in the cash flow commentary. The regulatory upgrades and expansionary activities are continuing and it is expected that up to R423 million will be invested in fixed assets during the 2009 financial year.

Inventory levels of R567 million at year end are R133 million higher than the prior year. Days in inventory are 130, in line with the prior year figure of 125 days. In the short term, whilst the factory upgrades continue and anti-retroviral inventories are built up, we do not expect this indicator to improve significantly.

Trade accounts receivable, net of provisions of R690 million at year end, are R92 million higher than the prior year. The days outstanding in debtors at year end are 63, compared to 66 days in the prior year. Credit control across the group remains good and no significant write-offs have been experienced in the year under review. Adcock's Pharmaceutical division continues to extend 60-day terms to its customers.

Outside of overdraft balances, which are offset against surplus cash balances on a daily basis, the group is carrying interest-bearing debt of R439 million (2007: R518 million).

R409 million of this debt is owed to a banking institution, bearing interest at 15,5% and will amortise with six-monthly capital and interest payments ending in October 2010. The remaining interest-bearing borrowings of R30 million have been incurred in Adcock Ingram India Limited. This Indian Rupee-denominated loan with the State Bank of Hyderabad was incurred to fund the capital expansion programme due for completion at the end of the 2008 calendar year. The loan bears interest at 1% below the Bank's lending out rate and is payable in 20 quarterly instalments commencing in December 2008. The net debt to equity ratio at year end is 3%.

KEY FINANCIAL RATIOS

Ratio analysis	**2008**	2007
Operating profit margin %	**30,4**	33,4
Inventory days	**130**	125
Accounts receivable days	**63**	66
Accounts payable days	**55**	55
Working capital per R1 turnover – cents	**28,0**	27,9
RONA	**76,7**	88,0
Net interest cover (times)	**25,4**	8,0
Current ratio (times)	**2,4**	0,9

CONCLUSION

The group has been through a challenging and exciting year, particularly with the unbundling and listing. I am indebted to our advisers, the board and my colleagues for their support during this period.

Andy Hall
Chief Financial Officer

QUALITY

Adcock's mission of ***Adding value to life*** is strongly supported by our trusted quality branded product portfolio, state of the art manufacturing facilities, established relationships with healthcare professionals and hospitals, and our diverse partnerships with industry leaders

Accredited facilities

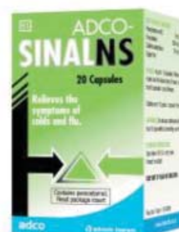
- Adcock's new distribution facility in Midrand received MCC approval in September 2008.
- Extensive upgrades and capacity expansions to manufacturing facilities at Wadeville, Clayville, Aeroton and Bangalore, India at a total cost of approximately R1,1 billion phased over five years.
- Upgrades of all manufacturing facilities to comply over time with PICs, WHO and FDA standards, thereby facilitating our expansion into international markets.
- Adcock took occupation of its new "green" building in Midrand in July 2008. The building makes use of low energy consumption and recycling technology to minimise the impact on our environment.

- Adcock's new R25 million Research and Development facility at Aeroton received WHO accreditation in August 2007.
- Phase 1 of Adcock's manufacturing facility in Bangalore, India is approved by the MHRA, TGA and MCC. Phase 2 is awaiting MCC approval.
- South Africa's first medical grade plastics facility was commissioned by AICC.

Trusted branded products

Adcock currently produces in excess of 300 medicines including:

- Panado
- Myprodal
- Betadine
- Adco-Sinal NS
- Colcaps-C
- Covospor



- Dilinct
- Expigen
- Fastum Gel
- Inteflora capsules
- Lentogesic
- Liviton Elixir
- Medi-Keel
- Nazene spray

- Otophen Ear drops
- Propain
- Sinustop
- Slim 'n Trim
- Spersallerg eye drops
- Synap forte
- Syndol

- Tussitot syrup
- Vita-thion

Investment in training

- Adcock Ingram OTC Academy of Learning launched in 2005 to provide intensive and practical training to pharmacy personnel.
- Our Midrand hub has a knowledge centre offering access to the latest information on products, compliance and technologies and keeps our staff informed of latest developments.

- Relationship with Baxter International provides access to intellectual property and expertise and a wide range of leading hospital and critical care products.
- Acquisition of 74% shareholding in The Scientific Group facilitates acquisition of a major market share in the pathology market.

Independent assurance

- An internal compliance management process was put in place that targets safety, quality and compliance with regulations. The process gets assessed independently.
- The Quality Assurance function reports directly to the group chief executive officer, ensuring that quality receives the highest level of attention.

Relationships with industry leaders

- Relationship network with over 60 key global players in the healthcare industry.
- Merger between Adcock Ingram and Premier Pharmaceuticals which created South Africa’s leading supplier of healthcare products.

Operational review

DIVISIONAL REVIEWS

Adcock Ingram is an industry leader in prescription products, OTC medicines and hospital products. Through constant innovation, a dedicated research and development facility and a highly specialised workforce, the group adds value to the lives of millions of people on a daily basis.

The group has leading market shares in key segments, with two prescription brands; Synap Forte and Adco-Zolpidem, ranked No.1 in their respective treatment segments, as well as three of the top ten OTC brands, Adco-Dol, Panado and Corenza C. Other household names include Citro Soda, Vita-thion, Syndol, Compral and Bioplus.

PHARMACEUTICAL DIVISION

Introduction

The Pharmaceutical division holds by value the No. 1 position in OTC medicines and the No. 2 position in prescription generics, with the group ranking second amongst pharmaceutical companies in the FMCG channel.

The Pharmaceutical division has a comprehensive portfolio of branded and generic prescription medicines across a broad range of therapeutic areas, as well as a portfolio of branded OTC products.

The division's focus is on three key areas:

- To increase market share in South Africa;
- To establish a footprint in sub-Saharan Africa; and
- To grow FMCG presence.

REVIEW OF OPERATIONS

New executive team

A new management team with specialised skills and competencies has been put together to drive strategy and marketing. The team has been functioning since mid-2008 and is well positioned to extract growth through renewed focus.

Products

The division's products can essentially be split into OTC, prescription, generics and prescription ethicals. All three areas have specific strategies but essentially are driven by innovation, efficacy and reputation.

Key highlights for the year include sales of Synap Forte reaching the R100 million milestone and Myprodol turning 21 years old. Research has also shown that Panado continues to remain the GP's choice for self use and when recommending analgesics to patients. Vita-thion has launched new line extensions, with the introduction of multi vitamins in effervescent and capsule format.

ARVs

Adcock has recently been awarded a significant share of the South African government's expenditure on ARVs with the two year contract valued at R663 million. The ARV tender of R3,8 billion over two years is the largest in the world. South Africa remains the country with the greatest

number of people living with HIV and AIDS and has the highest number of people on treatment globally. There are currently 5,6 million* infected cases in South Africa with one million of these in immediate need of treatment.

Adcock Ingram is the only South African company that has successfully developed an in-house range of ARV generics using South African expertise and local manufacturing. It took a record 10 months for Adcock to have these first phase ARVs registered by the MCC. The company's participation in providing accessible, cost effective and essential ARV treatments to South Africans is an important milestone.

In supplying the ARVs, Adcock had to secure licensing agreements with multinationals. The active ingredients for the formulations are procured from overseas companies and then further developed to international standards by Adcock's own research and development facility at Aeroton and manufactured at our Wadeville factory. All facilities are being upgraded to meet international standards.

The introduction of ARVs to our product portfolio has led to the creation of more jobs, manufacturing and facilities expansion, and opening up of various other opportunities. With the growing incidence of HIV and AIDS infection on the African continent, with 22 million affected cases currently, we are mindful of the possibilities that exist for the group to expand its supply of ARVs into the rest of Africa.

The business is committed to changing health care in the country and will continue to increase its presence in the public sector, by nurturing good relationships with government.

Africa

Adcock currently exports products to various African countries. Our strategy going forward is to grow our export operations and to entrench our position through further investment in sales and marketing capabilities in sub-Saharan Africa. Our strategic focus for the continent is to expand the supply of products to a wider market and establish joint ventures with various local partners, as well as acquiring synergistic local brands. Adcock

*Department of Health 2007

With the growing incidence of HIV and AIDS infection on the African continent, with 22 million affected cases currently, we are mindful of the possibilities that exist for the group to supply ARVs into the rest of Africa on an ongoing basis.

intends to position itself as a strategic partner of choice in Africa.

Performance

The pharmaceutical division has grown volume (counting units) in all areas of the business. Value share in pharmacy has however declined during the period under review. The business is well positioned from a volume perspective in the private pharmacy and hospital market with a 25,5% share. The challenge however, is to convert this volume strength into a growth in value share. Within FMCG, the business has seen strong value and volume growths in all categories, despite an overall decline in the market.

The 2008 performance has been enhanced due to three months sales in the ARV tender, however margins have been negatively impacted by a significant cost-push during the year. Over and above rising fuel costs and deteriorating exchange rates, raw material costs have seen significant increases driven partly by the closure of factories in Beijing during the Olympic Games. The recent economic slowdown has also affected performance with consumer spend seriously impacted. The business has experienced an uptake in lower priced OTC brands at the expense of the premium priced pharmacy brands as consumers look for value for money offerings.

In addition, the business has been impacted by factory upgrades and uncertainty around

Operational review *continued*

Manufacturing facilities

Location	Land owned/ leased	Approvals	Formulations
Wadeville, SA	Owned	MCC	Tablets Capsules Liquids [1] Creams/ointments
Clayville, SA	Owned	MCC	Effervescents Creams/ointments Medicated lozenges Powders
Bangalore, India	50% owned	MCC MHRA TGA	Tablets Capsules

(1) Including syrups, ear and nose drops

Manufacture a complete spectrum of pharmaceutical formulations

the timing of the unbundling from Tiger Brands.

Outlook

The listing has placed the business in an ideal position to expand and to tackle new challenges, and we expect, will create new opportunities for strategic alliances going forward.

There has been some restructuring in the sales and marketing division in order to improve focus on the prescription side of the business. The investment in the infrastructure is well underway, and should lead to improved service levels by mid-2009.

HOSPITAL PRODUCTS MARKET, ADCOCK INGRAM CRITICAL CARE & THE SCIENTIFIC GROUP

AICC and The Scientific Group (SG) together fall under the banner of Adcock's Hospital products division. The Hospital products division is South Africa's leading supplier of hospital and critical care products.

Founded in 1948, AICC holds the lion's share of the South African hospital products market.

During its 60 year history, AICC has grown its portfolio to include renal dialysis systems, transplant, a comprehensive range of ostomy products, products for storage of blood, intravenous fluids and accessories. The division operates from its Johannesburg based manufacturing facility in Aeroton.

SG supplies a range of capital and consumable products covering areas such as clinical diagnostics, molecular biology and diagnostics, Point of Care (POC), cardiac perfusion, ventilation and anaesthesia, patient monitoring, and imaging.

Review of operations

The hospital products division operates in both the private and public healthcare sectors predominantly in the southern African region. Due to the nature of its business, the division works on a 24x7x360 basis ensuring that crucial products and technical support from its highly qualified team are available immediately when required.

Strategic alliances

Innovation remains a key business driver for this business and partnerships with global leaders in hospital product development have enabled the company to supply the Southern African region with what the world has to offer.

One such alliance is with Baxter, a multinational with operations in over 110 countries. This relationship is the foundation of AICC's manufacturing capabilities and delivery of fluids to the SA market.

Baxter is a global leader in technologies related to the blood and circulatory system. The company's blood therapies businesses produce products that collect, separate and store blood, as well as therapeutic proteins derived from blood and their genetically

engineered equivalents. Its renal products assist with dialysis of patients with renal failure. Intravenous products infuse drugs and other solutions into the blood.

AICC was the first Baxter plant to manufacture fluids outside of the USA.

SG's business alliances with leading principals such as Horiba ABX, Ortho Clinical Diagnostics, Trinity, Olympus, Invitrogen, Terumo and Maquet provide the basis for SG to strengthen its solutions driven product offering to business partners such as the National Health Laboratory services and the state owned hospitals.

Performance

The Hospital products division – comprising both AICC and SG – contributes approximately one third of total group turnover, with AICC being the major player in this regard.

Turnover for the division, for the period under review, is R1 171 284 million (2007: R1 013 136 million) with profit at R257 433 million (2007: R245 730 million).

Market shares are estimated at 36% of the renal market, 60% of blood systems and accessories, a significant 11% of medicine delivery and 8% in the scientific arena. Some 34% of AICC's product range is subject to price control considerations.

SG, with 22% growth in turnover and 46% growth in operating profit, has continued to deliver strong organic growth. Exports into sub-Saharan Africa have also shown strong growth over the past two to three years. 18,5% of the total sales in clinical diagnostics sales are now generated in territories such as Zambia, Mozambique, Tanzania, Kenya and Malawi.

AICC's most notable achievements during the period under review include:

- Double digit growth of 48% in generic injectable antibiotics;
- In excess of 70% growth in generic injectable drugs due to market share gains in both the public and private sectors;
- 54% growth in market share in the infusion pump business;
- Increasing share of the theatre consumable range not subject to price control; and
- Volume growth in renal supplies for treating acute and chronic renal failure;

Not all units in the division have performed as anticipated, however, new processes and procedures have been implemented to address this and so enable achievement of the 2009 targets.

Some challenges at the South African National Blood Services persist, highlighting the urgent need for constructive intervention from the relevant authorities to address the stagnant donor pool.

Forecast

Independent customer perception market research conducted in mid-2008 indicates that AICC continues to be highly rated in the following areas:

- Product availability;
- Customer service; and
- Product delivery.

The R252 million upgrade of the Aeroton manufacturing facility is underway and will be achieved over the next three years. The upgrade is aimed at putting the facility on par with international standards in the health products arena.

Organic growth and innovation remain critical aspects of the division's strategy. AICC will focus on growing its core business and introducing new product pipelines. SG will continue to grow its core chemistry and haematology business, POC product offering including support of the government HIV screening programmes, as well as enhancing its offering of an innovative range of theatre, ICU and high care products to both the state and private sector.

Appreciation

Staff commitment and dedication to excellence, at all levels throughout the division, is always commendable but was unparalleled during the difficult times experienced in 2008.

Bill Tweedie
Managing executive OTC and Pharmaceuticals

Kim Rowat
Managing executive Hospital products

INTEGRITY

To sustain us in our mission of ***Adding value to life***, Adcock is unequivocally committed to integrity in our dealings with all our stakeholders

Values and ethics

- Adoption of the PRIDE values to guide Adcock employees. Our values are:
  - Passion – passion and energy for our brands, people and country
  - Respect – for all people
  - Innovation – to drive our business
  - Development – create a learning environment for growth
  - Execution – we deliver on our promises

- Our governance framework is being revised to comply with local and international best practice.
- A new code of ethics is being developed.

- An independently operated, whistle-blowing hotline has been set up to encourage Adcock employees to report any illegal activities, anonymously if they wish.
- Adcock's legal affairs manager has been appointed the group's ethics officer and has undergone stringent ethics training in preparation for this responsibility.

These pictures were painted by staff of Adcock Ingram and represent our PRIDE values of passion, respect, innovation, development and execution. The originals are proudly displayed in the staff canteen at our Midrand offices.

Compliance and empowerment

- Monthly compliance management process targets safety, quality and regulation. The process is independently assessed and audited by KPMG.
- A forensic compliance audit completed prior to our unbundling by independent attorneys, Webber Wentzel Bowens, found Adcock to be substantially compliant with all key regulations and best governance practices with a few minor exceptions raised.
- A comprehensive audit of compliance with competition legislation by Edward Nathan Sonnenbergs found no instances of significant non-compliance.
- AICC acquired 74% of SG with the remaining 26% held by Brimstone Investment Corporation, providing an important BEE component.

Ongoing training

- To ensure compliance with the competition law, Adcock has put in place an on-line competition training programme for all its senior managers which is independently administered by law firm, Edward Nathan Sonnenbergs.

Corporate social investment

- Adcock Ingram donated R4 million to Red Cross War Memorial Children's Hospital and R2 million to the Heart of Soweto project as part of its Unite-4-Health corporate social investment initiative.
- Some other beneficiaries of the Unite-4-Health corporate social investment initiative are Soweto Hospice and the Michael Maponya Clinic.
- Adcock donated R4.5million towards the building of three clinics in the rural Eastern Cape Province, as part of the Donald Woods Foundation Mbashe-Madwaleni HIV Programme, set to be the largest integrated rural HIV programme in South Africa.
- Adcock contributed R1,2 million to the Bigshoes Foundation to enable the extension of its medical services for orphaned and vulnerable children in the KwaZulu-Natal area.

Corporate governance

Corporate governance includes the structures, processes and practices that the board uses to direct and manage the operations of Adcock Ingram Holdings Limited and the subsidiaries within the Adcock group (Adcock). These structures, processes and practices help ensure that authority is exercised and decisions are taken in a transparent manner and within an ethical framework that will promote the responsible deliberation of all stakeholders' interests and hold decision-makers to account.

VALUES AND ETHICS

Adcock embraces the principles of openness, integrity and accountability in all its dealings with its stakeholders, and endorses the code of corporate practices and conduct as recommended by the King Code. Accordingly, Adcock is committed to:

- Achieving the highest standards of transparency, accountability and integrity in the running of its business and in its dealings with stakeholders and the community at large;
- Providing stakeholders and the financial investment community with clear, meaningful and timely information about Adcock's operations and results;
- Conducting its business on the basis of fair commercial and competitive practices;
- Building business relationships with suppliers and customers who endorse ethical business practices;
- Actively pursuing transformation and ensuring employment practices which are non-discriminatory and which seek to maximise the potential of all its employees through training and skills development; and
- Pro-actively accepting responsibility for and managing the environmental and sustainability issues associated with its business.

Our corporate values are aimed at building and maintaining a culture which promotes teamwork, commitment, professionalism, integrity and a focus on business ethics, creative thinking and open and honest communication. Adcock has a code of ethics which helps ensure that business is conducted at all levels in the group in a manner that is transparent and beyond reproach. The code of ethics provides clear guidance on acceptable business practices and ethical standards by which Adcock employees, suppliers and business partners are expected to conduct themselves in their business relationships. Employees are encouraged to report inappropriate, unethical or illegal activity through an independently operated ethics hotline. The existing code of ethics is being reviewed as part of the comprehensive review of the governance framework of Adcock to ensure compliance with best practice in this area.

BOARD OF DIRECTORS

The board is ultimately responsible to stakeholders for the performance of Adcock. The board broadly gives strategic direction to the company; approves and regularly reviews business plans, budgets and policies; appoints the chief executive officer and ensures that the powers and authorities delegated to management are clearly and comprehensively documented and regularly reviewed and the governance framework of the company remains appropriate and relevant. The board retains full and effective control over the company, monitors risk and oversees the implementation of approved strategies through a formal approach to reporting and accountability at its regular board meetings.

Adcock is led by a diverse board of nine directors, seven of whom are independent. The board is headed by a chairman who is an independent non-executive director. Criteria used in the selection of the first directors of the company included leadership qualities, depth of experience, skills, independence, personal integrity and business acumen. The directors collectively bring to the company a wide range of skills and experience which includes industry specific knowledge as well as broader business flair.

The current members of the board are:

Independent non-executive

Dr Khotso Mokhele (Chairman)
Mr Eric Diack
Dr Tlalane Lesoli
Mr Clifford Raphiri
Mr Leon Schönknecht
Dr Roger Stewart
Mr Andrew Thompson

Executive
Dr Jonathan Louw (CEO)
Mr Andy Hall (CFO)

The *curricula vitae* of the directors as well as the remuneration paid to directors during the year are set out respectively on pages 7, 8 and 63 of this annual report.

In terms of the articles, all non-executive directors retire at the first annual general meeting following their appointment; however, being eligible, may offer themselves for re-election. The selection of suitable directors is overseen by the human resources, remuneration and nominations committee of the board.

All directors are provided with a comprehensive induction manual which contains details of the governance, legislative and regulatory framework in which the company operates. In addition, governance training sessions are scheduled as part of the annual corporate calendar, to ensure that directors remain abreast of relevant new developments which may impact the business of the company.

The board will meet at least five times annually and more frequently if required. Meetings of the board are scheduled in advance in an annual corporate calendar and papers are distributed at least a week before each board meeting to allow directors sufficient time to consider submissions, seek additional information or interact with members of management on any issues before the board.

Directors have unrestricted access to company information, to the company secretary and to independent professional advice should they deem it necessary for the execution of their role as directors of the company. The Adcock group company secretary attends all board meetings and provides the board and the directors, collectively and individually, with guidance on the execution of their governance role and compliance with the required statutory procedures.

BOARD MEETINGS

The following table sets out the attendance by directors at board meetings held during the financial year. The board of Adcock was formally constituted on 15 July 2008, following approval of the Adcock unbundling by the board of Tiger Brands Limited. The meetings held prior to this date were attended by the directors in their capacity as directors designate of Adcock Ingram Holdings Limited. As the board committees were only formally constituted on 15 July 2008, no attendance data has been included in respect of board committee meetings.

	Dec 07	Feb 08	Mar 08	May 08	Jul 08	Sep 08
KDK Mokhele (chairman)	Y	Y	Y	Y	Y	Y
EK Diack*	N/A	N/A	N/A	N/A	A	Y
AG Hall	Y	Y	Y	Y	Y	Y
T Lesoli	Y	Y	Y	Y	Y	Y
JJ Louw	Y	Y	Y	Y	Y	Y
GN Padayachee#	Y	Y	Y	Y	Y	Y
CD Raphiri	Y	A	Y	A	Y	Y
LE Schönknecht	Y	Y	Y	Y	Y	Y
RI Stewart*	N/A	N/A	N/A	N/A	Y	Y
AM Thompson*	N/A	N/A	N/A	N/A	Y	Y

**Appointed 15 July 2008*
#Resigned 1 December 2008

Corporate governance *continued*

BOARD COMMITTEES

Four dedicated board committees, with specific terms of reference, allow the board to focus specially on the following areas:

- audit;
- risk;
- transformation; and
- human resources, remuneration and nominations

Additional committees may be constituted from time to time, either on a permanent or ad hoc basis, should the business require this. The company secretary is the secretary to all committees of the board, and ensures that the committees act within the limits of their respective mandates and that a formal process of reporting is in place between the committees and the board. The various committees of the board, each meet an average of three times per annum on dates scheduled to coincide with key dates in the company's annual calendar of events. Ad hoc meetings of committees may be scheduled as and when necessary.

Audit committee

The audit committee comprises three non-executive directors being EK Diack (chairman), RI Stewart and AM Thompson. Adcock's CEO and CFO, and the external and internal auditors attend meetings of the committee by invitation. All members and invitees of the audit committee have unrestricted access to the chairman of the committee.

The responsibilities of the audit committee, which are set out in the committee's charter, include the review of the company's financial statements and the recommendation of their approval to the board; reviewing the accounting policies of the company; overseeing the development and implementation of processes to achieve compliance with all applicable legal and regulatory requirements; communicating with the internal and external auditors, determining auditors' remuneration and the scope of the internal and external audits and generally providing assurances to the board as to the integrity and appropriateness of the financial management systems in place in the company.

The internal audit function is presently outsourced to a firm which is independent of the external auditors. Representatives of the internal auditors have unrestricted access to all employees and information about the company which may be relevant for the conduct of the internal audit. The scope and mandate of the internal audit function is regularly reviewed by the audit committee.

Risk committee

The risk committee is made up of three non-executive directors being RI Stewart (chairman), EK Diack and LE Schönknecht. The CEO, CFO, relevant representatives of management, the company's internal auditors and insurance advisers attend meetings of the committee by invitation.

The primary role of the committee is to ensure the existence of an appropriate and effective control environment and clear parameters within which risk is managed within the company. The committee is charged with the responsibility, *inter alia*, to receive reports on, evaluate, monitor and manage the efficiency of the company's risk management processes; develop and ensure the implementation of plans to address areas of risk where further control improvements may be necessary and to oversee the conduct of a business risk assessment aimed at identifying the most significant commercial and financial risks, and putting in place steps to mitigate these.

As with the other board committees, the committee is formally constituted by a charter and reports at regular intervals on the performance of its mandate to the board of directors. The committee may take independent professional advice as required to assist in the execution of its role.

Human resources, remuneration and nominations committee

The human resources, remuneration and nominations committee is constituted of three non-executive directors, KDK Mokhele (chairman), CD Raphiri and LE Schönknecht.

The committee's mandate includes the responsibility to assist the board in the determination of appropriate human capital management policies; to determine remuneration and performance measures of

the executive and senior management and the remuneration philosophy of the company; to review the terms and conditions of key executive service agreements at least annually.

In its role as a nominations committee, the committee is responsible to review the constitution of the board of directors from time to time as may be appropriate; to oversee the annual evaluation process of the board, board committees and individual directors; to recommend the removal of non-performing directors or directors who are no longer eligible for office; and to identify, interview and recommend the appointment of additional directors where appropriate, having regard to the need to ensure a diverse mix of skills, gender and experience amongst the directors.

Transformation committee

In contrast to the other board committees which are wholly non-executive in their constitution, the transformation committee consists of both non-executive and executive directors. Relevant members of management attend meetings of the committee by invitation. The current members of the committee are T Lesoli (chairman), KDK Mokhele, AM Thompson, JJ Louw and AG Hall.

The committee is responsible for guiding, monitoring, reviewing and evaluating Adcock's progress in respect of transformation with the objective of ensuring that Adcock's equity ownership and the demographic profile of its employees is representative in the South African context. The committee is also responsible for the establishment and implementation of a measurement and monitoring framework against which the implementation of the company's transformation plan can be tracked.

Executive committee

The chief executive officer, together with the Exco is responsible for the day-to-day management of Adcock's operations. The constitution and responsibilities of the Exco have been dealt with elsewhere in this report.

Governance framework

The governance framework of Adcock presently consists of the following:

- A board charter which sets clear direction regarding the composition, purpose, role and responsibilities of the board of directors;
- Written terms of references for the board committees which constitutes the committees and determines their role *vis-a-vis* the board;
- A delegation of authority policy, in terms of which the board formally delegates its authority in certain areas to management, whilst reserving other issues to itself for decision; and
- A code of ethics which provides direction on the ethical framework within which Adcock conducts its business.

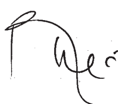
Exercises of delegated authority above a pre-determined level are notified to and monitored by the board on a regular basis.

All relevant policies and standard operating procedures to guide the company in its business objectives have been put in place and were approved and endorsed by the board of directors and, where relevant, employee representatives.

The board has adopted formal policies to regulate conflicts of interest and trading in securities. The purpose of the latter policy is to regulate trading in the company's shares and to restrict trading during any period when an individual may be in possession of unpublished potentially price sensitive information. These policies are applicable to all directors and employees of the group and are posted on the group's intranet.

Adcock is presently in the process of reviewing its code of ethics and the documents that constitute its governance framework to ensure their appropriateness for its business and consistency with South African and international best practice.

The shareholder analysis as required by the JSE Listings Requirements appears after the notes to the annual financial statements on page 98.



Ramani Naidoo
Group Company Secretary

Responsibility for annual financial statements

The directors of Adcock Ingram Holdings Limited are responsible for the integrity of the annual financial statements of the company and consolidated subsidiaries and the objectivity of other information presented in the annual report.

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

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

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

An audit committee of the board of directors, composed entirely of independent non-executive directors, meets periodically with our auditors and management to discuss internal accounting controls, auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

STATUTORY INFORMATION

On 31 March 2008, Adcock Ingram Holdings Limited, acquired 100% of Adcock Ingram Healthcare (Pty) Limited, Adcock Ingram Critical Care (Pty) Limited, Adcock Ingram Intellectual Property (Pty) Limited. On 1 April 2008, Adcock Ingram Holdings Limited, acquired 100% of Adcock Ingram Limited, 49,9% of Adcock Ingram Limited India (joint venture). On 1 July 2008, Adcock Ingram Holdings Limited, acquired 100% of Thembalami Pharmaceuticals (Pty) Limited, a dormant company.

Statutory information therefore represents only six months of trading.

BASES OF PREPARATION OF PRO FORMA INFORMATION

The bases of preparation and the disclosures of the pro forma information are not intended to be in compliance with the requirements of International Financial Reporting Standards. Such Standards do not set out standards of preparation of "pro forma information". It is acknowledged however that the financial information upon which the pro forma information has been prepared has been prepared in accordance with such Standards and been reported on by the independent auditors without qualification.

PRO FORMA INFORMATION

2008

Pro forma figures have been presented for 2008 on the following basis:

- These figures have been presented as if the Adcock group as at 30 September 2008 has been in existence for the entire year.
- Accounting policies adopted by the group for statutory purposes have been consistently applied to these figures.
- Business combinations as a result of the unbundling have not been separately disclosed.
- No pro forma statement of changes in equity has been provided.
- The earnings per share calculation has been done as if shares were in issue from the first day of the financial year.
- As Adcock was part of the Tiger Brands group for 11 months of the year, Tiger Brands is regarded as a related party for disclosure purposes.

2007

The audited historical financial information of Adcock Ingram Holdings Limited for the financial year ended 30 September 2007 as set out in the pre-listing statement (pages 89 – 129) has been adjusted with the following entries (summarised in detail in Annexure B), to reflect the Adcock group as if it was in existence from 1 October 2006:

- Elimination of the results of the Consumer Division sold to Tiger Brands Limited on 31 March 2007 including elimination of the intellectual property relating to the Consumer Division.
- Elimination of the statutory entities which remained with Tiger Brands Limited post unbundling.
- Adjustments relating to contributions made to the Black Managers Trust (BMT).

The comparative cash flow statement presented is the audited statutory cash flow statement without adjustment extracted from the pre-listing statement (page 92).

Earnings per share are disclosed consistent with the pre-listing statement. No diluted earnings per share calculations were performed as the company was not a listed entity at the time.

Independent auditor's report

to the members of Adcock Ingram Holdings Limited

REPORT ON THE STATUTORY ANNUAL FINANCIAL STATEMENTS

We have audited the annual financial statements of Adcock Ingram Holdings Limited and its subsidiaries ("the company and group"), which comprise the balance sheet as at 30 September 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 97.

Report on the Pro Forma Information contained in the Annual Financial Statements

This report relates solely to the information contained in the annual financial statements as noted above, and does not include the pro forma information. Our report on the pro forma information is contained on page 38.

Directors' responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company and group as of 30 September 2008, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Our opinion on the pro forma financial information is set out on page 38.

Ernst & Young Inc.
Registered auditor

1 December 2008
Johannesburg

Independent auditor's report

to the members of Adcock Ingram Holdings Limited

REPORT ON THE PRO FORMA FINANCIAL INFORMATION

We have performed our audit on the pro forma information of Adcock Ingram Holdings Limited and its subsidiaries ("the group"), which comprise the pro forma balance sheet as at 30 September 2008, the pro forma income statement and the pro forma cash flow statement for the year ended 30 September 2008, a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 97. This pro forma information has been prepared by the directors using the bases of preparation set out on page 36.

Management's responsibility for the financial statements

The company's directors are responsible for the preparation and presentation of the pro forma information in accordance with the bases of preparation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the pro forma information based on our audit. We conducted our engagement in accordance with International Standards on Assurance Engagements. Those standards require that we comply with ethical requirements and plan and perform the engagement to obtain assurance that the pro forma information is free from material misstatement.

This audit involved performing procedures to obtain evidence about the amounts and disclosures in the pro forma information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the pro forma information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the pro forma information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the pro forma information.

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

Opinion

In our opinion, the pro forma financial information of the group has been prepared, in all material respects, in accordance with the bases of preparation described on page 36 of these statements.

Ernst & Young Inc.
Registered auditor

1 December 2008
Johannesburg

Directors' approval

The annual financial statements for the year ended 30 September 2008, which appear on pages 39 to 97, which are in agreement with the books of account at that date, and the related group annual financial statements, were approved by the board of directors on 1 December 2008 and signed on its behalf by:

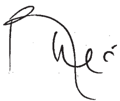
KHK Mokhele
Chairman

JJ Louw
Chief Executive Officer

1 December 2008

Certificate by company secretary

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a Public Company in terms of section 268G(d) of the Companies Act, 1973, and that all such returns are true, correct and up to date.



R Naidoo
Company Secretary

1 December 2008

Statutory information

AUTHORISED AND ISSUED SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 16 of the annual financial statements and in the statement of changes in equity.

UNBUNDLING

On 25 August 2008, Tiger Brands unbundled its shareholding in Adcock Ingram and Adcock was subsequently listed on the Main Board of the Johannesburg Stock Exchange in the Pharmaceuticals sector.

During the year under review the number of shares in issue increased by 173 055 167 shares as a result of the unbundling and options exercised in terms of the Adcock Ingram (2008) Share Option Scheme.

SHARE PURCHASE AND SHARE OPTION SCHEMES

Adcock Ingram (2008) Share Purchase Scheme

During the year under review, no loans were granted in respect of ordinary shares acquired by employees in terms of the Adcock Ingram (2008) Share Purchase Scheme. Loans to the amount of R1 021 803 relating to Adcock employees were taken over from Tiger Brands after the unbundling. None of these shares were paid for in full and released to the employees concerned.

Adcock Ingram (2008) Share Purchase Scheme	**2008**
Shares under option at beginning of year	**3 895 755**
Options granted	**–**
Exercised subject to loans prior to unbundling	**(103 700)**
Exercised and paid in full	**(604 745)**
Cancelled/lapsed	**(480 640)**
Shares under option at end of year	**2 706 670**
Options available for exercise	**1 987 436**

SUBSIDIARIES, JOINT VENTURES AND INVESTMENTS

Financial information concerning the principal subsidiaries, joint ventures and investments of Adcock Ingram Holdings Limited is set out in Annexure A of the annual financial statements. Details of joint ventures are given in note 24.

ATTRIBUTABLE INTEREST

The attributable interest of the company in the profits and losses of its subsidiaries and joint ventures is as follows:

	2008 Statutory R'000	**2008 Pro forma R'000**	2007 Pro forma R'000
Subsidiaries			
Total income after taxation	266 789	**599 141**	559 801
Joint ventures			
Total income after taxation	8 539	**14 828**	8 189

DIRECTORS

The names of the directors who presently hold office are set out on pages 7 and 8 of this report.

No director holds 1% or more of the ordinary shares of the company. The directors beneficially hold, directly and indirectly, 39 400 ordinary shares in the company.

Details of the directors' shareholdings (direct and indirect) are reflected below.

Director	**Number of shares 2008**
JJ Louw*	**39 300**
AG Hall	**100**
	39 400

**These shares are subject to loans.*

Statutory information continued

DIVIDENDS

The Adcock board intends to declare a dividend on at least an annual basis, which it currently envisages that the total annual dividend will be covered three times by headline earnings. As disclosed in the pre-listing statement, the maiden dividend is expected to be declared based upon the results of the six-month period ending 31 March 2009, as the final dividend payable by Tiger Brands Limited in relation to the year ended 30 September 2008 includes the earnings of Adcock for five months of the six-month period.

RESOLUTIONS

The following special resolutions were passed during the year:

6 February 2008	Resolution 1	Name of the company be changed from Newshelf 891 (Pty) Limited to Adcock Ingram Holdings (Pty) Limited
	Resolution 2	Change in the purpose describing "main business" to "main objective" of company
19 February 2008	Resolution 1	To split the shares into shares of a lesser nominal value – 10 000 ordinary shares of R0,10 each
	Resolution 2	Authorised share capital increased to 250 000 000 ordinary shares of R0,10 each
	Resolution 3	Conversion into public company from private company
	Resolution 4	Adoption of new Articles of Association
17 June 2008	Resolution 1	Amendment to Articles of Association

RETIREMENT FUNDS

Details in respect of the retirement funds of the group are set out in note 20.

INSURANCE AND RISK MANAGEMENT

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the risk committee.

All risks are considered to be adequately covered, except for political risks in the case of which as much cover as is reasonably available has been arranged. Self-insurance programmes are in operation covering primary levels of risk at a cost more advantageous than open-market premiums.

Regular risk management audits are conducted by the group's risk management consultants, whereby improvement areas are identified and resultant action plans implemented accordingly.

Assets are insured at current replacement values.

POST BALANCE SHEET

Share repurchase

At a general meeting of shareholders held on 15 October 2008, shareholders passed special resolutions

- authorising the directors of the company to effect the specific repurchase by the company, or a wholly-owned subsidiary, of a maximum of 8 589 328 Adcock shares from Tiger Brands Limited in terms of the pre-emptive right which is granted to it in terms of the unbundling agreement; and
- authorising the directors to acquire shares in the company up to a limit of 5% should the directors consider it appropriate in the circumstances. As at the date of this report no shares have been repurchased.

Segmental reporting

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
GROUP INCOME STATEMENT			
Turnover			
Prescription	580 862	**1 041 710**	908 892
Over the Counter	560 597	**1 087 900**	956 900
Hospital Products	617 349	**1 171 284**	1 013 436
	1 758 808	**3 300 894**	2 879 228
Depreciation and amortisation			
Prescription	11 524	**20 686**	9 670
Over the Counter	6 807	**11 387**	10 065
Hospital Products	18 454	**36 535**	36 237
	36 785	**68 608**	55 972
Impairment losses			
Prescription	11 558	**11 558**	70 581
Over the Counter	–	**–**	7 039
Hospital Products	6 233	**6 233**	876
	17 791	**17 791**	78 496
Operating income			
Prescription	171 613	**336 811**	323 907
Over the Counter	201 111	**417 368**	404 633
Hospital Products	128 825	**250 454**	245 716
Other	–	**–**	(13 110)
	501 549	**1 004 633**	961 146

Note: Statutory represents six months of trading.

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
GROUP BALANCE SHEET			
Total assets			
Prescription	874 740	**874 740**	876 997
Over the Counter	910 444	**910 444**	912 792
Hospital Products	927 695	**927 695**	731 766
	2 712 879	**2 712 879**	2 521 555
Current liabilities (excluding bank overdraft)			
Prescription	256 089	**256 089**	211 309
Over the Counter	266 542	**266 542**	219 934
Hospital Products	232 974	**232 974**	194 206
	755 605	**755 605**	625 449
Capital expenditure			
Prescription	66 959	**93 266**	5 286
Over the Counter	69 692	**97 073**	5 501
Hospital Products	25 362	**40 048**	61 093
	162 013	**230 387**	71 880

Accounting policies

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the company) and the Adcock Group (the group) for the year ended 30 September 2008 were authorised for issue in accordance with a resolution of the directors on 1 December 2008. Adcock Ingram Holdings Limited is incorporated and domiciled in South Africa, where its shares are publicly traded.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except as indicated below.

STATEMENT OF COMPLIANCE

The annual financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS).

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiaries (as well as a special purpose entity deemed to be controlled by the group). The financial statements of the subsidiaries are prepared for the same reporting period using consistent accounting policies.

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 that such control ceases.

Subsidiaries acquired with the intention of disposal within 12 months are consolidated in line with the principles of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and disclosed as held for sale.

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

Minority interests represent the portion of profit or loss, or net assets not held by the group. It is presented separately in the consolidated income statement, and in the consolidated balance sheet, separately from own shareholders' equity. Subsequent acquisitions of minority interests are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets is recognised as an equity transaction.

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 accrual 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 currently a legally enforceable right to offset, and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively. If after making every reasonable effort to do so, it is impracticable to apply the change retrospectively, it is applied prospectively from the beginning of the earliest period practicable.

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

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

Accounting policies continued

CHANGES IN ACCOUNTING POLICIES

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

The company and the group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment – Presentation of Financial Statements*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

IFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been disclosed.

IAS 1 *Presentation of Financial Statements*

This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are shown in note 25.

IFRIC 10 *Interim Financial Reporting and Impairment*

The group adopted IFRIC Interpretation 10 as of 1 October 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the group.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

The group has elected to adopt IFRIC Interpretation 11 as of 1 October 2007, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

FOREIGN CURRENCIES

Foreign currency transactions

The consolidated financial statements are presented in South African Rands, which is the company's functional and presentation currency. Each foreign entity in the group determines its own functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Translation of foreign currency transactions

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

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.

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 balance sheet date. The income statement is translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Accounting policies continued

Goodwill and fair value adjustments 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 currency of the foreign joint venture, Adcock Ingram Limited India, is the Indian Rupee.

INTEREST IN GROUP COMPANIES

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of the assets given, liabilities incurred, and equity instruments issued plus any costs directly attributable to the business combination.

The acquiree's identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities, but excluding future restructuring liabilities) are recognised at fair value at the acquisition date. The exception is for non-current assets classified at the acquisition date as held for sale in accordance with IFRS 5. These assets are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill arising in a business combination is accounted for in terms of the policy outlined below.

The company carries its investments in subsidiaries and associate companies at cost less accumulated impairment losses.

Joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. The strategic, financial and operating policy decisions of the joint venture require the unanimous consent of the parties sharing control.

The group carries its investment in the joint ventures at cost less any impairment. The group reports its interests in joint ventures using proportionate consolidation. The group's share of the assets, liabilities, income and expenses of joint ventures are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the group transacts with its joint ventures, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

Any goodwill arising on the acquisition of a joint venture is accounted for in accordance with the group's policy for goodwill. The financial statements of the joint venture are prepared for the same reporting period as the group, using consistent accounting policies.

Where an investment, in a joint venture is classified as held for sale in terms of IFRS 5, proportionate consolidation is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

SEGMENT REPORTING

The principal segments of the group have been identified by grouping similar-type products. This basis is representative of the internal structure for financial reporting to key management personnel. No geographical segments are reported as the group operates mainly in South Africa and the international operations do not meet the thresholds for reportable segments in terms of IAS 14 *Segment Reporting.*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Assets subject to finance lease agreements are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments.

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.

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 from when the asset is available for use. An asset's residual value, useful life and depreciation methods are reviewed at least at each financial year end. Any adjustments are accounted for prospectively.

Accounting policies continued

The following useful lives have been estimated:

Freehold land	Not depreciated
Freehold buildings – general purpose	40 years
– specialised	20 – 50 years
Leasehold improvements	The lease term or useful life, whichever is the shorter period
Capitalised leased assets	3 – 5 years
Plant, equipment, computers and furniture	3 – 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is measured initially as the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the acquisition date.

Where the group's interest in the net assets recognised at the acquisition date is in excess of the cost of the acquisition, the group reassesses the identification and measurement of the acquiree's net assets and the measurement of the cost of the acquisition. If after reassessment the group's interest in the net assets exceeds the cost of the acquisition, the excess is recognised in profit and loss.

Goodwill relating to subsidiaries and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Goodwill is reviewed bi-annually for impairment, or more frequently if there is an indicator of impairment. Goodwill is allocated to cash-generating units expected to benefit from the synergies of the combination. When the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised. The impairment loss is allocated first to any goodwill assigned to the unit, and then to other assets of the unit *pro rata* on the basis of their carrying values. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

On disposal of a subsidiary or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

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

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

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the method are reviewed at each financial year end. Changes in the expected useful life or pattern of consumption of future benefits are accounted for prospectively.

The following useful lives have been estimated:

Trademarks	Indefinite
Customer and supplier related intangibles	1 – 6 years

Intangible assets with indefinite useful lives are not amortised but are tested bi-annually for impairment either individually or at the cash-generating level. The useful lives are also reviewed in each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is accounted for prospectively.

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

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

Accounting policies continued

Research and development costs

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

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

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

Impairment

The group assesses tangible and intangible assets, excluding goodwill and indefinite life intangible assets, at each reporting date for an indication that an asset may be impaired. If such an indication exists, the recoverable amount is estimated as the higher of the fair value less costs to sell and the value in use. If the carrying value exceeds the recoverable amount, the asset is impaired and is written down to the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the hierarchy is firstly a binding arm's length sale, then the market price if the asset is traded in an active market, and lastly recent transactions for similar assets.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

FINANCIAL INSTRUMENTS

Financial instruments are initially recognised when the group becomes a party to the contract. The group has adopted trade date accounting for "regular way" purchases or sales of financial assets. The trade date is the date that the group commits to purchase or sell an asset.

Financial instruments are initially measured at fair value plus transaction costs, except that transaction costs in respect of financial instruments classified at fair value through profit or loss are expensed immediately. Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial instrument i.e. those costs that would not have been incurred had the instrument not been acquired.

A contract is assessed for embedded derivatives when the entity first becomes a party to the contract. When the economic characteristics and risks of the embedded derivative are not closely related to the host contract, the embedded derivative is separated out, unless the host contract is measured at fair value through profit and loss.

The group or company determines the classification of its financial instruments after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Classification

The group's classification of financial assets and financial liabilities are as follows:

Description of asset/liability	Classification
Investments	Fair value through profit or loss
Preference share investments	Held-to-maturity
Loans and advances receivable	Loans and receivables
Loans to subsidiaries	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Loans payable and borrowings	Liabilities at amortised cost
Trade and other payables	Liabilities at amortised cost
Loans from subsidiaries	Liabilities at amortised cost

Accounting policies continued

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where there is a positive intention and ability to hold them to maturity.

After initial recognition held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is computed as the amount initially recognised minus the principal repayments, plus or minus the cumulative amortisation. Amortisation is calculated using the effective interest method. The effective interest method allocates interest over the relevant period using a rate that discounts the estimated future cash flows (excluding future credit losses) to the net carrying amount of the instrument. The rate calculation includes all fees, transaction costs, premiums and discounts.

Gains and losses are recognised in the income statement when such investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables
Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. After initial recognition receivables are measured at amortised cost less impairment losses, and liabilities that are not carried at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

IMPAIRMENT OF FINANCIAL ASSETS
The group assesses at each balance sheet date whether a financial asset, or group of assets, is impaired.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially and subsequently measured at fair value.

If an available-for-sale asset is impaired, the amount transferred from equity to the income statement is:

- the difference between the asset's acquisition cost (net of any principal payments and amortisation), and
- its current fair value, less
- any impairment loss previously recognised in profit or loss.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

At 30 September 2008, no assets were held as available-for-sale.

Assets carried at amortised cost excluding financial assets categorised as held-to-maturity
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses) discounted at the asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and is recognised in profit and loss.

The group assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of

Accounting policies continued

insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment decreases, and the decrease relates objectively to an event occurring after the impairment, it is reversed to the extent that the carrying value does not exceed the amortised cost. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Held-to-maturity financial investments
For held-to-maturity investments the group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the profit or loss.

DERIVATIVE INSTRUMENTS

Derivatives are financial instruments whose value changes in response to an underlying factor, require no initial or little net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

Hedge accounting
At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges
Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised immediately in profit and loss. The gain or loss from remeasuring the hedging instrument at fair value is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the change in the fair value of the firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in the fair value of the hedging instrument is also recognised in profit or loss.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Cash flow hedges
Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability, or
- a highly probable forecast transaction, or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, while any ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement 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 equity is transferred to the initial carrying amount of the non-financial asset or liability.

Accounting policies continued

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gain or loss recognised in equity is transferred to profit or loss.

FINANCIAL LIABILITIES

Interest bearing loans and borrowings
All such loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including 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 profit or loss.

Financial guarantee liabilities
Financial guarantee liabilities issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised.

Derecognition of financial assets and financial liabilities
Financial assets or parts thereof are derecognised when:

- the right to receive the cash flows has expired;
- the right to receive the cash flows is retained, but an obligation to pay them to a third party under a 'pass-through' arrangement is assumed; or
- the group transfers the right to receive the cash flows, and also transfers either all the risks and rewards, or control over the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets classified as held for sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to sell.

A discontinued operation is a separate major line of business or geographical area of operation that has been disposed of, or classified as held for sale, as part of a single co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

Accounting policies continued

INVENTORIES

Inventories are stated at the lower of cost or 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 but excluding borrowing costs and are carried at standard cost.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LEASES

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee. Finance lease assets and liabilities are recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

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

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are charged against trading profit on a straight-line basis over the lease term.

REVENUE

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

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer.

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

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

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

Accounting policies continued

INCOME TAXES

The income tax expense represents the sum of current tax payable, deferred tax, and secondary taxation on companies.

Current income tax

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 current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

DEFERRED INCOME TAX

Deferred tax is calculated on the balance sheet liability method, using the difference between the carrying amounts of assets and liabilities and their corresponding tax base used in the computation of taxable profit.
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
- except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future:

- except where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 reassessed at each balance sheet date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 and the group intends to settle its current tax assets and liabilities on a net basis.

Secondary tax on companies

Secondary taxation on companies (STC) on dividends declared is accrued in the period in which the dividend is declared. Non-resident shareholders' taxation is provided in respect of foreign dividends receivable, where applicable.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax 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 value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Accounting policies continued

EMPLOYEE BENEFITS

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

In respect of defined contribution plans, the contribution paid by the company 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.

In respect of defined benefit plans, the company's contributions are based on the recommendations of independent actuaries as determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised in the income statement when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

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

The defined benefit asset or liability recognised in the balance sheet comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past service costs net actuarial losses and the fair value of plan assets out of which the obligations are to be settled. The value of an asset recognised is restricted to the sum of the unrecognised past service costs and unrecognised actuarial gain or loss and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

POST-RETIREMENT MEDICAL OBLIGATIONS

The group provides post-retirement health-care benefits to certain of its retirees based on the qualifying employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, discount rate based on current bond yields of appropriate terms, healthcare inflation costs and rates of increase in salary costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of pension obligations.

SHARE-BASED PAYMENTS

Certain employees (including senior executives) 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 share options granted before 7 November 2002

No expense is recognised in the income statement for such awards.

The group has taken advantage of the voluntary exemption provision of IFRS 1 *First-time Adoption of International Financial Reporting Standards* in respect of equity-settled awards and has applied IFRS 2 *Share-based Payment* – only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

Equity-settled and cash-settled share options granted after 7 November 2002

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a modified version of the Black-Scholes model, further details of which are given in note 29.

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 income statement charge for a period represents the movement in the cumulative expense at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest except where vesting is conditional on a market condition.

Accounting policies continued

Where the terms of an equity-settled award are modified, the expense is recognised as if the terms had not been modified. If at the date of modification, the total fair value of the share-based payment is increased, or is otherwise beneficial to the employee, the difference is recognised as an additional expense.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation, and any unrecognised expense recognised immediately. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of earnings and 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 (see note 29). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

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

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

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.

TREASURY SHARES
Shares in Adcock Ingram Holdings Limited held by the group are classified within total equity as treasury shares. Treasury shares are treated as a deduction from the issued and weighted average numbers of shares for earnings per share and headline earnings per share purposes and the cost price of the shares is reflected as a separate component of capital and reserves in the balance sheet. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received with regard to treasury shares is recognised in equity.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. 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.

POST-BALANCE SHEET EVENTS
Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
Judgements
In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

CONSOLIDATION OF SPECIAL PURPOSE ENTITIES
The special purpose entity established in terms of the share options scheme has been consolidated in the group results.

Accounting policies continued

The substance of the relationship between the company and this entity has been assessed, and the decision made that it is deemed to be a controlled entity.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Carrying value of goodwill, tangible and intangible assets

Goodwill and indefinite life intangible assets are tested for impairment bi-annually, while tangible assets and finite life intangible assets are tested 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 tangible and intangible assets

Residual values and useful lives of tangible 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 charges and carrying values of tangible and intangible assets in the future.

Fair value of BEE share allocations

In calculating the amount to be expensed as a share-based payment, the group was required to calculate the fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transaction implemented in October 2005 by Tiger Brands, when Adcock was still part of the Tiger Brands group. The Black Managers' Trust is valued at fair value using the underlying share price.

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. The assumptions and models used are disclosed in note 29.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Provisions

Best estimates, being the amount that the group would rationally pay to settle the obligation, are recognised as provisions at the balance sheet date. Risks, uncertainties and future events, such as changes in law and technology, are taken into account by management in determining the best estimates. Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management judgement.

The establishment and review of the provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation.

The group is required to record provisions for legal or constructive contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the balance sheet date.

Accounting policies continued

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following IFRS and IFRIC interpretations have been issued by the IASB and are likely to affect future Annual Reports, although none are expected to have a material impact on the results or financial position of the group. The group has not early adopted any of these standards and interpretations and will adopt these on the effective dates if applicable.

IAS 1 (Revised) — ***Presentation of Financial Statements*** was issued in September 2007 and will be effective from 1 October 2009. The amendments to the Standard mandate various presentation formats and disclosures, many of which are already adopted by Adcock. Movements in equity will be presented in a statement of changes in equity rather than as a note to the financial statements.

IAS 23 (Revised) — ***Borrowing Costs*** was issued in March 2007 and will be implemented prospectively from 1 October 2009. It requires borrowing costs attributable to the acquisition or construction of certain assets to be capitalised. No impact is expected on the financial results.

IFRS 3 (Revised) — ***Business Combinations*** was issued in January 2008 and will apply to business combinations arising from 1 October 2010. Amongst other changes, the new Standard will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill, and transaction costs to be recognised immediately in the income statement. Fair value gains or losses on existing investments in an acquired company will be recognised in the income statement at the date of acquisition.

IAS 27 (Revised) — ***Consolidated and Separate Financial Statements*** was issued in January 2008 and will be implemented at the same times as IFRS 3 (Revised). In respect of transactions with a non-controlling interest in group entities that do not result in a change of control, the revised Standard requires that the difference between the consideration paid or received and the recorded non-controlling interest is recognised in equity. In the case of divestment of a subsidiary, any retained interest will be remeasured to fair value and the difference between fair value and the previous carrying value will be recognised immediately in the income statement.

IFRS 3 (Revised) and IAS 27 (Revised) will both be applied prospectively to transactions occurring after the implementation date. It is therefore not possible to assess in advance their impact on the financial statements of the group.

IFRS 8 — ***Operating Segments*** was issued in November 2006 and will be effective 1 October 2009. This is a disclosure standard which requires the adoption of the "management approach" to reporting on the financial performance of operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. To the extent that such information is different from what is used to prepare the income statement, statement of recognised income and expense and the balance sheet, explanations and reconciliations are required. This Standard does not have any impact on the financial position and performance of the group's operating segments, and is not expected to have a material impact on the existing segmental disclosures.

Accounting policies continued

IFRS 2 (Revised) *Share-based Payment* was amended to clarify the terms "vesting conditions" and "cancellations" as follows:

- vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions; and
- all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under IFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately.

The standard is not expected to have a material impact on the group's and company's financial results or disclosures and will be effective 1 October 2009.

IFRIC 12 *Service Concession Arrangements* was issued in November 2006 and will be effective 1 October 2008. The Interpretation addresses how service concession operators should apply existing IFRS to account for the obligation they undertake and the rights they receive in service concession arrangements. This interpretation will not have an impact on the presentation of the group's results.

IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* was issued in June 2007 and will become effective 1 October 2008, addressing the measurement of an asset resulting from the fair value of the plan assets exceeding the present value of the defined benefit obligation and specifies how to determine whether a surplus in a pension plan represents an economic benefit for the entity. This will not have a material impact on the group's results.

IFRIC 15 *Agreements for the Construction of Real Estate* was issued in July 2008 and will be effective from 1 October 2009. This will not have an impact on the presentation of the group's results.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* was issued in July 2008 and will be effective from 1 October 2008. This will be applied prospectively and it is therefore not possible to assess in advance its impact on the financial statements of the group.

IAS 1 *Presentation of Financial Statements* was issued in September 2007 and will be effective from 1 October 2009. This will have no impact except for enhanced disclosure.

IAS 32 *Financial Instruments: Presentation* was issued in February 2008 and will be effective from 1 October 2009. This will have no impact except for enhanced disclosure.

Consolidated group income statements

for the years ended 30 September

	Note	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
REVENUE	1	1 772 659	**3 463 333**	2 901 292
TURNOVER	1	1 758 808	**3 300 894**	2 879 228
Net profit before interest, taxation and abnormal items		501 549	**1 004 633**	961 146
Finance revenue	2.1	11 042	**151 739**	22 064
Finance costs	2.2	(67 666)	**(188 406)**	(135 833)
Dividend income	1	2 809	**10 700**	–
Profit before taxation and abnormal items	3	447 734	**978 666**	847 377
Abnormal items	4	(17 791)	**(71 295)**	(45 443)
Profit before taxation		429 943	**907 371**	801 934
Taxation	5	(105 209)	**(243 996)**	(233 944)
Net profit for the year		324 734	**663 375**	567 990
Attributable to:				
Equity shareholders		318 399	**653 087**	560 284
Minority interest		6 335	**10 288**	7 706
		324 734	**663 375**	567 990
Basic earnings per ordinary share (cents)	6.1	184,4	**378,5**	324,9
Diluted basic earnings per ordinary share (cents)	6.2	183,3	**376,1**	323,1
Headline earnings per ordinary share (cents)	6.3	195,6	**387,6**	370,5
Diluted headline earnings per ordinary share (cents)	6.4	194,3	**385,2**	368,4

Consolidated group balance sheets

at 30 September

	Note	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
ASSETS			
Property, plant and equipment	8	**452 019**	260 007
Deferred taxation	9	**12 447**	9 440
Investments	10	**170 193**	149 795
Intangible assets	11	**222 186**	234 845
Non-current assets		**856 845**	654 087
Inventories	12	**566 580**	433 832
Trade and other receivables	13	**883 429**	647 864
Cash and cash equivalents	14	**406 025**	757 407
Taxation receivable		**–**	14 227
Amounts owing by related parties	15	**–**	14 138
Current assets		**1 856 034**	1 867 468
Total assets		**2 712 879**	2 521 555
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	16	**17 306**	*
Share premium	17	**1 193 662**	–
Non-distributable reserves	18	**77 306**	59 119
Retained income/(accumulated loss)		**340 117**	(130 363)
Total shareholders' funds/(deficit)		**1 628 391**	(71 244)
Minority interest		**22 612**	20 736
Total equity		**1 651 003**	(50 508)
Long-term liabilities	19	**277 833**	408 517
Post-retirement medical liability	20	**13 698**	12 830
Deferred taxation	9	**4 013**	–
Non-current liabilities		**295 544**	421 347
Bank overdraft	14	**10 727**	1 525 267
Trade and other payables	21	**543 401**	451 790
Short-term borrowings	19	**161 119**	109 948
Provisions	22	**30 719**	39 711
Taxation payable	23.4	**20 366**	24 000
Current liabilities		**766 332**	2 150 716
Total equity and liabilities		**2 712 879**	2 521 555

** Less than R1 000*

FINANCIALS

Consolidated group cash flow statements

for the years ended 30 September

	Note	Statutory 2008 R'000	**Pro forma 2008 R'000**	Statutory 2007 R'000
Cash flows from operating activities				
Operating profit before working capital changes	23.1	546 021	**1 080 678**	1 185 626
Cash related abnormal items	23.9	–	**(53 504)**	6 216
Working capital changes	23.2	(224 642)	**(285 694)**	(8 652)
Cash generated from operations		321 379	**741 480**	1 183 190
Finance revenue	2.1	11 042	**151 739**	110 204
Finance costs	2.2	(67 666)	**(188 406)**	(226 233)
Dividend income	1	2 809	**10 700**	–
Dividends paid	23.3	(11 016)	**(42 725)**	(23 218)
Taxation paid	23.4	(49 170)	**(233 712)**	(325 440)
Net cash inflow from operating activities		207 378	**439 076**	718 503
Cash flows from investing activities				
Decrease/(increase) in Investments		38 607	**(16 343)**	–
Purchase of intangible assets		(18 350)	**(18 756)**	(23 605)
Proceeds on disposal of the consumer division	23.8	–	**–**	2 063 388
Cost of business acquired	23.5 – 23.7	(101 180)	**(31 930)**	(1 500)
Purchase of property, plant and equipment		(162 013)	**(230 387)**	(71 880)
Proceeds on disposal of property, plant and equipment		8 831	**17 361**	1 780
Net cash (outflow)/inflow from investing activities		(234 105)	**(280 055)**	1 968 183
Cash flows from financing activities				
Increase in loan made to fellow subsidiary		–	**–**	(1 934 327)
Proceeds from issue of share capital		6 599	**1 210 968**	–
Decrease/(increase) in amounts owing by related parties		475 150	**(133 057)**	(723 042)
Long-term liabilities repaid		(132 363)	**(130 684)**	–
Short-term liabilities raised/(repaid)		76 923	**51 171**	(103 347)
Net cash inflow/(outflow) from financing activities		426 309	**998 398**	(2 760 716)
Net increase/(decrease) in cash and cash equivalents		399 582	**1 157 419**	(74 030)
Translation reserve movement		(5 097)	**1 735**	–
Movement in hedge accounting reserve		813	**4 004**	(2 560)
Cash and cash equivalents at beginning of year		–	**(767 860)**	(691 270)
Cash and cash equivalents at end of year	14	395 298	**395 298**	(767 860)

Consolidated group statement of changes in equity

for the year ended 30 September

		Attributable to equity holders of the parent						
STATUTORY 2008	Note	Share capital R'000	Share premium R'000	Retained income R'000	Non-distri-butable reserves R'000	Total R'000	Minority interests R'000	Total equity R'000
Business combinations		**17 248**	**1 187 121**	**32 018**	**73 849**	**1 310 236**	**16 277**	**1 326 513**
Share issue		**58**	**8 431**			**8 489**	**–**	**8 489**
Net profit for the year				**318 399**		**318 399**	**6 335**	**324 734**
Dividends on ordinary shares	7			**(10 300)**		**(10 300)**	**–**	**(10 300)**
Capital distribution out of share premium			**(1 890)**			**(1 890)**	**–**	**(1 890)**
Share-based payment reserve	18				**7 741**	**7 741**	**–**	**7 741**
Hedge accounting reserve	18				**813**	**813**	**–**	**813**
Foreign currency translation reserve	18				**(5 097)**	**(5 097)**	**–**	**(5 097)**
Balance at 30 September 2008		**17 306**	**1 193 662**	**340 117**	**77 306**	**1 628 391**	**22 612**	**1 651 003**

Notes to the group annual financial statements

for the year ended 30 September 2008

	Statutory 2008 R'000	***Pro forma* 2008 R'000**	*Pro forma* 2007 R'000
1. REVENUE			
Revenue comprises			
– Turnover	1 758 808	**3 300 894**	2 879 228
– Finance revenue	11 042	**151 739**	22 064
– Dividend income	2 809	**10 700**	–
	1 772 659	**3 463 333**	2 901 292
2. FINANCE REVENUE AND FINANCE COSTS			
2.1 Finance revenue			
– Interest received	8 102	**146 054**	17 175
– Preference share investments	2 940	**5 685**	4 889
	11 042	**151 739**	22 064
2.2 Finance costs			
– Borrowings	(31 398)	**(67 168)**	(88 764)
– Finance leases	(3)	**(16)**	(230)
– Bank	(30 486)	**(114 107)**	(33 787)
– Other	(5 779)	**(7 115)**	(13 052)
	(67 666)	**(188 406)**	(135 833)
3. PROFIT BEFORE TAXATION AND ABNORMAL ITEMS			
3.1 Profit before taxation and abnormal items has been arrived at after charging the following:			
Expenses			
Auditors' remuneration			
– Audit fees	3 154	**6 711**	924
– Other services	28	**43**	–
Depreciation			
– Freehold land and buildings	4 480	**8 225**	8 402
– Leasehold improvements	635	**934**	95
– Capitalised leased assets	–	**30**	1 177
– Plant, equipment, computers and furniture	24 629	**45 795**	38 168
Amortisation of intangibles	7 041	**13 624**	8 130
Research and development	33 066	**54 580**	62 824
Inventories expensed	7 212	**11 017**	20 050
Fees relating to unbundling	6 000	**6 000**	–
Royalties paid	21 655	**39 561**	27 285
Share-based payment expense	11 962	**21 045**	17 206
Operating lease charges			
– Equipment	4 454	**10 598**	4 346
– Property	13 596	**25 568**	28 745
Foreign exchange loss/(profit)	(5 173)	**(14 938)**	11 506
Fees paid to related parties	17 846	**55 083**	73 012*
Loss/(profit) on disposal of property, plant and equipment	1 428	**(2 040)**	1 035
Staff costs	262 199	**502 912**	428 146
Employers' contribution to defined contribution			
– Retirement funding	23 618	**43 899**	34 100
Employers' contribution to medical aid	11 851	**23 470**	23 658

**This relates to fees paid to Tiger Brands whilst part of the Tiger Brands group*

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Within one year R'000	Between one and five years R'000	More than five years R'000
3. PROFIT BEFORE TAXATION AND ABNORMAL ITEMS continued			
3.2 Operating lease commitments – 2008			
Property	**21 856**	**56 049**	**77 603**
Motor vehicles	**435**	**–**	**–**
Equipment	**497**	**–**	**–**
	22 788	**56 049**	**77 603**
Operating lease commitments – 2007			
Property	4 491	8 654	–
Motor vehicles	327	116	–
Equipment	2 771	3 002	–
	7 589	11 772	–

The group entered into a lease agreement for premises used as offices and a distribution centre for pharmaceutical products for an initial period of 10 years expiring 30 June 2018, with a right to renew for an additional 10 years until 30 June 2028.

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
3.3 Directors' emoluments			
Executive directors			
– Salaries and bonuses	4 068	**4 347**	3 889
– Retirement, medical and other benefits	353	**3 042**	599
	4 421	**7 389**	4 488
Non-executive directors			
– Fees	505	**1 675**	–
Total	4 926	**9 064**	4 488

Directors	Fees R'000	Cash salary R'000	Bonus R'000	Other benefits R'000	Retirement fund contributions R'000	Deemed interest R'000	**Total 2008 R'000**
Executive							
JJ Louw		1 859	672	2 251*	350	26	**5 158**
AG Hall		1 816	–	131	284	–	**2 231**
Non-executive							
KDK Mokhele	750						**750**
T Lesoli	171						**171**
GN Padayachee	204						**204**
CD Raphiri	163						**163**
LE Schönknecht	191						**191**
AM Thompson	65						**65**
EK Diack	75						**75**
RI Stewart	56						**56**

*A retention bonus was paid to members of the Tiger Brands Executive Committee.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

3. PROFIT BEFORE TAXATION AND ABNORMAL ITEMS continued

3.3 Directors' emoluments continued

No fees for services as directors or consulting or other fees were paid to executive directors in the current year. Directors do not participate in any commissions, gain or profit-sharing arrangements. Details of share options in Adcock, granted to directors are as follows:

2008 Offer date	Offer price per Tiger option Before un-bundling R	Offer price per Adcock option After un-bundling (note 1) R	Number of Tiger options originally granted	Number of options originally granted adjusted for un-bundling into Adcock options (note 2)	Market price of Tiger shares on date exercised	Balance of Adcock options at the beginning of the year (Adjusted for un-bundling)	Exercised during the year	Balance at the end of the year
J Louw								
01/09/2001	49,89	10,47	5 000	5 000	–	33	–	33
03/02/2003	56,10	11,77	39 000	39 000	140,99	26 000	(26 000)	–
29/01/2004	64,91	13,62	23 000	23 000	140,99	15 400	(7 700)	7 700
25/01/2005	95,09	19,96	17 000	17 000	140,99	17 000	(5 600)	11 400
31/01/2006	149,51*	31,38	13 500	64 323	–	64 323	–	64 323
22/01/2007	168,82*	35,43	14 900	70 994	–	70 994	–	70 994
22/01/2008	165,26*	34,69	16 200	77 188	–	77 188	–	77 188
01/04/2008	134,71*	28,27	19 900	94 817	–	94 817	–	94 817
			148 500	391 322	–	365 755	(39 300)	326 455
A Hall								
22/01/2008	165,26*	34,69	10 200	48 600	–	48 600	–	48 600
			10 200	48 600	–	48 600	–	48 600

Note 1: The offer price of both equity and cash settled phantom options changed on 25 August 2008 as a result of the unbundling. For more details please refer to note 29.

Note 2: The number of cash settled phantom options granted changed on 25 August 2008 as a result of the unbundling. For more details please refer to note 29.

**Cash-settled phantom options*

2007 Offer date	Offer price R	Number of options granted	Market price on date exercised	Balance at the beginning of the year	Exercised during the year	Balance at the end of the year
C Booyens						
29/01/2002	46,23	22 000	171,95	7 400	(7 400)	–
03/02/2003	56,10	20 000	171,95	13 400	(6 700)	6 700
29/01/2004	64,91	5 000	171,95	5 000	(1 600)	3 400
25/01/2005	95,09	3 000	–	3 000	–	3 000
31/01/2006	149,51**	6 000	–	6 000	–	6 000
22/01/2007	168,82**	5 600	–	5 600	–	5 600
		61 600		40 400	(15 700)	24 700
J Louw						
01/09/2001	49,89	5 000	165,02	1 700	(1 667)	33
29/01/2002	46,23	15 000	182,00	5 000	(5 000)	–
03/02/2003	56,10	39 000	–	26 000	–	26 000
29/01/2004	64,91	23 000	181,75*	23 000	(7 600)	15 400
25/01/2005	95,09	17 000	–	17 000	–	17 000
31/01/2006	149,51**	13 500	–	13 500	–	13 500
22/01/2007	168,82**	14 900	–	14 900	–	14 900
		127 400		101 100	(14 267)	86 833

** Weighted average market price*
***Cash settled phantom options*

Refer to note 29 for details of vesting conditions.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
3. PROFIT BEFORE TAXATION AND ABNORMAL ITEMS continued			
3.4 Key management			
Key management			
– Salaries and bonuses	3 951	**7 709**	7 191
– Retirement, medical and other benefits	790	**1 471**	1 161
Total	4 741	**9 180**	8 352

Key management comprises the group executive committee, other than the executive directors.

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

Offer date	Offer price Before unbundling R	Offer price After unbundling (note 1) R	Balance at the end of the year
03/02/2003	56,10	11,77	3 400
29/01/2004	64,91	13,62	8 400
25/01/2005	95,09	19,96	17 700
01/07/2005	107,70	22,60	10 000
31/01/2006	149,51*	31,38	126 740
22/01/2007	168,82*	35,43	138 652
22/01/2008	165,26*	34,69	153 433
Total			458 325

**Cash-settled phantom options*

Note 1
The offer price of both equity and cash-settled phantom options changed on 25 August 2008 as a result of the unbundling. For more details refer to note 29.

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
4. ABNORMAL ITEMS			
Pension fund surplus	–	**–**	26 837
Early settlement of long-term employee contract	–	**–**	(2 162)
Impairment of intangibles	(17 791)	**(17 791)**	(63 850)
Competition Commission settlement	–	**(53 504)**	–
Impairment of property and equipment	–	**–**	(14 646)
General staff fund – Distribution received	–	**–**	8 378
	(17 791)	**(71 295)**	(45 443)
5. TAXATION			
South African normal taxation			
– current	(118 115)	**(255 881)**	(226 645)
– prior year over provision	7 087	**12 697**	816
Deferred taxation			
– current year	263	**263**	(3 240)
– prior year over/(under) provision	5 922	**325**	(3 557)
– rate adjustment	(279)	**(279)**	–
Secondary Tax on Companies	–	**(1 034)**	(1 318)
Foreign withholding tax	(87)	**(87)**	–
	(105 209)	**(243 996)**	(233 944)
Reconciliation of the taxation rate:	%	**%**	%
Effective rate	24,5	**26,9**	29,2
Adjusted for:			
Exempt income	1,7	**4,0**	0,4
Non-deductible expenses	(1,3)	**(3,9)**	(1,2)
Prior year over provision	3,0	**1,4**	0,2
Secondary Tax on Companies	–	**(0,1)**	(0,1)
Other	0,1	**(0,3)**	0,5
South African normal tax rate*	28,0	**28,0**	29,0

**The statutory income tax rate for companies was changed from 29% to 28% during the 2008 financial year.*

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008	**Pro forma 2008**	Pro forma 2007
6. EARNINGS PER SHARE			
6.1 Basic earnings per share (cents)	184,4	**378,5**	324,9
The calculation of earnings per share is based on profit attributable to equity holders of Adcock Ingram for the year of R318,4 million (*pro forma* 2008: R653,1 million; 2007: R560,3 million) and 172 629 695 (*pro forma* 2008: 172 554 348; 2007: 172 399 296) weighted average number of ordinary shares in issue.			
6.2 Diluted earnings per share (cents)	183,3	**376,1**	323,1
The calculation of diluted earnings per share is based on earnings for the year of R318,4 million (*pro forma* 2008: R653,1 million 2007: R560,3 million) and 173 720 851 (*pro forma* 2008: 173 645 503; 2007: 173 404 347) diluted weighted average number of ordinary shares.			
6.3 Headline earnings per share (cents)	195,6	**387,6**	370,5
The calculation of headline earnings per share is based on headline earnings of R337,6 million (*pro forma* 2008: R668,8 million; 2007: R638,8 million) and 172 629 695 (*pro forma* 2008: 172 554 348; 2007: 172 399 296) weighted average number of ordinary shares in issue.			
6.4 Diluted headline earnings per share (cents)	194,3	**385,2**	368,4
The calculation of diluted headline earnings per share is based on headline earnings of R337,6 million (*pro forma* 2008: R668,8 million; 2007: R638,8 million) and 173 720 851 (*pro forma* 2008: 173 645 503; 2007: 173 404 347) diluted weighted average number of ordinary shares in issue.			
	R'000	**R'000**	R'000
Reconciliation between earnings and headline earnings:			
Earnings as reported	318 399	**653 087**	560 284
Adjustments:			
Impairment of intangible assets	17 791	**17 791**	63 850
Impairment of plant	–	**–**	14 646
Loss/(profit) on disposal of property, plant and equipment	1 428	**(2 040)**	–
Headline earnings	337 618	**668 838**	638 780
Weighted average number of shares outstanding	172 629 695	**172 554 348**	172 399 296
Headline earnings per share (cents)	195,6	**387,6**	370,5
7. DIVIDENDS PAID			
The following dividends were paid during the year before the company became a listed entity:			
To Tiger Brands Limited – declared 21 November 2007	–	**27 600**	
To Tiger Brands Limited – declared 30 May 2008	10 300	**10 300**	
Total paid to equity holders of parent company	10 300	**37 900**	18 930
Dividends paid to minority shareholders	–	**4 825**	5 004
	10 300	**42 725**	23 934

Subsequent to listing on the JSE Limited on 25 August 2008, no dividends were paid.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Freehold land and buildings R'000	Leasehold improvements R'000	Capitalised leased assets R'000	Plant, equipment, computers and furniture R'000	Total R'000
8. PROPERTY, PLANT AND EQUIPMENT					
Statutory 2008					
Current year movements – cost					
Additions through business combinations (note 23.5)	155 548	4 558	2 530	362 826	525 462
Additions	46 812	39 313	–	84 431	170 556
Disposals	(1 364)	–	–	(12 425)	(13 789)
Exchange adjustments	(4 911)	–	–	(3 671)	(8 582)
Cost movement for current year	196 085	43 871	2 530	431 161	673 647
Current year movements – Accumulated depreciation					
Additions through business combinations (note 23.5)	(17 957)	(2 641)	(2 530)	(172 325)	(195 453)
Depreciation	(4 480)	(635)	–	(24 629)	(29 744)
Disposals	–	–	–	3 530	3 530
Exchange adjustments	16	–	–	23	39
Depreciation movement for current year	(22 421)	(3 276)	(2 530)	(193 401)	(221 628)
Carrying value at end of year					
Cost	196 085	43 871	2 530	431 161	673 647
Accumulated depreciation	(22 421)	(3 276)	(2 530)	(193 401)	(221 628)
Net book value at end of year	173 664	40 595	–	237 760	452 019

Certain land and buildings within the India joint venture are subject to security.

	Freehold land and buildings R'000	Leasehold improvements R'000	Capitalised leased assets R'000	Plant, equipment, computers and furniture R'000	Total R'000
Pro forma 2008					
Carrying value at beginning of year					
Cost	**107 745**	**4 836**	**3 570**	**337 792**	**453 943**
Accumulated depreciation	**(14 136)**	**(2 342)**	**(2 856)**	**(174 602)**	**(193 936)**
Net book value at beginning of year	**93 609**	**2 494**	**714**	**163 190**	**260 007**
Current year movements – cost					
Transfer	**560**	**–**	**–**	**(21 389)**	**(20 829)**
Additions through business combinations (note 23.6)	**18 839**	**–**	**–**	**13 091**	**31 930**
Additions	**71 560**	**39 192**	**–**	**121 765**	**232 517**
Exchange adjustments	**(1 255)**	**–**	**–**	**(915)**	**(2 170)**
Disposals and write offs	**(1 364)**	**(157)**	**(1 040)**	**(19 183)**	**(21 744)**
Cost movement for current year	**88 340**	**39 035**	**(1 040)**	**93 369**	**219 704**
Current year movements – Accumulated depreciation					
Transfer	**(78)**	**–**	**(16)**	**20 923**	**20 829**
Depreciation	**(8 225)**	**(934)**	**(30)**	**(45 795)**	**(54 984)**
Exchange adjustments	**18**	**–**	**–**	**22**	**40**
Disposals and write offs	**–**	**–**	**372**	**6 051**	**6 423**
Depreciation movement for current year	**(8 285)**	**(934)**	**326**	**(18 799)**	**(27 692)**
Carrying value at end of year					
Cost	**196 085**	**43 871**	**2 530**	**431 161**	**673 647**
Accumulated depreciation	**(22 421)**	**(3 276)**	**(2 530)**	**(193 401)**	**(221 628)**
Net book value at end of year	**173 664**	**40 595**	**–**	**237 760**	**452 019**

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Freehold land and buildings R'000	Leasehold improve-ments R'000	Capitalised leased assets R'000	Plant, equipment, computers and furniture R'000	Total R'000
8. PROPERTY, PLANT AND EQUIPMENT continued					
Pro forma 2007					
Carrying value at beginning of year					
Cost	147 349	2 967	9 949	332 193	492 458
Accumulated depreciation	(11 646)	(2 178)	(8 058)	(172 820)	(194 702)
Net book value at beginning of year	135 703	789	1 891	159 373	297 756
Current year movements – cost					
Additions through business combinations (note 23.7)	–	1 800	–	547	2 347
Disposal of Consumer Division (note 23.8)	(39 716)	–	–	(31 426)	(71 142)
Impairments	–	–	–	(14 646)	(14 646)
Additions	120	–	–	71 760	71 880
Disposals	(8)	69	(6 379)	(21 512)	(27 830)
Cost movement for current year	(39 604)	1 869	(6 379)	4 723	(39 391)
Current year movements – Accumulated depreciation					
Disposal of Consumer Division (note 23.8)	5 912	–	–	19 957	25 869
Depreciation	(8 402)	(95)	(1 177)	(38 168)	(47 842)
Disposals	–	(69)	6 379	17 305	23 615
Depreciation movement for current year	(2 490)	(164)	5 202	(906)	1 642
Carrying value at end of year					
Cost	107 745	4 836	3 570	337 792	453 943
Accumulated depreciation	(14 136)	(2 342)	(2 856)	(174 602)	(193 936)
Net book value at end of year	93 609	2 494	714	163 190	260 007

In 2007 the impairment loss of R14 646 represented the write down of certain plant and equipment in the Clayville factory. This has been recognised in the income statement in the line item abnormal items.

The information required by Schedule 4 of the Companies Act in respect of land and buildings and details of valuations are contained in the register of fixed property which is available for inspection by members or their duly authorised agents at the group's registered office.

The land and buildings were independently valued at 30 September 2005 by JHI property valuers. The basis used for the valuation was depreciated replacement cost. There was no indication of impairment. Land and buildings are carried at cost less accumulated depreciation and accumulated impairment. It is the policy of the group to perform a revaluation of land and buildings every four years.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
9. DEFERRED TAXATION			
Balance at beginning of year	–	**9 440**	24 052
Additions through business combinations (note 23.5)	1 965	**–**	–
Balance transferred on disposal of business (note 23.8)	–	**–**	(7 815)
Rate adjustment	(279)	**(279)**	–
Income statement movement	6 185	**588**	(6 797)
Deferred tax adjustment on foreign exchange differences taken to equity	–	**(20)**	–
Other	563	**(1 295)**	–
Balance at end of year	8 434	**8 434**	9 440

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
Analysis of deferred taxation		
This balance comprises the following temporary differences		
Pension fund surplus receivable	**(9 004)**	(6 813)
Property, plant and equipment	**(384)**	(1 230)
Prepayments	**(4 193)**	(940)
Provision for doubtful debts	**3 133**	5 942
Provisions	**17 821**	11 913
Other	**1 061**	568
	8 434	9 440
10. INVESTMENTS		
Black Managers Share Trust	**138 037**	121 695
Pension fund surplus	**32 156**	28 100
Directors' valuation of unlisted investments	**170 193**	149 795

Notes to the group annual financial statements continued

for the year ended 30 September 2008

11. INTANGIBLE ASSETS

	Goodwill R'000	Other intangibles R'000	Total R'000
Statutory 2008			
Net balance at beginning of year	–	–	–
Business combinations	13 736	214 932	228 668
Additions	–	18 350	18 350
Impairment	–	(17 791)	(17 791)
Amortisation	–	(7 041)	(7 041)
Net balance at the end of the year	13 736	208 450	222 186
***Pro forma* 2008**			
Net balance at beginning of year	**13 330**	**221 515**	**234 845**
Additions	**406**	**18 350**	**18 756**
Impairment	**–**	**(17 791)**	**(17 791)**
Amortisation	**–**	**(13 624)**	**(13 624)**
Net balance at end of the year	**13 736**	**208 450**	**222 186**

Pro forma 2007	Goodwill R'000	Other intangibles R'000	Licensing agreements R'000	Total R'000
Net balance at beginning of year	315 424	273 191	13 750	602 365
Reclassification	(50 695)	50 695	–	–
Additions	–	23 605	–	23 605
Addition through business combination (note 23.7)	–	958	–	958
Disposals (note 23.8)	(251 399)	(54 954)	(13 750)	(320 103)
Impairment	–	(63 850)	–	(63 850)
Amortisation	–	(8 130)	–	(8 130)
Net balance at end of the year	13 330	221 515	–	234 845

The useful lives of certain of the above intangibles have been assessed as being indefinite as it cannot be determined when the economic benefits from these intangibles cease while others have been assessed as having finite lifetimes. When the useful life of the intangible is regarded as finite, the asset is amortised and when indefinite the asset is not amortised but subjected to a bi-annual impairment test.

Other intangibles comprise trademarks, patents and supplier agreements.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

11. INTANGIBLE ASSETS continued

Impairment testing of goodwill and other intangible assets

Goodwill acquired through business combinations and trademarks has been allocated to two individual reportable segments for impairment testing as follows:

- Pharmaceuticals (Prescription and Over the Counter)
- Hospital

Carrying amount of goodwill and other intangibles allocated to each of the segments:

	Pharmaceutical		Hospital		Total	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
Carrying amount of goodwill	**406**	–	**13 330**	13 330	**13 736**	13 330
Carrying amount of other intangibles with indefinite useful lives	**173 497**	173 572	**23 823**	31 988	**197 320**	205 560
Carrying amount of other intangibles with finite useful lives	**5 528**	8 625	**5 602**	7 330	**11 130**	15 955
Total	**179 431**	182 197	**42 755**	52 648	**222 186**	234 845

The recoverable amount of the 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 ten-year period as management believes the products have a value in use of ten years. The pre-tax discount rate applied to cash flow projections is 13,5% (2007: 13,0%) and cash flows beyond the ten-year period are extrapolated using a 1% growth rate (2007: 1,0%).

Key assumptions used in value in use calculations:

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

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

Gross margins – gross margins are based on average values achieved in the three years preceding the start of the budget period. These are changed over the budget period for anticipated efficiency improvements, and estimated changes to cost of production, raw material costs and selling prices.

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

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 material price movements have been used as an indicator of the future price movements.

Market share assumptions – these assumptions are important because, as well as using industry data for growth rates, management assesses how the unit's position, relative to its competitors, might change over the budget period. Management expects the group's share of the market to be relatively stable over the budget period.

Growth rate estimates – the growth rate used beyond the next ten year period is management's best estimate taking market conditions into account.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that no reasonably foreseeable change in any of the above key assumptions would cause the carrying value of the intangibles to materially exceed their recoverable amounts.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
12. INVENTORIES		
Raw materials	**146 543**	213 392
Work-in-progress	**37 498**	17 671
Finished goods	**382 539**	202 769
	566 580	433 832

The amount of inventories written down recognised as an expense in cost of inventories for 2008 is R7,2 million (Pro forma 2008: R11,0 million; 2007: R20,1 million).

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	**702 732**	607 453
Prepayments	**24 447**	9 299
Other receivables	**168 673**	40 889
VAT recoverable	**25 916**	19 807
Bank interest receivable	**11 400**	–
Other	**131 357**	21 082
	895 852	657 641
Less: Provision for impairment	**(12 423)**	(9 777)
	883 429	647 864

Trade receivables are non-interest bearing and are generally on 30 – 90 days terms.

As at 30 September 2008, trade receivables at nominal value of R0,7 million (2007: R0,6 million) were impaired and fully recognised as an expense. Movements in the provision for impairment of receivables were as follows:

	Individually impaired R'000	Collectively impaired R'000	Total R'000
Balance at 1 October 2006	(985)	(7 623)	(8 608)
Charge for the year	(3 263)	–	(3 263)
Utilised during the year	–	2 094	2 094
At 30 September 2007	(4 248)	(5 529)	(9 777)
Charge for the period 1 October 2007 to 31 March 2008	**(4 025)**	**(2 414)**	**(6 439)**
At 31 March 2008	**(8 273)**	**(7 943)**	**(16 216)**
Charge for the period 1 April 2008 to 30 September 2008	**(18)**	**–**	**(18)**
Unused amounts reversed	**3 361**	**450**	**3 811**
At 30 September 2008	**(4 930)**	**(7 493)**	**(12 423)**

At 30 September, the age analysis of trade receivables is as follows:

		Neither past due nor impaired			Past due but not impaired	
	Total R'000	<30 days R'000	31 – 60 days R'000	61 – 90 days R'000	91 – 180 days R'000	>180 days R'000
2008	**702 732**	**446 191**	**191 331**	**29 220**	**23 015**	**12 975**
2007	607 453	563 623	13 206	25 896	7 415	(2 687)

Trade debtors are impaired when the event of recoverability is highly unlikely.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

		Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
14. CASH AND CASH EQUIVALENTS			
Cash at banks and on hand		**406 025**	757 407
Bank overdraft		**(10 727)**	(1 525 267)
		395 298	(767 860)
Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash is R406 million (2007: R757 million).			
At 30 September 2008, the group had available R1 300 million of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.			
15. AMOUNTS OWING BY RELATED PARTIES			
Tiger Consumer Brands Limited		**–**	14 138
		–	14 138
The amount owing was unsecured, interest free and had no fixed terms of repayment.			
16. SHARE CAPITAL			
Authorised			
250 000 000 shares of R0,10 each		**25 000**	
On 15 February 2008 the authorised share capital was changed from 1 000 ordinary shares of R1,00 each to 10 000 ordinary shares of R0,10 each and subsequently changed to 250 000 000 shares of R0,10 each.			
100 ordinary shares of R1,00 each			–**
Issued			
173 055 168 ordinary shares of R0,10 each		**17 306**	
One ordinary share of R1,00			–**
The issued share capital of one share at R1,00 was changed to 10 shares at R0,10 on 31 March 2008.			
Opening balance at beginning of year (one share at R1,00)	1		
Adjustment on 31 March 2008 (10 shares at R0,10)	10		
The movement of issued shares was as follows :			
31 March increased by*	172 478 576		
29 May increased by*	79 682		
30 June increased by*	27 994		
22 August increased by*	316 297		
27 August increased due to share options exercised, by	67 200		
30 September increased due to share options exercised, by	85 409		
Closing balance at the end of the year	173 055 168		
**The share capital increased due to share options being exercised in Tiger Brands prior to unbundling.*			
***Less than R1 000*			
17. SHARE PREMIUM			
Balance at beginning of year		**–**	–
Issues of shares		**1 195 552**	–
Capital distribution out of share premium		**(1 890)**	–
		1 193 662	–

FINANCIALS

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	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
18. NON-DISTRIBUTABLE RESERVES						
Balance at beginning of year	**29 098**	**(487)**	**3 919**	**–**	**26 589**	**59 119**
Movement:						
1 October 2007 – 31 March 2008	**4 923**	**3 191**	**–**	**6 832**	**(216)**	**14 730**
Acquired through business combination	**34 021**	**2 704**	**3 919**	**6 832**	**26 373**	**73 849**
Movement:						
1 April 2008 – 30 September 2008	**7 741**	**813**	**–**	**(5 097)**	**–**	**3 457**
Balance at end of year	**41 762**	**3 517**	**3 919**	**1 735**	**26 373**	**77 306**

Share-based payment reserve

The share-based payment reserve represents the accumulated charge for share options in terms of IFRS 2. The share option plan is equity-settled.

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 the income statement.

Capital redemption reserve

The capital redemption reserve fund 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.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
19. LONG-TERM LIABILITIES		
Capitalised finance leases for 2007, bearing interest between 8,66% and 15,93% and related to computer equipment with a book value of nil	**–**	135
Secured loan bearing interest at 1% below the bank's lending rate, currently at a rate of 12,5%, repayable in quarterly instalments over five years with the first instalment due December 2008. The loan is secured by movable and current assets	**30 453**	–
Secured loan bearing interest at a fixed interest rate of 15,5% per annum repayable by October 2010	**408 499**	616 692
	438 952	616 827
Less: Loan transferred on disposal of business	**–**	(98 362)
	438 952	518 465
Less: Current portion included in short-term borrowings	**(161 119)**	(109 948)
	277 833	408 517

	Secured loan at fixed interest rate R'000	Secured loan at variable interest rate R'000	Total 2008 R'000	
Repayments of secured loan and finance leases				
– payable within 12 months	155 028	6 091	**161 119**	109 948
– payable within 13 – 24 months	160 836	6 091	**166 927**	138 200
– payable thereafter	92 635	18 271	**110 906**	270 317
	408 499	30 453	**438 952**	518 465

Notes to the group annual financial statements continued

for the year ended 30 September 2008

20. RETIREMENT AND OTHER POST-RETIREMENT BENEFIT PLANS

Pension obligations

The company and its subsidiaries contribute to a retirement contribution plan for all employees. These contributions are expensed. In addition, the company and its subsidiaries contribute to a retirement benefit fund in respect of certain retirees. The defined benefit plans are funded. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act of 1956 (Act 24), as amended. Funds must in terms of the Pension Funds Act, be valued at least every three years.

For purposes of production of these disclosures, and in order to comply with the requirements of IAS19, valuations have been performed by independent actuaries, using the projected unit credit 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 disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the group.

Once a surplus apportionment exercise is completed, and approved by the Registrar of Pension Funds in terms of the provisions of the Pension Funds Second Amendment Act, 2001, only at that stage would it be appropriate for the group to recognise any assets in respect of the retirement funds, to the extent that the group is apportioned such assets. Furthermore, "improper uses" of surplus, if any, as contemplated in terms of the Pension Funds Second Amendment Act, 2001, have been ignored for the purposes of these disclosures. In addition, the impact of the Amendment Act insofar as minimum individual reserves are concerned, has not been taken into account. This legislation is not applicable to arrangements not registered in terms of the Pension Funds Act, such as special purpose entities established for purposes of providing disability benefits.

Post-retirement medical obligations

The company and its subsidiaries operate post-employment medical benefit schemes that cover certain of their employees and retirees who were originally employed prior to certain cut off dates. The liabilities are valued annually using the projected unit credit method. The latest full actuarial valuation was performed on 30 September 2008.

The following table summarises the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plans:

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Defined benefit plan 2008 R'000	Post-retirement medical 2008 R'000	Total 2008 R'000
20. RETIREMENT AND OTHER POST-RETIREMENT BENEFIT PLANS continued			
Net benefit (expense)/income			
Current service cost	**–**	**16**	**16**
Interest cost on benefit obligation	**661**	**919**	**1 580**
Expected return on plan assets	**(6 446)**	**–**	**(6 446)**
Unrecognised due to para 58A	**(7 752)**	**811**	**(6 941)**
Unrecognised due to limit	**9 904**	**–**	**9 904**
	(3 633)	**1 746**	**(1 887)**
Actual return on plan assets	**6 350**	**–**	**6 350**
Benefit asset/(liability)			
Defined benefit obligation	**(7 453)**	**(13 698)**	**(21 151)**
Fair value of plan assets	**92 007**	**–**	**92 007**
	84 554	**(13 698)**	**70 856**
Unrecognised actuarial gains	**(3 557)**	**–**	**(3 557)**
Asset not recognised at balance sheet date	**(48 841)**	**–**	**(48 841)**
	32 156	**(13 698)**	**18 458**
Changes in the present value of the defined benefit obligation are as follows:			
Defined benefit obligation at 30 September 2007	17 736	12 830	30 566
Interest cost	661	919	1 580
Current service cost	–	16	16
Benefits paid	(9 770)	(878)	(10 648)
Unrecognised actuarial (gains)/losses on obligation	(1 174)	811	(363)
Defined benefit obligation at 30 September 2008	**7 453**	**13 698**	**21 151**
Changes in the fair value of plan assets are as follows:			
Fair value of plan assets at 30 September 2007	85 790		
Expected return	6 446		
Contributions by employer	–		
Benefits paid	(9 770)		
Unrecognised actuarial gains	9 541		
Fair value of plan assets at 30 September 2008	**92 007**		

The group plans to contribute R36,8 million to its post-retirement benefit plans during 2009.

The assumptions used in the valuations are as follows:	**2008 %**
Discount rate:	
Defined benefit plan	**9,25**
Post-retirement medical aid	**9,25**
Expected rate of return on assets:	
Defined benefit plan	**9,25**
Post-retirement medical aid	**–**
Future salary increases:	
Defined benefit plan	**6,75**
Post-retirement medical aid	**7,25**
Future pension increases:	
Defined benefit plan	**4,05**
Healthcare cost inflation	**6,75**
Post-retirement mortality table	PA(90) ultimate table

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

	Increase R'000	Decrease R'000
Effect on the aggregate current service cost and interest cost	132	(113)
Effect on the defined benefit obligation	1 352	(1 158)

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
21. TRADE AND OTHER PAYABLES		
Trade accounts payable	**331 714**	228 367
Other payables	**211 687**	223 423
Accrued expenses	**108 236**	46 583
Cash-settled options	**7 179**	1 202
Employee pension contribution holiday	**–**	16 380
VAT payable	**–**	41 069
Other	**96 272**	118 189
	543 401	451 790

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on average 45 day terms.

At 30 September 2008, the undiscounted cash flows of trade and other payables are as follows:

Total R'000	<30 days R'000	31 – 60 days R'000	61 – 90 days R'000	>90 days R'000
543 401	**238 751**	**172 570**	**86 396**	**45 684**

	Statutory 2008 R'000	Pro forma 2008 R'000	Pro forma 2007 R'000
22. PROVISIONS			
Leave pay	30 719	**30 719**	29 549
Bonus and incentive scheme	–	**–**	10 162
	30 719	**30 719**	39 711
Made up as follows:			
Leave pay provision			
Balance at beginning of year	–	**29 549**	37 529
Acquisition	23 354	**–**	–
Net increase/(reduction)	7 365	**1 170**	(7 980)
Balance at end of year	30 719	**30 719**	29 549
Bonus and incentive scheme			
Balance at beginning of year	–	**10 162**	18 611
Acquisition	10 418	**–**	–
Net reduction	(10 418)	**(10 162)**	(8 449)
Balance at end of year	–	**–**	10 162

Leave pay provision

In terms of the group policy, employees are entitled to accumulated leave benefits not taken within a leave cycle. The obligation is reviewed annually.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Statutory 2007 R'000
23. NOTES TO THE CASH FLOW STATEMENT			
23.1 Operating profit before working capital changes			
Profit before taxation and abnormal items			
– continuing operations	447 734	**978 666**	845 117
– discontinued operations	–	**–**	151 427
Adjusted for:			
– accrued interest on pension fund receivable	(1 873)	**(4 055)**	(1 263)
– amortisation of intangibles	7 041	**13 624**	8 130
– depreciation	29 744	**54 984**	47 842
– loss/(profit) on disposal of property, plant and equipment	1 428	**(2 040)**	1 035
– dividend income	(2 809)	**(10 700)**	–
– net finance costs paid	56 624	**36 667**	116 029
– share-based (IFRS 2) expenses	7 741	**12 664**	16 717
– increase in provision for post-retirement medical aid	391	**868**	592
	546 021	**1 080 678**	1 185 626
23.2 Working capital changes			
Increase in inventories	(142 763)	**(132 748)**	(37 811)
Increase in trade and other receivables	(176 599)	**(235 565)**	(78 562)
Increase in trade and other payables and provisions	94 720	**82 619**	107 721
	(224 642)	**(285 694)**	(8 652)
23.3 Dividends paid			
Per statement of changes in equity	(10 300)	**(37 900)**	(18 930)
Dividends accrued and paid to minorities	(716)	**(4 825)**	(5 004)
Amount accrued and unpaid at end of year	–	**–**	716
	(11 016)	**(42 725)**	(23 218)
23.4 Taxation paid			
Amounts unpaid/(overpaid) at beginning of year	–	**(9 773)**	(31 292)
Amounts charged to income statement			
– continuing operations	(105 209)	**(243 996)**	(233 289)
– discontinued operations	–	**–**	(44 174)
Movement in deferred taxation	(5 906)	**(309)**	6 797
Adjustment in respect of businesses acquired	41 579	**–**	–
Amount unpaid/(overpaid) at end of year	20 366	**20 366**	(23 482)
	(49 170)	**(233 712)**	(325 440)

23.5 Business combinations

Acquisition of Adcock Group

On 31 March 2008, Adcock Ingram Holdings Limited acquired 100% of:

- Adcock Ingram Healthcare (Pty) Limited
- Adcock Ingram Critical Care (Pty) Limited
- Adcock Ingram Intellectual Property (Pty) Limited

On 1 April 2008, Adcock Ingram Holdings Limited acquired:

- 100% of Adcock Ingram Limited
- 49,9% of Adcock Ingram Limited India

On 1 July 2008, Adcock Ingram Holdings Limited, acquired 100% of Thembalami Pharmaceuticals (Pty) Limited, a dormant company.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Statutory 2007 R'000
23. NOTES TO THE CASH FLOW STATEMENT continued			
23.5 Business combinations continued			
The net book value of the identifiable assets as at the date of acquisition were:			
Property, plant and equipment	330 009		
Goodwill and other intangibles	228 668		
Investments	207 467		
Inventories	423 817		
Accounts receivable	706 290		
Company taxation	41 579		
Cash and cash equivalents	282 304		
Deferred taxation	1 965		
Bank overdraft	(383 484)		
Short-term borrowings	(84 196)		
Accounts payable	(479 400)		
Provision for post-retirement medical aid	(13 307)		
Long-term liabilities	(410 196)		
Fair value of assets	851 516		
Minority interest	(21 900)		
Add back bank overdraft	101 180		
Net purchase price	930 796		
Intercompany loans with Tiger Brands	(829 616)		
Net cash outflow	101 180		
23.6 Acquisition of Adcock Ingram Limited India			
On 1 November 2007, Adcock Ingram Holdings Limited, acquired 49,9% of Adcock Ingram Limited India, a manufacturing facility in Bangalore, India.			
The fair value of the identifiable assets and liabilities as at date of acquisition were:			
Property, plant and equipment		**31 930**	
Fair value of net assets		**31 930**	
Net cash purchase price		**31 930**	
23.7 Addclin Research (Pty) Limited			
During 2007 Adcock Ingram Healthcare (Pty) Limited acquired 51% of the shareholding in Addclin Research (Pty) Limited, an unlisted company based in South Africa specialising in clinical trials.			
The fair value of the identifiable assets as at the date of acquisition were:			
Property, plant and equipment			2 347
Other intangibles			958
Accounts payable			(66)
Shareholders' loan			(234)
Fair value of net assets			3 005
Minority interest			(1 505)
Net cash purchase price			1 500

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Statutory 2007 R'000
23. NOTES TO THE CASH FLOW STATEMENT continued			
23.8 Disposal of Consumer Division of Adcock Ingram Healthcare (Pty) Limited			
On 1 April 2007, the group disposed of the Consumer Division of Adcock Ingram Healthcare (Pty) Limited to Tiger Consumer Brands Limited.			
The net book value of the identifiable assets as at the date of disposal were:			
Property, plant and equipment			45 273
Goodwill and other intangibles			320 103
Investments			7 659
Inventories			105 921
Accounts receivable			270 587
Bank overdraft			(216 899)
Accounts payable			(271 149)
Deferred taxation			7 815
Provision for post-retirement medical aid			(1 690)
Long-term liabilities			(98 362)
Total net assets disposed of			169 258
Profit on disposal			1 677 231
Proceeds on disposal of business			1 846 489
Add back bank overdraft			216 899
Net cash inflow			2 063 388
23.9 Cash related abnormal items			
Competition Commission settlement	–	**(53 504)**	–
Early settlement of long-term employee contract	–	**–**	(2 162)
General staff fund distribution received	–	**–**	8 378
	–	**(53 504)**	6 216

Notes to the group annual financial statements continued

for the year ended 30 September 2008

	Statutory/ Pro forma 2008 R'000

24. INTEREST IN JOINT VENTURES

24.1 Adcock Ingram Limited India

Adcock Ingram Holdings Limited has a 49,9% interest in Adcock Ingram Limited India, a jointly controlled entity which is involved in the manufacturing of pharmaceutical products.

The share of the assets, liabilities, income and expenses of the jointly controlled entity at 30 September 2008 for the period then ended, which are included in the consolidated financial statements, are as follows:

	Statutory/ Pro forma 2008 R'000
Non-current assets	**67 868**
Current assets	**41 773**
Total assets	**109 641**
Non-current liabilities	**(31 259)**
Current liabilities	**(39 891)**
Total liabilities	**(71 150)**

	Statutory 2008 R'000	Pro forma 2008 R'000
Revenue	27 689	**42 631**
Operating profit before interest	7 431	**10 826**
Net finance cost	(1 432)	**(2 016)**
Profit before income taxation	5 999	**8 810**
Taxation	(2 046)	**(3 294)**
Net profit after taxation	3 953	**5 516**

24.2 National Renal Care (Pty) Limited

Adcock Ingram Critical Care (Pty) Limited has a 100% interest in Dilwed Investments (Pty) Limited, which in turn has a 50% interest in National Renal Care (Pty) Limited, a jointly controlled entity which supplies renal healthcare services.

The share of the assets, liabilities, income and expenses of the jointly controlled entity at 30 September 2008 for the year then ended, which are included in the consolidated financial statements, are as follows:

	Statutory/ Pro forma 2008 R'000	Pro forma 2007 R'000
Non-current assets	**15 994**	11 748
Current assets	**19 300**	17 488
Total assets	**35 294**	29 236
Non-current liabilities	**–**	–
Current liabilities	**(25 267)**	(19 428)
Total liabilities	**(25 267)**	(19 428)

	Statutory 2008 R'000	Pro forma 2008 R'000	Pro forma 2007 R'000
Revenue	72 434	**137 553**	109 114
Operating profit before interest	5 842	**12 007**	10 810
Income from investments	528	**926**	597
Profit before income taxation	6 370	**12 933**	11 407
Taxation	(1 784)	**(3 621)**	(3 218)
Net profit after taxation	4 586	**9 312**	8 189

24.3 Thembalami Pharmaceuticals (Pty) Limited

Adcock Ingram Limited has a 50% interest in Thembalami Pharmaceuticals (Pty) Limited, a jointly controlled entity which is dormant. As at 30 September 2008 the total shareholders' deficit was R2 698 642, of which R1 349 321 relates to the group.

There are no contingent liabilities or other commitments relating to these joint ventures.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The group's principal financial liabilities comprise bank overdrafts, trade payables and loans received. 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 interest rate and currency risks arising from the group's operations and its sources of finance.

It is, and has been throughout 2008, 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, liquidity, foreign currency and credit. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term and short-term debt obligations with floating interest rates linked to the South African prime and Indian bank lending rates. The group's policy is to manage its interest cost by measuring the risk with a sensitivity of 1% of the prime lending rate on the outstanding capital amounts.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings). There is no impact on the group's equity.

	Change in rate %	(Decrease)/increase in profit before tax R'000
2008		
Rupee loan	**+1**	**(304)**
Rupee loan	**–1**	**304**

Credit risk

Financial assets of the group which are subject to credit risk consist mainly of cash resources and trade receivables. 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. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 13. 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. There are no significant concentrations of credit risk within the group with respect to credit risk arising from the financial assets of the group, which comprise cash and cash equivalents, and loans. 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.

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

Debtors are disclosed net of a provision for doubtful debts.

Liquidity risk

The group monitors its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets (eg accounts receivables, other 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 maturity profile of the group's financial liabilities at 30 September 2008, based on contractual undiscounted payments, is shown in the respective notes.

Capital management

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

The group monitors its capital using gearing and interest cover ratios. The primary methods of measurement used are interest bearing debt to total equity and annualised EBITDA, and interest cover. The group is currently well within acceptable industry norms on all of these measures as it has little gearing.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

25. FINANCIAL INSTRUMENTS continued

Capital management continued

	2008
Interest-bearing loans and borrowings	**438 952**
Less cash and short-term deposits	**(395 298)**
Net debt	**43 654**
Equity	**1 651 003**
Gearing ratio (%)	**3**

Foreign currency risk

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 is in place. As a result all material foreign liabilities were covered by forward exchange contracts at year-end.

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 or other derivative financial instruments 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.

The forward currency contracts must be in the same currency as the hedged item. It is the group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Forward exchange contracts are mainly entered into to cover net import exposures, after setting off anticipated export proceeds on an individual currency basis. The fair value is determined using the applicable foreign exchange spot rates at 30 September 2008.

The following spot rates were used:

	Assets	Liabilities	Average
2008			
US Dollar	**8,31**	**8,32**	**8,32**
Pound Sterling	**14,97**	**14,98**	**14,98**
Euro	**11,79**	**11,79**	**11,79**
2007			
US Dollar	6,84	6,88	6,86
Pound Sterling	13,94	14,00	13,97
Euro	9,73	9,77	9,75

Foreign exchange contracts outstanding at the balance sheet dates all fall due within 12 months.

Cash flow hedges

At 30 September 2008, 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 September 2008 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.

A summary of the contracts outstanding at year end are:

	Foreign currency '000	Average rate	Rands R'000
Foreign currency bought			
US Dollar	**11 782**	**7,9439**	**93 595**
Euro	**12 142**	**12,0508**	**146 321**
Pound Sterling	**133**	**15,0217**	**1 993**
Swiss Franc	**1 365**	**7,5751**	**10 340**
Japanese Yen	**6 286**	**0,0741**	**466**
Swedish Krona	**1 364**	**1,2434**	**1 696**

The cash flow hedge of expected future purchases was assessed to be effective.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

25. FINANCIAL INSTRUMENTS continued

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).

2008	Change in rate %	Increase/(decrease) in profit before tax R'000	Increase/(decrease) in equity R'000
US dollar			
	+10	225	9 709
	-10	(225)	(9 709)
GBP			
	+10	(96)	197
	-10	96	(197)
Euro			
	+10	(7 591)	14 200
	-10	7 591	(14 200)

No comparison is provided between fair values and the carrying amounts as they are deemed to be equal.

26. RELATED PARTIES

Related party transactions exist between the group, fellow subsidiaries and the holding company. All purchasing and selling transactions with related parties are concluded at arm's length.

The following related party transactions occurred during the years ended 30 September.

	Statutory 2008 R'000	**Pro forma 2008 R'000**	Pro forma 2007 R'000
Tiger Consumer Brands Limited*			
Management fee	17 846	**55 083**	73 012
Sales	37 638	**61 869**	–
Salaries	–	**186**	2 425

**As Adcock was part of the Tiger Brands Group for 11 months of the year, Tiger Brands is regarded as a related party. For balances at year end refer to note 15.*

27. CONTINGENT LIABILITIES

The group provides surety for the obligations of Adcock Ingram Healthcare (Pty) Limited and Adcock Ingram Critical Care (Pty) Limited.

	Statutory/ Pro forma 2008 R'000	
28. CAPITAL COMMITMENTS		
Commitments contracted for	**115 879**	55 383
Approved but not contracted for	**498 825**	44 139
	614 704	99 522

These commitments relate to tangible assets.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

29. SHARE-BASED PAYMENT PLANS

Certain employees were entitled to join the general employee share-option plan based on merit, when the group was still part of the Tiger Brands group. Options were issued annually by the Tiger Brands board of directors. Options vest as follows: a third after three years, a third after four years and a third after five years. The exercise price was determined in accordance with the rules of the scheme. From January 2006, the option plan rules have been changed from being an equity-settled scheme to a cash-settled scheme.

The expense recognised for employee services received during the year to 30 September 2008 is R21,0 million (2007: R17,2 million).

Equity-settled

Prior to Adcock's unbundling from Tiger Brands, the following outstanding equity-settled share options relating to Adcock employees were disclosed:

Pro forma 2007	Number	WAEP
Outstanding at the beginning of the year	877 267	64,54
Forfeited during the year	–	–
Exercised during the year	(230 934)	48,33
Outstanding at the end of the year	646 333	70,33
Exercisable at the end of the year	205 499	53,73

The implications of the unbundling were as follows:

- All existing Tiger Brands option holders retain their options irrespective of whether they are Tiger Brands employees or Adcock Ingram employees.
- For every one option to which a Tiger Brands option holder was entitled, the option holder was granted one option in Adcock Ingram Holdings Limited.
- The price at which Adcock Ingram Holdings Limited options are issued is fixed at 20,987% of the original option price of Tiger Brands options. These options shall be deemed to have been granted on the same date and on the same terms and conditions (other than price) as the initial granting of the Tiger Brands options which gave rise to the entitlement.
- The percentage split was arrived at based on the volume weighted average relative price of both the Tiger Brands Limited share and the Adcock Ingram Holdings Limited share for the first five days of the listing of Adcock Ingram Holdings Limited which was from 25 to 29 August 2008.
- In respect of Adcock Ingram employees, the new Tiger Brands option represents the portion of the original Tiger Brands option that vests immediately as no further services are required from Adcock Ingram employees in respect of the Tiger Brands options they have received. The portion of original grant was therefore accelerated and recognised.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

29. SHARE-BASED PAYMENT PLANS continued

Equity-settled continued

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

Statutory 2008	Number	WAOP
Outstanding at the beginning of the year*	**3 895 755**	**13,67**
Exercised subject to loans	**(103 700)**	**12,71**
Granted during the year	**–**	**–**
Exercised and paid in full	**(604 745)**	**12,28**
Cancelled/lapsed	**(480 640)**	**16,10**
Outstanding at the end of the year	**2 706 670**	**13,59**
Exercisable at the end of the year	**1 987 436**	**12,23**

Included within this balance are options over 660 465 shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average remaining contractual life for the share options outstanding as at 30 September 2008 is 4,71 years.

The range of exercise prices for options outstanding at the end of the year was R7,19 to R28,33.

Share options were valued based on the historical volatility of the share price of companies in the same sector over the expected lifetime of each option, as the company had a short trading history. 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 explicit finite-difference option pricing model. All options are valued with a European expiry profile, i.e. with a single exercise date at maturity.

**Agrees with closing balance of Tiger Brands equity-settled options at end of September 2007.*

Cash-settled

Prior to Adcock's unbundling from Tiger Brands, the following outstanding cash-settled share options relating to Adcock employees were disclosed.

***Pro forma* 2007**

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options during the year:

	Number	WAEP
Outstanding at the beginning of the year	150 500	–
Granted during the year	122 000	150,10
Forfeited during the year	–	169,90
Exercised during the year	–	–
Outstanding at the end of the year	272 500	158,52
Exercisable at the end of the year	–	–

These cash-settled options were valued during 2007, using a modified Black-Scholes model taking into account the dividend cover, expected exercise pattern and volatility of the Tiger Brands Limited share price.

The following inputs were used:

Grant date	22/01/2007	30/03/2007	26/01/2006	21/04/2006	08/05/2006
Strike price of option (Rand)	168,82	172,79	149,51	165,08	169,10
Expiry date	21/01/2013	29/03/2013	25/01/2012	20/04/2012	07/05/2012
Market price of the underlying stock at grant date	172,36	177,00	162,00	171,00	170,00
Expected volatility of the stock over the remaining life of the option (%)	25,0	25,0	30,3	30,3	30,3
Expected dividend cover	2,0	2,0	2,0	2,0	2,0

Notes to the group annual financial statements continued

for the year ended 30 September 2008

29. SHARE-BASED PAYMENT PLANS continued

Cash-settled continued

The implications of the unbundling on the cash-settled options were as follows:

- Adcock employees no longer participate in the Tiger Brands phantom scheme
- The number of options increased by 4,76 times
- The offer price decreased to 20,987% of the original price

2008

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options during the year:

	Number	WAEP
Outstanding at the beginning of the year	1 238 656	33,39
Granted during the year	684 683	33,80
Exercised during the year	–	–
Cancelled/lapsed	(374 821)	33,69
Outstanding at the end of the year	1 548 518	33,49
Exercisable at the end of the year	–	–

The weighted average remaining contractual life for the share options outstanding as at 30 September 2008 is 4,42 years.

The range of exercise prices for options outstanding at the end of the year was R28,27 to R36,26.

Share options were valued based on the historical volatility of the share price of companies in the same sector over the expected lifetime of each option, as the company had a short trading history. 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 explicit finite-difference option pricing model. All options are valued with a European expiry profile, i.e. with a single exercise date at maturity.

The carrying amount of the liability relating to the cash-settled options at 30 September 2008 is R7,18 million (2007: R1,2 million). No cash-settled options had vested at 30 September 2008 (2007: nil).

Black Managers share option scheme

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 Trust. Allocations of vested rights to these shares were made to 435 black managers of the Tiger Brands Group (including the Adcock Ingram Group). The allocation of vested rights entitles beneficiaries to receive Tiger Brands shares (after making capital contributions to the Black Managers Trust) at any time after the defined lock-in period, i.e. from 1 January 2015. These vested rights are non-transferable.

From 1 January 2015, the beneficiaries may exercise their vested rights, in which event the beneficiary may:

- instruct trustees to sell all of their shares and distribute the proceeds to them, net of the funds required to pay the capital contributions, taxation (including employees' tax), costs and expenses;
- instruct the trustees to sell sufficient shares to fund the capital contributions, pay the taxation (including employees' tax), costs and expenses, and distribute to them the remaining shares to which they are entitled; or
- fund the capital contributions, taxation (including employees' tax), costs and expenses themselves and receive the shares to which they are entitled.

The expense recognised for employee services received during the year to 30 September 2008 is R12,9 million (2007: R13,1 million).

1 229 400 (2007: 1 084 200) Participation rights had been allocated to Adcock Ingram employees at year end.

The weighted average remaining contractual life for share options outstanding as at 30 September 2008 is 6,25 years (2007: 7,25 years).

No weighted average exercise price has been calculated as there were no options exercised.

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 share price, outstanding debt projections and optimal early exercise conditions.

Notes to the group annual financial statements continued

for the year ended 30 September 2008

29. SHARE-BASED PAYMENT PLANS continued

Black managers share option scheme continued

The following inputs were used:

Grant date:	01/11/2005	31/01/2006	31/07/2006	31/01/2007	31/07/2007	31/01/2008	31/07/2008
Initial strike price of participation rights	112,3	110,9	112,9	113,0	115,2	115,4	117,9
Market price of the underlying stock at grant date (Rand)	140,0	159,9	150,0	172,3	186,7	151,0	145,0
Expected remaining volatility of the stock over the remaining life of the option (%)	22,0	25,0	25,0	30,4	27,8	27,5	28,1
Expected dividend yield of the stock over the remaining life of the option (%)	3,6	3,6	3,6	3,5	3,5	4,0	4,2

The risk-free interest rate was taken from the Standard Bank, zero-coupon South African bond curves.

The expiry date of the participation rights was taken as the earlier of 30 September 2024 or one year after all debt of the Trust has been repaid.

30. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events subsequent to 30 September 2008 up until the date of issue of this report that are indicative of conditions that arose before 30 September 2008 which require additional disclosure.

Company income statement

for the year ended September

	Note	2008 R'000
REVENUE	A	**49 612**
Net loss before interest and taxation		**(9)**
Dividend income		**48 911**
Finance revenue	B.1	**701**
Finance costs	B.2	**(5)**
Profit before taxation		**49 598**
Taxation	C	**(192)**
Net profit for the year		**49 406**

Notes to the company income statement

No comparatives have been presented as the company was dormant during the previous year.

A. REVENUE

	2008 R'000
Dividends received from unlisted subsidiaries	**48 911**
Interest received	**701**
	49 612

B. FINANCE COSTS AND FINANCE INCOME

B.1 Finance revenue

	2008 R'000
Interest group company	**701**

B.2 Finance costs

	2008 R'000
Bank interest	**(5)**

C. TAXATION

	2008 R'000
South African normal taxation	
– current	**192**
Reconciliation of the taxation rate:	**%**
Effective rate	**0,4**
Adjusted for:	
Exempt income	**27,6**
South African normal tax rate	**28,0**

Company balance sheets

at 30 September

	Note	2008 R'000	2007 R'000
ASSETS			
Non-current assets			
Investment in subsidiary companies	D	**3 398 341**	–
Other receivables	E	**420**	1
Current assets			
Amounts owing by group companies	F.1	**40 932**	–
Total assets		**3 439 693**	1
EQUITY AND LIABILITIES			
Capital and reserves		**1 283 690**	1
Issued share capital	G.2	**17 306**	1
Share premium	H	**1 195 537**	–
Retained income		**70 561**	–
Non-distributable reserves	I	**286**	–
Current liabilities			
Amounts owing to group companies	F.2	**2 155 917**	–
Taxation payable	L.3	**73**	–
Bank overdraft	J	**13**	–
Total equity and liabilities		**3 439 693**	1

Company cash flow statement

for the year ended 30 September

	Note	2008 R'000
Cash flows from operating activities		
Operating profit before working capital changes	L.1	**(9)**
Working capital changes	L.2	**(419)**
Income tax paid	L.3	**(119)**
Dividends paid		**(10 300)**
Dividends received	A	**48 911**
Finance costs	B.2	**(5)**
Finance revenue	B.1	**701**
Net cash inflow from operating activities		**38 760**
Cash flows from investing activities		
Proceeds on issue of shares		**1 212 842**
Acquisition of subsidiaries		**(3 398 341)**
Acquisition of subsidiary (TSG)		**31 455**
Net cash flows used in investing activities		**(2 154 044)**
Cash flows from financing activities		
Increase in amounts owing to group companies	F.2	**2 155 917**
Increase in amount owing by group companies	F.1	**(40 932)**
Net cash inflow from financing activities		**2 114 985**
Net movement in cash and cash equivalents		**(299)**
Translation reserve movement		**286**
Cash and cash equivalents at end of year	J	**(13)**

Company statement of changes in equity

for the year ended 30 September 2008

	Share capital R'000	Non-distributable reserves R'000	Share premium R'000	Retained income R'000	Total R'000
Share issue	1				1
Net profit for the year				–	–
Balance at 30 September 2007	1			–	1
Share issue	**17 305**		**1 195 552**		**1 212 857**
Net profit for the year				**49 406**	**49 406**
Ordinary dividend*				**(10 300)**	**(10 300)**
Transfer of reserves on acquisition of The Scientific Group (Pty) Limited from Adcock Ingram Critical Care (Pty) Limited				**31 455**	**31 455**
Capital distribution out of share premium			**(15)**		**(15)**
Currency translation reserve		**286**			**286**
Balance at 30 September 2008	**17 306**	**286**	**1 195 537**	**70 561**	**1 283 690**

*This dividend was paid to Tiger Brands Limited before the unbundling. No dividends have been paid subsequent to the listing on 25 August 2008.

Notes to the company annual financial statements

for the year ended 30 September 2008

D. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

The following investments were acquired during 2008

	Date	Effective holding 2008 %	Investment 2008 R'000
Subsidiaries			
Adcock Ingram Limited	1 April 2008	**100**	**2 130 587**
Adcock Ingram Healthcare (Pty) Limited	31 March 2008	**100**	**815 390**
Adcock Ingram Critical Care (Pty) Limited	31 March 2008	**100**	**284 979**
Adcock Ingram Intellectual Property (Pty) Limited	31 March 2008	**100**	**104 000**
The Scientific Group (Pty) Limited	7 April 2008	**74**	**31 455**
Joint ventures			
Thembalami Pharmaceuticals (Pty) Limited	1 July 2008	**50**	**–**
Adcock Ingram Limited India	1 April 2008	**49,9**	**31 930**
			3 398 341

		2008 R'000	2007 R'000
E. OTHER RECEIVABLES			
Dividend receivable from Adcock Ingram Limited India		**420**	
F. AMOUNTS OWING BY/(TO) GROUP COMPANIES			
F.1 Amounts owing by Group companies			
Adcock Ingram Healthcare (Pty) Limited		**1 421**	
Adcock Ingram Holdings Employee Trust		**334**	
The Scientific Group (Pty) Limited		**13 313**	
Adcock Ingram Limited India		**286**	
These loans are unsecured, interest-free and have no fixed terms of repayment.			
The Scientific Group (Pty) Limited		**25 578**	
This loan is unsecured bearing interest at prime less 2%. The loan has no fixed terms of repayment.			
		40 932	
F.2 Amounts owing to Group company			
Adcock Ingram Limited		**(2 155 917)**	
This loan is unsecured, interest-free and has no fixed terms of repayment			
G. SHARE CAPITAL			
G.1 Authorised			
250 000 000 ordinary shares of R0,10 each		**25 000**	
1 000 ordinary shares of R1,00 each			1
On 15 February 2008 the authorised share capital was changed from 1 000 ordinary shares of R1,00 each to 10 000 ordinary shares of R0,10 each			
G.2 Issued			
173 055 168 ordinary share of R0,10 each		**17 306**	
One ordinary share of R1,00			–**
The issued share capital of 1 share at R1,00 was changed to 10 shares at R0,10 on 31 March 2008.			
Opening balance at beginning of year (1 share at R1,00)	1		
Adjustment on 31 March 2008 (10 shares at R0,10)	10		
The movement of issued shares was as follows:			
31 March increased by*	172 478 576		
29 May increased by*	79 682		
30 June increased by*	27 994		
22 August increased by*	316 297		
27 August increased due to share options exercised, by	67 200		
30 September increased due to share options exercised, by	85 409		
Closing balance at the end of the year	173 055 168		

**The share capital increased due to share options being exercised in Tiger Brands prior to unbundling*

***Less than R1 000*

Notes to the company annual financial statements continued

for the year ended 30 September 2008

	2008 R'000	2007 R'000
H. SHARE PREMIUM		
Balance at beginning of year	**–**	–
Issues of shares	**1 195 552**	–
Capital distribution out of share premium	**(15)**	–
	1 195 537	–
I. NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	**286**	–

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.

	2008 R'000	2007 R'000
J. CASH AND CASH EQUIVALENTS		
Bank overdraft	**13**	–

K. RELATED PARTIES

Related party transactions exist between the company and fellow subsidiaries. Amounts due to and receivable from related parties are set out in note F. For the year ended 30 September 2008, the company has not made any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The following parties with whom the company traded during the year have been identified as related parties:

- Adcock Ingram Limited
- Adcock Ingram Healthcare (Pty) Limited
- Adcock Ingram Intellectual Property (Pty) Limited
- Adcock Ingram Critical Care (Pty) Limited

Transaction type	Related parties	Relationship	2008 R'000	2007 R'000
Dividends received	Adcock Ingram Limited India	Subsidiary	**420**	–
Dividends received	Adcock Ingram Healthcare (Pty) Limited	Subsidiary	**10 300**	–
Dividends received	Adcock Ingram Critical Care (Pty) Limited	Subsidiary	**38 191**	–
Interest received	The Scientific Group (Pty) Limited	Subsidiary	**701**	–

L NOTES TO THE CASH FLOW STATEMENT

	2008 R'000	2007 R'000
L.1 Operating loss before working capital changes		
Profit before taxation	**49 598**	–
Adjusted for:		
– Foreign currency translation adjustment		
– Interest income	**(701)**	–
– Interest expense	**5**	
– Dividends received	**(48 911)**	
	(9)	–
L.2 Working capital changes		
Increase in trade and other receivables	**(419)**	–
L.3 Income tax paid		
Unpaid at beginning of year	**–**	–
Charge in income statement	**(192)**	–
Unpaid at end of year	**73**	–
	(119)	–

Annexure A

interest in subsidiary companies and joint ventures

	Share-holding 2008 %
Subsidiaries	
Adcock Ingram Limited	**100**
Adcock Ingram Healthcare (Pty) Limited	**100**
Adcock Ingram Intellectual Property (Pty) Limited	**100**
The Scientific Group (Pty) Limited	**74**
Adcock Ingram Critical Care (Pty) Limited	**100**
Joint ventures	
Thembalami Pharmaceuticals (Pty) Limited	**100**
Adcock Ingram Limited India	**49,9**
Indirect holdings	
Adcock Ingram Pharmaceuticals (Pty) Limited	**100**
Premier Pharmaceutical Company (Pty) Limited	**100**
Metamorphosa (Pty) Limited	**50**
Menarini SA (Pty) Limited	**49**
Novartis Ophthalmics (Pty) Limited	**49**
Addclin Research (Pty) Limited	**51**
Adcock Ingram Intellectual Property No 1 (Pty) Limited	**100**
Scientific Group Finance (Pty) Limited	**100**
South African Scientific Pharmaceuticals (Pty) Limited	**100**
H Investments No 161	**40**
Scientific Group Holdings (Pty) Limited	**100**
Scientific Group Investments (Pty) Limited	**100**
Dilwed Investments (Pty) Limited	**100**
Adcock Ingram Namibia (Pty) Limited	**100**
National Renal Care (Pty) Limited	**50**
Trust	
Adcock Ingram Holdings Employees Trust	

Annexure B

extract from pre-listing statement

The following is an extract of page 139 of the pre-listing statement

Notes:

2. The consumer division of Adcock Ingram Healthcare (Pty) Limited was sold to Tiger Consumer Brands on 31 March 2007. This *pro forma* entry eliminates the results of this division from the Adcock Group results as if the transaction was effected at 1 October 2006. These results and financial position which have been adjusted have been extracted from the audited Consumer Division consolidation pack at 30 September 2007.
3. The Intellectual Property relating to the Consumer division, and held by Adcock Ingram Intellectual Property (Pty) Limited, was sold to Tiger Food Brands Intellectual Property Holding Company (Pty) Limited on 31 March 2007. This *pro forma* entry eliminates the results of this division from the Adcock Group results as if the transaction was effected at 30 September 2006. These results and financial position which have been adjusted have been extracted from the audited consolidation of Adcock Ingram Intellectual Property (Pty) Limited at 30 September 2007.
4. Certain statutory entities within the consolidated Adcock Ingram Group at 30 September 2007 will not be unbundled and will remain within the Tiger Brands Limited Group. The income statement adjustment of R90,4 million reverses the interest charge included in the Adcock Group's income statement which will be borne by Tiger Brands Group after the unbundling going forward on a continuous basis and reverses the interest earned (R88,1 million) on the loan between the Adcock Group and the Tiger Brands Group which will be settled as part of the reorganisation of the Adcock Group prior to unbundling. The balance sheet adjustments remove the balance sheet balances of the entities included within the consolidated Adcock Group at 30 September 2007 which will remain within the Tiger Brands Limited Group subsequent to the unbundling.
10. Certain subsidiary companies in the Tiger Brands Group made capital contributions to the Black Managers Trust ("BMT"). The object of the BMT is to facilitate the economic ownership of and voting rights in the shares by black managers employed by Tiger Brands or its subsidiaries in accordance with the provisions set out in terms of the Broad-based Black Empowerment Act, No. 53 of 2003. The unbundling of Adcock will result in an adjustment to the original capital contributions made to the BMT by the Adcock Group. This adjustment will be calculated with reference to the number of Tiger Brands shares not actually allocated to black managers employed by Adcock at the time of the unbundling. This adjustment is non-continuing.

Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	12 961	75,56	4 462 046	2,58
1 001 – 10 000 shares	3 344	19,50	9 877 694	5,71
10 001 – 100 000 shares	666	3,88	21 268 033	12,30
100 001 – 1 000 000 shares	153	0,89	49 337 121	28,53
1 000 001 shares and over	29	0,17	87 962 275	50,88
	17 153	100,00	172 907 169	100,00

DISTRIBUTION OF SHAREHOLDERS				
Banks	137	0,80	28 600 229	16,54
Broker	14	0,08	1 047 975	0,61
Close corporations	157	0,92	162 985	0,09
Collateral account	10	0,06	361 303	0,21
Empowerment	2	0,01	5 896 140	3,41
Endowment funds	155	0,90	971 618	0,56
Hedge fund	5	0,03	811 189	0,47
Individuals	11 390	66,40	8 835 212	5,11
Insurance companies	75	0,44	14 352 104	8,30
Investment companies	23	0,13	23 126 819	13,38
Medical aid schemes	21	0,12	474 195	0,27
Mutual funds	280	1,63	37 805 030	21,86
Nominees and trusts	3 775	22,01	8 232 622	4,76
Other corporations	210	1,23	1 177 480	0,68
Pension funds	439	2,56	23 922 677	13,84
Private companies	432	2,52	4 147 172	2,40
Public companies	23	0,13	11 578 117	6,70
Scipt account	1	0,01	192 000	0,11
Securities lending	1	0,01	4 540	0,00
Share trusts	3	0,01	1 207 762	0,70
	17 153	100,00	172 907 169	100,00

	No. of shareholdings	%	No. of Shares	%
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	8	0,05	7 116 770	4,12
Directors' holdings	2	0,01	39 400	0,02
Share trusts/share incentive scheme	3	0,02	1 168 462	0,68
Empowerment holdings	2	0,01	5 896 140	3,41
Tiger Brands – pension funds	1	0,01	12 768	0,01
Public shareholders	17 145	99,95	165 790 399	95,88
	17 153	100,00	172 907 169	100,00

	No. of Shares	%
Beneficial shareholders holding of 3% or more		
Public Investment Corporation	22 387 815	12,95
Tiger Brands Limited	10 326 758	5,9

	Number of shares	%
Foreign custodians holding 3% or more		
State Street Bank & Trust Co (Custodian)	13 525 765	7,82
JPMorgan Chase (Custodian)	5 376 373	3,11

Shareholder spread continued

	Number of shares	% of shares
Directors' holdings		
Louw, JJ	39 300	0,02
Hall, AG	100	0,00
Total	39 400	0,02
Share Trust		
The Adcock Ingram Holdings Limited Employee Share Trust	616 133	0,36
Tiger Brands General Staff Share	547 729	0,32
Tiger Brands Share Incentive Scheme – Demat	4 600	0,00
Total	1 168 462	0,68
Empowerment Holdings		
Tiger Brands Black Managers Trust	4 381 831	2,53
Thusani Empowerment Investment	1 514 309	0,88
Total	5 896 140	3,41
Tiger Brands – Pension Funds		
Tiger Brands Workers Provident Fund – Oasis	12 768	0,01
Total	12 768	0,01
Beneficial breakdowns		
Public Investment Corporation	22 387 815	12,95
Public Investment Corporation INT EQUITY	19 605 022	
Public Investment Corporation (Futuregrowth Asset Management)	1 737 000	
Public Investment Corporation RMB3	993 057	
Public Investment Corporation (Absolute Return)	52 736	

Notice of annual general meeting

for the year ended 30 September 2008

ADCOCK INGRAM HOLDINGS LIMITED
(Registration No: 2007/016236/06)
ISIN: ZAE000123436 JSE Share Code: AIP

Notice is hereby given that the first annual general meeting of Adcock Ingram Holdings Limited ("the Company") will be held on Wednesday, 28 January 2009, at the Company's premises at 1 New Road, Midrand, Gauteng, at 15h00 for the purpose of conducting the following business:

1. To receive, consider and adopt the annual financial statements of the Company for the year ended 30 September 2008, including the reports of the directors and the auditors thereon.
2. To elect the following non-executive directors, who retire at this first annual general meeting in terms of the Company's articles of association and who, being eligible, offer themselves for re-election:

   2.1 EK Diack;

   2.2 T Lesoli;

   2.3 KDK Mokhele;

   2.4 CD Raphiri;

   2.5 LE Schönknecht;

   2.6 RI Stewart; and

   2.7 AM Thompson.

   Brief CVs of the directors are set out on page 7 of the Company's annual report.
3. To approve the directors' fees for the year ended 30 September 2008.
4. To re-appoint Ernst & Young Inc. as the Company's auditors for the ensuing year.
5. To approve the remuneration of the auditors for the year ended 30 September 2008.
6. To transact such other business as may be normally be transacted at an annual general meeting.

   Voting and attendance at the annual general meeting

   Members who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead.

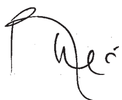
   Members who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant ("CSDP") or broker, in the manner and time stipulated in their agreement:

   - to furnish them with their voting instructions; and
   - in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

   Any member entitled to attend and vote at the meeting, as set out above, is entitled to appoint a proxy to attend and to vote thereat in his/her stead. The proxy so appointed need not be a member of the Company.

   Proxy forms must be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2017), to reach the Company by no later than 15h00 on Monday, 26 January 2009. The completion of a proxy form will not preclude a member from attending the meeting.

By order of the Board



Ramani Naidoo
Company Secretary

1 December 2008

Form of proxy

ADCOCK INGRAM HOLDINGS LIMITED
(Registration No: 2007/016236/06)
ISIN: ZAE000123436 JSE Share Code: AIP
("Adcock Ingram" or "the Company")

For use by certificated shareholders and "own name" dematerialised shareholders of Adcock Ingram in respect of the annual general meeting of shareholders to be held at 1 New Road, Midrand, Gauteng on Wednesday, 28 January 2009 at 15h00

This form of proxy is only to be completed by those ordinary shareholders of Adcock Ingram who hold shares in certificated form or who are recorded on sub-registered electronic form in "own name". Shareholders who hold dematerialised ordinary shares are referred to paragraphs 1 and 2 of the "Notes" overleaf for further instructions.

I/we, the undersigned

of (address)

being a member of the Company, and entitled to (insert number) votes, do hereby appoint

or failing him/her,

or failing him/her, the chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of shareholders of the Company to be held on Wednesday, 28 January 2009 at 15h00 or any adjournment thereof, as follows:

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

	Number of votes		
	*In favour of resolution	*Against the resolution	*Abstain from voting
Ordinary resolutions			
1. To receive, consider and adopt the annual financial statements for the year ended 30 September 2008			
2. To re-elect the following directors who retire in terms of the articles of association:			
2.1 EK Diack			
2.2 T Lesoli			
2.3 KDK Mokhele			
2.4 CD Raphiri			
2.5 LE Schönknecht			
2.6 RI Stewart			
2.7 AM Thompson			
3. To approve the directors' fees for the year ended 30 September 2008			
4. To re-appoint Ernst & Young Inc. as the Company's auditors			
5. To approve the remuneration of the auditors for the year ended 30 September 2008			

And generally to act as my/our proxy at the annual general meeting.

Signed by me (full names) in my capacity as

at (place) on this (date, month and year)

Signature

Notes to proxy form

1. A form of proxy is only to be completed by those ordinary shareholders who are:
   1.1 holding ordinary shares in certificated form; or
   1.2 recorded on sub-register electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
4. On a show of hands a member of the Company present in person or by proxy shall have 1 (one) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall irrespective of the number of members he/she represents have only 1 (one) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company (excluding treasury shares).
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be received by the Company's transfer secretaries by no later than 15:00 on Monday, 26 January 2009. The transfer secretaries' address is:

   Computershare Investor Services (Pty) Limited
   70 Marshall Street
   Johannesburg 2001
   (PO Box 61051, Marshalltown 2107)
7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
10. Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, this form of proxy must be signed by all joint members. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name first appears in the register shall be entitled to vote.

Glossary

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

Adcock	Adcock Ingram Holdings Limited
API	Active Pharmaceutical Ingredient(s) used in the manufacture of products
ARV	Antiretrovirals, used in the treatment of HIV and AIDs
BBBEE	Broad based black economic empowerment, as defined by the codes of BEE good practice
BEE	Black economic empowerment
DMD	Drug management and development
DoH	The Department of Health of the Republic of South Africa
FDA	The Food and Drug Administration, a regulatory body in the United States
FMCG	Fast moving consumer goods
GEMS	Government Employee Medical Scheme
HVL	High volume liquids, used in the context of the plant currently being developed by Adcock at Clayville, Gauteng
JSE	JSE Limited, the securities exchange on which the shares of Adcock are listed
MCC	Medicines Control Council, the regulatory body responsible for evaluation and monitoring the quality, safety and efficacy of medicines on the South African market
MHRA	Medicines Health Regulatory Agency of the United Kingdom
OTC	Over the counter products, available without prescription
PIASA	Pharmaceutical Industry Association of South Africa, an industry body
PICs	Pharmaceutical Inspection Co-operation Scheme accreditation standards
PTG	Pharmaceutical Task Group, an industry body of which Adcock is a member
RONA	Return on net assets
SADC	Southern African Development Community
SEP	Single exit price, the price determined by regulation, at which medicines may be offered for sale on the South African private market
TGA	Therapeutic Goods Administration of Australia
WHO	World Health Organisation
ZAR	South African Rand

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