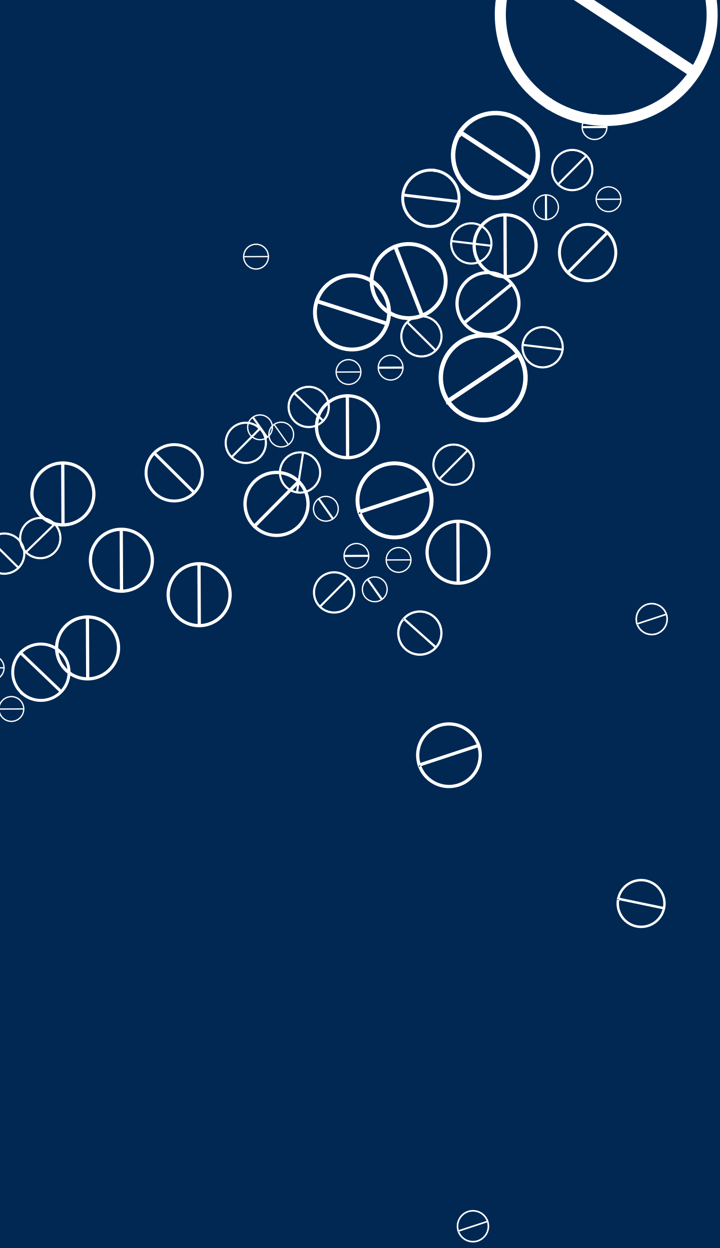


adcock ingram

INTEGRATED REPORT 2013

Heritage | Quality | Integrity

INTEGRATED REPORT 2013

FOR THE YEAR ENDED 30 SEPTEMBER 2013

ABOUT THIS REPORT

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

Adcock Ingram regards this process as a valuable opportunity to engage with its stakeholder groups and to respond to issues that have been raised. The focus has therefore been on the issues most material to our stakeholders as highlighted in the stakeholder engagement section on pages 48 and 49.

The other issues we report on in our integrated report are considered by leadership throughout the year as being vital to the sustainability of the Group and include all material aspects up to 29 November 2013.

A detailed strategy has not been presented as the Independent Board-led process to respond to expressions of interest for control of the Group necessitated very significant effort and resources and also required that certain other strategic growth initiatives be suspended as current and possible future partners await the outcome of this process.

Based on feedback received from our stakeholders and more specifically our shareholders and others in the investor community, we continue to include a full set of annual financial statements with the integrated report. A summary of the financial highlights is presented on pages 4 to 7.

GRI: 2.6, 3.1 – 3.3, 3.5 – 3.11, 3.13

REPORTING PRINCIPLES

Adcock Ingram is a public company incorporated in South Africa in accordance with the provisions of the Companies Act 71 of 2008 (Companies Act) and complies with the principles of King III, unless otherwise stated, the Companies Act, the JSE Limited Listings Requirements and other legislative requirements. The Group subscribes to high ethical standards and principles of corporate governance. For more details, and an overview of the Group governance and structure, please see the corporate governance section on pages 13 to 15.

In addition to the above, the Group adheres to International Financial Reporting Standards (IFRS) in compiling its annual financial statements. For reporting on sustainability issues it also complies with Global Reporting Initiative 3 (GRI) standards to facilitate comparability with the reports of other organisations.

SCOPE AND BOUNDARY OF THIS REPORT

Adcock Ingram's integrated report covers the financial year 1 October 2012 to 30 September 2013. The report is released at least 15 business days prior to its Annual General Meeting to be held on 31 January 2014.

The report provides a general narrative on the performance of the Group which includes the holding company and its subsidiaries, joint ventures and associates across all territories, but focuses its detailed commentary on the operational performance of its main business in South Africa, as the performance in this territory has a material impact on the overall sustainability of the Group. Reports are given, where relevant, about our businesses in Kenya, Ghana, Zimbabwe and India. Comparatives are included where available.

The Group's consolidated annual financial statements are included in this report and include details regarding all subsidiaries, joint ventures and associates as detailed on page 122.

ASSURANCE

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

ANNUAL FINANCIAL STATEMENTS 2013

The annual financial statements for the year ended 30 September 2013 were approved by the Board of directors on 26 November 2013. Ernst & Young Inc., the independent auditors, have audited the annual financial statements as disclosed in their unqualified report.

SUSTAINABILITY INFORMATION

The sustainability information has not been assured in 2013.

BBBEE STATUS

The Group's BBBEE status has been assured by Empowerlogic, an independent verification agency, for the 2013 financial year. Through the external assurance received from the agency, the Group has been assessed as a Level 3 contributor in terms of the BBBEE Act.

CONTENTS

GROUP OVERVIEW

ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

OTHER

Have we succeeded in our 2012/2013 strategic objectives?

This icon indicates where we succeeded in our objectives

This icon indicates where we have not yet achieved our goals

Area of risk
This icon indicates an area indicated as a risk to the Group

Get more information online
This icon indicates more information is available online at ***www.adcock.com***

Cross-reference information
This icon indicates more information can be cross-referenced ***on pages within this report***

Information contains GRI compliant information
This icon indicates the adjacent information contains ***GRI compliance elements***

OUR VISION

To be recognised as a leading world-class branded healthcare company.

OUR HERITAGE

Adcock Ingram has a proud heritage which spans more than 120 years. The business started as a small Krugersdorp pharmacy. Its founders branched out into new product development, manufacturing, distribution, and sales and marketing.

Adcock Ingram was first listed on the Johannesburg Stock Exchange (JSE) in 1950 and enjoyed blue chip status. In 2000 Tiger Brands (then the majority shareholder) acquired the minority shares, and Adcock Ingram was delisted from the JSE and operated as a wholly-owned subsidiary of Tiger Brands. On 25 August 2008, Adcock Ingram was unbundled from Tiger Brands and relisted on the JSE.

For more information on our history, visit our website: ***www.adcock.com***

RECOGNISED IN OUR INDUSTRY

2012 Integrated Report	Rated "Excellent" in the Ernst & Young Excellence in Corporate Reporting Survey as well as merit certificate for referencing and usability.
2013 Icon TGI Brand Survey	Panado is rated No. 1 in the OTC category.
Consumer's stamp of approval	GynaGuard Ultimate wash and TLC deep cleansing facial wipes won 2013 product of the year award.
Frost & Sullivan	Middle-Eastern and African pharmaceuticals and healthcare emerging market innovation 2013.
Productivity SA	For outstanding innovation in productivity improvement initiative at Critical Care.
South African Graduates Development Association	Gold award for serving as a pioneer in the absorption of unemployment graduates and interns to increase employment of graduates and youth in South Africa.

GRI: 2.1,2.10, 4.8

OUR PROFILE

Adcock Ingram is a leading South African manufacturer, marketer and distributor of healthcare products with a market capitalisation of more than R12 billion. The Group enjoys almost 10% share of the private pharmaceutical market in South Africa with a strong presence in Over the Counter (OTC) brands. The Group is South Africa's largest supplier of hospital and critical care products. Its footprint extends to other territories in sub-Saharan Africa and India.

The extensive product portfolio includes branded and generic prescription medicines, OTC/fast moving consumer goods (FMCG) brands, intravenous solutions, blood collection products and renal dialysis systems.

Sustainability is core to our business to add value to peoples' lives. This includes those of our shareholders, customers, employees, suppliers, partners and the communities in which we operate. We aim to reduce our environmental footprint through continuous improvement. We have remained Level 3 Broad Based Black Economic Empowerment (BBBEE) status within the business.

COMPANY DETAILS

ADCOCK INGRAM HOLDINGS LIMITED

(Registration number 2007/016236/06)
(Incorporated in the Republic of South Africa)
JSE Share Code: AIP ISIN: ZAE000123436

DIRECTORS

KDK Mokhele (Chairman)*, JJ Louw (Chief Executive Officer),
AG Hall (Deputy Chief Executive and Financial Director), M Haus* ✓, T Lesoli*,
PM Makwana*, CD Raphiri*, LE Schönknecht*, RI Stewart*, AM Thompson*

Independent non-executive
✓ *German*

COMPANY SECRETARY

NE Simelane

REGISTERED OFFICE

1 New Road, Midrand, 1682

POSTAL ADDRESS

Private Bag X69, Bryanston, 2021

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

AUDITORS

Ernst & Young Inc.
102 Rivonia Road, Sandton, 2196

SPONSOR

Deutsche Securities (SA) (Pty) Limited
3 Exchange Square, 87 Maude Street, Sandton, 2146

BANKERS

Nedbank Limited
135 Rivonia Road, Sandown, Sandton, 2146

Rand Merchant Bank
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

ATTORNEYS

Read Hope Phillips
30 Melrose Boulevard, Melrose Arch, 2196

For more information please visit **www.adcock.com**

ETHICS HOTLINE

Email: adcock@ethics-line.com
Website: www.tip-offs.com
Free Post: KZN 138, Umhlanga Rocks, 4320

SOUTH AFRICA

Toll free land lines: 0800212762
Toll free fax: 0800007788

ZIMBABWE

Toll free land lines: 0800 4100/1/3/4/5/6 and 0800 4161
Toll free cell phone lines: 0808 5500 and 0808 4146

KENYA

Toll free cell phone: 0800722626 (Safaricom)

FINANCIAL

TURNOVER

increased 18% to **R5,446** MILLION

EBITDA

increased 11% to **R1,096** MILLION

HEPS

decreased 17% to **350,5** CENTS

SHARE statistics

HIGH FOR THE YEAR

2013: 7 200 CENTS

2012: 6 630 CENTS

LOW FOR THE YEAR

2013: 5 100 CENTS

2012: 5 151 CENTS

CLOSING PRICE

2013: 6 855 CENTS

2012: 5 939 CENTS

2013 HIGHLIGHTS

SOCIAL

BBBEE SCORECARD

LEVEL **3**

TRAINING

95% spent on previously disadvantaged employees

EMPLOYEES

4 841

GRI: 2.8, EN 1, EN 3 – 8

ENVIRONMENTAL

ENERGY USAGE (KWH)

2013: 52 423 968
2012: 36 193 507

WATER USAGE (KILOLITRES)

2013: 400 329
2012: 404 846

CARBON EMISSIONS (TONNES)

2013: 112 598
2012: 94 843

CARBON EMISSIONS (SCOPE 1 AND 2) PER FULL-TIME EMPLOYEE (TONNES)

2013: 24,65
2012: 22,19

BUSINESS MODEL

RESEARCH AND DEVELOPMENT

REGISTRATION

Buy intellectual property

Develop intellectual property

Details regarding Research and Development, Quality assurance, Regulatory affairs and Medical affairs, can be found on page 22

SOURCE

Raw materials sourced internationally or locally

Finished goods from third party suppliers

MANUFACTURING

PRODUCTS

OTC

For OTC category performance refer to pages 24 – 25

RX

Prescription performance is discussed on pages 26 – 27

HOSPITAL

For Hospital performance refer to pages 28 and 29

Own factories

Outsourced manufacturing

Manufacturing capacities and accreditation details of the various facilities are disclosed on pages 30 – 31

LOGISTICS

Own distribution centres

3rd Party distribution centres

The location and capacity details of our warehouses are disclosed on pages 32 – 33

CUSTOMERS

Governments

Wholesalers

Pharmacies

Hospitals

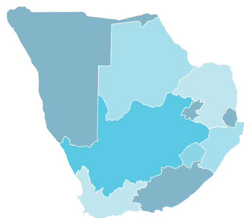
Doctors

In-sourcing

FMCG retailers

FOOTPRINT

SOUTHERN AFRICA



For details of the Southern Africa business refer to pages 23 – 29

INDIA

Healthcare in India is discussed on pages 34 – 37

REST OF AFRICA

Performance of the Rest of Africa segment is discussed on pages 38 – 41

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	2013 R'000	2012 R'000
Revenue	**5 482 783**	4 644 406
Turnover	**5 445 639**	4 599 249
Cost of sales	**(3 208 798)**	(2 505 167)
Gross profit	**2 236 841**	2 094 082
Selling and distribution expenses	**(699 635)**	(571 500)
Marketing expenses	**(211 930)**	(208 625)
Research and development expenses	**(104 941)**	(81 601)
Fixed and administrative expenses	**(329 530)**	(363 535)
Operating profit	**890 805**	868 821
Finance income	**24 531**	18 285
Finance costs	**(82 504)**	(26 637)
Dividend income	**12 613**	26 872
Equity-accounted earnings	**2 663**	–
Profit before taxation	**848 108**	887 341
Taxation	**(246 878)**	(168 265)
Profit for the year	**601 230**	719 076
Other comprehensive income which will subsequently be recycled to profit or loss	**370**	(37 896)
Exchange differences on translation of foreign operations	**(772)**	(26 181)
Net profit on available-for-sale asset, net of tax	**247**	–
Movement in cash flow hedge accounting reserve, net of tax	**895**	(11 715)
Total comprehensive income for the year, net of tax	**601 600**	681 180
Profit attributable to:		
Owners of the parent	**587 844**	705 641
Non-controlling interests	**13 386**	13 435
	601 230	719 076
Total comprehensive income attributable to:		
Owners of the parent	**587 203**	670 434
Non-controlling interests	**14 397**	10 746
	601 600	681 180
Basic earnings per ordinary share (cents)	**348,6**	417,8
Diluted basic earnings per ordinary share (cents)	**348,3**	417,2
Headline earnings per ordinary share (cents)	**350,5**	422,4
Diluted headline earnings per ordinary share (cents)	**350,2**	421,8
Net asset value per share (cents)	**2 160,1**	2 028,8

For more details regarding the CFR transaction, refer to the Leadership Statement on page 16.

For more details on currency bought during the year, refer to Annexure E.

TURNOVER

The acquisition of Cosme, a mid-sized Indian pharmaceutical sales and marketing business, was concluded in January 2013. This acquisition, together with South African tender awards and the effect of multinational (MNC) contracts concluded towards the end of 2012, supported turnover growth of 18.4% to R5,446 million (2012: R4,599 million).

Volumes increased 10,1%, influenced by the South African tender awards and new business in the product mix accounted for 5,4% of the overall increase. Price increases across the business averaged only 2,9% for the year but an improvement from the figure of 1,9% at the half-year. The Single Exit Price (SEP) increase of 5,8% granted by the State was implemented in March 2013.

GROSS PROFIT

Gross profit for the year increased by 6,8% to R2,237 million (2012: R2,094 million) with the margin declining from 45,5% to 41,1%. Gross margin as a percentage of sales was adversely impacted by the change in mix with higher volumes of low-margin MNC and tender sales, and the significantly weaker Rand, which affected imported costs of raw materials and finished products.

OPERATING EXPENSES

Operating expenses increased by 9,9% to R1,346 million (2012: R1,225 million). The increase includes Cosme operating expenses not in the base (including amortisation of R33,4 million) of R137,8 million, a foreign exchange gain of R42,4 million and M&A-related project costs of R35 million relating to the CFR transaction.

OPERATING PROFIT

Operating profit increased by 2,5% to R891 million (2012: R869 million) with the percentage on sales reducing from 18,9% to 16,4%. Finance costs, net of investment income, were R45,4 million, compared to the R18,5 million income realised in the prior year as the average cash position turned into a net overdraft position following the acquisition of Cosme.

PROFIT BEFORE TAXATION

After net finance costs, equity-accounted earnings and dividends received, profit before tax decreased 4,4% to R848 million (2012: R887 million). The effective tax rate for the year normalised at 29,1% (2012: 19,0%). The previous year's tax rate benefitted from Strategic Industrial Project (SIP) allowance for capital projects, which reduced that year's tax charge by R86 million.

HEADLINE EARNINGS

Despite improved turnover and good cost control, weaker gross margins, increased borrowings and expiry of tax allowances, all combined, delivered headline earnings for the year ended 30 September 2013 of R591,0 million. This represents a 17,2% decrease over the comparable figure for 2012 of R713,4 million and translates into a decrease of 17,0% in headline earnings per share.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 SEPTEMBER

	2013 R'000	2012 R'000
ASSETS		
Property, plant and equipment	**1 766 464**	1 560 177
Intangible assets	**1 435 716**	710 960
Deferred tax	**14 507**	5 097
Other financial assets	**139 646**	139 751
Other non-financial asset	**36 987**	–
Investment in associates	**2 663**	–
Loans receivable	**16 489**	27 060
Non-current assets	**3 412 472**	2 443 045
Inventories	**1 558 467**	956 164
Trade and other receivables	**1 618 947**	1 320 191
Cash and cash equivalents	**163 070**	492 716
Taxation receivable	**65 871**	70 170
Current assets	**3 406 355**	2 839 241
Total assets	**6 818 827**	5 282 286
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	**16 832**	16 872
Share premium	**504 064**	547 400
Non-distributable reserves	**364 996**	356 229
Retained income	**2 750 097**	2 502 510
Total shareholders' funds	**3 635 989**	3 423 011
Non-controlling interests	**144 878**	137 684
Total equity	**3 780 867**	3 560 695
Long-term borrowings	**5 172**	104 625
Post-retirement medical liability	**15 108**	15 341
Deferred tax	**139 066**	101 910
Non-current liabilities	**159 346**	221 876
Trade and other payables	**1 340 333**	983 589
Bank overdraft	**1 307 993**	–
Short-term borrowings	**135 507**	431 368
Cash-settled options	**39 150**	39 983
Provisions	**55 631**	44 775
Current liabilities	**2 878 614**	1 499 715
Total equity and liabilities	**6 818 827**	5 282 286

Full annual financial statements can be found from page 63.

GRI: EC1

PROPERTY, PLANT AND EQUIPMENT

R344 million was invested in property, plant and equipment, including upgrading of the distribution facility (R80 million), as well as the construction of the central laboratory at the high-volume liquids facility at Clayville (R72 million). Wadeville invested almost R50 million with the addition of two new granulation suites.

INTANGIBLE ASSETS

Intangible assets of R1,4 billion increased by R725 million, due to the acquisition of intangibles in India. Amortisation of R51 million has been expensed against intangible assets which have a finite life, with Cosme representing two-thirds (R33 million) of that amount.

INVENTORIES

Inventory of R1,5 billion is R602 million higher than last year. Apart from the effect of the weak Rand on the carrying cost of inventory (R123 million), the balance includes inventory relating to new MNC and tender business of R127 million, and R54 million relating to the inclusion of new business (Cosme and Datlabs). The increase in inventory experienced during the year is a function of a deliberate decision to grow the business and improve service levels, but stringent focus will be placed on normalising these inventory levels in the coming year.

TRADE AND OTHER RECEIVABLES

Trade and other receivables have increased by R299 million, but days in trade receivables improved to 62 days (2012: 65 days). There were no bad debts in the period. 85% of the trade receivables are due from private customers.

TRADE AND OTHER PAYABLES, AND PROVISIONS

Trade and other payables, and provisions have increased by R367 million, including R128 million relating to Cosme (R96 million) and Datlabs (R32 million), and R74 million due to new MNC partners.

BORROWINGS

Aside from the overdraft of R1,15 billion, other borrowings total R141 million of which R136 million are short-term. R100 million remains outstanding on the capex facilities, R64 million bearing interest at JIBAR + 265 basis points and R36 million at JIBAR + 180 basis points. The final instalment is due in December 2013. The overnight loans and overdraft bear interest at rates between 6,25% and 7%. The debt/equity ratio at year end was 34,0%, and net debt:EBITDA is 1,2 times.

FINANCIAL SUMMARY CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	2013 R'000	2012 R'000
Cash flows from operating activities		
Operating profit before working capital changes	**1 204 899**	1 077 581
Working capital changes	**(630 598)**	(292 138)
Cash generated from operations	**574 301**	785 443
Finance income, excluding receivable	**21 720**	19 369
Finance costs, excluding accrual	**(73 715)**	(22 672)
Dividend income, excluding receivable	**12 613**	27 035
Dividends paid	**(347 118)**	(155 356)
Taxation paid	**(216 090)**	(196 158)
Net cash (outflow)/inflow from operating activities	**(28 289)**	457 661
Cash flows from investing activities		
Decrease in other financial assets	**409**	457
Acquisition of Cosme business, net of cash	**(821 593)**	–
Purchase of property, plant and equipment – Expansion	**(65 262)**	(276 401)
– Replacement	**(279 111)**	(235 392)
Purchase of intangible assets	**–**	(13 109)
Proceeds on disposal of property, plant and equipment	**377**	1 732
Increase in loans receivable	**–**	(11 221)
Net cash outflow from investing activities	**(1 165 180)**	(533 934)
Cash flows from financing activities		
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(342)**	(11 060)
Proceeds from issue of share capital	**5 099**	7 068
Purchase of treasury shares	**(48 475)**	(45 683)
Share issue expenses incurred by subsidiary	**(3 669)**	–
Distribution out of share premium	**–**	(179 289)
Increase in borrowings	**31 339**	16 503
Repayment of borrowings	**(426 995)**	(321 777)
Net cash outflow from financing activities	**(443 043)**	(534 238)
Net decrease in cash and cash equivalents	**(1 636 512)**	(610 511)
Net foreign exchange difference on cash and cash equivalents	**(1 127)**	(355)
Cash and cash equivalents at beginning of year	**492 716**	1 103 582
Cash and cash equivalents at end of year	**(1 144 923)**	492 716

CASH GENERATED FROM OPERATIONS

Cash generated from operations was R574 million (2012: R785 million) after working capital increased by R631 million (2012: R292 million). Although receivables increased by R311 million, trade accounts receivable days at the end of the year of 62 days improved on the 65 days reported in 2012.

Inventory increased by R602 million, including inventory relating to new MNC and tender business of R127 million and R54 million relating to Datlabs in Zimbabwe and the Cosme business in India. The overall inventory holding cost also increased (R123 million) due to the exchange rate impact.

The increase in accounts receivable and inventory was partly offset by the increase in payables of R356 million. After net finance income, equity-accounted earnings, dividends of R347 million (2012: R155 million) and taxation, the cash outflow was R28 million (2012: R458 million inflow).

INVESTING ACTIVITIES

Total capital expenditure for the year amounted to R344 million (2012: R512 million) which includes upgrading the distribution facility (R80 million), as well as the construction of the central laboratory at the high-volume liquids facility in Clayville (R72 million). Wadeville invested almost R50 million in the addition of two new granulation suites.

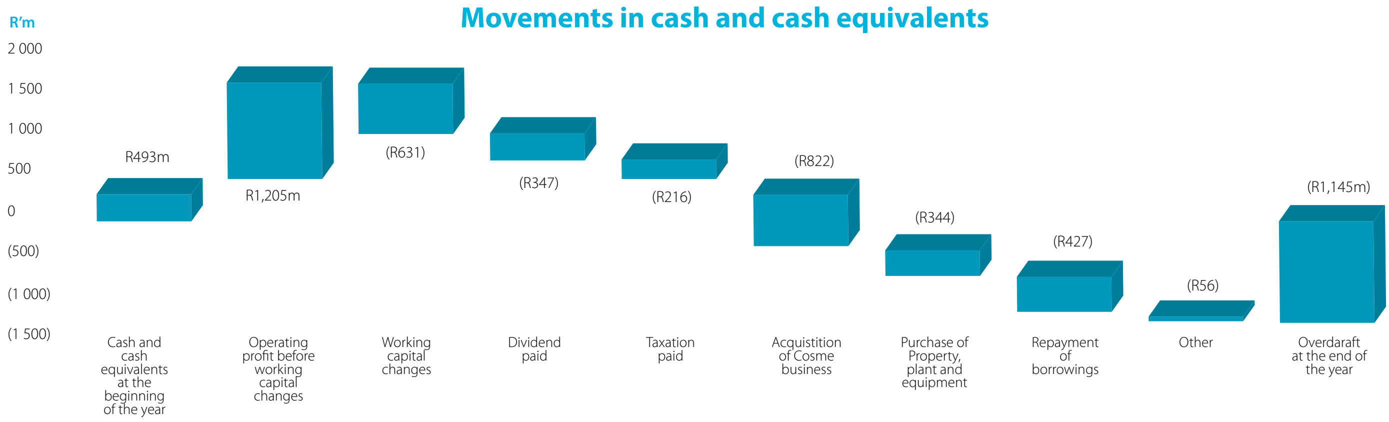
FINANCING ACTIVITIES

During the year, R400 million was repaid on the loan facility for the factory upgrades. The remaining balance of R100 million will be paid in December 2013.

CASH AND CASH EQUIVALENTS

Following the acquisition of the Cosme business for R821 million, cash decreased by R1,6 billion, leaving the business in a year-end overdraft position of R1,1 billion (2012: R493 million net cash position).

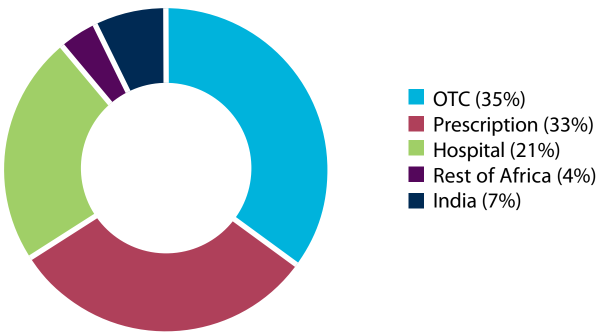
Movements in cash and cash equivalents



SEGMENT REPORT
FOR THE YEAR ENDED 30 SEPTEMBER

	2013 R'000	2012 R'000
Turnover		
Southern Africa	**5 030 767**	4 435 938
OTC	**2 002 279**	1 791 875
Prescription	**1 852 759**	1 520 219
Generics	**865 444**	640 694
Branded	**987 315**	879 525
Hospital	**1 175 729**	1 123 844
Rest of Africa	**220 635**	155 112
India	**386 331**	140 433
	5 637 733	4 731 483
Less: Inter-company sales	**(192 094)**	(132 234)
	5 445 639	4 599 249
Contribution after marketing expenses		
Southern Africa	**1 177 249**	1 245 746
OTC	**707 403**	660 492
Prescription	**321 704**	371 801
Generics	**145 029**	205 568
Branded	**176 675**	166 233
Hospital	**148 142**	213 453
Rest of Africa	**48 253**	27 315
India	**108 968**	48 388
	1 334 470	1 321 449
Less: Inter-company	**(9 194)**	(7 492)
	1 325 276	1 313 957
Less: Other operating expenses	**(434 471)**	(445 136)
Research and development	**(104 941)**	(81 601)
Fixed and administrative	**(329 530)**	(363 535)
Operating profit	**890 805**	868 821

Turnover 2013



TURNOVER

Overall, the **Southern Africa** region posted a sales increase of 13,4%, despite consumer spending remaining under pressure. Volumes were boosted by increased tender awards and we expect to see further increases in volumes of ARV's supplied in terms of the current ARV tender award.

OTC sales increased by 12% to R2,002 million (2012: R1,792 million), with a good performance from economy brands in pharmacy and schedule 0 brands in the FMCG channel. Premium brands remain under pressure but are showing growth relative to the market. The core brands – Panado, Corenza, Citro-Soda and Allergex – have managed to hold or improve their market positions despite aggressive competition.

Turnover in the **Prescription** business increased by 21,9% to R1,853 million (2012: R1,520 million). This was impacted by new multi-national collaborations and success in the most recent ARV and other oral dosage tender awards.

Hospital turnover increased by 4,6% over the comparable year to R1,176 million (2012: R1,124 million) with increased tender volumes. However, the change in mix impacted margins negatively. The Renal portfolio reflects continued growth through peritoneal dialysis, haemodialysis and Continuous Renal Replacement Technology (CRRT).

Turnover growth in the **Rest of Africa** was 42% over the last year.

In **Ghana**, Adcock Ingram product sales continue to grow due to expansion in territorial coverage and increased marketing activities, but the core Ayrton brands' performance was almost flat.

In **East Africa**, sales increased by 60% compared to the same period last year, driven by expansion in the OTC therapeutic areas, increased marketing activities and the re-introduction of Dawanol.

In **Zimbabwe**, sales growth was supported by efficiencies in the supply chain and the introduction of CamphaCare which has received country-wide acceptance.

India recorded total sales of R386 million (2012: R140 million), with the Cosme business contributing R169 million since its acquisition in January 2013. These sales were adversely impacted during a six-week transition phase when sales force union activity reduced productivity. These union related issues were subsequently resolved and the business is well placed to provide satisfactory growth next year.

CONTRIBUTION AFTER MARKETING EXPENSES

Margins in Southern Africa have been negatively impacted by the weakening of the Rand, competitive trading conditions, inflation-plus cost increases, and the change in mix, with higher proportions of MNC and tender business at lower margins, resulting in the contribution after marketing expenses decreasing almost 6% to R1,177 million (2012: R1,246 million).

Dr Jonathan Louw

CHIEF EXECUTIVE OFFICER

- See page 10 for abridged CV

Andrew Hall

DEPUTY CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

- See page 10 for abridged CV

Kofi Amegashie

BSc (Hons) Chemical Engineering, MSc Management (UK)

COMMERCIAL EXECUTIVE – REST OF AFRICA

- Appointed in October 2011
- Previously CEO of Alexander Forbes business on the African continent outside of South Africa
- Joined Coca-Cola in Nigeria in 2006 as Director Consumer Marketing, Strategy and Business Planning for Nigeria and Equatorial Africa
- 20 years' broad business experience in emerging and developed markets including Commercial Head of Pharmaceuticals

RESPONSIBILITIES

- Growth in sub-Saharan Africa
- Drive regional exports in Africa

Pravin Iyer

BCom, AICWA, CMA

COMMERCIAL EXECUTIVE – INDIA

- Joined Adcock Ingram in June 2011
- Director of Adcock Ingram Healthcare Private Limited, India
- Previously CEO of the Medreich Group, Adcock Ingram's joint venture manufacturing partner in India
- CFO of Medreich for five years
- 21 years' experience in the pharmaceutical industry

RESPONSIBILITIES

- Growth in India following acquisition of the Cosme business
- Manage Indian transactional and regulatory support for Africa

Full CV's available on the website
www.adcock.com

Refer to page 75 for details regarding the ***Cosme acquisition***

GRI: 2.3, 4.1 – 4.3, 4.9

EXECUTIVE COMMITTEE

Ashley Pearce

Dip. Pharm, BCom

COMMERCIAL EXECUTIVE – SOUTHERN AFRICA

- Joined Adcock Ingram in October 2012 as Customer Relationship Executive
- Appointed into current role on 1 April 2013
- Previously CEO of MSD in South Africa
- Over 28 years' experience within the pharmaceutical industry, in Production, R&D, Business Development, and Sales and Marketing
- Has led both the Pharmaceutical Industry Association of South Africa (PIASA) and the Pharmaceutical Task Group (PTG)

RESPONSIBILITIES

- Growth in Southern Africa

Colin Sheen

MBA, PDBA, BTech, N. Dip. Marketing

COMMERCIAL EXECUTIVE

- Joined Adcock Ingram in June 2008
- Previously held various roles at Schering-Plough including Divisional Director, Marketing Director and Head of the South African commercial business
- Spent 10 years at 3M Corporation in various commercial roles including Commercial Head of Pharmaceuticals

RESPONSIBILITIES

- Specialised therapies
- Strategic alliances

Viral Desai

BPharm, BCom

COMMERCIAL EXECUTIVE

- Joined Adcock Ingram in March 1999
- Served in various senior commercial and technical roles including corporate and business strategy development

RESPONSIBILITIES

- Pharmacy and Hospital Generics
- Government tenders

Craig St John-Ayre

BSc Hons, MSc

COMMERCIAL INTELLIGENCE EXECUTIVE

- Joined Adcock Ingram in August 2013
- Previously Managing Director of The Business Practice
- Held positions in Marketing and Business Intelligence with several multi-national pharmaceutical companies, including Pfizer, GSK and AstraZeneca
- 20 years' pharmaceutical industry experience

RESPONSIBILITIES

- Customer relationship and contract management
- Cross-functional business analysis

Werner van Rensburg
MEng (Mechanical Engineering), MBA, EMLog, GCC (ML & OHS)

CHIEF OPERATING OFFICER
- Joined Adcock Ingram in May 2013
- Previously Managing Director at Formex
- Pharmaceutical experience gained at Aspen Pharmacare, as Group Operations Director

RESPONSIBILITIES
- Manufacturing
- Supply chain management
- Procurement
- Logistics
- IT

Mahendra Chibabhai
BPharm, Management Advancement Programme

MANUFACTURING EXECUTIVE
- Joined Adcock Ingram in January 1979
- 35 years' experience in pharmaceutical manufacturing in South Africa, Africa and India
- Started his career as a production pharmacist
- Overall responsibility for the recapitalisation of the manufacturing facilities

RESPONSIBILITIES
- Manufacturing
- Group procurement

Tobie Krige
BEng (Industrial Engineering), MBA

LOGISTICS EXECUTIVE
- Joined Adcock Ingram in January 2012
- More than 15 years' experience in supply chain and logistics
- Worked in extended geographical areas in Europe, Middle East and Africa
- Worked for various other organisations, including Nampak and DHL

RESPONSIBILITIES
- Logistics
- Planning
- Third party procurement

Frans Cronje
BSc, N. Dip. Ind. Eng.

INFORMATION TECHNOLOGY EXECUTIVE
- Joined Adcock Ingram in December 2007
- Previously held a variety of IT executive roles at Tiger Brands over a period of 10 years
- Worked for an International IT company as an Applications Consulting and Project Manager
- More than 25 years IT experience in a variety of industries

RESPONSIBILITIES
- Information technology (IT)

Mohamed Mangel
CA (SA)

OPERATIONAL FINANCE EXECUTIVE
- Joined Adcock Ingram as a project accountant in June 1992
- Held various roles in finance over 20 years at Adcock Ingram

RESPONSIBILITIES
- South Africa
- East Africa
- Ghana
- Zimbabwe

Dorette Neethling
CA (SA), MCom (Taxation)

GROUP FINANCE EXECUTIVE
- Joined Adcock Ingram in August 2007
- Previously Financial Director at Quintiles South Africa
- Financial Manager in FMCG environment in Namibia

RESPONSIBILITIES
- Financial reporting
- Taxation
- Treasury
- Payroll

Dr Abofele Khoele
MB ChB, MBA

MEDICAL EXECUTIVE
- Joined Adcock Ingram in August 2010
- Previously Medical Director and Chief Scientific Officer at Novartis South Africa
- Held various positions in medical affairs and clinical operations at Novartis
- Prior to joining the industry he was a clinician in the field of general surgery

RESPONSIBILITIES
- Medical affairs
- Regulatory affairs
- Group quality assurance
- Research and development

Ntando Simelane
B. Juris, LLB

COMPANY SECRETARY
- Joined Adcock Ingram in April 2009 as the Group's Legal and Compliance Manager
- Appointed as Company Secretary on 1 April 2011
- Spent nine years at the SABC in various legal roles
- Spent four years at the Advertising Standards Authority of SA (ASA) as a dispute resolution consultant

RESPONSIBILITIES
- Company secretariat
- Legal affairs
- Legal / Risk compliance
- Risk control

Basadi Letsoalo
Hons Psych, CLDP, MPsych, MLPC

HUMAN CAPITAL EXECUTIVE
- Joined Adcock Ingram in January 2008
- Previously head of Transformation at Standard Bank SA
- Head of HR Information Management at ABSA
- Serves as a member of the University of KwaZulu-Natal Council

RESPONSIBILITIES
- Transformation
- Talent acquisition and management
- Learning and development
- Remuneration

Doreen Kosi
MSc, Management Advancement Programme

GOVERNMENT RELATIONS EXECUTIVE
- Joined Adcock Ingram in May 2013
- Worked in The Presidency (Republic of South Africa) for 14 years
- Occupied various senior management positions in Government administration for more than 10 years

RESPONSIBILITIES
- Government relations
- Stakeholder engagement
- Corporate affairs and CSI
- Internal and external communications

BOARD AND GOVERNANCE STRUCTURE

Jonathan J Louw (44)

MB ChB, MBA
Chief Executive Officer
Appointed: 15 July 2008
Appointed in 2008, overseeing the relisting of the Company on the JSE. Prior to this was head of pharmaceutical business since 2002. Joined Adcock Ingram in 2001 as New Business Development Executive.

PREVIOUS EXPERIENCE
- Joined Astra Zeneca in South Africa in 1999
- Practiced as an anaesthetist at St. Mary's Hospital in London in the 1990s

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
AUDIT COMMITTEE: Invitee
MEETING ATTENDANCE: 3/3
RISK AND SUSTAINABILITY COMMITTEE: Invitee
MEETING ATTENDANCE: 2/2
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Invitee
MEETING ATTENDANCE: 21/23
INDEPENDENT BOARD: Invitee
MEETING ATTENDANCE: 1/1
HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE: Invitee
MEETING ATTENDANCE: 2/3
REMUNERATION
2013: R6 368 250
2012: R3 949 342

Andrew G Hall (51)

CA (SA), BPharm
Deputy Chief Executive and Financial Director
Appointed: 15 July 2008
Oversees Group Finance, Business Development, Investor Relations, and the Legal and Company Secretariat. Joined Adcock Ingram in 2007 as Chief Financial Officer.

PREVIOUS EXPERIENCE
- Partner in charge of health sciences at Ernst & Young
- CFO of a listed pharmaceutical company in South Africa
- Sales and marketing at Pfizer, and retail pharmacy

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
AUDIT COMMITTEE: Invitee
MEETING ATTENDANCE: 3/3
RISK AND SUSTAINABILITY COMMITTEE: Invitee
MEETING ATTENDANCE: 2/2
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Invitee
MEETING ATTENDANCE: 22/23
INDEPENDENT BOARD: Invitee
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R5 140 950
2012: R3 188 221

Khotso DK Mokhele (58)

PhD Microbiology, MSc Food Science, BSc Agriculture
Independent non-executive Chairman
Appointed: 15 July 2008

Chancellor of the University of the Free State. Chancellor of the University of Pretoria. Chairman of Impala Platinum Holdings Limited. Serves on the boards of Tiger Brands Limited, Hans Merensky Holdings, Zimplats Holdings Limited and African Oxygen Limited, amongst others.

PREVIOUS EXPERIENCE
- Founder President of the National Research Foundation
- Founder President of the Academy of Science of South Africa
- Served as Chairperson of the National Skills Authority and of the Premier's Economic Advisory Council for the Free State Province
- Served on the Executive Board of the United Nations Education, Science and Culture Organisation (UNESCO)

BOARD: Chairman
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Chairman
MEETING ATTENDANCE: 23/23
INDEPENDENT BOARD: Chairman
MEETING ATTENDANCE: 1/1
HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE: Member
MEETING ATTENDANCE: 3/3
REMUNERATION
2013: R1 168 875
2012: R967 500

Matthias Haus (64)

MB ChB, MD, DCH, FCFP, FFPM, Dip Obst
Independent non-executive director
Appointed: 1 June 2012

Adjunct Professor in Medicine, University of Cape Town. Extraordinary Professor in Medicine, University of Pretoria. Partner at Gateways Business Consulting Group. Trustee of the Colleges of Medicine of South Africa. Editor in chief at Current Allergology and Clinical Immunology. Executive at the Allergy Society of South Africa.

PREVIOUS EXPERIENCE
- Executive Vice President, AstraZeneca (sub-Saharan Africa and China)
- Non-executive chairman, Professional Provident Society of South Africa
- Senator, Colleges of Medicine of South Africa

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
RISK AND SUSTAINABILITY COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 20/23
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R497 558
2012: R109 519

Tlalane Lesoli (63)

MB BS, Dip of Child Health
Independent non-executive director
Appointed: 15 July 2008
Qualified as a medical doctor at the University of London. Non-executive director of Woman Investment Africa Network and Zawadi Investments. Registered practitioner with the Health Professions Council of South Africa as well as the British General Medical Council.

PREVIOUS EXPERIENCE
- Co-founded and managed Mother Earth Distributors and Nature Plan
- Non-executive director of Global Africa Resources
- Research in Neonatal Paediatrics at John Radcliffe Hospital Oxford UK
- Medical Director for Transmed Medical Aid

BOARD: Member
BOARD MEETING ATTENDANCE: 4/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Member
MEETING ATTENDANCE: 1/2
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R305 898
2012: R298 088

CHANGES DURING THE YEAR

Eric K Diack resigned as director on 22 March 2013.

For more details regarding executive and non-executive remuneration, refer to page 54.

P Mpho Makwana (43)

BAdmin (Honours), Post-Grad Dip (Retailing Management)
Independent non-executive director
Appointed: 1 February 2012

Non-executive director of Nedbank and Biotherm Energy (Pty) Limited. Chairman of Arcelormittal SA Limited, Chairman of the board of trustees at The New LoveLife Trust. Trustee of The Business Trust, Vodacom Foundation Trust, the Transaction Advisory Fund and World Wildlife Fund South Africa. Chairman of ITNA, an IT company.

PREVIOUS EXPERIENCE
- Chairman of Eskom Holdings
- Member of the group executive of Edcon

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
RISK AND SUSTAINABILITY COMMITTEE: Member
MEETING ATTENDANCE: 2/2
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Chairman
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 16/23
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R553 030
2012: R260 888

Clifford D Raphiri (50)

BSc (Mechanical Engineering), Grad Dip Engineering, MBA
Independent non-executive director
Appointed: 15 July 2008

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

PREVIOUS EXPERIENCE
- Design mechanical consulting engineer at BKS Inc
- Project Engineer at Metal Box
- Consulting engineer at Andersen Consulting

BOARD: Member
BOARD MEETING ATTENDANCE: 4/5
SPECIAL BOARD MEETING ATTENDANCE: 1/2
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
HUMAN RECOURCES, REMUNERATION AND NOMINATIONS COMMITTEE: Chairman
MEETING ATTENDANCE: 3/3
REMUNERATION
2013: R335 637
2012: R315 795

Leon E Schönknecht (60)

BCompt (Hons), CA (SA)
Independent non-executive director
Appointed: 15 July 2008

Chairman of New Teltron (Pty) Limited.

PREVIOUS EXPERIENCE
- CEO of United Pharmaceutical Distributors (UPD)
- Non-executive Chairman of UPD and director of the Premier Group

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
AUDIT COMMITTEE:
MEETING ATTENDANCE: 2/2
RISK AND SUSTAINABILITY COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 23/23
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R567 614
2012: R334 359

Roger I Stewart (61)

MB ChB, PhD (Med), Grad Dip Comp Dir. F Inst Directors
Independent non-executive director
Appointed: 15 July 2008

Director and shareholder of Business Sculptors (Pty) Limited.

PREVIOUS EXPERIENCE
- Associate professor of Physiology at the University of Stellenbosch
- Fellow of the American College of Chest Physicians
- Group executive at the South African Medical Research Council

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 2/2
AUDIT COMMITTEE: Member
MEETING ATTENDANCE: 3/3
RISK AND SUSTAINABILITY COMMITTEE: Chairman
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 15/16
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
REMUNERATION
2013: R696 028
2012: R541 839

Andrew M Thompson (56)

BSc (Civil Engineering), MBA
Independent non-executive director
Appointed: 15 July 2008

Experienced industrial executive. Non-executive director of MPact Limited (previously Mondi Packaging).

PREVIOUS EXPERIENCE
- CEO of Mondi South Africa
- Non-executive director of Tongaat Hulett Group

BOARD: Member
BOARD MEETING ATTENDANCE: 5/5
SPECIAL BOARD MEETING ATTENDANCE: 1/2
AUDIT COMMITTEE: Member/Chairman
MEETING ATTENDANCE: 3/3
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE: Member
MEETING ATTENDANCE: 2/2
COMMITTEE OF THE INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 22/23
INDEPENDENT BOARD: Member
MEETING ATTENDANCE: 1/1
HUMAN RECOURCES, REMUNERATION AND NOMINATIONS COMMITTEE: Member
MEETING ATTENDANCE: 3/3
REMUNERATION
2013: R662 595
2012: R431 656

Full CV's available on the website
www.adcock.com

BOARD AND GOVERNANCE STRUCTURE CONTINUED

BOARD

	1 Audit Committee	2 Human Resources, Remuneration and Nominations Committee	3 Social, Ethics and Transformation Committee	4 Risk and Sustainability Committee
Composition	Three independent non-executive directors	Three independent non-executive directors	Four independent non-executive directors Two executive directors	Four independent non-executive directors
Members	AM Thompson (Chairman) RI Stewart LE Schönknecht	CD Raphiri (Chairman) AM Thompson KDK Mokhele	PM Makwana (Chairman) T Lesoli KDK Mokhele AM Thompson JJ Louw AG Hall	RI Stewart (Chairman) LE Schönknecht PM Makwana M Haus
Responsibilities	Review annual financial statements and recommend their approval to the Board Review accounting policies Nominate for appointment independent auditor in accordance with the Companies Act Determine the fees to be paid to auditors and engagement terms and ensure that the appointment of the auditors complies with the provisions of the Companies Act and other relevant legislation Provide assurances to the Board as to the integrity and appropriateness of the financial management systems	Assist the Board in determining remuneration and performance measures of executive and senior management Determine remuneration policy and appropriate human capital management policies Review terms and conditions of key executive service agreements at least annually Oversee annual performance evaluation of the Board Assist the Board to ensure that the Board is appropriately constituted for it to execute its role and duties effectively and that directors are appointed through a formal, transparent process; and that induction and ongoing training and development of directors takes place	Monitor the Company's activities having regard to relevant legislation and codes of best practice Draw matters within its mandate to the attention of the Board and report to the shareholders at the Annual General Meeting Ensure Adcock Ingram's equity ownership and the demographic profile of its employees is representative in the South African context Establish, implement and monitor the framework for the Company's transformation plan	Ensure an appropriate and effective control environment and clear parameters within which risk is managed Oversee issues relating to sustainability Oversee the conducting of a business risk assessment to identify the most significant commercial, financial, compliance and sustainability risks and implement processes to mitigate these risks Assist the Board in setting the risk strategy and policies in determining the Company's tolerance for risk
Attendance by invitation	Executive directors, Finance executives, internal and external auditors	CEO and Human Capital executive	Human Capital executive, Group Finance executive and Government Relations executive	Executive directors, internal and external auditors, insurance and risk advisors and relevant members of management

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE

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 subsidiaries within the Adcock Group. These structures, processes and practices help to ensure that authority is exercised and decisions are taken, within an ethical framework that promotes the responsible consideration of all stakeholders and ensures that decision-makers are held appropriately accountable.

Adcock Ingram Holdings Limited is committed to the principles of good corporate governance as set out in the King III Report on Corporate Governance for South Africa (King III Report), the JSE Listings Requirements and the Companies Act, 71 of 2008 (Companies Act).

A register setting out compliance with King III principles on an "apply or explain" basis can be found on *www.adcock.com*

ETHICS

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

ADCOCK INGRAM IS COMMITTED TO:

- Achieving the highest standards of transparency, accountability and integrity in all aspects of its operations and in its dealings with stakeholders and the community at large;
- Providing stakeholders and the investor community with clear, meaningful and timely information about Adcock Ingram's operations and results;
- Conducting its business on the basis of fair commercial and competitive practice;
- Building business relationships with suppliers and customers who endorse ethical business practices and who comply with the laws of the jurisdictions where they operate;
- 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
- Proactively accepting responsibility for, and managing the environmental and sustainability issues associated with its business.

The King III Report provides clear guidance on acceptable business practices and ethical standards by which Adcock Ingram directors, employees, suppliers and business partners are expected to conduct themselves in their business relationships. Training initiatives relating to ethics include training of employees on ethics by one of the two Certified Ethics Officers employed by the Group, one also being a certified fraud examiner. Employees are encouraged to report any suspected inappropriate, unethical, illegal activity or misconduct through an independently operated Speak Up line (Tip-Offs Anonymous). This whistle-blowing facility is available 24 hours per day, 365 days per year. All complaints lodged through this service are investigated and where appropriate, disciplinary action is instituted and reported to the Board of directors through the Human Resources, Remuneration and Nominations Committee.

VALUES

Our corporate values are aimed at building and maintaining a culture which promotes teamwork, achievement of financial results, respect, learning and development, commitment, professionalism, integrity, and a focus on business ethics, creative thinking and open and honest communication.

REPORTS RECEIVED

34 for unethical behaviour, dishonest conduct, human capital complaints, governance complaints

INSUFFICIENT EVIDENCE

14

NUMBER OF CALLS UNDER INVESTIGATION

5

UNFOUNDED REPORTS

4

PROVEN ALLEGATIONS

11

CORPORATE GOVERNANCE CONTINUED

INFORMATION TECHNOLOGY (IT)

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

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

- Business driven IT strategy;
- Standardisation of systems and processes to improve business operations and reporting;
- Replacement of outdated and obsolete systems with the Oracle ERP suite of products running on modern energy efficient servers;
- Centralisation of IT facilities and upgrades to the IT infrastructure;
- Information security systems; and
- Disaster recovery systems and procedures.

INTERNAL AUDIT

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

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

The internal audit function is outsourced to an independent audit firm and the responsibility to oversee, manage, inform and take accountability for the effective operation of this function lies with the Company's Deputy Chief Executive and Financial Director. The internal audit function has adopted a risk-based methodology to ensure appropriate coverage of governance, risk and control processes which are crucial to the realisation of strategic goals. The internal audit plan is therefore informed by strategic plans, key risks, input from management, the Board and external audit, compliance requirements and a comprehensive assessment of the risk universe as it applies to the Group. The internal audit function has a formally defined charter which is approved by the Board.

There has been extensive co-ordination and sharing of information with the Group's external auditor, who continues to place substantial reliance on the work of internal audit.

THE BOARD OF DIRECTORS

APPOINTMENT AND RETIREMENT

Adcock Ingram is led by a diverse board of 10 directors, eight of whom are independent non-executives. Adcock Ingram's Memorandum of Incorporation (MOI), which was approved by shareholders in January 2013, sets out a formal process for the appointment of directors to the Board. Criteria used in the selection of the directors of the Company includes leadership qualities, depth of experience, skills, independence, business acumen and personal integrity beyond reproach. The directors collectively bring to the Group a wide range of skills and experience which include industry-specific knowledge as well as broader business flair. The Board is led by a Chairman who is an independent non-executive director. A clear separation of power exists between the Chairman of the Board and the Chief Executive Officer.

As required by the Company's MOI, an Annual General Meeting is held each year. In accordance with the MOI, one-third of the independent non-executive directors retire by rotation every year and, if eligible, may offer themselves for re-election by shareholders. Thus, each independent non-executive director is rotated at least once every three years in accordance with the MOI. Retiring independent non-executive directors who offer themselves for re-election are evaluated by fellow directors before a recommendation on their re-election is made by the Board to shareholders. There is no term or age limit imposed in respect of a director's appointment; however, tenure is informed by a regular, formal evaluation of the suitability, contribution and independence of each of the directors. The terms and conditions applicable to the appointment of independent non-executive directors are contained in a letter of appointment which, together with the Board Charter, forms the basis of the director's appointment. The Human Resources, Remuneration and Nominations Committee plays an important role in the identification and removal of under-performing or unsuitable directors.

Brief *curricula vitae* of each of the directors appear on pages 10 and 11 of this report.

RESPONSIBILITIES AND PROCESSES

The Board is ultimately accountable to shareholders for the performance of the Group. The Board broadly gives strategic direction to the Group; approves and regularly reviews business plans, budgets and policies; appoints the Chief Executive Officer and ensures that power and authorities delegated to management are clearly and comprehensively documented and regularly reviewed, and that the governance framework and strategic direction of the Group remain appropriate and relevant. The Board retains control over the Group, monitors risk and oversees the implementation of approved strategies through a structured approach to reporting and accountability.
The Board, through the Risk and Sustainability Committee, monitors the Group's risk tolerance and appetite and approved the enterprise risk management plan which is in the process of being implemented by management. In order to provide the Board with a perspective on its robustness as required in the King III Report on Governance for South Africa 2009 (King III), a high-level review of the enterprise risk management arrangements as implemented at Adcock Ingram was performed by the internal auditors. This confirmed a credible process of risk management and has been rated as "satisfactory", which recognises that, whilst deficiencies within the risk management process exist, these continue to be addressed through the recommended interventions.

BOARD CHARTER

The Board is governed by a Board Charter which sets out, *inter alia*, the principles and process in terms of which directors are appointed, and the duties and responsibilities of the Board. Issues of conflicts of interest are regulated and dealt with regularly in terms of the Board Charter and section 75 of the Companies Act. The directors' register of interests is circulated at the scheduled meetings of the Board for directors to confirm its contents and the subject matter is a standing item on the Board agenda. In line with the Board's commitment to implementing the highest practicable standards of corporate governance within the Company, the Board Charter incorporates the principles of the King III Report wherever appropriate.

The meetings of the Board and its committees are scheduled annually in advance. In addition to regular consideration of the Group's operational and financial performance at each of its meetings, the Board's annual work-plan aims to ensure that the Board deals with each of the matters reserved for its consideration during the course of its scheduled annual meetings. The number of meetings held during the year under review (including meetings of Board-appointed committees) and the attendance of each director appear on pages 10 and 11 of this report. The Board strives to ensure that non-attendance by directors at scheduled Board meetings is an exception rather than the norm, and directors who are unable to attend meetings are required to communicate their reasons for non-attendance in advance to the Company Secretary for formal notification to the Board through the Chairman. Directors are also required to sign an attendance register at all the meetings of the Board.

Board papers are provided to directors in a timely manner, in advance of meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary. All directors may propose further matters for inclusion on the agenda of Board meetings. The Board is given unrestricted access to all Group information, records, documents and facilities through the office of the Company Secretary. The Company Secretary is the secretary to all committees of the Board and ensures that the committees operate within the limits of their respective mandates and in terms of an agreed annual work plan. There is a formal reporting procedure to enable the Board to stay abreast of the activities of each committee. In terms of the Board Charter, the directors may obtain independent professional advice, at the Group's expense, should they deem it necessary for the proper execution of their directorial role.

Directors are kept appropriately informed of key developments affecting the Group between Board meetings.

Non-executive directors have full access to management and may meet separately with management, without the attendance of executive directors, where necessary. Arrangements for such meetings are facilitated through the office of the Company Secretary. At least twice annually, the non-executive directors meet without the executive directors or other members of management being present to discuss issues relevant to the Board and the Group.

The Company Secretary attends all Board and committees' 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.

CHANGES TO DIRECTORS' RESPONSIBILITIES AND STATUS

Mr Eric Diack resigned as an independent non-executive director of Adcock Ingram, as well as Chairman of the Audit Committee and as member of the Company's Risk and Sustainability Committee with effect from 22 March 2013.

Mr Andrew Thompson was appointed as the Chairman of the Audit Committee with effect from 12 April 2013 and Mr Leon Schönknecht was appointed as a member of the Audit Committee with effect from 15 May 2013.

BOARD EDUCATION AND TRAINING

All directors are required to attend a formal annual governance training session, which is formally scheduled in the Board's annual calendar, to ensure their knowledge of governance remains relevant. In addition, all directors are provided with an induction file containing important legislation and the Group's governance framework (including the Board committee governance structure, the Board Charter, terms of reference of all Board committees and key Company policies). Ongoing director training sessions are held where changes in the legislative, regulatory or business environment of the Group warrant specific focus. Finally, all directors are encouraged to attend external director development and training programmes, at the cost of the Group. In the year under review it was accepted that formal training be suspended, because of the extraordinary additional time commitments required of directors due to the Independent Board activities.

BOARD EVALUATION

A formal process to evaluate the performance of the Board, its committees, the Chairman, and three retiring Board members was instituted. The Board and its Chairman as well as three retiring directors were evaluated in 2011. In 2012 the performance of the committees and their respective chairmen; the retiring directors; the CEO and the Company Secretary were evaluated. In the year under review the performance of the retiring directors and Company Secretary were evaluated. The evaluation criteria included the following areas: composition, authority and functionality, effectiveness of meetings, relationship between the independent non-executive directors and management, risk management and control. The evaluation forms completed by directors were submitted to an independent assessor for evaluation and compilation of a report. The results of the evaluation were discussed at the meeting of the Board in November 2013.

BOARD MEETINGS

Following the receipt of an unsolicited letter from the Bidvest Group Limited, proposing a scheme of arrangement to acquire 60% of the entire issued share capital of Adcock Ingram, the Board of directors constituted the Independent Board, which excluded executive directors and management, in accordance with regulation 108(9) of the Companies Regulations. In turn, the Independent Board constituted a working committee of the Independent Board, which comprised six members of the Independent Board, with authority to act for the Independent Board but to report to the Independent Board from time to time.

Of the six scheduled Board meetings, five were held during the year. In addition, there were two special Board meetings, 23 Independent Board Committee meetings and one Independent Board meeting (also designated as special Board meetings), 15 of which lasted more than three hours. Refer to pages 10 and 11 for the attendance by directors at all Board meetings.

COMPANY SECRETARY

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

The Board of directors can confirm that it has considered and satisfied itself with regard to the competence, qualifications and experience of the Company Secretary. The Company Secretary was evaluated by all of the directors and some of his internal and external colleagues. The evaluation questionnaires were collated and analysed by independent advisors and the results thereof shared with the Board of directors. Based on the results of the evaluation, the Board of directors can confirm that the Company Secretary is competent and has relevant experience to discharge his duties. Furthermore, the Company Secretary is suitably qualified for this role, maintains an arm's length relationship with the Board of directors and is not a director.

GRI: 4.4, 4.6, 4.7, 4.10

LEADERSHIP STATEMENT

DEAR STAKEHOLDER,

2013 has been a milestone year for the Group which has been well positioned to resume its traditional path of growth. This contributed to the interest shown by various parties to acquire control of the Group.

The Independent Board (IB) (which excluded executive directors and management) ran a rigorous eight month process, in accordance with its fiduciary and legal responsibilities to evaluate all bona fide proposals. The IB reviewed all proposals and determined that the offer received from CFR Pharmaceuticals S.A. (CFR) is in the best interests of shareholders and all other stakeholders, in terms of value, feasibility and potential synergies, CFR is a multinational emerging market pharmaceutical company based in Chile and listed on the Santiago Stock Exchange.

Following the completion of reciprocal due diligences of both CFR and Adcock Ingram, a joint announcement was issued on 15 November 2013 regarding the firm intention by CFR to make an offer to acquire 100% of the issued share capital of Adcock Ingram by way of a scheme of arrangement.

The offer price of R73.51 per share represents a considerable premium of 31% to the unaffected Adcock Ingram share price of R56.20 as at 20 March 2013, the day prior to the unsolicited approach from the Bidvest Group Limited.

As this proposed transaction has been on the forefront of many of our stakeholders' minds, it is regarded necessary that the Chairman of the IB deals with the most frequently asked questions.

For all the details on this proposed transaction and the IB process, stakeholders are also referred to: *cfrtransaction.adcock.com*

INVESTORS

Q: Why was CFR selected as the preferred offer?

A: The IB believes that the combination of Adcock Ingram and CFR would create a leading, diversified emerging markets pharmaceutical company. The proposed transaction would unlock synergies and represents significant value and growth potential for Adcock Ingram.

It combines both attractive valuation parameters for Adcock Ingram shareholders and substantial synergies from combining the businesses. The business similarities also mitigate much of the execution risk, while the proposed transaction offers a compelling strategic rationale.

The combined group will create a substantial and uniquely diversified emerging markets pharmaceuticals company that is well positioned to explore other attractive markets.

Q: Why has this transaction taken so long to finalise?

A: This is a highly complex cross-border transaction – the first of its kind between Chile and SA, between two listed companies that conduct business in 23 countries in a highly regulated space. Deals of this nature do take time, given the detailed financial, legal and regulatory processes that need to be followed. These include ensuring all legal and regulatory requirements are fulfilled and interacting with the Group's many multi-national partners.

Q: What is the proposed structure of the CFR offer?

A: The potential offer price of R73,51 per Adcock Ingram share would be settled in a combination of cash (a minimum of 51,0% and a maximum of 64,3%) and new CFR ordinary shares (a minimum of 35,7% and a maximum of 49,0%).

The final mix of cash and shares has not yet been finalised because the issue of shares is subject to completion by CFR of a capital increase process in Chile. Under Chilean law, CFR shareholders must be given a pre-emptive right to subscribe for any new shares.

Whilst Adcock Ingram shareholders will not influence the final split of cash and shares, they will be able to elect a greater proportion of either shares or cash through a mix-and-match facility, subject to the aggregate amount of cash and new CFR shares available in the CFR offer.

The combined Group would benefit from a broader global investor base with listings in both Santiago and Johannesburg.

Q: What are the expected synergies and benefits to stakeholders?

A: CFR is of the view that Adcock Ingram's world-class manufacturing facilities will strategically position the combined group to export South African manufactured products to Latin America and South East Asia. Through its strong local presence, CFR today targets a market of over 500 million patients, representing a commercial opportunity of approximately US$25 billion in Latin American pharmaceuticals alone.

The combination should unlock significant value through complementary product portfolios, business structures, geographical presence and manufacturing footprints. CFR estimates total synergies arising from the combination of at least US$440 million (approximately ZAR4.5 billion) on a net present value basis.

- Potential cost synergies: CFR aims to consolidate its manufacturing footprint and will benefit from the excess capacity available in the combined group to optimise factory utilisation rates, resulting in manufacturing efficiencies and costs reductions. Overall, CFR estimates that the new manufacturing footprint should generate savings of approximately US$150 million on a net present value basis before factoring in Adcock Ingram's likely lower production costs, the likely increase in CFR's gross margins, and the lower unit production costs Adcock Ingram estimates should eventuate by increasing the volume and utilisation of its factories.
- Potential revenue synergies: The combined group will benefit from a highly complementary and diversified product portfolio. In particular, CFR believes that significant opportunities exist in the following areas:
  - Anti-retrovirals (ARV): Over 1.6 million people are infected with HIV in Latin America. CFR sees an opportunity to introduce Adcock Ingram's ARV portfolio in Latin America. Based on current prices in Latin America, it is anticipated that Adcock Ingram's ARV products would potentially generate considerable gross margins and that FDA-approved products would achieve increased pricing, thus generating even higher gross margins. CFR estimates that this potential business opportunity represents a net present value in excess of approximately US$120 million in Latin America;
  - OTC: CFR is of the view that the Latin American market represents a unique opportunity for Adcock Ingram's OTC portfolio. The OTC market in Latin America is a US$12 billion market growing at a compound annual growth rate of 12% for the period 2007 to 2012. Mid to lower income consumers represent the majority of the overall market and 95% of total consumers. The mid to lower income market segment is characterised by low prices and mass distribution. CFR's OTC portfolio is currently positioned towards higher income consumers and does not target the mid-to-lower end of the market. Adcock Ingram's OTC portfolio is cost competitive and could become a compelling commercial opportunity. CFR estimates this potential opportunity represents a net present value of approximately US$80 million; and
  - Pipeline contribution: CFR could provide Adcock Ingram with access to new therapeutic areas, particularly Oncology, Anaesthesia, Hospital Injectable products (Anti-Infectives), Biologics and Biosimilars. Conversely, Adcock Ingram could help CFR grow its presence in Diabetes, Dermatology and Ophthalmic categories. CFR estimates the pipeline contribution opportunity represents a net present value of at least US$80 million.
- Additional synergies from sourcing: CFR believes that through the combination of the respective active pharmaceutical ingredient sourcing of Adcock Ingram and CFR, the combined group could potentially realise efficiencies representing a net present value of between US$10 million and US$20 million.

SUPPLIERS

Q: Please provide more detail on CFR's agreement with Baxter, with reference to the change of control clause in the supply agreement.

A: CFR has ensured support from a key multi-national partner – namely Baxter Healthcare, which provides products to Adcock Ingram's Hospital division, allowing for the change of control and ensuring that their agreements with the Group remain effective.

Q: Has CFR received similar assurances from Adcock Ingram's other suppliers?

A: CFR has concluded a final agreement with Medreich Limited, the Group's Indian joint venture partner, to continue with the joint venture agreement governing Adcock Ingram India.

LEADERSHIP STATEMENT CONTINUED

Q: Will there be any impact on current supply agreements and will there be any disruption to our supply of product while negotiations are ongoing?

A: We do not envisage any disruption. If anything, we anticipate a significantly stronger company as a result of this combination – a company better able to serve the diversified needs of the markets in which it operates.

REGULATORY AUTHORITIES AND GOVERNMENTS

Q: How has the South African Government reacted to the offer and is the deal likely to get Regulatory approval?

A: The Group has engaged with the appropriate Government ministries to explain the rationale for the proposed transaction and how it would serve the interests of all stakeholders and South Africa as a whole. There was understanding and support for this transaction, which we strongly believe will have positive spinoffs for the country.

The deal would represent significant foreign direct investment in South Africa and would include a secondary listing of CFR on the JSE in a first of its kind transaction in South Africa. The deal would raise South Africa's profile as an investment destination. The transaction would also provide other positive benefits including exports, long-term employment and job creation opportunities.

Q: What impact will there be on Adcock Ingram's portion of the ARV tender fulfilment? Will public sector contracts continue to be honoured?

A: There should be a positive impact due to improved manufacturing efficiencies and potential other markets. Both Adcock Ingram and CFR are committed to continue delivering affordable ARVs to the SA government in a timely manner.

Q: How will the proposed transaction impact on Adcock Ingram's BEE ratings and transformation objectives?

A: CFR understands the importance of BBBEE and is committed to the principles of transformation and ensuring that Adcock Ingram remains appropriately empowered and meets BBBEE targets.

CFR has signed memoranda of understanding with Adcock Ingram's BBBEE partners, comprising both strategic shareholders and qualifying staff to remain invested in the Group.

CUSTOMERS/CONSUMERS

Q: Does this mean the end of the Adcock Ingram brand?

A: CFR has indicated that it intends to preserve and grow the Adcock Ingram brand in and beyond South Africa.

EMPLOYEES

Q: What are the benefits to staff?

A: Long-term employment, development opportunities and further job creation. In addition, participants in Adcock Ingram's share scheme would benefit from the acceleration of their share options.

Q: Will there be retrenchments as a result?

A: CFR is committed to growing Adcock Ingram's business in South Africa and Africa and transferring manufacturing capacity to South Africa, while preserving and growing jobs. There will be no retrenchments as a direct result of the transaction.

The Adcock Ingram IB therefore supports the scheme and recommended that its shareholders vote in favour of the proposed transaction and believe that it is important that, in considering the CFR offer, Adcock Ingram shareholders should carefully consider the benefits of a combination of CFR and Adcock Ingram against the default position in the event that the transaction is not implemented. JPMorgan Chase Bank has confirmed that, in its opinion, the offer from CFR is fair and reasonable.

PERFORMANCE

Satisfactory operating results were achieved in difficult and competitive trading conditions, exacerbated by a 14% devaluation of the Rand over a basket of hard currencies and a Single Exit Price (SEP) increase of 5,8% granted in March 2013 (2,1% in April 2012).

The Specialised Therapies, Generics and OTC divisions recorded satisfactory revenue growth. However, the Hospital business was impacted by challenges experienced following completion of the major factory upgrade. This, combined with disruptions caused during the implementation of Oracle technology, impacted on service delivery and resulted in market share declines in the private hospital market and under-recoveries in the factory.

Factors that influenced the Group's performance included the delay in the launch of new OTC products and a change in the product mix towards low margin generics and tender products.

The East African business performed well and made inroads into regional export markets. Demand creation activities have been accelerated in SADC countries.

Supply bottlenecks and the temporary closure of the Oral Solid Dosage factory inhibited performance in Ghana.

ECONOMIC OVERVIEW

South Africa's GDP growth for 2013 is estimated at approximately 2% and is forecast to increase to 3% in 2014. The Reserve Bank has noted that the South African economy needed to grow at least 5% for a meaningful reduction in unemployment. The sharp devaluation of the Rand against major currencies has impacted on the cost of imports and contributed to the fuel price increases. These factors, together with inflation, conservatively estimated at 6%, and the much publicised strike action, have taken their toll on the economy. The Government is under pressure to improve service delivery, reduce crime and corruption, lower inflation and create jobs with a national election scheduled in 2014.

The National Development Plan (NDP) is a vision that sets out a solid growth strategy. Although some aspects of this plan have drawn criticism from various quarters, the risks to economic growth require urgent action. Implementation of the NDP will help to stimulate confidence in the country and, in turn, international investment. The latter will boost job creation.

The International Monetary Fund estimates of economic growth in emerging markets were reduced to 5% for 2013 and 5,5% in 2014. Sub-Saharan Africa is expected to show growth of nearly 6%. GDP growth has slowed to an estimated 5% in India.

REGULATORY ISSUES

One of the most important issues facing the pharmaceutical manufacturing industry in South Africa is the methodology of calculating the Single Exit Price (SEP) increase. This increase has not adequately compensated for the impact of the Rand devaluation which commenced at the beginning of 2013 and continued until September 2013.

The industry is dependent on imported ingredients which must be purchased in hard currencies. Our opinion is that a different methodology to calculate the SEP is required to deal with factors such as currency fluctuations. This matter is being discussed with the Department of Health through the Pharmaceutical Task Group.

The Department of Trade and Industry has issued a draft policy document on intellectual property with the intention of creating a cohesive policy across all ministries. The Intellectual Property Policy intends to further explore the flexibilities of patent rights under The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) after the DOHA declaration.

The Group believes that flexibility allowed under TRIPS should be a last resort approach for public health purposes. South Africa needs to encourage multi-national companies to maintain a presence in South Africa to ensure continued access to the latest technological advances in medicine which can save lives and reduce costs in other areas of healthcare.

The Pharmaceutical Marketing Code Authority has been established and the Marketing Code has been finalised. The next phase involves training for sales and marketing personnel.

The proposed National Health Insurance System has been progressed with the publication of a white paper which has been placed before the Cabinet for comment. The Deputy Minister of Health indicated in a healthcare forum that private healthcare and insurance will remain part of the health system in the foreseeable future.

Other issues such as the intention to cap logistics fees and international benchmarking remain on the Health Department's agenda.

CORPORATE AFFAIRS

The Group has adopted a proactive strategy to strengthen relationships with various Government departments. This has included fruitful dialogue with the MCC about the problems and concerns of both parties regarding the new product registration process. These discussions contributed to an improved flow of new product registrations in 2013.

2013 MILESTONES

COSME

The R780 million acquisition of Cosme in India was finalised in January 2013. This business is ranked by IMS as No. 72 out of 5 000 pharmaceutical companies operating in a primarily branded generics market in the world's second most populous country.

The acquisition has provided a strong base in India which can be boosted with the introduction of branded generics from Adcock Ingram's portfolio.

REST OF AFRICA

Efforts in sub-Saharan Africa are beginning to pay dividends with the Group having established a presence in key markets. The presence in Zimbabwe complements export initiatives to SADC territories.

BRAND DEVELOPMENT

The OTC division maintained market leadership in the Pharmacy market with a 19% value share and retained the No. 2 position in the FMCG market with a value share of 17%. Core brands exceeded market growth.

A new alliance established with Lundbeck Pharmaceuticals, a global leader in the Central Nervous System market, has boosted the Group's position in this category.

The Generics division successfully launched several new products and is expected to benefit from further new product introductions in 2014.

Strategies are in place to improve service delivery and recoup market share in the private hospital market.

FACILITIES UPGRADE PROGRAMME

The R2 billion upgrade to the supply chain has increased capacity and created a world-class infrastructure.

Distribution is core to the business, in line with the Group's direct-to-customer distribution strategy. The new facilities can manage a higher level of complexity, shorter lead times, improved accuracy in picking and packing, as well as increased throughput in a cost-efficient manner.

2013 CHALLENGES

SOUTH AFRICA

Consumer spending power is impacting on premium brands in the OTC market. It is therefore essential to maintain a balanced portfolio spanning premium brands and economy products.

Margin protection is a significant challenge against the background of unfavourable exchange rates with a material portion of active ingredients and finished goods being imported.

REST OF AFRICA

Poverty and unemployment are rife so affordability is an issue. However, an emerging middle class in most of the targeted markets offers good growth potential.

Increasing competition, infrastructural weaknesses and counterfeit medicines are some of the major challenges in parts of Africa.

INDIA

India is a vast market offering huge growth potential despite the recent decline in GDP growth. However, there are many challenges including: an under-developed health system with vast regional disparities; regulatory issues, including price control on essential medicines; complex distribution networks stemming from a regional tax system; and skills shortages in the sales area.

GRI: 1.1, 4.8

WHERE WE HAVE SUCCEEDED IN OUR OBJECTIVES

- Marketing and sales base established in India with the acquisition of Cosme Pharma
- Extension of the MNC partnerships
- Market leadership in the OTC pharmacy market
- Significant supplier to Government
- Board recommended Scheme of Arrangement proposed to shareholders

WHERE WE DID NOT ACHIEVE OUR GOALS

- Performance of hospital products
- Protection of margins
- Expansion into Rest of Africa

LEADERSHIP STATEMENT CONTINUED

GOVERNANCE

The Board recognises that a corporate culture which promotes ethical behaviour supported by honest and open communication with all stakeholders is integral to good governance. Considerable attention is therefore given to the development of the Group's culture and communication on expected ethical standards.

The Risk and Sustainability Committee has instituted a legislative compliance programme to ensure the Group conforms to all applicable South African laws. 21 Acts and regulations have been prioritised. The process commenced with a pilot project, the formation and training of Compliance teams and the installation of appropriate software to facilitate communication across all areas of the business.

A comprehensive report on Corporate Governance is featured on pages 13 to 15.

ETHICS

Ethical behaviour, accountability and transparency are integral to building stakeholder confidence in the Group. The Social, Ethics and Transformation Committee acts as the social conscience of the business across its entire spectrum. A comprehensive strategy and blueprint were approved by the Board and responsibilities allocated to key executives. These teams will be fully operational by the beginning of 2014. More information can be found on page 13.

The Group's employees are regularly reminded of the ethical culture through dedicated columns in all newsletters, notice boards and ethics training. Staff and suppliers are encouraged to make use of an independently operated "Ethics Speak Up" hotline to report bad practices. They have the option of remaining anonymous.

SUSTAINABILITY

ECONOMIC

Business growth is the key to economic sustainability. Growth provides the capital required for further investment which can lead to job creation and secure long-term employment. These activities contribute to the economic growth of the markets in which the Group operates.

CFR's proposed acquisition of Adcock Ingram will provide foreign direct investment in South Africa of over R12,6 billion. The transaction would enhance South Africa's standing as an investment destination and provide opportunities for job creation.

ENVIRONMENTAL

Considerable efforts have been made to reduce the Group's carbon footprint ahead of the introduction of the proposed carbon tax.

SOCIAL

The Group maintained its BBBEE Level 3 status and will focus on managing transformation in line with the revised codes of good practice which become applicable in October 2014.

A Department of Labour review noted that good progress had been made in terms of Employment Equity over a 16-month period, especially in terms of promotion from within and the development of a talent pipeline at the second level of management.

Talent management aims to ensure that the business is adaptable to changing market conditions by building human capital capabilities at all levels to ensure the availability of productive and competent people in the right jobs at the right time.

The owner-driver enterprise development project was expanded at Midrand and is scheduled to be implemented at the Critical Care distribution facility in 2014.

The Group is seeking to align its social investment programme with Government priorities for community upliftment in the most impoverished communities in the areas of health and education. Several partnerships have been initiated which are planned for 2014.

2013 was a relatively stable year in terms of labour relations, with strike free wage negotiations resulting in a settlement of 7,75%. The Group was fortunate to have zero days lost due to strike activity in South Africa, during the entire year.

RISK MANAGEMENT

The Board is satisfied that the executive management team is constantly aware of risk factors and actively seeks ways in which to overcome controllable risks and those that can be influenced, and to minimise the impact of the uncontrollable risks.

A summarised overview of Risk Management is featured on pages 60 to 61.

SUCCESSION PLANNING

Succession planning is a key strategic initiative to ensure business sustainability. Retention plans are in place for top leadership. Identified successors are receiving appropriate training and other development initiatives.

DRUG MANAGEMENT AND DEVELOPMENT

The new product pipeline as at 30 September 2013:

	2013	2012
Number of products under in-house development	**38**	62
Number of products submitted for registration	**9 (50 dossiers)**	23
Number of new products approved by the MCC	**11 (73 dossiers)**	14

The approved products were either launched towards the end of the year or are planned for introduction in early 2014.

The transactional support office in India plays an important role in speeding up the preparation of dossiers for new product applications for the various countries where the Group has a presence.

INFORMATION TECHNOLOGY

A robust IT platform is in place to facilitate growth locally and expansion into international markets. Priority attention is given to optimising business processes to reduce transaction costs, validation for compliance to various regulatory authority requirements and reduced risk in terms of business continuity.

Ongoing upgrades to the IT platform for operations in South Africa and India, together with improvements to processes and systems are scheduled for the 2014 timeframe. Implementation of an integrated IT platform for the Rest of Africa operations is scheduled for 2014/2015.

APPRECIATION

Sincere appreciation is extended to all stakeholders who contributed positively towards the Group in the past year, especially the IB which spent many hours and worked diligently towards achieving the best outcome for all stakeholders.

We appreciate the support of our management and staff who have been resilient during an unsettling period.

We are grateful to our shareholders for the amount of interaction and support they have provided us during the past year, as well as our advisors, who have served us with distinction.

FUTURE PROSPECTS

CFR's proposed acquisition of the Group offers an exciting and positive future. In the meantime, we are concentrating on profitable growth in the markets in which we operate through innovation, creative brand strategies, an effective and efficient supply chain, customer satisfaction and motivated employees.

Khotso Mokhele
Chairman

Jonathan Louw
Chief Executive Officer

Andrew Hall
Deputy Chief Executive and Financial Director

GRI: 1.1

DRUG MANAGEMENT AND DEVELOPMENT

This division's responsibilities span research and development, group quality assurance, regulatory affairs and medical affairs. The division is also responsible for on-site quality control and regulatory compliance as well as cross-divisional project management.

RESEARCH AND DEVELOPMENT

Adcock Ingram's Research and Development (R&D) facility is one of only two laboratories in South Africa to have achieved World Health Organisation (WHO) pre-qualification accreditation. Maintaining a high standard in all processes supported this achievement. The facility was the first stand-alone R&D facility in South Africa to secure Medicines Control Council (MCC) accreditation for the manufacture and testing of pharmaceutical products for human consumption and has been granted site acceptance by the FDA.

AddClin, the wholly-owned dedicated Phase I bioequivalence/bioavailability clinical study site, has expanded its offering to include Phase II – IV clinical studies. It encompasses a 32-bed bioequivalence unit, four of which are equipped as high-care. AddClin offers a one-stop clinical research service through study design, writing of protocols, obtaining necessary regulatory approvals, clinical execution, reports and post-marketing surveillance.

QUALITY ASSURANCE

The new central quality control laboratory at Clayville is the largest of its kind on the African continent. This R80 million facility will absorb the three existing laboratories which are at different sites. Features of the new laboratory include state-of-the-art Ultra Performance Liquid Chromatography (UPLC) technology and eight stability chambers which cater for different temperatures and humidity levels, including tropical conditions. The latter will facilitate registrations for tropical climates. Efforts will be concentrated in 2014 on streamlining activities in this facility.

REGULATORY AFFAIRS

The concerted effort to develop relationships with the MCC has resulted in a better understanding between both parties and a marked improvement in the number of product registrations received from the MCC. 73 orthodox dossiers, and a further 94 complementary products were approved this year.

The Group submitted its first electronic Common Technical Document (eCTD) successfully as part of a pilot study arranged by the MCC.

Common Technical Document – The agreement to assemble all the Quality, Safety and Efficacy information in a common format is called the CTD and has revolutionised the regulatory review processes, led to harmonised electronic submission that, in turn, enabled implementation of good review practices. For industries, it has eliminated the need to reformat the information for submission to the different International Conference on Harmonisation (ICH) regulatory authorities.

There has not yet been a resolution to the Group's appeal against the banning of DPP-containing products.

DPP – Dextropropoxyphene

The satellite regulatory office in Bangalore, India is now staffed by over 90 people who provide support to the medical affairs, quality assurance and regulatory functions for the Group's operations in Africa.

MEDICAL AFFAIRS

A new pharmacovigilance database provides several benefits including the integration of drug safety and risk management onto one platform. The system is compliant with international standards and practices implemented by the Group's multi-national partners. It is expected to be fully operational in 2014. During the current year, a total of 206 adverse events were reported to the Group of which it was necessary to report 95 to the MCC.

Pharmacovigilance, also known as drug safety, is the pharmacological science relating to the collection, detection, assessment, monitoring, and prevention of adverse effects with pharmaceutical products.

GRI: PR2

OPERATIONAL OVERVIEW – SOUTHERN AFRICA

TURNOVER
R5 031 MILLION
(2012: R4 436 MILLION)

2 317
EMPLOYEES

R1 177 MILLION
CONTRIBUTION AFTER MARKETING EXPENSES

KEY INFORMATION

OFFICE:
Midrand in South Africa, serving as the head office for the Group

ACTIVITIES:
Research and development, manufacturing, distribution, and sales and marketing

CUSTOMERS:
Wholesale, FMCG retail, independent pharmacies, hospitals, doctors and Government

ADCOCK INGRAM AIMS TO BE THE MARKET LEADING SUPPLIER OF AFFORDABLE BRANDED AND GENERIC PRESCRIPTION AND OTC MEDICINES, AND HOSPITAL PRODUCTS.

MARKET OVERVIEW

The South African pharmaceutical market, as measured by IMS is worth R32,4 billion with 2,6% growth (September 2013 MAT).

The private sector accounts for 86,7% of this with 3,5% growth in value terms and 66,9% in volume (0,3% growth). Adcock Ingram's share is 9,4% in value terms (0,3% decline) and 30,1% in volume (0,6% growth).

The public sector which accounts for 13,3% of the total market, declined 2,7% in value terms, and accounts for 33,1% of the volume, which declined 5,4%. Adcock Ingram's share is 4,3% in value terms (25,4% growth) and 12,7% in volume (45,1% growth).

For further commentary regarding the OTC, Prescription and Hospital segments, please refer to pages 24 to 29.

MARKET SHARES (total market)

PRIVATE SECTOR
9,4% value
30,1% volume

PUBLIC SECTOR
4,3% value
12,7% volume

SOUTHERN AFRICA CONTINUED

OVER THE COUNTER (OTC)

Adcock Ingram competes in the following three core areas of the OTC self-medication and wellness market:

- Curative (analgesics, colds and flu, and allergy)
- Wellbeing (supplements, digestive wellbeing and energy)
- Personal care (wipes, facial care, hand and body topical creams and ointments and feminine care) with the core target market *LSM 5 to 10

  * *LSM – Living Standards Measures*

Pain

- Panado
- Compral
- Betapyn
- Betagesic
- Lotem
- Spasmend
- Adcodol
- Syndol
- Pynstop
- Mypaid

Pharmacy Rank #1
FMCG Rank #2

Colds and Flu

- Corenza C
- Grippon
- Alcophyllex
- Cepacol
- Medi-Keel
- Dilinct
- Expigen
- LCC
- Adco Sinal
- DPH
- Adco Linctopent

Pharmacy Rank #1
FMCG Rank #7

Allergy

- Allergex
- Allergex ND
- Allergex eye drops
- Mepyramal Cream
- Adco-cetirizine
- Adco-Destoratadine
- Mizallen

Pharmacy Rank #3

Digestive Wellbeing

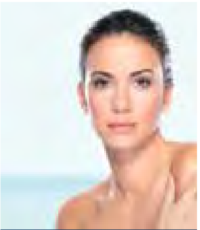
- Citro-Soda
- Freshen
- Scopex
- Pectrolyte
- Inteflora
- ProbiFlora
- LP299V
- Adco-Loperamide
- Medigel
- Mayogel
- Vomifene

Pharmacy Rank #2
FMCG Rank #1

Supplements

- Unique
- ViralGuard
- ArthroGuard
- Bestum
- Bioplus
- Vita-thion
- Gummyvites
- ADDvance
- Spirulina
- Pro-oxiden
- Liviton

Pharmacy Rank #4
FMCG Rank #2



Personal Care

- TLC
- Topicals
- GynaGuard
- ISDIN
- Ureadin
- Nutratopic
- Betalfatrus
- Iralforis

Pharmacy Rank #2

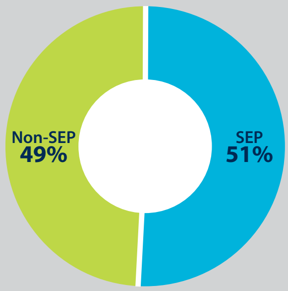
MARKET TRENDS

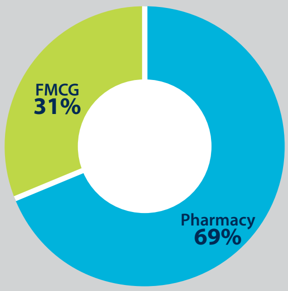
- Market growth driven by the global trend towards self-care and a growing middle class
- Innovation is an important growth driver
- Rate of innovation has slowed in registered pharmaceuticals
- Economic factors are causing a shift from premium brands to economy and house brands
- Consolidation of customers and backward integration into wholesaling to increase buying power
- Mergers, acquisitions and joint ventures within the industry
- Growth of house brands/private labels by the major retail chains

BUSINESS FOCUS

- Organic growth in the categories in which the Group operates
- Enter new categories and enhance the product pipeline, through innovation, acquisitions and strategic relationships
- Brand development, line extensions and umbrella branding
- Mutually beneficial relationships with customers

Revenue 2013





Source: IMS TPM MAT/9/2013
Aztec Sep 2013 MAT

Adcock Ingram competes in the self-medication Pharmacy and FMCG markets with affordable branded, premium and economy products.

TURNOVER

R2 002 MILLION

TOP 10 BRANDS' TURNOVER

R956 MILLION

CONTRIBUTION AFTER MARKETING EXPENSES

R707 MILLION

HIGHLIGHTS

The OTC division maintained market leadership in the R8 billion Pharmacy market with 19,0% value and 35,4% volume shares. Adcock Ingram retained its No. 2 position in the R3 billion FMCG market, with 16,3% value and 22% volume shares (Sources: Aztec retail MAT September 2013 and IMS TPM MAT September 2013).

Pain – despite strong competition in the FMCG market, key brands Panado and Compral achieved satisfactory growth. Panado registered a 'first' with the introduction of Braille on packaging. The pharmacy portfolio continued to uphold share with Adcock Ingram's leader Adco-dol retaining a number 1 position, showing solid 8% growth ahead of the market growth of 5,4%.

Panado was rated the winner of the OTC category in the 2013/2104 ICON Brands Survey.

Colds, Flu and Allergy – Adcock Ingram maintained its leadership position in the Pharmacy colds and flu market. Key brands including Corenza and Alcophyllex have shown growth in excess of 20%.

The launch of the Expigen Herbal Cough Syrup capitalised on the general growth seen in herbal non-scheduled products.

Growth of 6% in the R355 million Allergy market can be attributed largely to an increase in the incidence of allergies. Allergex benefitted from line extensions, recording 24% value growth.

Digestive Wellbeing – Adcock Ingram's digestive wellbeing portfolio growth was driven by a continuing demand for probiotics with strong brands like Probiflora achieving sales in excess of R80 million and Citro-Soda which achieved 16% growth on the prior year. Adcock Ingram holds an 18% market share in this category.

Supplements – the Unique range of vitamin, minerals and (VMS) supplements benefitted from a packaging revamp in addition to the launch of five new products. Innovation in the VMS category also included Bioplus apple-flavoured syrup and jellies (chews), and bulk packs for Gummy Vites, resulting in achieving a 10% market share in the VMS category.

Personal Care – the GynaGuard feminine healthcare range was extended to include pH-balanced tampons and resulted in growth of 10% over the prior year.

pH scale – a measure of acidity or alkalinity of water soluble substances
pH – for potential of Hydrogen

OPPORTUNITIES

Key opportunities lie in innovation and leveraging the Group's strength in brand equity through umbrella branding, line extensions, and entry into new categories.

Consumer education offers an important opportunity to assist consumers in making responsible self-medication decisions.

The further development of strategic relationships with key customers will be mutually beneficial.

CHALLENGES

Consumer spending power is under pressure which impacts premium brands. It is therefore essential that the Group has a balanced portfolio across premium brands and economy products to maintain leadership.

The amendment to the General Regulations Made in Terms of the Medicines and Related Substances Act 101 of 1965, was published in the Government Gazette on 15 November 2013. The amendment is largely aimed at bringing complementary medicines into the ambit of Act 101. Complementary medicines will in future be subject to the requirements for safety, efficacy, and quality. Manufactures will have to comply with the prescribed requirements including those relating to labelling, package inserts, and patient information leaflets, which will come in to effect 15th February 2014. The registration of specific categories of complementary medicines will be required against a phased schedule.

In the current economy, a variety of pack sizes and promotional packs for complementary medicines are essential to satisfy the needs of lower income consumers and stimulate brand loyalty.

GRI: 2.2

SOUTHERN AFRICA CONTINUED

PRESCRIPTION

Deals with drugs and treatment used in conjunction with healthcare professionals only
- the drug component reflects medicines prescribed by a registered physician and thereafter dispensed with a prescription by a licensed professional
- the treatment component relates to invasive and non-invasive technologies supporting select and potentially dire morbidities

#1

WOMEN'S HEALTH AND UROLOGY

- Betadine
- Activelle
- Evista
- Forteo
- Vagifem
- Estradot
- Estalis
- Estro-pause
- Urispas
- Urizone
- Adco-Fem 35

#4

ARV'S

- Efavirenz
- Lamivudine
- Zidovudine
- Lamivudine/ Zidovudine
- Tenofovir
- Abacavir
- Lamzid
- Trivol
- Nevirapine
- Trivenz

#2

DERMATOLOGY

- Dovobet
- Fucidin
- Elidel
- Elocon
- Quadriderm
- Lotriderm
- Dipro range
- Propecia
- Roaccutane
- Acnetane
- Sporazole

#2

CNS

- Stresam
- Cipramil
- Cipralex
- Azilect
- Clopixol
- Ebixa
- Fluanxol

#2

RESPIRATORY

- Celestamine
- Singulair
- Nasonex
- Rinelon
- Solphyllex
- Uniphyl
- Prelone
- Solphyllin
- Activelle

#3

OPHTHALMIC

- Efemoline
- Fucithalmic
- Zaditen
- Spersadex Comp
- Voltaren Ophtha
- Covomycin
- Covostet
- Teargel

#2

CARDIOVASCULAR

- Cozaar
- Fortzaar
- Innohep
- Xenical
- Nebilet
- Metforal
- Migroben
- Lescol

#1

PAIN

- Maxalt
- Myprodol
- Mypaid Forte
- Macaine
- Tenston SA
- Stopayne
- Xylotox
- Veltex
- Adco-Tenyl
- Synaleve
- Tenston

#4

GENERICS

- Adco-Simvastatin
- Adco-Bisocor
- Adco-Atenolol
- Gen-Payne
- Serez
- Adco-Alzam
- Adco-Zolpidem
- Adco-Dapamax
- Adco-Omeprazole
- Adco-Zetomax
- Adco-Atorvastatin

 # Market position

MARKET TRENDS

BRANDED

- Highly regulated market
- Global decline in the new product pipeline
- Increasing number of products reaching the end of patent protection
- Funders encourage switching from brands to low cost generics
- Significant HIV disease burden
- Intensely competitive environment creates coalition opportunities

GENERICS

- Competitive market focused on price, supply, range, access and promotion
- Positive market growth rate underpinned by increased medical aid memberships
- Ageing population result in increasing demand for chronic medication
- Regulations supporting generic substitution
- Pipeline access to newer therapies as patents expire

BUSINESS FOCUS

BRANDED

- Capitalise on critical mass in therapeutic areas to support sustained profitable business growth
- Leverage operations to support additional partners, acquisitions and dossiers
- Extend the product line through alliances with MNC's and acquire "new chemical entity" (NCE) products

GENERICS

- Profitable business growth through innovation and early entry generics

Source: IMS TPM MAT Sep 2013

TURNOVER
R1 853 MILLION

TOP 10 BRANDS' TURNOVER
R598 MILLION

CONTRIBUTION AFTER MARKETING EXPENSES
R322 MILLION

This division markets and sells a portfolio of owned prescription brands as well as brands from multi-national companies (MNCs) with whom the Group has various alliances. The latter arrangements are based on synergistic and mutually beneficial collaborations supporting the commercialisation and distribution of selected brands in South Africa. This strategy has enabled the Group to build critical mass in defined therapeutic categories and develop targeted therapeutic focus in terms of knowledge, skills and commercial competence. The attendant benefits of this strategy have facilitated the building of resource and investment in world-class marketing, sales and distribution capabilities which supports both our own and MNC portfolios.

PERFORMANCE

Growth was recorded in all major categories in terms of owned originator brands. The Group's relationship with MNCs, including Novo Nordisk, Roche, Novartis, MSD, Lilly, and a new partner, Lundbeck Pharmaceuticals, is also bearing fruit. The satisfactory sales results were achieved despite difficult trading conditions and competition from newer technologies and generics.

Our latest MNC partner, Lundbeck Pharmaceuticals, is a global leader in central nervous system and brain disorders markets. Their product range includes a variety of products, including the market leading brand, Cipralex. This collaboration, which became effective in January 2013, has seen a dramatic turn-around in performance with market share gains and sales growth for all Lundbeck brands.

Adco Generics maintained the No. 2 position in the generics market in volume terms. Five new products launched in 2013 contributed to growth, with new products accounting for turnover of approximately R30 million. New products are expected to increase the Group's value share of the generics market, with six new products planned for launch in 2014.

Profitability was impeded as a result of the Single Exit Price (SEP) increase being limited to only 5,8%, effective March 2013, against an average 14% devaluation of the Rand against the basket of currencies in which the division's active ingredients and finished products are procured, and the change in mix with higher volumes of low-margin MNC and tender sales.

HIGHLIGHTS

Women's Health – this portfolio achieved excellent results, bolstered by the relationships established with key partners. The consequent critical mass in this category enabled the Group to extract improved performances on own brands such as Estropause (HRT) and Urispas (UTI).

Marketing strategies included consumer education and interaction with consumers via social media. These strategies have provided a valuable base for brand specific promotions in the future.

An innovative marketing strategy has been initiated for a unique product, Vagifem, for vaginal dryness. The unique technology inherent in the product has created an entirely new market segment for this category. A major consumer education programme was launched at the end of the year which included a full media campaign, incorporating washroom posters and advertorials in leading magazines. This programme will create awareness that this condition is not unusual and that there is a solution.

Dermatology – Dovobet (psoriasis treatment) enjoys market leadership with an 80% share of the psoriasis market. Further penetration in the psoriasis market gained momentum with the introduction of Xamiol (from Leo Pharmaceuticals), a first line treatment for psoriasis of the scalp. This initiative supports our ambitions of market expansion in the categories where we compete. Roaccutane (from Roche) and owned generic Acnetane (acne treatments) recorded impressive share gains and entrenched the Group's leading position in the anti-acne class.

Respiratory – creative sales initiatives to promote Solphyllex (cough syrup) produced sales in excess of R40 million for this owned brand.

Pain – Myprodol held its position in a highly genericised and competitive environment with Adcock Ingram's own generic, Gen-payne growing by 28%. Synaleve was relaunched successfully in the moderate to severe pain sector and the business has ambitious hopes for this product as an alternative to previously discontinued DPP-containing products.

Anti-retroviral (ARV) treatments – supply constraints and higher than anticipated demand at the beginning of the year inhibited the Group's performance in the ARV tender market. The tender, worth an estimated R800 million over two years, continues to the end of 2014, in which Adcock Ingram provides a basket of 13 products. With the launch of Trivenz, the Group already participates in buy-outs for the triple-combination on the current tender.

Generics – Adco-Atorvastatin, a newer generation molecule for the treatment of hypercholesterolaemia, was launched. Despite being seventh to market at launch, Adco-Atorvastatin achieved a 10% market share in the first six months. Script volumes are gaining momentum, with the Adco product being the fourth most prescribed atorvastatin.

Adco-Fem35 (contraceptive) was relaunched successfully, and educational campaigns in the media yielded positive sales growth. Adco-Fem35 is now the fastest growing product in its class.

Renewed focus on customer relationships and tailored strategies to meet specific customer needs, are contributing to growth in this category.

OPPORTUNITIES

Expanding the MNC programme by adding new partners, additional products from existing partners, as well as extending the programme into the Rest of Africa are opportunities for the Group.

New product introductions planned for 2014 include the acquisition of NCE patented products from existing and prospective partners. This will broaden the base of owned brands, offering increasingly exciting opportunities for profitable growth.

The comprehensive basket of ARV's, including a triple-combination dosage, will facilitate growth in the private market.

The critical mass developed in major therapeutic categories enables the division to develop relationships with health professionals through an extensive continuing professional education programme. Activities include therapeutic category-directed meetings including Adcock Ingram's successful and highly publicised Healthcare Summit.

Healthcare funders' efforts to contain medicines costs by encouraging the use of generic medicines and the increasing membership of medical schemes (especially low cost options) will provide market growth in the generics category. Development of further relationships with funders will ensure that the Group's products are included on healthcare funders' formularies.

Chronic generic medicines offer significant growth potential as a result of a growing middle class market and an increasing ageing population.

CHALLENGES

The increasing trend towards cheaper generic products in the market does pose a threat to certain of the multi-national brands. Adverse currency fluctuations, the cost of compliance with increasing regulatory standards, competition and pressure exerted by healthcare funders to lower prices, impacts margins and profitability. The slow regulatory process affects the Group's ability to launch new generic products. New product launches with 'first to market' status are key strategies to counter margin declines.

SOUTHERN AFRICA CONTINUED

HOSPITAL

The Critical Care division is a leading supplier of life-saving products. The portfolio includes intravenous fluids, renal dialysis systems, and products for the storage of blood and blood components, infusion systems and accessories as well as a comprehensive range of wound care and ostomy products.

RENAL

- Partnership with Netcare through National Renal Care (NRC)

MACHINE DELIVERY

- Adco Granisetron
- Sabax Ciprofloxacin
- Adco Ceftriaxone
- Sabax Metronidazole
- Sabax Intravenous solutions
- Sabax Irrigation solutions
- Sabax Mini-Bags
- Sabax Pour Bottles

WOUND CARE

- Prontosan
- Calgitrol
- Scarban
- Dermanet
- Jetox
- Sofsorb
- Alle
- Draina S
- Askina Sorb
- Flexima

NUTRITION

- Oliclinomel N4
- Oliclinomel N6
- Oliclinomel N7
- Oliclinomel N8
- Cernevit
- Potassium Phosphate
- Vitafusal
- TPN filter sets

TRANSFUSION THERAPIES

- Blood packs
- AccuVein
- Leucodepletion filters
- T-Sol
- Blood sets
- Anticoagulant solution
- Platelet additive solution

MARKET TRENDS

- Patient access improving through low cost medical aid
- Patient access to newer therapies
- Ageing population increasing demand on chronic medication
- SA disease burden (HIV) significant
- General medical aid membership increasing

BUSINESS FOCUS

- Profitable growth through market leadership in the private sector
- Volume gains through successful Government tender awards to drive throughput efficiencies for the Group

TURNOVER
R1 176 MILLION

TOP 10 BRANDS' TURNOVER
R317 MILLION

CONTRIBUTION AFTER MARKETING EXPENSES
R148 MILLION

HIGHLIGHTS

Intravenous Solutions – the Government tender business for large volume intravenous solutions utilised 70% of the capacity of the manufacturing plant. Supply constraints, particularly early in the year due partially to the implementation of the Oracle system, inhibited service delivery to private hospitals. Aggressive marketing and sales strategies are in place to regain the Group's leading position in the private hospital market.

Nutrition – the OliClinomel range performed well in the Nutrition market, reflecting 18% growth. The MCC recently stopped the sale of intravenous solutions containing Hydroxyethyl starch (HESO) in view of safety issues. These intravenous solutions are used in emergency and intensive care situations for the treatment and prevention of hypovolemia and for volume replacement in cases of shock. The division plans to launch a new product to replace this business which offers significant potential in a R180 million market.

Renal – the Group maintained market leadership in the renal dialysis therapies market across haemodialysis and peritoneal dialysis, and continuous renal replacement therapy (CRRT). A new CRRT product, Prismaflex, the latest technology for unstable haemodialysis patients, was launched successfully at the annual renal congress. Prismaflex is also indicated for the prevention and treatment of acute kidney injury.

National Renal Care (a joint venture with Netcare) is the only private dialysis therapy provider in South Africa that has a national network of 54 dedicated dialysis units with a presence in every major centre throughout the country. Adcock Ingram, through this partnership, is committed to assisting in the education and training of patients, early identification of kidney disease through the Healthy Start Clinics and assisting renal patients to live their lives to the fullest.

Haemophilia – life-saving treatment, Feiba, has recorded sales in excess of R30 million in this niche market as a result of focus on continuing medical education about the disease and the benefits of this unique and effective treatment.

OPPORTUNITIES

New agencies for technologically advanced products will enhance the product offering to hospitals and the strong pipeline of generic injectables offers growth potential.

CHALLENGES

The South Africa Blood Transfusion Service plans to route its purchases via a tender process which is expected to place further pressure on margins.

To regain market leadership in the private market remains a challenge in this very competitive space.

SOUTHERN AFRICA

2013 PRODUCT LAUNCHES

- Migroben
- Co-Migroben
- Serez
- Adco-Fem35
- Adco-Prednisolone

OPPORTUNITIES

Strategic priorities include the maintenance of a dynamic new product pipeline and maximising the number of registrations received annually. Special attention is being given to realisation of the benefits of the centralised laboratory and a focus on entrenching a culture of compliance throughout the organisation.

WHERE WE HAVE SUCCEEDED IN OUR OBJECTIVES

- Maintained leadership in the OTC pharmacy market
- Core OTC brands exceeded market growth
- Specialised therapies performed in line with expectations
- New agreement with Lundbeck boosts share of the CNS market

WHERE WE DID NOT ACHIEVE OUR GOALS

- Service delivery in the private hospital market
- New product introductions in the OTC market

AREAS OF RISK

- Economic slow-down impact on consumer spending
- Drive to reduce medicine prices
- Increasing competition
- Reliance on licensors for growth in the prescription division
- Adverse currency fluctuations impact on margins
- Impact of National Health Insurance system
- Capping of logistics fees
- Increasing cost of compliance with regulatory requirements
- International benchmarking

PERFORMANCE

Several factors affected the performance of the Southern Africa business, not least the devaluation of the Rand against major currencies, delays in the launch of new OTC products and a change in the product sales mix, including a move towards economy products and Government tender sales. Profitability was further hampered by supply constraints of hospital products which impacted on service delivery and resulted in share losses in the private hospital market.

SUPPLY CHAIN

MANUFACTURING

LOCATION	CAPACITY PER ANNUM	ACCREDITATION	PROGRESS 2013	ACHIEVED	TARGETS 2014
WADEVILLE	Liquids: **6** MILLION LITRES Creams/Ointments: **100 000** KILOGRAMS Tablets and capsules: **2** BILLION	South Africa (MCC), Ghana (FDB), Botswana (DRU), Malawi (PMPB) and United States of America (FDA) achieved in 2013	Expansion of tablet manufacturing	+	Completion of tablet manufacturing expansion Improved capacity utilisation
CLAYVILLE	Effervescents: **28** MILLION TABLETS Effervescent granules and powders: **400 000** KILOGRAMS Liquids: **12** MILLION LITRES	South Africa (MCC), Ghana (FDB), Malawi (PMPB) and Kenya (PPB)	Improved utilisation of high-volume liquids facility	+	Increase utilisation by moving all outsourced liquid manufacturing and contract manufacturing to this facility
AEROTON	Large volume parenterals: **28,5** MILLION UNITS Small volume parenterals: **25** MILLION UNITS Pour bottles: **2,3** MILLION UNITS Blood collection bags: **1** MILLION UNITS	South Africa (MCC), SANS ISO 9001:2008 The only medical-grade plastics manufacturing facility in Africa that allows for primary manufacture of bags for fluids	Service level normalised	+	Increase output and implementation of cost-efficiencies programme
BANGALORE	Tablets and capsules: **4,0** BILLION UNITS	UK (MHRA), Australia (TGA), South Africa (MCC), France (ANSES), Tanzania (TFDA), Kenya (PPB), Ghana (FDB), Namibia (NMRC), Uganda (UNDA), Romania (RNAMMD) and Ethiopia (DACAE)	Service levels back to normal after capacity constraints experienced during the first quarter	+	Achieve service levels above 97%

HIGHLIGHTS

The completion of the R2 billion upgrade to the supply chain infrastructure over the past four years has provided a world-class base from which to take the business to a higher level. Capacity has been increased at all South African factories and distribution centres.

A gap analysis has identified opportunities to improve the integration of the supply chain process, from the procurement of raw materials through to distribution across all countries in which the Group has a presence. Several major projects have been identified to explore these opportunities which will improve efficiencies and provide cost-savings.

WADEVILLE

A combination of the complexities of manufacturing a comprehensive range of ARVs and higher than anticipated demand from Government for the new tender led to stock shortages during the first half of the year. These issues were satisfactorily resolved and the facility is now focusing on streamlining efficiencies.

Tablet capacity will be increased by 50% following a further investment of R86 million. This expansion is expected to be completed in the second quarter of 2014 financial year.

CLAYVILLE

The R550 million investment in the automated high-volume liquids facility places the Group at the cutting edge of technology. Capacity has been increased to 12 million litres per annum. The facility was commissioned at the end of the prior year and has been accredited by the MCC. The meticulous process of product validation on a product-by-product basis for the new facility is ongoing.

A state-of-the-art raw materials warehouse with a sophisticated environmental monitoring system was also commissioned at the beginning of the year. The new central quality control laboratory is conveniently located in the same building.

AEROTON

The fully integrated steriles manufacturing facility is unique in Africa. Production activities range across sterile intravenous solutions, renal dialysis solutions, medical-grade plastic sheeting used in the production of IV fluid and blood bags, pour bottles and form-fill-seal technology, which is used to produce small-volume parenterals.

The new facility is fully operational and service delivery issues experienced at the beginning of the year have been resolved. Strategies are in place to regain private sector business are expected to increase volumes and improve factory recoveries.

BANGALORE

Capacity at the joint venture Bangalore factory has been increased by 500 million tablets per year through improved efficiencies and additional shifts to meet an increase in demand. A new Laboratory Information Management System (LIMS) has been installed resulting in a significant improvement in turnaround times for the analysis of finished products.

A major focus has been placed on continuous improvement with several initiatives in progress to reduce cost and increase efficiencies. These include larger batch sizes, a reduction in carton sizes for the different packs, an increased number of containers per shipper and automation on certain packing lines.

GRI: 2.9

SUPPLY CHAIN

LOGISTICS

LOCATION	CAPACITY PER ANNUM	ACCREDITATION	PROGRESS 2013	ACHIEVED	TARGETS 2014
GAUTENG	22 500 PALLETS	South Africa (MCC)	Improved service levels	+	Maintain or improve service levels
DURBAN	4 400 PALLETS	South Africa (MCC)	Attracted additional multi-national companies	+	Extension of Durban warehouse to handle additional imports
CAPE TOWN	4 800 PALLETS	South Africa (MCC)*	Bulk stock managed closer to factories	+	Expansion of owner-driver scheme
PORT ELIZABETH	1 500 PALLETS	South Africa (MCC)*	Owner-driver scheme fully operational	+	Increase direct deliveries and decrease wholesaler intermediaries
			Bloemfontein warehouse closed	+	Reduce pallet utilisation
			Challenges experienced at start of year with switch of information system	–	
CLAYVILLE	6 200 PALLETS	South Africa (MCC)	Bulk stock managed closer to factories	+	Wholesale bulk deliveries

** Obtained during 2013*

OVERVIEW

The upgrade programme ensured that the Group's logistics facilities in South Africa rate amongst the best in Africa. The R65 million investment in automation during the past year will improve efficiencies. All distribution centres gained the approval of the MCC and the Group's multi-national partners.

Distribution costs in Southern Africa declined as a percentage of turnover in 2013. Lead times and order fill levels improved significantly in the second half of the year despite a 23% volume growth in unit terms. Order fill levels rose from 80% in the previous year to 91% at year-end with significant strides being made in the last quarter. The target for order fill in 2014 is set at 95%.

An investment of R9,6 million will double capacity at the Durban facility in 2014. This expansion will cater for the streamlined management of imported finished goods.

A bulk stock warehouse was completed at Clayville to provide capacity of 6 200 pallets.

The enterprise development owner-driver initiative is working well and has been extended with an additional two vehicles at Midrand. A similar project is to be launched at the Aeroton facility in 2014.

The Bloemfontein facility was closed, with orders now being supplied from Midrand.

OPPORTUNITIES

The Group's direct distribution expertise and breadth of capacity provides an increasing competitive advantage in both the private and public sectors.

Plans are in place to bring cold chain management in-house. This will further consolidate the Group's distribution activities.

2014 will see a strong focus towards improved service delivery to our customers and more efficient pallet utilisation as a result of a more balanced inventory holding at all sites.

CHALLENGES

Inventory distribution challenges experienced at the beginning of the year, coupled with high inventory levels, proved to be a major challenge, especially for intravenous solutions and anti-retrovirals. However, order fills returned to targeted levels in the second half of the year.

lead time – number of days that must be allowed for the completion of a process

Negative perceptions about service delivery, lead times and order fills in the eyes of both external and internal stakeholders are a challenge and are being addressed.

order fill – number of orders processed within a period without stock outs or need to back order, expressed as a percentage of total number of orders processed within that period

Rising fuel costs and the introduction of toll roads will impact distribution costs. Higher volumes and cost-cutting in other areas are required to prevent an escalation in distribution costs.

FUTURE FOCUS

The supply chain will direct efforts towards improved service delivery and a focus on balancing and reducing inventory holdings. A focus on cost containment and improved efficiencies will aim to protect margins.

The implementation of a fully integrated warehouse management and transport system as well as an integrated logistics network to sub-Saharan Africa and Rest of Africa are key focus areas for the future.

For environmental discussion about the supply chain, please refer to the Environment section on page 46.

OPERATIONAL OVERVIEW – INDIA

KEY INFORMATION

OFFICES:
Bangalore, Mumbai, Goa

ACTIVITIES:
Selling and marketing
Manufacturing
Regulatory and Transactional support for African operations

FACTORY ACCREDITATIONS:
UK, Australia, South Africa, France, Tanzania, Kenya, Ghana, Namibia, Uganda, Ethiopia and Romania

CUSTOMERS:
Wholesale, retail and pharmaceutical multinationals

EMPLOYEES:
1 374 permanent employees in sales and marketing, Administration and Transactional Service Offices in Bangalore, Mumbai, Goa and in the field

428 permanent employees in the manufacturing facility

TURNOVER
R386
MILLION
(2012: R140 MILLION)

MANUFACTURING CAPABILITIES AND CAPACITY PER ANNUM
3,5
BILLION
TABLETS
0,5
BILLION
CAPSULES

ACCORDING TO MCKINSEY & COMPANY SIX TRENDS WILL INFLUENCE GROWTH IN INDIA OVER THE NEXT DECADE:

- Doubling of disposable incomes and the number of middle-class households;
- Expansion of medical infrastructure;
- Greater penetration of health insurance;
- Rising prevalence of chronic disease;
- Adoption of product patents; and
- Aggressive market penetration driven by the relatively smaller companies.

Indian companies will need to pursue differentiated strategies, sustain product access, drive market creation and strengthen sales and marketing capabilities. To build a business of meaningful scale, multi-national companies will need to clarify aspirations, customise their business models and invest in local organisations.

STRATEGIC PRIORITY 2014 AND BEYOND

GROW IN INDIA

Expanding the product range through innovation and the introduction of appropriate products from Adcock Ingram's range.

HEALTHCARE IN INDIA – MARKET TRENDS

The Group established a greater presence in India during 2013, and consequently provides a summarised overview of the Indian market below:

ECONOMIC

- Second most populous country in the world.
- Large domestic market, and emerging middle class will be a major driver of growth.
- Vast supply of inexpensive but skilled labour has turned India into the back office of the world.
- One of the biggest recipients of foreign direct investment amongst emerging markets.
- Strategically located in Asia and has strong ties to Europe and the United States.

PHARMACEUTICAL MARKET

- Different to other pharmaceutical markets in that patients are generally reluctant to self-medicate.
- Essentially a branded generic prescription market.
- There are approximately 500 000 registered physicians with 70% being General Practitioners.
- Companies consider the physician and the identified "key opinion leaders" as key customers.

DISTRIBUTION

- The Federal tax system in India adds complexity to the entire logistics and distribution structure as each state has its own tax regime and rules for free trade, leading to a highly fragmented system.
- A proposal supporting the implementation of general sales tax has been agreed with almost all the states and is pending the government decision on the compensation of tax loss to the smaller states. The proposal will require constitutional amendment at government to be passed by a two-thirds majority. The proposal would enable the free movement of goods between states on a single tariff system and will reduce the administrative compliance burden and procedures. It will be of great advantage to pharmaceutical companies as it can potentially do away with the clearing and forwarding set up in each state, and potentially facilitate the supply the goods directly from their warehouses.
- Geographically diverse country with extreme climates that makes distribution a critical function.
- Companies distribute inventory on consignment to clearing and forwarding agents, who are primarily responsible for distributing to wholesalers.

REGULATORY

- Prescription drugs cannot be advertised to the public.
- Historically poor intellectual property rights protection.
- Intellectual property protection has improved with the enforcement of new legislation.
- Three licences are required to enable a company to sell drugs and are obtained from the Indian FDA and are not transferable:
  - manufacturing licence held by the manufacturing company, and the company selling the goods (if different from the manufacturer) needs to maintain copies of all manufacturing licences from third parties;
  - sale and distribution or marketing licence which enables the holder to sell, stock, exhibit or distribute pharmaceutical products. A marketing licence must be obtained in each of the Indian states; and
  - a loan licence which is only required if the applicant procures raw materials and supplies these to third party manufacturers for conversion into finished products.

PRICING

- Currently the pricing of 74 bulk drugs is controlled under the Drug Prices Control Order 1995 (DPCO), 47 of which are being manufactured in India.
- The new National Pricing Policy 2013 covering the National List of Essential Medicine (NLEM) covering 342 drugs and its formulations was announced, effective from 1 August 2013 and all companies in India have to issue revised prices for products covered under this Policy.*
- The Government of India has introduced two new policies to curb the irrational and excess use of pharmaceuticals products in the country:
  (a) Central Drugs Standard Control Organisation (CDSCO) issued a notice on 1 July 2013 to the State Licensing Authority ordering all manufacturers of new Fixed Dose Combination (FDC) products licensed locally before October 2012 without CDSCO permission, to submit safety and efficacy data before 30 September 2013. Manufacturers who fail to submit the data by the deadline will run the risk of having these products banned from the market.*

  (b) The Health Ministry notified an amendment to the Drugs and Cosmetics Rules (DCR), 1945 on 30 August 2013 by implementing Schedule H1 to the DCR. The amendment proposes that drugs which are included in the new Schedule H1, in addition to the regular warning that mentions drugs should be sold only on prescription from a registered medical practitioner, would also now have to include a warning for consumers that there may be some harm associated with the consumption of the drug if not taken in accordance with medical advice. The intention behind introducing this new schedule to the DCR is to check the continuing practice of indiscriminate use of antibiotics in India and a tendency for a large number of prescription products being available over the counter.*

*The impact of this on the Adcock Ingram business has been quantified on page 37 under "Challenges".

Pravin Iyer
Commercial Executive – India

WHERE WE MET OUR OBJECTIVES

- Successful integration of the Cosme business
- Successful resolution of labour relations issues with the former employees of Cosme
- Supply chain transition from Cosme to Adcock Ingram
- Launch of new products and line extensions

WHERE WE DID NOT ACHIEVE OUR GOALS

- Attrition at the medical representative level is high, our initiatives to build the team yet to translate into managing attrition

GRI: 2.5, 2.8

BUSINESS OVERVIEW

INTRODUCTION

The R780 million acquisition of Cosme, a mid-sized Indian pharmaceutical sales and marketing business, was concluded in late January 2013.

Cosme Pharma had marketing and selling operations promoting the product range to 150 000 health professionals in 26 of the 28 states in India. Cosme owned 60 established brands with approximately 120 stock keeping units (SKUs) and was ranked 72nd in the Indian pharmaceutical market in an essentially branded generic prescription market worth \$16 billion and a compound annual growth rate of 20% (reference IMS). It is estimated that some 80% of patient spend in this market is out of pocket due to poor healthcare coverage. Doctor visits and medicines are relatively affordable. The administration of the business is in Bangalore and its warehouse in Goa through which all products are received before shipping to regions.

Cosme commenced operations in 1910 and is structured in three divisions focusing in four therapeutic classes: gastro-intestinal, dermatology, gynaecology and orthopaedic.

COSME

MEDICARE	SKIN CARE	MULTI-SPECIALITY
Gastro Intestinal	Dermatology	Gynaecology Orthopaedic
Reglan #2 Coslyte #11 Lorna	Flucos Cosvate Cosmelite	Jectocos #1 Cosklot #5 Ferose Menabol

 # Market position

Cosme was amongst the first companies to join with Astra Zeneca to manufacture an iron sorbitol injection called Jectofar, which is now marketed under the owned brand Jectocos.

Cosme also enjoyed "first mover" advantage in launching Ferose tablets (Ferrous bisglycinate), Flucos gel and lotion (Fluconazole) and Vonder capsules (Benfotiamine) and was able to create a niche position in the prescribing doctors' minds.

The business has two types of manufacturing agreements with suppliers, these are principal to principal (P2P) and loan licence (LL) agreements, which cover both technical and commercial terms:

- Principal to principal contracts: Contract manufacturer provides all material and the applicant purchases the finished product in its brand name from the manufacturer; and
- Loan licence contracts: Applicant provides all material required to manufacture the products and the manufacturer charges a conversion cost.

Raw materials are delivered either to the main warehouse in Goa or directly to manufacturers. There are 12 locations throughout India where finished goods are manufactured.

Adcock Ingram's warehouse in Goa handles raw material, packing material and 120 finished product SKUs and services warehouse distributors in 26 states. There are opportunities to streamline warehouse management and technology as the Group establishes its own distribution infrastructure in the future.

CURRENT YEAR PERFORMANCE

Turnover of R386 million was achieved, with sales adversely impacted over the six-week transition phase during which sales force union activity impacted productivity. These issues were resolved and the business is well placed to provide satisfactory growth next year.

MEDICARE

Cosme's products in the gastro-intestinal market compete in the proton pump inhibitor, anti-emetic, anti-spasmodic and laxative categories. Top performers are Reglan (for nausea and vomiting) and Coslyte (electrolyte for fluid replacement). Chymogram (pain and inflammation) was launched in the latter half of the year.

SKIN CARE

This market of R5 billion recorded 18% growth in 2012. Flucos (anti-fungal), Cosvate (cortico-steroid) and Cosmelite (triple combination therapy for skin scars) compete in this market.

MULTI-SPECIALITY

This is the leading division and includes iron supplements, Jectocos and Ferose which are frequently prescribed for nutrition deficiencies and during pregnancy. Cosklot (haemostatic) is in the top five etamsylate products in India with a 6% market share, and together with Menabol (anabolic steroid) ranks amongst the leading brands in this category.

TRANSACTIONAL SUPPORT

This office in Bangalore provides services to the Drug Management and Development team in Africa, including stability studies, vendor audits, regulatory services, medical affairs and pharmacovigilance.

OPPORTUNITIES

India, with its population of 1,2 billion people, an emerging middle class and a skilled workforce, represents a significant growth opportunity for the Group.

The acquisition of Cosme has provided a sound platform in the Indian pharmaceutical market. The business can be taken forward with innovation and new products from Adcock Ingram's range.

Field forces play an important role in promoting products to doctors. The introduction of Adcock Ingram's brand-building and selling expertise will help to capitalise on growth in this market.

CHALLENGES

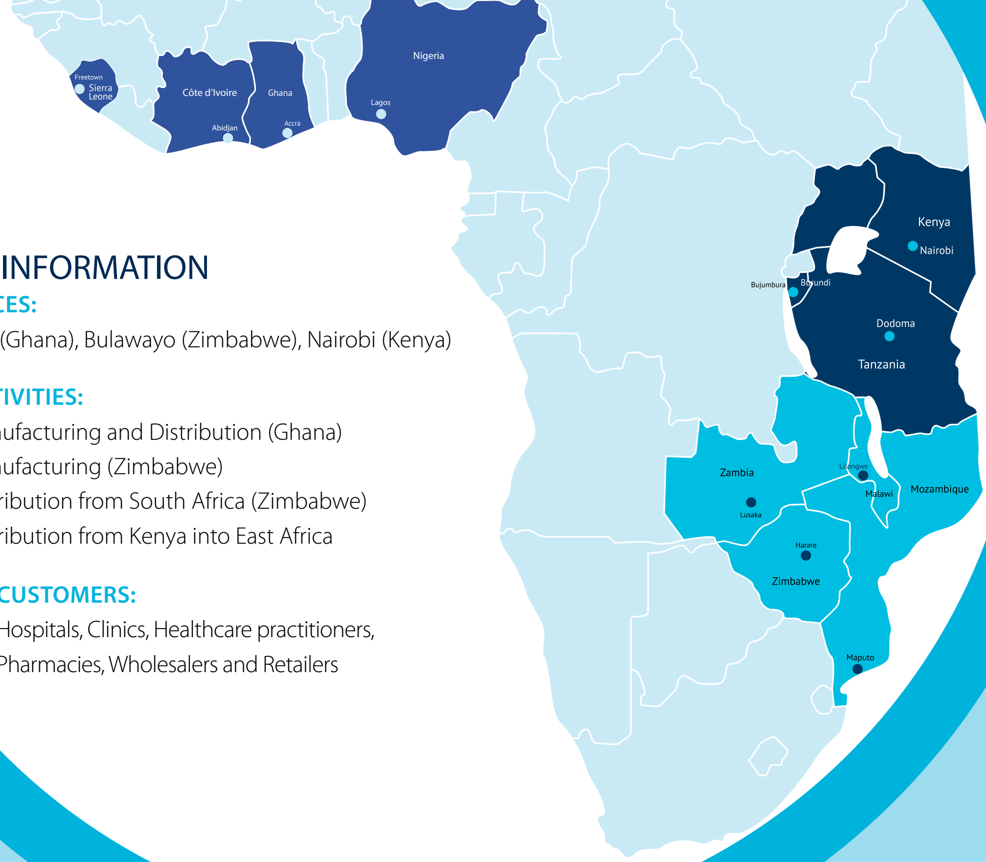
The market presents some challenges:

- GDP growth has slowed to 5% in 2013 accompanied by a sharp devaluation of the Indian Rupee. Poverty, improved infrastructure and job creation should continue to receive attention.
- The healthcare system is under-developed, with vast regional disparities. This impacts access to medicine.
- The introduction of the NLEM necessitated a price reduction on five Cosme brands. The total annual sales of these brands is R21 million with price erosion of 40% (3,5% on the overall business). The NLEM policy does not allow for withdrawal of the products from the market.
- We have identified nine products in our portfolio which are FDCs and have filed the Medical Rationale and Product Safety Update Reports (PSUR) with CDSCO within the due date. We remain confident of the CDSCO approving the products. The process of approval is expected to be completed by 31 December 2014. The annual revenue of these nine products is R40 million.
- Two of our antibiotic products, Bilactam and Bilactam XL, will have to incorporate the additional warnings as required by the implementation of Schedule H1 to the DCR, applicable from February 2014.
- Complex distribution network stemming from a regional tax system.
- Despite high unemployment there is a skills shortage in the sales area. The company's attrition rate is being addressed through the introduction of talent management programmes and reward systems to attract and retain quality people.

2014 AND BEYOND

Strategies are being implemented to enhance the Group's market share in this very competitive market. These include:

- Attention will be given to developing the Group's human capital competencies with the introduction of talent management and leadership development programmes. Particular effort will be directed towards improving sales force competencies and motivation to improve doctor call rate outcomes.
- Expanding the product range through innovation and the introduction of appropriate products from Adcock Ingram's range.
- Distribution and information systems will be given priority attention to streamline Cosme's operations.



KEY INFORMATION

OFFICES:

Accra (Ghana), Bulawayo (Zimbabwe), Nairobi (Kenya)

ACTIVITIES:

Manufacturing and Distribution (Ghana)
Manufacturing (Zimbabwe)
Distribution from South Africa (Zimbabwe)
Distribution from Kenya into East Africa

CUSTOMERS:

Hospitals, Clinics, Healthcare practitioners, Pharmacies, Wholesalers and Retailers

	1 WEST AFRICA GHANA (Ayrton Drug Manufacturing Limited)	2 SOUTHERN AFRICA ZIMBABWE (datlabs)	3 EAST AFRICA KENYA (adcock ingram)
EMPLOYEES	**518**	**173**	**31**
ACCREDITATION	Food and Drugs Board (FDB) The Economic Community of West African States (ECOWAS)	Medicines Control Authority of Zimbabwe (MCAZ) Health Professions Authority	Pharmacy and Poisons Board
MANUFACTURING CAPABILITIES AND CAPACITY PER ANNUM	Tablets and capsules 695 million Liquids 2 million litres Powders 1,2 million sachets Creams/Ointments 1,24 million tubes	Tablet and capsules 120 million Liquids 290 000 litres Creams/Ointments 1,2 million kg	
KEY PRODUCTS	• Citro-Soda • Myprodol • Medi-Keel • Betapyn • Ferrodex • Carvo • Paralex-D	• Propain • Pynstop • Solphyllex • Adco Linctopent • Camphacare • Teejel	• Dawanol • Betapyn • Citro-Soda • Medi-Keel • Locaine • Myprodol • Fucicort

TURNOVER

R221 MILLION

(2012: R155 MILLION)

CONTRIBUTION AFTER MARKETING EXPENSES

R48 MILLION

(2012: R27 MILLION)

MARKET TRENDS

- Relative economic stability in the markets in which the Company has a presence
- Emerging middle class offers attractive growth prospects
- Affordability remains an issue
- Greater health awareness and rise of consumerism
- Currency fluctuations remain a risk
- Growth constrained by sub-optimal infrastructures in most countries

AREAS OF RISK

- Regulatory compliance
- Increasing competition
- Counterfeit medicines
- Exchange rate fluctuations
- Political instability in East Africa
- Infrastructure challenges

STRATEGIC PRIORITY 2014 AND BEYOND

EXPANSION INTO REST OF AFRICA

Development of the product range to meet the needs of the markets

HIGHLIGHTS

The East African business performed well in terms of revenue and is making inroads into regional export markets. Pharmaceutical prescription products accounted for 80% of turnover in this region. Demand creation activities led to satisfactory growth for Betapyn, Myprodol, Locaine and Medi-Keel. Dawanol was re-introduced to the market with security features to overcome counterfeit competitors. Some success has been achieved with tender awards in Kenya and Rwanda.

Exports into the SADC region benefitted from additional resources and demand creation activities in Zambia and Mozambique. However, supply bottlenecks depressed export performance.

Kofi Amegashie
Commercial Executive – Rest of Africa

PERFORMANCE

This segment of the business reflected turnover growth of 42%. Gross margin improvement was however negatively impacted by factory under-recoveries in Ghana and Zimbabwe, and supply constraints in Ghana which inhibited the growth of Over the Counter (OTC) products.

Following a fire in the plant in Ghana, the Oral Solid Dose factory was closed temporarily during the year and an upgrade is planned for the liquid facility in 2014 to meet revised regulatory compliance standards to be introduced by 2015 and to increase capacity.

MARKET OVERVIEW

GHANA

The medium-term outlook for Ghana remains positive, with projected GDP growth of 8% in 2013, increasing to 9% in 2014. The discovery and production of oil and increasing prices of Ghana's main exports of gold and cocoa are important contributors to this growth.

However, government over-spending and a reliance on oil revenues to drive the economy could be counter-productive. Investments need to be spread across the broad economy to stimulate job creation in all sectors.

GDP growth is driven largely by commodity exports. The pre-election liquidity crisis continues to impact on consumer purchasing levels and much needs to be done to alleviate poverty.

The reimbursement of OTC medicines has been stopped by the Government Employee's medical aid scheme. This has resulted in a decline in OTC volumes in Ghana.

GRI: 2.5, 2.8

KENYA

Kenya was characterised by a stable economic environment and peaceful elections. GDP is expected to improve to double-digit figures in the near future, given the discovery of oil. Infrastructure and services have been improved significantly over the past years and the average Kenyan is healthier and better educated. However, poverty remains high.

The recent terrorist attack in Nairobi has dealt a blow to investor confidence in the region in general. The Group continues to adopt a conservative approach to investment in this market in the medium term.

ZIMBABWE

The Zimbabwe economy continues to be bedeviled by the liquidity constraints as limited foreign direct investment is being channeled into the country. Although the mining sector is showing some growth, most other sectors of the economy are suffering, with manufacturing being most affected as capacity utilisation has declined from the level of the last few years to around 39% according to a recent survey by the Confederation of Zimbabwean Industries. Unemployment continues to grow as more and more companies close down, many workers become redundant and this reduces the amount of spending money in the economy.

The government has been working with the IMF to obtain some debt relief which would stimulate the economy.

A new economic recovery blueprint based on revival of agriculture and mining has been unveiled by the government to support the economic revival thrust and it is hoped that, following the current political environment and support from the IMF, the economy could recover in the medium term.

OPPORTUNITIES

GHANA

There are significant growth opportunities following completion of the infrastructure upgrades in this country. The increasing demand for prescription and OTC medicines from the emerging and discerning middle class augurs well for business growth. However, affordability remains an issue in the broader market. A review of pack sizes is required to build brand loyalty and stimulate growth.

KENYA

This country provides access to the East African market of nearly 150 million consumers. Harmonisation of registration requirements in the EAC (East African Community) facilitates expansion into the EAC to exploit the opportunities that exist in Ethiopia and South Sudan.

The Group is having some success with tenders for hospital products in Uganda and Rwanda. The takeover of the Cosme business in Kenya and Tanzania provides opportunities, especially in Tanzania where nine products enjoy registration from the stringent Tanzania Food and Drug Authority.

ZIMBABWE

There are opportunities for growth in the Zimbabwe market, taking into account the high per capita consumption of pharmaceuticals, which exceeds that of Kenya.

Funding for pharmaceuticals and personal care products is often provided through remittances from five million Zimbabweans living outside the country.

The new CamphaCare (personal skincare) is expected to provide growth and offers export potential to the Rest of Africa and India.

CHALLENGES

Affordability remains a challenge in most African markets. Customised pack sizes would help to build OTC brands in these markets.

In Ghana, infrastructure upgrades are causing port congestion leading to delays in the delivery of imported raw materials and bulk stock. Order volumes are being increased, with the attendant increase in inventories and impact on working capital.

The factory upgrade has inhibited service delivery and growth. This factory upgrade is scheduled for completion in the new calendar year.

Counterfeit medicines are rife in Kenya and Ghana as there are limited resources to police these activities.

Specialised packaging is a requisite of many tenders to curtail theft.

The withdrawal of the manufacturing and marketing license of Tiger Brands' Ingram's Camphor Cream in Zimbabwe at the end of March 2013, which previously contributed at least 53% of turnover, put this business under pressure.

The Zimbabwe Government is an important customer, but the cash crisis in the country often results in late payments.

SOCIAL INVESTMENT

The Group supports Operation Smile, a global non-profit volunteer medical services organisation, which provides reconstructive surgery for children and adults with cleft lips/palates. Two hundred children and adults in Malawi received surgery.

A donation of critical hospital medicines to the value of R1 million was made to the Lilongwe Hospital which had no critical hospital supplies on hand.

FOCUS 2014

The African business landscape offers significant growth opportunities but this is an intensely competitive environment aggravated by infrastructure challenges and varying regulatory processes.

Key priorities include:

- Improvement in customer service with particular reference to continuity of supply;
- Development of the product range to meet the needs of the markets;
- Capitalise on opportunities in SADC countries;
- Explore acquisition opportunities; and
- Completion of the factory upgrade in Ghana.

An integrated supply chain strategy has been designed with a phased implementation plan over the next five years. This will ensure that infrastructure and equipment in Africa meet the required international quality standards and cater for growth.

SUSTAINABILITY

Adcock Ingram has been in the business of value creation for the past 123 years. Sustainable business growth is achieved through robust strategic planning to maintain a competitive edge. Integrated, ethical action steps follow to meet economic goals. These actions are underpinned by stakeholder interaction, social activities and the Group's responsibility to protect the environment through a process of continuous improvement on our carbon footprint.

The Group's efforts to ensure long-term sustainability include:

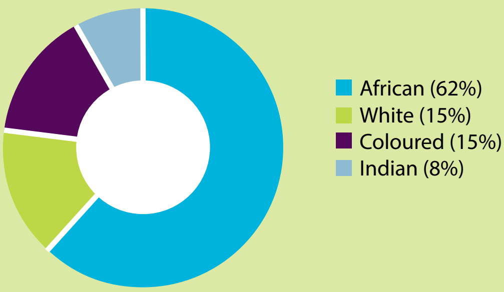
- The provision of sustainable and market-related returns for our shareholders and partners;
- Commitment to, and monitoring of core governance principles;
- The provision of safe and effective medicines and healthcare products;
- Meeting expectations of healthcare professionals, customers and consumers;
- Transformation and empowerment;
- A market-related total reward strategy;
- Continuous improvement in our various employee programmes such as learning and development, talent management and culture development;
- The provision of a safe and healthy working environment;
- The efficient management and use of scarce resources and protection of the environment;
- Stakeholder engagement; and
- Responsible and ethical corporate citizenship.

PEOPLE

Adcock Ingram's success is driven by the contribution of each individual employee, and employee groups working together to achieve a common goal.

The Group treats all employees equally and promotes diversity in the workplace. Clear policies and processes are in place to ensure that the right people are recruited and retained. The Group makes every effort to provide a stimulating work environment in which competent, skilled and experienced individuals are given opportunities for development and personal growth. Reward and recognition is based on high performance levels measured against clear goals aligned to the Group's strategic objectives.

The race representation in the South African business is as follows:



BUILDING CULTURE

Culture development is a process of continuous improvement with two-way communication being a feature of that process. The Group's "DNA Formula for Success" is reviewed quarterly to assess employee perceptions regarding the extent to which the culture is kept alive in terms of participation, communication of the DNA survey results and creation of action plans for each department. Results of these reviews continue to reflect improvements and an increase in employee participation.

Several initiatives directed towards building culture included, amongst others, the "Aditude" reward programme in which management and staff are able to immediately recognise people who live the Group's DNA Formula for Success. This programme aims to recognise and reinforce desired behaviours to ensure that all employees align with the Group's vision of values and culture.

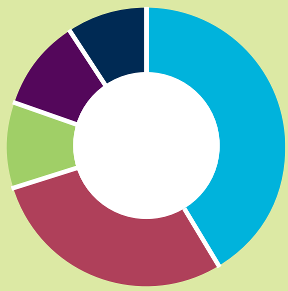
LEARNING AND DEVELOPMENT

The integrated Learning and Development programme encompasses talent management, performance management and the workplace skills plan.

10.8/15.0 points earned on BBBEE scorecard for skills development.

The work place skills plan and annual training report submitted to the Chemical Industries Education and Training Authority (CHIETA) resulted in a grant of R3,1 million (levy period April 2012 to March 2013). An additional R3,0 million was approved for the implementation of critical programmes including Adult Basic Education and Training, learnerships, graduate development and apprentice training.

Training attendance in South Africa can be split as follows:



TALENT MANAGEMENT

The talent management process aims to support business growth by building human capital at all levels and aligning human capital practices with the business goals.

The talent review process is a rigorous competence-based assessment of employees and commences with identification of critical positions, high potential employees and future leaders. Training and development needs are identified and addressed so that these candidates can become part of the succession planning process. Organisational vulnerabilities and risks in terms of these employees are also determined.

One of the processes utilised is an on-line 360 degree evaluation for managers. This evaluation by colleagues, managers, direct reports and a self-assessment helps to identify strengths, and provides feedback on behaviours and competencies that are key to performance. The programme also improves self-awareness and provides development opportunities based on feedback from various stakeholders.

The talent pipeline extends to work experience for unemployed graduates. This includes the Department of Trade and Industry (dti) Programme in partnership with the South African Graduates Association (SAGDA) as well as Productivity SA, which aims to assist graduates and learners to obtain work experience, as well as the Group's own programme.

Various training and study assistance took place in South Africa during the year:

	African		Coloured		Indian		White		TOTAL
Programme	M	F	M	F	M	F	M	F	
Apprentices	8	3	1						12
Pharmacy interns		2						1	3
Graduates	4	5							9
SAGDA [(1)]	23	23	1						47
Disabled learners	4	6	1		1				12
ABET [(2)]	11	15	1	11					38
Pharmacy assistants	24	25	3	3	1		1		57
Study assistance [(3)]	16	10	1		3	4	3	2	39
Total	90	89	8	14	5	4	4	3	217

(1) *SAGDA aims to assist graduates/learners to receive workplace experience.*

(2) *ABET – the Group provides numeracy and literacy training from level 1 to 4.*

(3) *Study assistance is available to all employees with at least a two-year tenure, based on work-related studies at a recognised institution.*

Refer inside front cover for award received

SUSTAINABILITY CONTINUED

Adcock Ingram's geographical headcount details for 2013 are as follows:

TOTAL HEADCOUNT **4 841**
(2012: 3 172)

SOUTH AFRICA
2 317
(2012: 2 259)

INDIA
1 802
(2012: 362)

GHANA
518
(2012: 528)

KENYA
31
(2012: 23)

ZIMBABWE **173**

PERMANENT **4 068**
(2012: 2 124)

TEMPORARY **602**
(2012: 615)

CONTRACTS **79**
(2012: 109)

GRADUATES **92**
(2012: 324)

STAFF COMPOSITION
SOUTH AFRICA

FEMALE
32%

MALE
68%

BLACK FEMALE
42%

WHITE FEMALE
9%

BLACK MALE
43%

WHITE MALE
6%

DISABLED EMPLOYEES **7**
SOUTH AFRICA

FEMALE **4**
(2012: 3)

MALE **3**
(2012: 1)

DISABLED LEARNERS **12**
SOUTH AFRICA

FEMALE
6

MALE
6

SUCCESSION PLANNING

Succession is reviewed annually in line with business requirements. The issue of transformation remains a challenge and a concerted effort is being made in the development of employment equity candidates for senior positions.

Nine executive positions have been profiled, for which internal candidates have been identified as successors for all nine of these. The readiness level of successes varies from 'ready now' to 'ready in three years'.

TOTAL REWARD STRATEGY

Total reward strategy is integrated with people management processes, including transformation, talent management, employee wellness and succession planning.

Every effort is made to ensure that Group's reward strategy is equitable and market related and that the Group's image in the market place is that of an employer of choice.

Remuneration policies are based on recruitment and retention of the best people and ensuring sustained high performance levels. For full details on remuneration, please refer to page 50.

EMPLOYEE WELLNESS

A fully functional gym facility has been opened in Midrand with a skilled instructor to assist employees with team building, wellness, equipment training and various cardio programmes.

The Group has on-site clinics managed by qualified nursing sisters. Wellness days are held annually at all South African sites to inform staff about the services available and screen for health risks such as cholesterol, diabetes and blood pressure. Employees are provided with personal health reports including recommendations to improve various health indicators. This process also helps to provide an accurate appraisal of the overall health risk in the Group which facilitates the ongoing evolution of a successful wellness strategy.

Wellness days offer a variety of services including:

- Total cholesterol screening
- Blood glucose screening
- Blood pressure measurement
- Smoking habits
- Exercise patterns
- Body Mass Index (BMI) measurement
- Voluntary counselling and testing for HIV

During the wellness days 368 employees were tested for HIV in 2013.

During the year, five blood drives were hosted by Adcock Ingram in South Africa and a total of 165 people donated blood.

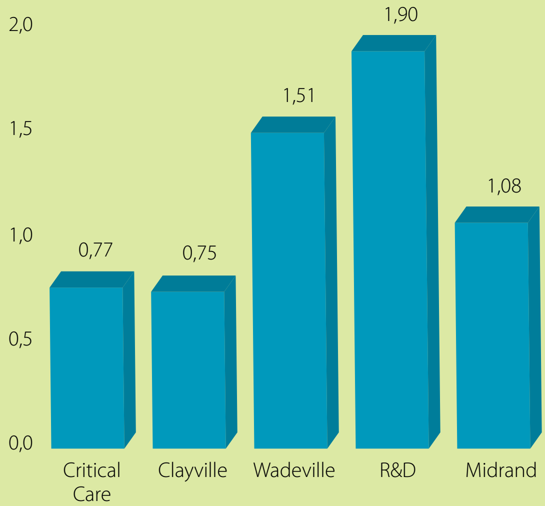
The HIV/AIDS disease management programme offers HIV education and awareness programmes and pre- and post-screening counselling. Employees who are diagnosed with HIV, either through screening or by a private practitioner, are encouraged to enroll in this programme to assist them in the optimal management of their condition.

EMPLOYEE HEALTH AND SAFETY

Twenty-three cases of disabling injuries have been reported during the past year in South Africa. Critical Care had seven incidents, Wadeville seven, Midrand six, Clayville two and one at R&D. During the current year we had no fatalities.

The following graph provides the Disabling Injury Frequency Rate (DIFR) at Adcock Ingram facilities in South Africa for the 2013 year.

DISABLING INJURY FREQUENCY RATE (DIFR)



DIFR – the number of deaths and disabling injuries per 200 000 employee hours of exposure. A DIFR of 1.9 means that the Company has 1.9 people injured for every 200 000 man hours worked over a 12-month period.

Disabling injury – a work-related injury that results in death, permanent disability, permanent partial disability or temporary disability. Disabling injuries include lost workday cases, restricted workday cases and noise included hearing loss. These injuries are used in calculating the DIFR.

HEALTH AND SAFETY AT FACILITIES

The 2013 risk control audit conducted by Alexander Forbes/Marsh, achieved satisfactory results. The overall score for all locations audited was maintained at an average rating of 97%.

The South African manufacturing facilities improved to 97% (2012: 96%) whilst the distribution facilities (98%) and the international operations (96%) maintained their scores. Bangalore and Bulawayo achieving average site ratings of 96% and 95%, respectively.

Factors measured included risk control, fire defence, security, emergency planning, health and safety, and motor fleet and transport vehicle safety.

COMMUNITIES

In 2013 Adcock Ingram made donations and contributions of R6 million towards corporate social investment (CSI) projects.

Adcock Ingram's partnership with the Smile Foundation has resulted in reconstructive surgery for 19 children this year, bringing the total number of beneficiaries of this surgery supported by the Group to 90 people in South Africa. 'Operation Smile' was extended to Malawi where 200 adults and children underwent reconstructive surgery.

New initiatives this year in the rural areas of the Eastern Cape included support for the Mercy Ships project for cataract surgeries at the Zithulele eye care centre and a new ablution block for Lutshaya High School.

A grant of R350 000 has been made to a new clinical research unit at the Red Cross Children's Hospital. This clinical outpatient facility will manage children with infectious diseases and functions separately from the Research Centre for Adolescent and Child Health (REACH) at the hospital.

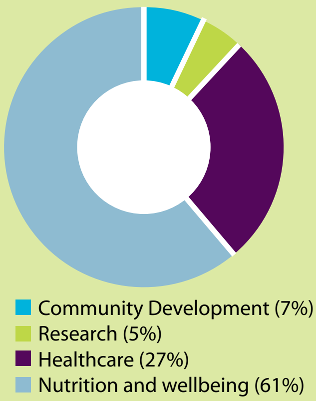
The Generics division's Community Upliftment Programme (CUPS), is driven by community pharmacy initiatives in their own areas. The programme aims to make a sustainable difference to needy communities and embraces education, health, sport and safety projects.

Seventeen CUPS projects were supported countrywide during 2013. Beneficiaries included a donation of equipment for the 90 children attending the Refilwe School in the impoverished Lesedi community and a soup kitchen in Port Elizabeth that feeds over 250 children daily.

The Group has also made donations in kind to various organisations in South Africa and a donation of critical care products to the Lilongwe Hospital in Malawi.

In Zimbabwe, Datlabs' employees donated their skills and time to raise funds for HIV/AIDS orphans in a high density area in Bulawayo.

NATURE OF CSI EXPENDITURE



GRI: LA7,8

SUSTAINABILITY CONTINUED

ENVIRONMENT

The protection of the environment is central to the Group's focus on social responsibility to create an awareness of the importance of reducing our carbon footprint and to ensure that our operations are conducted in an environmentally responsible manner.

The recent factory upgrades included a significant investment towards reducing the Group's carbon footprint in terms of energy and water conservation measures.

In total, energy and water conservation efforts at the South African factories resulted in annual savings estimated at R11 million, with 54% contributed by the Aeroton facility, 27% by Wadeville, and the balance by Midrand and Clayville.

ENERGY

The first industrial application of geothermal technology in South Africa was implemented at the new high-volume liquids facility at Clayville. This technology reduces energy requirements by using the earth's constant underground temperature of approximately 16 degrees to warm, cool and ventilate buildings. This investment has resulted in a reduction in annual electricity consumption. Maximum monthly demand declined, reducing annual energy consumption by 528 000 KWA with an annual savings expected. This project was selected as a finalist in the Eskom-sponsored eta Award for innovation in energy conservation. The winner will be announced in 2014.

η(eta) is the Greek symbol for efficiency, hence the name of the Awards. The purpose of the eta Awards is to reward exceptional effort in the more efficient use of energy by individuals, students, companies or other institutions.

Other Group projects include the use of solar energy, low energy lighting and implementation of a regular maintenance programme for cooling towers, use of variable speed motors – thereby reducing energy consumption – and the installation of sensors for lights and air-conditioners in offices.

The Group responded to the dti's initiative towards greener production in South Africa, driven by the Council for Scientific and Industrial Research's (CSIR) National Cleaner Production Centre initiative. The CSIR-appointed international consultants conducted audits of Adcock Ingram's sites during 2013. The recommendations from these audits which would further enhance energy and water conservations and reduce waste are currently being assessed based on a cost-benefit analysis.

WATER

CLAYVILLE

In addition to strides made with utilisation of waste water for domestic use, several initiatives are being implemented to reduce water usage. These include expansion of the reverse osmosis water run-off for domestic applications, the utilisation of run-off water from the reverse osmosis plant for chillers as well as validation of optimised cleaning-in-process (CIP) steps for all product recipes to minimise water usage at each step.

AEROTON

The Aeroton facility uses water as an ingredient (distilled and purified) in most hospital products and in many of the production processes such as sterilisation, cooling and heating. Several projects have been initiated to recover and re-use water in the sterilisation process, distillation water plant and other areas. These activities are expected to yield significant annual savings of up to 20 000 kL.

MIDRAND

Metered boreholes have yielded water savings of over 7 million litres. A second borehole is planned in 2014 which will be connected to a chlorinator injection and monitoring system to use borehole water for domestic purposes. A 52 000-litre rain catchment facility is nearing completion which will be connected to the building management system to supplement the water supply to the irrigation system.

BANGALORE

This facility uses borehole water that is processed before use in manufacturing. There is an effluent treatment plant on site.

WADEVILLE

Plans are in process to implement a water recycling process at Wadeville during 2014.

WASTE MANAGEMENT

MIDRAND

The waste area has been upgraded and will be maintained to a clean environment. Waste is sorted with a separate skip for cardboard, yielding savings in waste removal costs.

Clean environment – an area that contains only a limited number of microorganisms and is free from obvious soil.

Plans include baling cardboard and plastic on site, which will yield further savings.

Baling – to compact recyclables such as aluminum, cardboard, paper, and plastic into blocks which can easily be stacked and transported.

WADEVILLE

A waste and recycling management system has been implemented with an estimated 30% decrease in waste sent to landfill sites.

AEROTON

Significant steps have been taken towards the recovery and recycling of all processed scrap and rejected plastic. The waste is reground with the pellets being sold in bulk to plastic convertors for use in the manufacture of PVC products. In one such co-operative venture, a footwear company converts the reground pellets into mass-produced sandals. This initiative has reduced the environmental impact and supported the creation of 10 jobs and saved the Group the cost of destruction.

BANGALORE

Product and printed waste is managed by third parties. Product waste is removed by an environmentally friendly company and printed waste is destroyed by incineration.

ENVIRONMENTAL AUDIT

Adcock Ingram undertakes an independent environmental audit as part of its risk management audit. Environmental elements that are measured include the management of water quality, waste, hazardous waste materials, packaging, energy, air quality and land quality management.

Satisfactory results were achieved in the Group's independent environmental audit. The average rating for the sites audited was 94% (2012: 93%) with the South African manufacturing and distribution facilities achieving averages of 96% and 97%, respectively. The Bangalore facility in India was awarded a 76% rating (2012: 67%).

EMPOWERLOGIC
Your Logical Empowerment Solution

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

Adcock Ingram Holdings Limited and Subsidiaries

Level 3 Contributor

Measured Entity (Full List of Entities Listed on Page 2 of Certificate)	
Company Name	Adcock Ingram Holdings Limited and Subsidiaries
Registration Number	2007/016236/07
VAT Number	See Page 2
Address	1 New Road Midrand 1685

CARBON FOOTPRINT

The Carbon Footprint results, determined by "Carbon Calculated" are as follows:

	Financial year ended September 2013 Tonnes	Financial year ended September 2012 Tonnes
Scope 1		
Company owned/controlled vehicles	**3 684**	1 289
Stationary fuels	**13 177**	10 823
Fugitive emissions (Kyoto)	**33**	84
Scope 2		
Electricity	**50 538**	34 934
Total Scope 1 and 2	**67 432**	**47 130**
Scope 3		
Business travel	**4 684**	1 761
Employee commute	**4 955**	6 349
Outsourced distribution (import and export)	**11 137**	10 552
Packaging materials	**20 612**	26 143
Paper use	**70**	83
Waste	**523**	620
Water (embedded CO_2e)	**628**	357
Total Scope 3	**42 609**	**45 865**
Total Scope 1, 2 and 3	**110 041**	**92 995**
Non-Kyoto gas	**2 130**	1 848
Grand total	**112 171**	**94 843**

For the detailed carbon footprint report, refer to *www.adcock.com*

TRANSFORMATION

Adcock Ingram continues to be socially progressive with initiatives focused on training and development, job creation, enterprise development and community wellbeing to ensure that the Company maintains its leading position in the Pharmaceutical sector with a Level 3 BBBEE rating.

The management of transformation in line with the revised codes of good practice is a challenge. Efforts will be directed towards increasing disability equity through learnerships, strengthening dialogue with strategic BEE partners and alignment of the owner-driver scheme with the new codes. Engagement with key local suppliers and BEE partners will aim to ensure that they are aligned with the revised codes.

ENTERPRISE DEVELOPMENT

The owner-driver enterprise development project has been extended with an additional two vehicles at Midrand. The project will be extended to Aeroton in 2014 by adding approximately 16 vehicles.

PREFERENTIAL PROCUREMENT

The proactive approach to increase business with qualifying enterprises yielded 16,20 points on the BBBEE scorecard, an improvement of 81%.

Total qualifying expenditure amounted to R2,1 billion of which 96,7% was spent with qualifying enterprises. Of this spend, 63% was with black-owned enterprises, with enterprises owned by black women accounting for 57%.

2014 FOCUS

Sustainable business growth is dependent on aligning the management of Human Capital with core business objectives based on a foundation of transformation, leadership effectiveness, total reward strategy, integrated learning and development, and building the culture.

Transformation is a key issue. The revised BBBEE codes are a challenge because the Company is largely reliant on imported raw materials and finished goods. Other issues include the introduction of priority elements based on ownership, skills development, and enterprise and supplier development. Every effort will be directed towards meeting the challenges of the revised Codes of Good Practice to retain our BBBEE status.

Focus must be placed on a continuous improvement process to conserve resources and thereby reduce the Company's carbon footprint with particular attention to energy, water and waste management.

WHERE WE HAVE SUCCEEDED IN OUR OBJECTIVES

- Greener production at the Clayville factory
- Retained Level 3 BBBEE status
- Expansion of the owner-driver programme
- Talent management pipeline

WHERE WE DID NOT ACHIEVE OUR GOALS

- Ability to attract highly competent people and meet Employment Equity targets
- The rising cost of attracting and retaining EE candidates
- Appointment of people with disabilities
- Appointment of black females at Senior Management level
- Skills scarcity despite the focus on developing a pool of graduates and learnerships
- Formalised Mentoring and Coaching programmes to ensure the transfer of skills

Refer to *www.adcock.com* for the report by the Social, Ethics and Transformation Committee.

STAKEHOLDER ENGAGEMENT

Adcock Ingram recognises its responsibility to present a balanced and comprehensive assessment of the Group to all of its stakeholders as long-term sustainability objectives are supported through engaging with stakeholders to address matters of mutual interest. Stakeholder support or lack thereof may influence the Group's performance.

GRI: 4.14 – 4.17, PR5, SO5

KEY STAKEHOLDERS	HOW WE ENGAGE WITH OUR STAKEHOLDERS	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS	COMPANY'S RESPONSE
SHAREHOLDERS AND INVESTOR COMMUNITY	Media releases, Stock Exchange News Service (SENS) Presentations subsequent to the interim and annual results publications Meetings, including regular site tours, with investment analysts, institutional investors and journalists in South Africa, North America and Europe Investor perception audits Corporate website	To keep shareholders and the investment community updated on our financial and operational performance, strategy, risks and opportunities in a transparent way To understand the expectations of the investor community and enhance our communication with it	CFR transaction and corporate activity Delivering sustainable and market-related returns Impact of the exchange rate on the business Product launches Product pipeline Strategy M&A	Page 17 Page 117 Page 29 Page 20
CUSTOMERS/ CONSUMERS	Daily interaction with many of the Group's customers through personal visits by our sales team, managers and executives Annual Healthcare Summit Continuing Professional Education Customer surveys Call Centre Advertising Consumer focus groups Consumer education campaigns Corporate website Social media	To solicit feedback on our products and services, promote and provide education on our products, ensure effective product stewardship and obtain feedback on customer and consumer needs To provide continuing professional education	Product quality and effectiveness Long-term security of supply Service delivery CFR transaction and how it could impact on our relationship with customers	Page 22 Page 30 Page 32 Page 18
REGULATORY AUTHORITIES AND GOVERNMENTS	Regular contact, including personal visits, with regulatory bodies, particularly the MCC Proactive Government relations engagement strategy is in place for contact at executive and Board level with key Government Ministers and officials in various departments Membership of various industry associations	To ensure that legislation does not impinge on our ability to provide South Africans with quality, affordable medicine To facilitate registration of our products in all countries in which we operate To maintain a viable and sustainable local pharmaceutical industry	CFR transaction Accessibility and affordability of medicines Product registrations Investment in South Africa Empowerment and transformation Corporate Social Investment initiatives	Page 18 Page 20 Page 47 Page 45

Key stakeholders have been identified based on their influence on the Group. The ultimate aim is to foster a positive business environment that facilitates business growth while building the Group's image and brand as an ethical, responsible and concerned corporate citizen.

The Group aims to develop mutually beneficial relationships with its stakeholders, built on a foundation of effective communication strategies tailored to meet the needs of each stakeholder.

KEY STAKEHOLDERS	HOW WE ENGAGE WITH OUR STAKEHOLDERS	REASONS FOR ENGAGEMENT	KEY TOPICS RAISED BY STAKEHOLDERS	COMPANY'S RESPONSE
LOCAL COMMUNITIES AND NGOs	Generics division's community upliftment projects Corporate Social Investment programme	To provide social upliftment and improve healthcare To develop positive relationships with NGOs in the communities	Community Upliftment programmes	Page 45
EMPLOYEES AND UNIONS	Intranet, big-screens, newsletters, presentations and briefings, performance reviews, internal staff surveys Performance Management system Training and development initiatives Site management/shop steward meetings National Transformation Forum/site transformation forums	To communicate effectively on Group strategy, performance and developments To develop a positive working relationship To facilitate negotiations on conditions of employment for industry with direct influence on the workplace To discuss, drive and monitor Employment Equity and skills development objectives and initiatives To address operational issues affecting production and employees To motivate staff and influence workplace performance	Provision of market-related remuneration and benefits Job security Ongoing training and development Centralised bargaining Workforce transformation	Page 50 Page 18 Page 43 Page 50 Page 44
SUPPLIERS AND SERVICE PROVIDERS	Personal contact at executive and management level	To understand and address their concerns and ensure they adopt and adhere to required standards and service levels	Sustained demand and long-term relationships	Page 17
MULTI-NATIONAL PARTNERS AND LICENSORS	Personal contact and annual road shows *Ad hoc* meetings	To ensure that the Group retains a high profile with existing and prospective business partners	Cost-effective sales and marketing Regulatory and distribution capabilities	 Page 32
MEDIA	Distribution of press releases Personal interviews with key executives and Board members	To build positive relationships with the media To maintain a positive profile in the media	CFR transaction Engagement on topical issues affecting the industry and the Company	Page 17
INDUSTRY GROUPS	Interaction and participation on PTG, SMASA and SAMED	To contribute to an industry viewpoint on regulatory issues and health policy to all healthcare stakeholders	CFR transaction Sustainability and viability of the local pharmaceutical industry	Page 17

REMUNERATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

We recognise that we operate in a globally competitive environment and that our performance depends on the quality of our people. Adcock Ingram seeks to provide a level of remuneration that attracts, retains and motivates employees of the highest calibre. In order to attract, retain and motivate top level skills, it is necessary to acknowledge that such talent is in high demand, and that the cost is dependent on the supply and demand of these skills. Thus, to be competitive, monetary benefits must be in line with those offered in the market place.

Through the reward strategy, Adcock Ingram strives to provide employees with a remuneration package that is in line with our strategy and values, through a combination of benefits. The principle of "performance-based remuneration" is one of the cornerstones of our reward philosophy. Adcock Ingram's reward philosophy is underpinned by sound remuneration management and governance principles that are promoted throughout the business to ensure consistent application.

SUMMARY OF KEY REWARD PHILOSOPHIES

Performance conditions are designed to:

- Align with the business strategy to maximise shareholder value;
- Ensure remuneration arrangements are equitable;
- Be consistent across the Group;
- Be fair and transparent; and
- Encourage long-term performance and sustainability.

Our total reward approach is integrated into our people management processes such as transformation, performance management, recognition, employee wellness and talent management. Rewards are set at levels that are relevant and competitive within the specific market.

Adcock Ingram promotes a total remuneration philosophy, where employees are rewarded through a mix of financial rewards, comprising elements such as remuneration (fixed and variable), benefits, employee wellness programmes, performance and recognition, development and career opportunity.

GRI: LA4

FIXED REMUNERATION

PERMANENT EMPLOYEES

The levels of basic remuneration are reviewed and revised annually. The criteria that have been adopted for determining pay increases are as follows:

- Experience and skills related to the position;
- Strategic impact of the position on the business;
- CPI (inflation);
- Market comparison/salary survey;
- Other market factors affecting our employees;
- Individual Performance Agreement (IPA) scores;
- Affordability; and
- Company performance.

Across the Group, employment positions are assessed using recognised evaluation systems in order to ensure the remuneration of a job is aligned to the relative value as compared to other jobs. Salary scales are determined using a unified pay structure which identifies a minimum and maximum range for each position and are reviewed annually. Movement along the salary scale within a job grade is driven by individual performance.

BARGAINING UNIT EMPLOYEES

42% of employees in South Africa, 65% in Zimbabwe and 22% of employees in the Indian Joint Venture belong to bargaining units. Remuneration for employees forming part of the bargaining unit is based on annual negotiations between the Company and unions. Salary increments are in accordance with the relevant settlement agreements for the given period. Bargaining unit staff members in South Africa were allocated a 7,75% increase, with effect from 1 July 2013, 5% effective 1 October 2012 for Zimbabwe employees and those in India were allocated a 9% increase, with effect from 1 April 2013. The Human Capital executive is responsible for wage negotiations in South Africa.

FIXED TERM CONTRACT REMUNERATION

Employees who join the Company on a fixed term contract are remunerated at a total remuneration package (TRP) value equivalent to a permanent employee of the same grade and job title, based on the premise that such employment will be on the same terms as a permanent employee (with reference to working hours per month/shift). In India it is customary to remunerate an individual under a fixed term contract at approximately 80% of a permanent employee.

TEMPORARY WORKER REMUNERATION

The Company does employ temporary workers, mainly in the South African and Indian manufacturing plants, to provide flexibility to its workforce capacity as a result of fluctuations in demand, upgrades to facilities, tender awards and market volatility. Employees who join the Company on a temporary basis are remunerated on an hourly basis.

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

COMPONENT	OBJECTIVE	SOUTH AFRICA	INDIA	REST OF AFRICA
Basic salary	To align salaries with roles/performance For comparative roles, ensure internal pay equity. Salaries are benchmarked against the market Annual salary increases are approved by the Remuneration Committee	Management is given discretion to apply increases within the stipulated range to staff members dependent on individual performance		
	The average increase for 2013 was:	6%	13%	5%
	Salary increases for the forthcoming financial year (2014) will range as follows:	From 0% to 11,5% dependent upon individual performance	From 4% to 15% dependent upon individual performance	From 0% to 15% dependent upon individual performance
	The intended overall increase:	7,2%	9%	12,5%
Provident fund	To ensure financial security and dignity to employees and their beneficiaries. The fund covers group life, disability cover and funeral benefits	For bargaining unit employees, contributions by employees vary between 7% and 7,5% and the contribution by the employer from 10% to 11% of the basic salary, as negotiated with the unions For non-bargaining unit employees, contributions are currently 18% of retirement funding income, which is set at not less than 75% of the total remuneration package	This is governed by statutory requirements in India Contributions are currently 12% of the basic salary at all levels	In Kenya, employer contributions amount to 10% of basic pay and employees can contribute voluntarily In Zimbabwe, employer contributions amount to 15% and employee contributions to 7% of the basic salary In Ghana, equal contributions (5% of the basic salary) are made by the employer and employees. There is also a provision for the statutory pension scheme where employees contribute 5,5% and the company 13% of basic salary
Medical aid fund	To cater for ill-health and hospitalisation	Optional, but highly encouraged Adcock Ingram offers a range of independent medical aid schemes as choices for employees	Compulsory Employees are covered under Group Personal Accident and Group Medi-claim	Compulsory Zimbabwe and Kenya have contributory medical schemes. In Ghana employees rely on a statutory scheme (National Health Insurance)

VARIABLE REMUNERATION

The purpose of variable remuneration is to maximise the performance of people, promote a culture of excellence and provide rewards that attract and retain staff. This includes:

- Short-term incentives
- Commission
- Recognition programme
- Long-term incentives

SHORT-TERM INCENTIVES

Annual incentive bonuses are paid if key performance targets, including but not limited to financial targets, are met. These targets are directly linked to the achievement of the Group's targets and the goals of individual employees.

All employees, excluding those in the bargaining units and sales staff, participate in the Group's incentive bonus scheme. Bonuses are conditional and are paid annually, subject to the achievement of Group and divisional targets combined with key performance indicators agreed to between the CEO and the Remuneration Committee.

For the year ended 30 September 2013, no short-term incentive will be paid, as the Group failed to meet the financial targets set. This was also the case in the previous year.

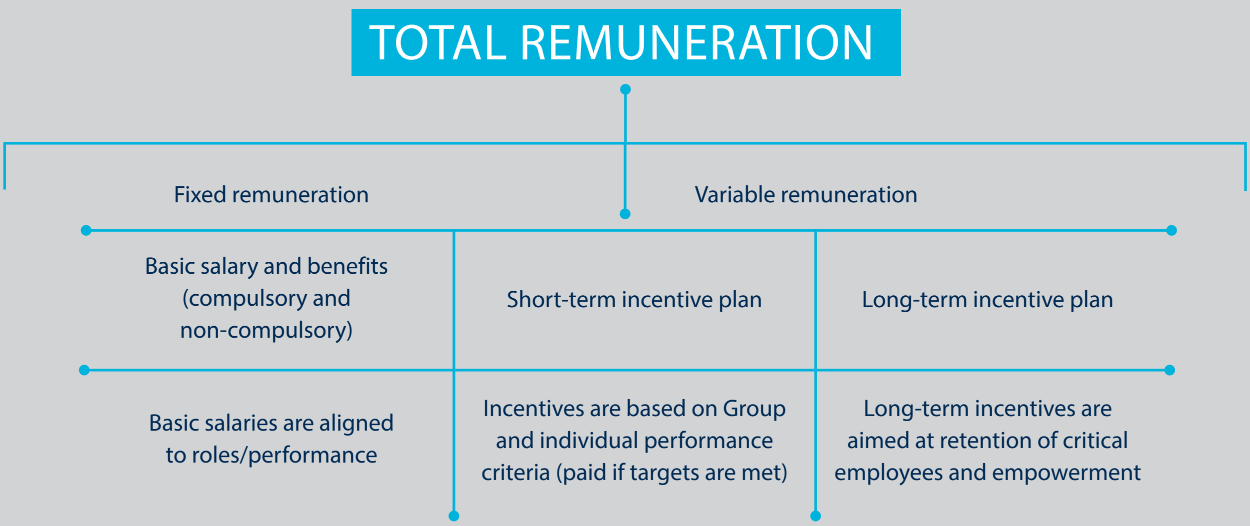
COMMISSIONS

Employees in sales are incentivised through sales target arrangements and receive incentives if certain sales targets are achieved during the year.

RECOGNITION PROGRAMME

During June 2013, the "Aditude" rewards and recognitions programme was launched in South Africa which encourages more immediate rewarding of excellent performance and achievement. The system is creative, flexible and meaningful and includes once-off rewards which are convertible into cash awards for significant and outstanding performance. Expansion of the programme into the other territories is planned for the future.

COMPONENTS OF TOTAL REMUNERATION FOR PERMANENT EMPLOYEES



LONG-TERM INCENTIVES

SHARE OPTION SCHEME

Adcock Ingram has a share option scheme in place for executives, key management and other critical employees in the Group. It was introduced in 2008. Long-term share incentive participation helps to facilitate alignment between the interests of management and shareholders.

In terms of the rules of the scheme, the grant price of an option is determined using the weighted average closing price of the previous 30 trading days. The cash settlement amount of an option is equal to the difference between the closing price of Adcock Ingram's shares on the date upon which an option is exercised and the offer price. The participants receive the amount due as a cash payment, net of taxation.

The Remuneration Committee recommends the granting of options for critical or key talent in January of each year, for approval by the Board of Adcock Ingram.

This scheme is "cash settled" with one-third of the options becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date. The options expire six years from the grant date if not exercised. For example:

January 2013	Award
January 2016	Vesting Date 1/3
January 2017	Vesting Date 2/3
January 2018	Vesting Date 3/3
January 2019	Options expire

BLACK MANAGERS SHARE TRUST

In terms of the Tiger Brands Limited BEE transaction implemented in 2005, vested rights were issued to black managers of the Tiger Brands Group (including the Adcock Ingram Group).

The allocation of vested rights entitles beneficiaries to receive shares after making capital contributions to the Trust at any time after the defined lock-in period, i.e. from 1 January 2015. These vested rights are non-transferable.

MPHO EA BOPHELO

Adcock Ingram implemented its Black Economic Empowerment staff scheme in South Africa during 2011. Initial share unit allocations totalling 5 159 000 were made to qualifying staff in March 2011, in accordance with the scheme rules and the respective trust deed. Additional allocations of 321 300 units were made during March 2013 (March 2012: 403 200) to qualifying employees. For the next three years, additional tranches will be issued to qualifying employees on the anniversary date.

This scheme is "equity settled" and although some share option allocations vested on 31 March 2013, they can only be exercised from 31 March 2018 onwards.

31 March 2011	1st Tranche grant
31 March 2012	2nd Tranche grant 1/5 1st Tranche vest
31 March 2013	3rd Tranche grant 2/5 1st Tranche vest 1/4 2nd Tranche vest
31 March 2014	4th Tranche grant 3/5 1st Tranche vest 2/4 2nd Tranche vest 1/3 3rd Tranche vest
31 March 2015	5th Tranche grant 4/5 1st Tranche vest 3/4 2nd Tranche vest 2/3 3rd Tranche vest 1/2 4th Tranche vest
31 March 2016	All Options Vest
31 March 2018	Exercise Date

For more details on the share schemes, refer to Annexure B.

REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

The recommendation of the Remuneration Committee on the proposed fees is submitted to the Board for consideration before being proposed to shareholders for consideration and approval at the Annual General Meeting, currently held in January of each year. If approved, the fees become effective on 1 February.

During 2013, the Independent Board was constituted in terms of the Companies Act, following the submission of an unsolicited letter from the Bidvest Group proposing a scheme of arrangement to acquire 60,0% of the entire issued share capital of the Group. The independent Board constituted a working committee of six independent directors with the authority to act for the Independent Board and to brief the Independent Board from time to time. The meetings of the Independent Board and its working committee are considered to be special board meetings and members were paid R13 000 per meeting for meetings which lasted in excess of three hours.

REMUNERATION

	2013 R'000 Regular board meetings	**2013 R'000 Independent and special board meetings**	**2013 R'000 Total**	2012 R'000 Total
Mokhele	**974**	**195**	**1 169**	967
Lesoli	**267**	**39**	**306**	298
Raphiri	**310**	**26**	**336**	316
Schönknecht	**373**	**195**	**568**	334
Thompson	**480**	**182**	**662**	432
Diack*	**270**	**–**	**270**	542
Stewart	**540**	**156**	**696**	542
Makwana	**410**	**143**	**553**	261
Haus	**328**	**169**	**497**	109
	3 952	**1 105**	**5 057**	3 801

* *Resigned 22 March 2013.*

Non-executive directors receive no benefits from their office other than fees and do not participate in the Group's incentive bonus plan or any of its share option schemes.

For more details about meeting attendance, refer to pages 10 and 11.

CURRENT FEES

Current annual fees paid are as follows:

		R*
Board	Chairman	973 875
	Member	222 823
Audit Committee	Chairman	211 470
	Member	105 735
Risk Committee	Chairman	211 470
	Member	105 735
Remuneration Committee	Chairman	86 814
	Member	55 094
Social, Ethics and Transformation Committee	Chairman	81 472
	Member	44 075
Special meeting**	Attendee	13 000

* *The fees have remained unchanged since 1 February 2012.*

** *The fee for special meetings is only paid for meetings exceeding three hours in duration.*

No proposal to increase the fees will be tabled at the Annual General Meeting in January 2014.

TERMS FOR NON-EXECUTIVE DIRECTORS

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

SHAREHOLDINGS

There were no direct or indirect beneficial holdings in the current or prior year.

EXECUTIVE AND KEY MANAGEMENT REMUNERATION

The executive and key management's remuneration is structured to include guaranteed remuneration, and short-term and long-term incentives to drive performance. The level of guaranteed remuneration aims to competitively attract high calibre leadership.

The short-term incentive component rewards employees for achieving key performance targets, based on Group and individual performance criteria, as agreed upon at the start of each financial year.

The long-term share incentive scheme is a retention mechanism for key employees only, as well as linking executive reward with the Group's performance.

EXECUTIVE DIRECTORS' REMUNERATION

The Group aims to adhere to the broad guidelines of executive remuneration set out in King III. The overall principles applied comprise:

- Establishment of an appropriate and competitive balance between fixed and variable remuneration structure to achieve performance excellence;
- Establishment of a performance-oriented culture with a pay-for-performance approach that aligns with sustainable shareholder value;
- Appropriate use of market and industry benchmarks to ensure competitive remuneration aligned to the market median; and
- Drive sustainable business results through short-term and long-term performance-based incentives.

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

VARIABLE REMUNERATION

SHORT-TERM INCENTIVES

For the 2013 financial year, executive directors could earn up to 115% of their total annual guaranteed remuneration. This remains unchanged for the 2014 financial year.

In respect of the year under review no short-term incentive will be paid to the executive directors as financial targets set at the start of the year have not been met. Similarly no incentives were paid in relation to the 2012 financial year.

OTHER FEES

No fees for services as directors, consulting or other fees were paid to the executive directors in the current or prior year. Directors do not participate in any commission, gain or profit-sharing arrangements.

SERVICE CONTRACTS

The Company policy is to employ each executive director, senior manager and employee in a critical position under a service contract which is subject to a one or two months' notice period. The contract provides for salary to be paid for any unexpired period of notice. All other employees are on a 30-day notice period.

RETENTION AGREEMENTS

As part of the Group's strategy to retain highly mobile and talented employees, the Group selectively, under exceptional circumstances, enters into agreements in terms of which retention payments are made. Retention payments must be repaid if the individual concerned leaves within a stipulated period. Both the executive directors and certain critical employees are currently subject to retention agreements, expiring on the earlier of June 2014 or the completion of a potential transaction, including all regulatory approvals, which will result in a change of control of the Group.

JJ LOUW

REMUNERATION

	2013 R'000	2012 R'000	Increase %
Salary	**3 587**	3 297	
Contributions to defined benefit contribution plan	**658**	652	
Gross remuneration	**4 245**	3 949	7,5

JJ Louw received a retention bonus to the amount of R2 122 750 during the year, of which two-thirds has been expensed through profit or loss.

LONG-TERM INCENTIVES

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

	Offer date	Offer price R	Balance at the beginning of the year	Exercised during the year	Granted during the year	Balance at the end of the year
Equity-settled options	29/01/2004	13,62	7 700	–	–	7 700
	25/01/2005	19,96	11 400	–	–	11 400
			19 100	–	–	19 100
Cash-settled phantom options	22/01/2008	34,69	25 729	–	–	25 729
	01/04/2008	28,27	63 212	–	–	63 212
	01/10/2008	34,78	101 799	–	–	101 799
	02/01/2009	33,38	106 099	–	–	106 099
	04/01/2010	51,12	134 969	–	–	134 969
	03/01/2011	62,29	119 627	–	–	119 627
	03/01/2012	60,15	131 316	–	–	131 316
	02/01/2013	53,52	–	–	158 651	158 651
			682 751	–	158 651	841 402

OPTIONS EXERCISED

Details of options exercised are as follows:

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
2012	26/01/2006	31,38	61,98	64 323	1 968 361
	22/01/2007	35,43	62,39	70 994	1 913 657
	22/01/2008	34,69	62,59	51 459	1 435 783
	01/04/2008	28,27	61,98	31 605	1 065 322
	01/10/2008	34,78	61,98	50 800	1 381 760
	02/01/2009	33,38	63,20	52 900	1 577 478
				322 081	9 342 361

[1] *Amounts are shown before taxation.*

CHARGE IN RESPECT OF LONG-TERM INCENTIVE SCHEME AWARDS*

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

	2013 R'000	2012 R'000
IFRS 2 charges	**2 344**	1 164

SHAREHOLDINGS

	Number of shares 2013	2012
Direct and indirect	**39 300**	39 300

All shares held by JJ Louw are subject to loans.

AG HALL

REMUNERATION

	2013 R'000	2012 R'000	Increase %
Salary	**2 896**	2 758	
Contributions to defined benefit contribution plan	**531**	430	
Gross remuneration	**3 427**	3 188	7,5

AG Hall received a long service award in the amount of R19 926 in 2012.

AG Hall received a retention bonus to the amount of R1 713 650 during the year, of which two-thirds has been expensed through profit or loss.

LONG-TERM INCENTIVES

Details of cash-settled phantom share options in Adcock Ingram granted are as follows:

Offer date	Offer price R	Balance at the beginning of the year	Exercised during the year	Granted during the year	Balance at the end of the year
22/01/2008	34,69	16 200	16 200	–	–
01/10/2008	34,78	67 143	33 571	–	33 572
02/01/2009	33,38	69 959	34 979	–	34 980
04/01/2010	51,12	76 744	–	–	76 744
03/01/2011	62,29	72 429	–	–	72 429
03/01/2012	60,15	79 507	–	–	79 507
01/05/2012	60,70	78 786	–	–	78 786
02/01/2013	53,52	–	–	96 057	96 057
		460 768	84 750	96 057	472 075

OPTIONS EXERCISED

Details of options exercised are as follows:

	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options R[1]
2013	**22/01/2008**	**34,69**	**58,00**	**16 200**	**377 646**
	01/10/2008	**34,78**	**58,00**	**33 571**	**779 519**
	01/02/2009	**33,38**	**58,00**	**34 979**	**861 183**
				84 750	**2 018 348**
2012	22/01/2008	34,69	60,15	16 200	412 476
	01/10/2008	34,78	61,50	33 571	897 017
	02/01/2009	33,38	60,15	34 979	936 388
				84 750	2 245 881

[1] *Amounts are shown before taxation.*

CHARGE IN RESPECT OF LONG-TERM INCENTIVE SCHEME AWARDS*

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

	2013 R'000	2012 R'000
IFRS 2 charges	**1 389**	708

SHAREHOLDINGS

	Number of shares 2013	2012
Direct and indirect	**9 150**	8 050

** The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the directors. Please refer to the tables detailing the gain before taxation, realised on the exercise of options.*

REMUNERATION REPORT CONTINUED

KEY MANAGEMENT

Key management comprises the Executive Committee of the Group including the executive directors. As the executive directors' details have been disclosed separately, they are excluded from the figures below. The Executive Committee in 2013 reflects the salaries of 18 executives, compared to 6 executives up to July 2012, which expanded to 15 executives in August 2012.

The details below show the annual remuneration of key management for the period the incumbents held the position during the year and might therefore not be comparable:

FIXED REMUNERATION

	2013 R'000	2012 R'000
Salary	**26 152**	12 209
Contributions to defined benefit contribution plan	**3 894**	1 733
Gross remuneration	**30 046**	13 942

Certain members of key management received retention bonuses to the amount of R8 503 175 during the year, of which two-thirds has been expensed through profit or loss.

VARIABLE REMUNERATION

Short-term incentives

For the 2013 financial year, key management could earn up to 74% of their total annual guaranteed remuneration as a short-term incentive. This remains the same for the 2014 financial year.

In respect of the year under review, as with the 2012 financial year, no short-term incentive will be paid to key management as financial targets set at the start of these years were not met.

Long-term incentives

Key management does not have any equity-settled options outstanding.

Details of cash-settled share options in Adcock Ingram granted to key management are set out below:

Offer date	Offer price R	Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
22/01/2008	34,69	43 517		(23 188)	–	20 329
01/10/2008	34,78	170 710		(54 109)	(8 986)	107 615
02/01/2009	33,38	179 063		(45 271)	(9 363)	124 429
04/01/2010	51,12	197 496		(14 061)	(27 547)	155 888
01/08/2010	51,12	25 430			–	25 430
03/01/2011	62,29	213 422			(27 635)	185 787
26/09/2011	60,38	29 811			–	29 811
01/10/2011	61,30	39 152			–	39 152
03/01/2012	60,15	329 749			(36 909)	292 840
01/05/2012	60,70	82 373			–	82 373
01/10/2012	59,56		26 666		–	26 666
02/01/2013	53,52		516 248		(59 925)	456 323
01/05/2013	60,55		79 273		–	79 273
		1 310 723	622 187	(136 629)	(170 365)	1 625 916

OPTIONS EXERCISED

Details of options exercised by key management are as follows:

		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
2013	Cash-settled options	**22/01/2008**	**34,69**	**60,21**	**23 188**	**591 799**
		01/10/2008	**34,78**	**58,71**	**54 109**	**1 294 614**
		02/01/2009	**33,38**	**59,08**	**45 271**	**1 163 489**
		04/01/2010	**51,12**	**61,73**	**14 061**	**149 241**
					136 629	**3 199 143**
2012	Cash-settled options	22/01/2007	35,43	62,21	10 641	284 950
		22/01/2008	34,69	62,21	11 435	314 708
		01/10/2008	34,78	61,26	31 894	844 463
		02/01/2009	33,38	62,74	33 282	930 596
					87 252	2 374 717

(1) *Amounts are shown before taxation.*

CHARGE IN RESPECT OF LONG-TERM INCENTIVE SCHEME AWARDS

The following charges relating to key management were expensed in the statement of comprehensive income during the year under review, in terms of IFRS 2:

	2013 R'000	2012 R'000
Key Management	**5 961**	853

TOP THREE EARNERS

The following resolution has been taking by the Board:

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

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

	2013 R'000	2012 R'000
Salary	**6 013**	5 502
Contributions to defined benefit contribution plan	**925**	917
Gross remuneration	**6 938**	6 419

The top three earners received retention bonuses to the amount of R3 166 800, of which two-thirds has been expensed through profit or loss.

RISK MANAGEMENT

The Group's key risks are classified based on impact and probability, and categorised as being uncontrollable, able to influence or controllable. An overview of the Group's key risks and mitigating activities is presented below:

	RISK	MANAGEMENT OR CONTROL
COMMERCIAL	**TRADING/CONSUMER** Data indicates that South African consumers are still heavily indebted and trading remains slow	Sales and marketing investment continued behind major brands Portfolio and geographical diversification Regular meetings with advisors to assess changes in markets
	INDUSTRY CONSOLIDATION Local and international industry consolidation can put pressure on the business at a customer, principal and entity level	Regular monitoring of international and local corporate activity, and geographical diversification in emerging markets continues, primarily Africa and India
	PORTFOLIO/PRODUCT MANAGEMENT Investment in productive and innovative pipelines through in-house development, partnering and acquisition strategies to ensure sustainability Reliance on licensors and agencies for a significant portion of revenue Ageing formulations Long lead times for MCC approval of new product registrations Stringent regulatory environment	Adcock Ingram continues to interact with multinationals to gain partnership, co-promotion and distribution agreements Extending our footprint into new markets, e.g. Rest of Africa and India Diversification in over the counter products, e.g. well-being and personal care Reformulation programme in place for older formulations Identifying and assessing international acquisition and partnering opportunities Innovation is a critical outcome for our research and development facilities, now extended to India
SUSTAINABILITY	**COMPETING FOR TALENT AND KEY PERSONNEL** Skills shortages and ability to recruit top talent in certain areas of the business, exacerbated by the drive to employ suitably qualified employment equity candidates, and current corporate activity Retention of key employees with significant experience and expertise in the industry	Retention strategies have been implemented, including mentorship programmes and comprehensive wellness programmes, a formal talent review process, comprehensive wellness programmes and performance reviews Graduate development programme implemented to fast-track and enhance depth of managerial talent
	PACE OF TRANSFORMATION Participation in the meaningful transformation of our society is critical for the sustainability of our business Customer pressure to do business with transformed entities is increasing in the private sector Revised Codes of Good Practice	Further staff share allocations made during the year relating to the BEE scheme Level 3 BBBEE status maintained Social, Ethics and Transformation Committee of the Board monitors all elements of the scorecard Central procurement monitors suppliers' BEE ratings Employment Equity targets in place Owner-driver scheme extended during 2013
	SAFETY AND SECURITY Criminal activity involves monetary risk and the safety of employees and products	Ongoing liaison with SAPS, Ethics hotline, ongoing review and monitoring of safety and security measures
	ENVIRONMENTAL ISSUES The need to reduce water and energy use, and carbon emissions Waste management	Energy audits conducted Impact on biodiversity being explored Environmental policy and management system introduced
	FACILITIES Potential disruption in supply Continuous supply from third party manufacturers	Significant plant upgrade and build programme now completed Annual review of insurance strategy and portfolio Increased focus on validation and quality control
	IT Adequacy and effectiveness of IT governance, and integration of IT systems	Formal disaster recovery plans and back-up strategies are in place IT structures are in place to provide support to all operations

GRI: 1.2

	RISK	MANAGEMENT OR CONTROL
COMPLIANCE	**MEDICINE REGULATORY** The pharmaceutical industry remains a highly regulated environment and Adcock Ingram must adhere to all relevant quality standards	All facilities have been or are in the process of being upgraded to PIC/S standards All South African facilities will seek international accreditations Rigorous quality standards are applied External audits conducted on regulatory compliance
COMPLIANCE	**LEGISLATIVE ENVIRONMENT** Price controls, including potential international benchmarking and capping of logistics fees	Adcock Ingram is an active participant in industry organisations and proactively engages with Government The Group actively communicates legislative requirements across the business, conducting training for directors and staff on legislative issues
COMPLIANCE	**PRODUCT CONTAMINATION, RECALL AND LIABILITY** Consequences of adverse drug effects, including monetary loss and reputational damage	Product liability insurance is up to date Crisis management plans developed Increased focus on quality assurance Manufacturing complexity reduced at South African sites
FINANCIAL	**SUPPLY AND COST PRESSURE** There are a limited number of suppliers of active pharmaceutical ingredients, and most of these supply in a foreign-denominated currency Product sales mix evolving with reduction in margins Regulated price increases not keeping pace with input cost increases	Stockholding of strategic active ingredients maintained Forward cover in place on all imports Cost reduction and continuous improvement programmes in place Central procurement function negotiates all significant cost inputs
FINANCIAL	**FOREIGN EXCHANGE** Currency volatility and the recent Rand weakness impact on purchase of active ingredients and finished goods sourced internationally	Forward cover taken on all imports Management performs weekly reviews of the Group's foreign exchange exposure

PROBABILITY \ IMPACT	LOW	MEDIUM	HIGH
HIGH		Legislative environment Competing for talent	Trading/Consumer Portfolio/Product management Foreign exchange Supply and cost pressure Industry consolidation
MEDIUM		IT Pace of transformation Environmental	
LOW	Safety and security	Product contamination	Facilities Medicine regulatory

GRI TABLE

GRI	DESCRIPTION	REFERENCE IN REPORTS AND WEBSITE
STRATEGY AND ANALYSIS		
1.1	Statement from executive	Leadership statement
1.2	Key impacts, risks and opportunities	Leadership statement, Risk management
ORGANISATIONAL PROFILE		
2.1 – 2.10	General organisational details	About this report, Our profile, Recognition in our industry, 2013 highlights, Business model, Supply chain, Operational overviews, Financial summary, Executive Committee, Board and governance structure, Annual financial statements
REPORT PARAMETERS		
3.1 – 3.11	Report scope	Scope and boundary of this report, Reporting principles
GRI CONTENT INDEX		
3.12	Profile of the report – including implementation of GRI principles	GRI reference table
ASSURANCE		
3.13	External assurance	Assurance
GOVERNANCE		
4.1 – 4.3	Adcock structure and governance	Executive Committee, Board and governance structure
4.4 – 4.10	Overarching policies and management systems	Our vision, Leadership statement, Corporate governance, Sustainability, Stakeholder engagement, Remuneration report, Risk management
COMMITMENTS TO EXTERNAL INITIATIVES		
4.11 – 4.13	Memberships and associations	Stakeholder engagement, Risk management
STAKEHOLDER ENGAGEMENT		
4.14 – 4.17	Identification, type and frequency of stakeholder engagement	Stakeholder engagement
ENVIRONMENTAL PERFORMANCE INDICATORS		
EN1 – 2	Material use[(1)]	2013 highlights
EN3 – 10	Energy use, Water use	2013 highlights, Operational overviews, Sustainability
EN11 – 15	Biodiversity	Operational overviews
EN16 – 25	Emissions, effluents and waste	Sustainability, Website
EN26 – 27	Products and services[(2)]	
EN28 – 30	Compliance, transport, overall[(3)]	Sustainability
SOCIAL PERFORMANCE INDICATORS		
HUMAN RIGHTS		
HR1 – 11		Stakeholder engagement, Operational overviews, Sustainability
LABOUR PRACTICES AND DECENT WORK CONDITIONS		
LA1 – 3	Employment	Sustainability, Remuneration report
LA4 – 5	Labour/Management relations	Stakeholder engagement, Sustainability, Remuneration report
LA6 – 9	Occupational health and safety	Sustainability, Website
LA10 – 12	Training and education	Sustainability, Website
LA13	Diversity and equal opportunity	Sustainability, Website
LA14	Equal remuneration for women and men	Sustainability, Website
SOCIETY		
SO1, 9 – 10	Local community	Sustainability overview, Risk management
SO2 – 4	Corruption[(2)]	
SO5 – 6	Public policy	Website (list of policies), Stakeholder engagement, Sustainability
SO7	Anti-competitive behaviour[(4)]	Corporate governance, Code of Ethics
SO8	Compliance	Corporate governance
PRODUCT RESPONSIBILITY		
PR1 – 2	Customer health and safety	Sustainability, Website (Health and wellness), drug management and development
PR3 – 5	Product and service labelling	Operational overviews, Website (Health and wellness)
PR6 – 9	Marketing communications, Customer privacy, Compliance	Operations overviews, Website (Health and wellness), Website (Brands)
ECONOMIC PERFORMANCE INDICATORS		
EC1 – 4	Economic performance	2013 highlights, Financial summary, Remuneration report, Risk management, Annual financial statements
EC5 – 7	Market presence	Operational overviews
EC8 – 9	Indirect economic impacts	Operational overviews, Stakeholder engagement, Sustainability, Risk management

(1) *Not all elements are made public*
(2) *Data currently not available*
(3) *No fines have been received or paid*
(4) *Adcock Ingram has not engaged in anti-competitive behaviour*

CONTENTS

DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

Mr Andrew Hall (CA (SA)), Deputy Chief Executive and Financial Director, is responsible for this set of financial results and has supervised the preparation thereof in conjunction with the Group Finance Executive, Ms Dorette Neethling (CA (SA)).

The annual financial statements for the year ended 30 September 2013, which appear on pages 68 to 138, 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 26 November 2013 and signed on its behalf by:

KDK Mokhele
Chairman

JJ Louw
Chief Executive Officer

AG Hall
Deputy Chief Executive and Financial Director

26 November 2013

CERTIFICATE BY COMPANY SECRETARY

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

NE Simelane
Company Secretary

26 November 2013

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements and annual financial statements of Adcock Ingram Holdings Limited set out on pages 70 to 138 which comprise the consolidated and separate statements of financial position as at 30 September 2013, the consolidated and separate statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Adcock Ingram Holdings Limited at 30 September 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Warren Kenneth Kinnear
Registered Auditor
Chartered Accountant (SA)

26 November 2013

AUDIT COMMITTEE REPORT

The Committee, comprising three members, was reappointed at the Annual General Meeting, in accordance with the Companies Act, in January 2013. All members of the Committee satisfy the requirements as prescribed in the Companies Act. The composition of the Committee was changed by the resignation of Mr EK Diack in March 2013, and the appointment of Mr LE Schönknecht in May 2013.

This report is provided by the Audit Committee (the Committee) in respect of the 2013 financial year of Adcock Ingram Holdings Limited in compliance with section 94(7)(f) of the Companies Act.

Information relating to the membership and composition of the Committee, its terms of reference and procedures is detailed in the Corporate governance report on page 13 to 15 of the integrated report.

EXECUTION OF AUDIT COMMITTEE FUNCTION

The Committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference, the JSE Listings Requirements, King III and the Companies Act insofar as it relates to Adcock Ingram's Group accounting, external and internal auditing, internal control and financial reporting practices.

External audit and external auditor

In the execution of its statutory duties during the past financial year, the Committee:

- Nominated for appointment as auditor, Ernst & Young Inc. (EY), and Mr Warren Kenneth Kinnear as the designated partner;
- Believes that the appointment of EY complies with the relevant provisions of the Companies Act, JSE Listings Requirements and King III;
- Determined EY's terms of engagement;
- Determined the fees to be paid to EY as disclosed in the notes to the annual financial statements;
- Determined the nature and extent of all non-audit services provided by the external auditor as per the Committee's scope and responsibilities as set out in the charter of the Committee;
- Approved all material non-audit services provided by EY;
- Considered the independence of EY and is satisfied that they were independent of the Company throughout the year. To fulfil this responsibility, the Committee reviewed:
  - Changes in key external audit staff in the EY audit plan;
  - The arrangements for day-to-day management of the audit relationship;
  - A report from EY describing their policy to identify, report and manage any conflicts of interest; and
  - The overall extent and nature of non-audit services provided by EY;
- Ascertained that EY does not receive any direct or indirect remuneration or other benefit from the Company, except as auditor or for rendering other services as permitted in the Companies Act;
- Assessed the effectiveness of the external auditors, by reviewing:
  - EY's progress against and fulfilment of the agreed audit plan, including any variations from the plan; and
  - The robustness of EY in their handling of the key accounting issues and audit judgements; and
- Provided oversight of the external audit process, by reviewing:
  - The areas of responsibility, associated duties and scope of the audit;
  - EY's overall work plan for the year;
  - Significant accounting and auditing issues that arose during the audit and their resolution;
  - Key accounting and audit judgements;
  - The quantum and nature of errors identified during the audit; and
  - Recommendations made by EY, management's responses to issues raised and the adequacy thereof.

Based on the results of the activities outlined above, the Committee recommends EY to be re-appointed as auditors of the Company for 2014. Shareholders will accordingly be requested to consider and vote on the proposed re-appointment at the forthcoming Annual General Meeting.

Financial statements

In respect of the financial statements, the Committee:

- Considered and concurred with the adoption of the going concern premise in the preparation of the financial statements;
- Reviewed the appropriateness of the financial statements, other reports to shareholders and other financial announcements made public;
- Considered whether the annual financial statements fairly present the financial position of the Company and of the Group as at 30 September 2013 and the results of operations and cash flows for the financial year then ended;
- Considered accounting treatments, the appropriateness of accounting policies and the effectiveness of the Group's disclosure controls and procedures; and
- Reviewed the external auditor's audit report.

AUDIT COMMITTEE REPORT
(continued)

Internal financial controls and internal audit

The Committee has:

- Evaluated the effectiveness and performance of KPMG Services (Pty) Limited (KPMG), the outsourced internal audit function, and compliance with its mandate;
- Reviewed the effectiveness of the Group's system of internal financial control including receiving assurance from management and a written assessment on the effectiveness of internal control and risk management from the internal auditors;
- Reviewed significant issues raised by the internal audit process and the adequacy of the corrective actions in response to significant internal audit findings; and
- Reviewed policies and procedures for preventing and detecting fraud.

Based on the processes outlined above and the assessments obtained from management and KPMG, the Committee believes that the internal financial controls are effective and that there were no material breakdowns in internal controls. Furthermore, the Committee ensures that the internal audit function is subject to an independent quality review as and when the Committee deems appropriate. During the year, KPMG was assessed by an accredited external reviewer in terms of "Conformance to the International Standards for the Professional Practice of Internal Auditing". This satisfied the Audit Committee requirements for an independent quality review.

Financial function

The Committee has assessed the competence and experience of Mr Andrew Hall, the Deputy Chief Executive and Financial Director, and believes that he possesses the appropriate expertise and experience to meet his responsibilities in the position as required by the JSE Listings Requirements. Our assessment included making independent observations based on our interaction with him, enquiries of the Chief Executive Officer, the independent non-executive directors, EY and KPMG.

The Committee is satisfied that the financial function of the Group incorporates the necessary expertise, resources and experience to adequately carry out its obligations.

Compliance

The Committee, in consultation with the Risk and Sustainability Committee and the Company Secretary, has considered the effectiveness of the system for monitoring compliance with laws and regulations and for finding and investigating instances of non-compliance and is satisfied with the effectiveness thereof.

Following our review of the annual financial statements for the year ended 30 September 2013, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards, and present fairly the results of operations, cash flows and the financial position of the Company and the Group. The Committee therefore recommended the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited for approval to the Board of directors. Shareholders will accordingly be requested to consider and adopt the annual financial statements at the forthcoming Annual General Meeting.

On behalf of the Committee

AM Thompson
Chairman

26 November 2013

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 30 September 2013.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Adcock Ingram Group is a leading South African healthcare group, operating in three geographical areas, namely Southern Africa, Rest of Africa and India. The Southern African business consists of three principal divisions; an Over the Counter (OTC) division selling a range of OTC products that can be purchased without a prescription through pharmacies and FMCG retailers; a Prescription division selling a range of branded and generic prescription products; and a Hospital products and services division.

The Companies Act requires that the Company produces a fair review of the business of the Group including a description of the major risks, its development and performance during the year and the financial position of the Group at the end of the financial year. These are set out in the business commentaries on pages 23 to 41 of the integrated report. Other key performance indicators and information relating to sustainability are set out on pages 42 to 47 of the integrated report.

ACQUISITIONS

2013

During the year under review, the Group acquired the following business as detailed in note 1 to the financial statements on page 75:

- The assets of Cosme, a division of the Cosme Group, based in Goa, India.

2012

There was no acquisition of a company or entire business during the prior year.

DISPOSALS

There was no disposal of a business during the current or prior year.

SUBSEQUENT EVENTS

Details about subsequent events are set out in note 30 to the annual financial statements.

SHARE CAPITAL

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

During the year under review:

- the number of shares in issue increased by 392 530 (2012: 579 767) ordinary shares to meet the obligations of the Adcock Ingram Holdings Employee Share Trust (2008); and
- ordinary shares were bought back and held as treasury shares by:

	Balance 1 October 2012	Movement during the year	**Balance 30 September 2013**
Adcock Ingram Limited	4 285 163	Nil	**4 285 163**
Mpho ea Bophelo Trust	492 000	196 000	**688 000**
Blue Falcon Trading 69 (Pty) Limited	1 290 000	593 000	**1 883 000**

SHAREHOLDERS

Please refer to the Shareholder analysis on pages 142 and 143 of the integrated report.

DIVIDENDS

Policy

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

Distribution

An interim distribution of 86 cents per share (2012: 86 cents) was declared based upon the results of the six-month period ended 31 March 2013. No final dividend (2012: 115 cents per share) in respect of the year ended 30 September 2013 was declared by the directors in terms of the conditions of the Scheme of Arrangement, more fully detailed in the combined Circular to shareholders of the Company dated 18 November 2013. This amounts to a departure from the stated dividend policy of paying dividends covered between two and three times by headline earnings.

GOING CONCERN

Page 64 sets out the directors' responsibilities for preparing the consolidated financial statements. The directors have considered the status of the Company and Group, including the sustainability of their business models, available financial resources at 30 September 2013, the current regulatory environment and potential changes thereto and is satisfied that the Group will be able to continue as a going concern in the foreseeable future, unless fully impaired.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Information concerning the subsidiaries, joint ventures and associates of Adcock Ingram Holdings Limited is set out in Annexure G to the annual financial statements. Details of joint ventures are given in Annexure F.

DIRECTORS

The names of the directors who presently hold office are set out on pages 10 and 11 of the integrated report. There was one resignation from the Board of directors during the year under review, as well as changes to certain directors' responsibilities as detailed on page 15.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. The directors beneficially hold, directly and indirectly, 48 450 (2012: 47 350) ordinary shares in the Company. There has been no change in the holdings since the end of the financial period and up to the date of approval of the integrated report.

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

Director	**Number of shares 2013**	Number of shares 2012
JJ Louw *	**39 300**	39 300
AG Hall	**9 150**	8 050
Total	**48 450**	47 350

* *These shares are subject to loans.*

SPECIAL RESOLUTIONS

The following special resolutions were passed on 31 January 2013 at the Company's Annual General Meeting:

Resolution number 1: Financial assistance to (1) related companies, (2) members of related companies, (3) persons related to such companies.
Resolution number 2: A new Memorandum of Incorporation in line with the Companies Act.
Resolution number 3: General repurchase of the Company's ordinary shares subject to certain conditions.

Special resolutions have been passed by all wholly-owned subsidiaries (refer to annexure G) to adopt a new Memorandum of Incorporation in line with the Companies Act.

RETIREMENT FUNDS

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

DIRECTORS' AND KEY MANAGEMENT REMUNERATION

Full details regarding non-executive and executive directors' and key management remuneration are set out on pages 54 to 59 of the integrated report, as part of the Remuneration report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	Note	2013 R'000	2012 R'000
Revenue	2	**5 482 783**	4 644 406
Turnover	2	**5 445 639**	4 599 249
Cost of sales		**(3 208 798)**	(2 505 167)
Gross profit		**2 236 841**	2 094 082
Selling and distribution expenses		**(699 635)**	(571 500)
Marketing expenses		**(211 930)**	(208 625)
Research and development expenses		**(104 941)**	(81 601)
Fixed and administrative expenses		**(329 530)**	(363 535)
Operating profit		**890 805**	868 821
Finance income	3.1	**24 531**	18 285
Finance costs	3.2	**(82 504)**	(26 637)
Dividend income	2	**12 613**	26 872
Equity-accounted earnings	13	**2 663**	–
Profit before taxation		**848 108**	887 341
Taxation	5	**(246 878)**	(168 265)
Profit for the year		**601 230**	719 076
Other comprehensive income which will subsequently be recycled to profit or loss		**370**	(37 896)
Exchange differences on translation of foreign operations		**(772)**	(26 181)
Net profit on available-for-sale asset, net of tax		**247**	–
Movement in cash flow hedge accounting reserve, net of tax	20	**895**	(11 715)
Total comprehensive income for the year, net of tax		**601 600**	681 180
Profit attributable to:			
Owners of the parent		**587 844**	705 641
Non-controlling interests		**13 386**	13 435
		601 230	719 076
Total comprehensive income attributable to:			
Owners of the parent		**587 203**	670 434
Non-controlling interests		**14 397**	10 746
		601 600	681 180
Basic earnings per ordinary share (cents)	6	**348,6**	417,8
Diluted basic earnings per ordinary share (cents)	6	**348,3**	417,2
Headline earnings per ordinary share (cents)	6	**350,5**	422,4
Diluted headline earnings per ordinary share (cents)	6	**350,2**	421,8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

		Attributable to owners of the parent						
	Note	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distri-butable reserves R'000	Total attributable to ordinary share-holders R'000	Non-controlling interests R'000	Total R'000
At 1 October 2011		16 888	765 288	1 932 212	371 368	3 085 756	137 624	3 223 380
Share issue	18, 19	57	7 011			7 068		7 068
Movement in treasury shares	18, 19	(73)	(45 610)			(45 683)		(45 683)
Share-based payment expense	20				20 068	20 068		20 068
Disposal of non-controlling interests in National Renal Care (Pty) Limited				11 279		11 279	9 108	20 387
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited				(2 148)		(2 148)	(8 912)	(11 060)
Total comprehensive income				705 641	(35 207)	670 434	10 746	681 180
Profit for the year				705 641		705 641	13 435	719 076
Other comprehensive income					(35 207)	(35 207)	(2 689)	(37 896)
Dividends	7.1			(144 474)		(144 474)	(10 882)	(155 356)
Distribution out of share premium	7.2		(179 289)			(179 289)		(179 289)
Balance at 30 September 2012		16 872	547 400	2 502 510	356 229	3 423 011	137 684	3 560 695
Share issue	18, 19	**39**	**5 060**			**5 099**		**5 099**
Movement in treasury shares	18, 19	**(79)**	**(48 396)**			**(48 475)**		**(48 475)**
Movement in share-based payment reserve	20				**13 077**	**13 077**		**13 077**
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited				**(119)**		**(119)**	**(223)**	**(342)**
Total comprehensive income				**587 844**	**(641)**	**587 203**	**14 397**	**601 600**
Profit for the year				**587 844**		**587 844**	**13 386**	**601 230**
Other comprehensive income					**(641)**	**(641)**	**1 011**	**370**
Share issue expenses incurred by subsidiary					**(3 669)**	**(3 669)**		**(3 669)**
Dividends	7.1			**(340 138)**		**(340 138)**	**(6 980)**	**(347 118)**
Balance at 30 September 2013		**16 832**	**504 064**	**2 750 097**	**364 996**	**3 635 989**	**144 878**	**3 780 867**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 SEPTEMBER

	Note	2013 R'000	2012 R'000
ASSETS			
Property, plant and equipment	8	**1 766 464**	1 560 177
Intangible assets	9	**1 435 716**	710 960
Deferred tax	10	**14 507**	5 097
Other financial assets	11	**139 646**	139 751
Other non-financial asset	12	**36 987**	–
Investment in associates	13	**2 663**	–
Loans receivable	14	**16 489**	27 060
Non-current assets		**3 412 472**	2 443 045
Inventories	15	**1 558 467**	956 164
Trade and other receivables	16	**1 618 947**	1 320 191
Cash and cash equivalents	17	**163 070**	492 716
Taxation receivable	26.4	**65 871**	70 170
Current assets		**3 406 355**	2 839 241
Total assets		**6 818 827**	5 282 286
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	**16 832**	16 872
Share premium	19	**504 064**	547 400
Non-distributable reserves	20	**364 996**	356 229
Retained income		**2 750 097**	2 502 510
Total shareholders' funds		**3 635 989**	3 423 011
Non-controlling interests		**144 878**	137 684
Total equity		**3 780 867**	3 560 695
Long-term borrowings	21	**5 172**	104 625
Post-retirement medical liability	22	**15 108**	15 341
Deferred tax	10	**139 066**	101 910
Non-current liabilities		**159 346**	221 876
Trade and other payables	23	**1 340 333**	983 589
Bank overdraft	17	**1 307 993**	–
Short-term borrowings	21	**135 507**	431 368
Cash-settled options	24	**39 150**	39 983
Provisions	25	**55 631**	44 775
Current liabilities		**2 878 614**	1 499 715
Total equity and liabilities		**6 818 827**	5 282 286

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Note	**2013 R'000**	2012 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	**1 204 899**	1 077 581
Working capital changes	26.2	**(630 598)**	(292 138)
Cash generated from operations		**574 301**	785 443
Finance income, excluding receivable		**21 720**	19 369
Finance costs, excluding accrual		**(73 715)**	(22 672)
Dividend income, excluding receivable		**12 613**	27 035
Dividends paid	26.3	**(347 118)**	(155 356)
Taxation paid	26.4	**(216 090)**	(196 158)
Net cash (outflow)/inflow from operating activities		**(28 289)**	457 661
Cash flows from investing activities			
Decrease in other financial assets	26.6	**409**	457
Acquisition of Cosme business, net of cash	26.5	**(821 593)**	–
*Purchase of property, plant and equipment – Expansion		**(65 262)**	(276 401)
– Replacement		**(279 111)**	(235 392)
Purchase of intangible assets	9	**–**	(13 109)
Proceeds on disposal of property, plant and equipment		**377**	1 732
Increase in loans receivable	14	**–**	(11 221)
Net cash outflow from investing activities		**(1 165 180)**	(533 934)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		**(342)**	(11 060)
Proceeds from issue of share capital		**5 099**	7 068
Purchase of treasury shares		**(48 475)**	(45 683)
Share issue expenses incurred by subsidiary		**(3 669)**	–
Distribution out of share premium	7.2	**–**	(179 289)
Increase in borrowings		**31 339**	16 503
Repayment of borrowings		**(426 995)**	(321 777)
Net cash outflow from financing activities		**(443 043)**	(534 238)
Net decrease in cash and cash equivalents		**(1 636 512)**	(610 511)
Net foreign exchange difference on cash and cash equivalents		**(1 127)**	(355)
Cash and cash equivalents at beginning of year		**492 716**	1 103 582
Cash and cash equivalents at end of year	17	**(1 144 923)**	492 716

**Includes interest capitalised in accordance with IAS 23 of R11,4 million (2012: R44,9 million)*

ACCOUNTING POLICY ELECTIONS

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the Company) and Adcock Ingram Holdings Limited and its subsidiaries, joint ventures, associates and special purpose vehicles (the Group) for the year ended 30 September 2013 were authorised for issue in accordance with a resolution of the directors on 26 November 2013. Adcock Ingram Holdings Limited is incorporated and domiciled in South Africa, where its ordinary shares are publicly traded on the Securities Exchange of the JSE Limited.

BASIS OF PREPARATION

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

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

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

The Group[(1)] has made the following accounting policy election in terms of IFRS:

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

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

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except where the Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. When the adoption of the standard or interpretation is deemed to have an impact on the financial performance or position of the Group, its impact is described below:

IAS 1: Presentation of items of Other Comprehensive Income (amendment to IAS 1)

The amendment to IAS 1 requires that items presented in other comprehensive income be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those that will never be recycled. This had no impact on the Group's financial position or performance when this became applicable from 1 October 2012.

	2013 R'000

1 BUSINESS COMBINATION

Cosme Farma Laboratories Limited (Cosme)

On 17 January 2013, the Group acquired certain assets of Cosme, a division of the Cosme Group, based in Goa, India. Cosme is a mid-sized sales and marketing pharmaceutical business which has been operating in the Indian domestic pharmaceutical market for the past 40 years. At the time of acquisition it was ranked in the top 70 in India, per IMS Health, and had a sales force of approximately 1 000 staff.

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

	2013 R'000
Assets	
Property, plant and equipment	130
Marketing-related intangible assets	618 748
Customer-related intangible assets	87 368
Contract-related intangible assets	13 040
Manufacturing-related intangible assets	1 630
Total identifiable net assets at fair value	720 916
Goodwill arising on acquisition	61 484
Purchase consideration	782 400
VAT recoverable and deposits	39 193
Included in cash flows from investing activities	821 593

The significant factors that contributed to the recognition of goodwill of R61,5 million include, but are not limited to, the establishment of a presence within the domestic Indian market, with local management and expertise to drive the company's product sales into the various channels and customers that exist within this market.

From the date of acquisition, Cosme contributed R168,8 million towards revenue.

As the assets purchased were fully integrated into the Indian business, it is not possible to determine the exact contribution towards profit before income tax.

	2013 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	4 248
Cash outflow on acquisition	4 248

Transaction costs of R4,2 million have been expensed during the year and are included in fixed and administrative expenses.

The purchase consideration includes an amount of R48,1 million which was paid into an escrow account to cover any possible breaches of warranties as per the asset purchase agreement.

		2013 R'000	2012 R'000
2	**REVENUE**		
	Turnover	**5 445 639**	4 599 249
	Finance income	**24 531**	18 285
	Dividend income	**12 613**	26 872
	Black Managers Share Trust	**12 613**	8 298
	Preference shares	**–**	18 574
		5 482 783	4 644 406
3	**FINANCE INCOME AND FINANCE COSTS**		
3.1	**Finance income**		
	Bank	**22 286**	18 285
	Imputed interest	**2 064**	–
	Other	**181**	–
		24 531	18 285
3.2	**Finance costs**		
	Bank	**64 317**	–
	Borrowings	**16 255**	17 363
	Commitment fees	**280**	2 312
	Finance leases	**435**	718
	Receiver of Revenue	**1 177**	147
	Other	**40**	–
	Imputed interest	**–**	6 097
		82 504	26 637

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
4	**PROFIT BEFORE TAXATION**		
4.1	**Profit before taxation has been arrived at after charging/(crediting) the following expenses/(income):**		
	External auditors' remuneration		
	– Audit fees current year	**8 961**	7 422
	– Audit fees under provision prior year	**210**	442
	– Taxation services	**447**	80
	– Other services	**1 948**	7 920
	Internal auditors' remuneration	**2 873**	2 553
	Depreciation		
	– Freehold land and buildings	**20 756**	11 342
	– Leasehold improvements	**8 216**	8 729
	– Plant, equipment and vehicles	**85 024**	47 429
	– Computers	**33 373**	26 297
	– Furniture and fittings	**4 426**	5 515
	Amortisation of intangible assets	**50 524**	17 524
	Impairment of property, plant and equipment	**–**	929
	Impairment of intangibles	**–**	958
	Inventories written off	**38 283**	45 606
	Royalties paid	**25 940**	7 010
	Share-based payment expense (refer to Annexure B)		
	– Cash-settled scheme	**11 748**	6 659
	– Black Managers Share Trust – equity-settled	**(70)**	3 631
	– Black Managers Share Trust – cash-settled	**6 720**	–
	– Mpho ea Bophelo Trust – equity-settled	**15 080**	16 437
	Operating lease charges		
	– Equipment	**985**	2 289
	– Property	**36 547**	32 914
	Foreign exchange profit	**(50 086)**	(2 498)
	Loss on disposal of property, plant and equipment	**3 877**	4 238
4.2	**Total staff costs***	**977 128**	835 773
	Included in cost of sales	**389 872**	345 588
	Salaries and wages	**351 457**	309 026
	Employers' contribution to:	**38 415**	36 562
	Medical	**13 349**	12 276
	Retirement	**25 066**	24 286
	Included in operating expenses	**587 256**	490 185
	Salaries and wages	**520 646**	427 001
	Employers' contribution to:	**66 610**	63 184
	Medical	**14 630**	14 706
	Retirement	**51 980**	48 478

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

		2013 R'000	2012 R'000
4.3	**Directors' emoluments**		
	Executive directors	**10 230**	7 158
	Non-executive directors	**5 057**	3 801
	Total	**15 287**	10 959

For more details, please refer to pages 54 to 57.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
4	**PROFIT BEFORE TAXATION (continued)**		
4.4	**Key management**		
	Salaries	**26 152**	12 209
	Retirement, medical and other benefits	**9 563**	1 733
	Total	**35 715**	13 942

Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 58 and 59.

5 TAXATION

	2013 R'000	2012 R'000
South African taxation		
Current income tax		
– current year	**203 739**	150 549
– prior year under/(over) provision	**2 530**	(5 762)
Deferred tax		
– current year	**25 261**	12 924
– prior year over provision	**(2 471)**	(499)
– utilisation of tax loss	**(1 584)**	(1 765)
Secondary Tax on Companies	**–**	938
Dividends tax	**2 119**	889
	229 594	157 274
Foreign taxation		
Current income tax		
– current year	**11 940**	10 072
– prior year over provision	**(662)**	–
Deferred tax		
– current year	**5 376**	1 023
– prior year over provision	**–**	(104)
Dividends tax	**630**	–
	17 284	10 991
Total tax charge	**246 878**	168 265

In addition to the above, deferred tax amounting to R0,3 million (2012: R4,5 million charge) has been released from other comprehensive income (refer note 20).

	%	%
Reconciliation of the taxation rate:		
Effective rate	**29,1**	19,0
Adjusted for:		
Exempt income/allowances *	**0,4**	10,5
Non-deductible expenses	**(1,5)**	(2,2)
Prior year (under)/over provision	**0,1**	0,7
Dividends tax/Secondary Tax Companies	**(0,3)**	(0,2)
Loss utilisation	**0,2**	0,2
South African normal tax rate	**28,0**	28,0

**The previous year includes the benefit of the Strategic Industrial Project (SIP) allowance which reduced the tax charge by R86 million.*

6 EARNINGS PER SHARE

	2013 R'000	2012 R'000
Headline earnings is determined as follows:		
Earnings attributable to owners of Adcock Ingram	**587 844**	705 641
Adjusted for:		
Impairment of leasehold improvements and intangible assets*	**–**	1 887
Tax indemnity on discontinued operation*	**–**	2 355
Loss on disposal of property, plant and equipment	**3 877**	4 238
Tax effect on loss on disposal of property, plant and equipment	**(685)**	(712)
Headline earnings	**591 036**	713 409

	Number of shares	
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	**174 791 218**	174 211 451
– Effect of ordinary shares issued during the year	**264 979**	365 174
– Effect of ordinary treasury shares held within the Group	**(6 438 325)**	(5 682 827)
Weighted average number of ordinary shares outstanding	**168 617 872**	168 893 798
Potential dilutive effect of outstanding share options	**134 790**	237 175
Diluted weighted average number of shares outstanding	**168 752 662**	169 130 973

**The adjustments had no tax implication.*

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

Diluted earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur if all of the Group's outstanding share options were exercised and the effects of all dilutive potential shares resulting from the Mpho ea Bophelo share transaction are accounted for.

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

	2013 cents	2012 cents
Earnings		
Basic earnings per share	**348,6**	417,8
Diluted basic earnings per share	**348,3**	417,2
Headline earnings		
Headline earnings per share	**350,5**	422,4
Diluted headline earnings per share	**350,2**	421,8
Distribution per share		
Interim	**86**	86
Final*	**–**	115

**Declared subsequent to 30 September and has been presented for information purposes only. No liability regarding the final distribution has thus been recognised at 30 September.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
7	**DISTRIBUTIONS PAID AND PROPOSED**		
7.1	**Dividend distribution**		
	Declared and paid during the year		
	Dividends on ordinary shares		
	Final dividend for 2012: 115 cents	**231 941**	
	Interim dividend for 2013: 86 cents	**172 947**	
	Interim dividend for 2012: 86 cents		171 719
	Total paid to equity holders of parent company	**404 888**	171 719
	Less: Dividends relating to treasury shares	**(64 750)**	(27 245)
	Total dividends declared and paid to the public	**340 138**	144 474
	Dividends paid to non-controlling shareholders	**6 980**	10 882
	Total dividend declared and paid to the public	**347 118**	155 356
7.2	**Distribution out of share premium**		
	Declared and paid during the year		
	Distribution on ordinary shares		
	Final distribution for 2011: 106 cents		212 437
	Less: Distribution relating to treasury shares		(33 148)
	Total distribution declared and paid to the public		179 289
7.3	**Proposed for approval at the Annual General Meeting**		
	Distribution on ordinary shares		
	Final dividend for 2012: 115 cents per share		194 033
			194 033

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2013							
Carrying value at beginning of year							
Cost	826 451	84 393	855 010	155 381	34 273	59 155	2 014 663
Accumulated depreciation	(50 557)	(30 659)	(246 885)	(105 430)	(20 955)	–	(454 486)
Net book value at beginning of year	775 894	53 734	608 125	49 951	13 318	59 155	1 560 177
Current year movements – cost							
Additions through business combination	–	–	–	130	–	–	130
Additions[(1)(2)]	92 511	10 497	147 619	38 778	6 350	61 067	356 822
Transfer	–	11 174	19 080	4 780	300	(35 334)	–
Exchange rate adjustments	3 430	77	3 020	(55)	(33)	–	6 439
Disposals	(126)	(4 667)	(56 988)	(2 544)	(1 804)	–	(66 129)
Cost movement for current year	95 815	17 081	112 731	41 089	4 813	25 733	297 262
Current year movements – accumulated depreciation							
Depreciation	(20 756)	(8 216)	(85 024)	(33 373)	(4 426)	–	(151 795)
Exchange rate adjustments	(131)	1	(908)	(25)	8	–	(1 055)
Disposals	7	4 575	53 970	2 192	1 131	–	61 875
Accumulated depreciation movement for current year	(20 880)	(3 640)	(31 962)	(31 206)	(3 287)	–	(90 975)
Carrying value at end of year							
Cost	922 266	101 474	967 741	196 470	39 086	84 888	2 311 925
Accumulated depreciation	(71 437)	(34 299)	(278 847)	(136 636)	(24 242)	–	(545 461)
Net book value at end of year	850 829	67 175	688 894	59 834	14 844	84 888	1 766 464

(1) *Additions include interest capitalised in accordance with IAS 23 of R11,4 million. Refer to note 21 for details regarding the capitalisation rate on specific borrowings.*

(2) *Additions include an expansion of plant, equipment and vehicles to the value of R12,4 million for which there was no cash outflow in the current year.*

In the previous year property, plant and equipment to the value of R68,9 million in the India joint venture was pledged as security for the long-term liabilities of the Indian operations. Refer to note 21.

The land and buildings were independently valued at 30 September 2013 by Marsh Africa. 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 for information purposes.

The information required by 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.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant and equipment R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2012							
Carrying value at beginning of year							
Cost	408 644	78 377	567 530	117 657	19 407	379 023	1 570 638
Accumulated depreciation	(39 096)	(22 695)	(261 412)	(75 446)	(10 431)	–	(409 080)
Net book value at beginning of year	369 548	55 682	306 118	42 211	8 976	379 023	1 161 558
Current year movements – cost							
Additions[1]	56 423	2 739	56 182	30 419	4 896	361 134	511 793
Transfer	364 028	5 229	293 288	8 040	10 417	(681 002)	–
Impairments[2]	–	(1 686)	–	–	–	–	(1 686)
Exchange rate adjustments	(2 629)	(266)	(6 289)	(164)	(34)	–	(9 382)
Disposals	(15)	–	(55 701)	(571)	(413)	–	(56 700)
Cost movement for current year	417 807	6 016	287 480	37 724	14 866	(319 868)	444 025
Current year movements – accumulated depreciation							
Transfer	(365)	1	10 062	(4 331)	(5 367)	–	–
Depreciation	(11 342)	(8 729)	(47 429)	(26 297)	(5 515)	–	(99 312)
Impairments	–	757	–	–	–	–	757
Exchange rate adjustments	238	7	2 090	79	5	–	2 419
Disposals	8	–	49 804	565	353	–	50 730
Accumulated depreciation movement for current year	(11 461)	(7 964)	14 527	(29 984)	(10 524)	–	(45 406)
Carrying value at end of year							
Cost	826 451	84 393	855 010	155 381	34 273	59 155	2 014 663
Accumulated depreciation	(50 557)	(30 659)	(246 885)	(105 430)	(20 955)	–	(454 486)
Net book value at end of year	775 894	53 734	608 125	49 951	13 318	59 155	1 560 177

[1] *Additions include interest capitalised in accordance with IAS 23, of R44,9 million. Refer to note 21.*

[2] *Leasehold improvements were impaired as the lease agreement for the Phase 1 clinical trial facility was terminated.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

9 INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Manu-facturing-related intangibles R'000	Total R'000
2013					
Carrying value at beginning of year					
Cost	**258 102**	**358 631**	**140 381**	**–**	**757 114**
Accumulated amortisation	**–**	**(22 321)**	**(23 833)**	**–**	**(46 154)**
Net balance at beginning of year	**258 102**	**336 310**	**116 548**	**–**	**710 960**
Current year movements – cost					
Business combination (note 1)	**61 484**	**618 748**	**100 408**	**1 630**	**782 270**
Exchange rate adjustments	**1 808**	**(8 171)**	**(1 001)**	**(25)**	**(7 389)**
Cost movement for the year	**63 292**	**610 577**	**99 407**	**1 605**	**774 881**
Current year movements – accumulated amortisation					
Charge for the year	**–**	**(37 080)**	**(12 285)**	**(1 159)**	**(50 524)**
Exchange rate adjustments	**–**	**227**	**143**	**29**	**399**
Accumulated amortisation movement for the year	**–**	**(36 853)**	**(12 142)**	**(1 130)**	**(50 125)**
Carrying value at end of year					
Cost	**321 394**	**969 208**	**239 788**	**1 605**	**1 531 995**
Accumulated amortisation	**–**	**(59 174)**	**(35 975)**	**(1 130)**	**(96 279)**
Net balance at end of year	**321 394**	**910 034**	**203 813**	**475**	**1 435 716**
2012					
Carrying value at beginning of year					
Cost	265 935	349 404	142 549	–	757 888
Accumulated amortisation	–	(7 851)	(21 563)	–	(29 414)
Net balance at beginning of year	265 935	341 553	120 986	–	728 474
Current year movements – cost					
Additions	–	13 109	–	–	13 109
Impairment[(1)]	–	–	(958)	–	(958)
Exchange rate adjustments	(7 833)	(3 882)	(1 210)	–	(12 925)
Cost movement for the year	(7 833)	9 227	(2 168)	–	(774)
Current year movements – accumulated amortisation					
Charge for the year	–	(15 039)	(2 485)	–	(17 524)
Exchange rate adjustments	–	569	215	–	784
Accumulated amortisation movement for the year	–	(14 470)	(2 270)	–	(16 740)
Carrying value at end of year					
Cost	258 102	358 631	140 381	–	757 114
Accumulated amortisation	–	(22 321)	(23 833)	–	(46 154)
Net balance at end of year	258 102	336 310	116 548	–	710 960

[(1)] An intangible asset has been impaired as the Group does not expect the asset to generate any future economic benefit.

9 INTANGIBLE ASSETS (continued)

Amortisation is included in fixed and administrative expenses in the statement of comprehensive income.

Impairment testing of goodwill and other intangible assets

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

The carrying amount of goodwill and other intangible assets allocated to each of the segments:

	Pharmaceuticals		Hospital		Southern Africa		India and Rest of Africa		Total	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
Carrying amount of goodwill	**196 225**	196 225	**12 580**	12 580	**208 805**	208 805	**112 589**	49 297	**321 394**	258 102
Carrying amount of other intangibles with indefinite useful lives	**248 647**	248 647	**–**	–	**248 647**	248 647	**154 722**	–	**403 369**	248 647
Carrying amount of other intangibles with finite useful lives	**166 061**	179 598	**–**	–	**166 061**	179 598	**544 892**	24 613	**710 953**	204 211
Total	**610 933**	624 470	**12 580**	12 580	**623 513**	637 050	**812 203**	73 910	**1 435 716**	710 960

The average remaining useful life for intangible assets with finite useful lives ranges between four months and 16 years.

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

The discount rate applied to cash flow projections is at 16,5% for intangible assets relating to the Cosme acquisition, included in India and Rest of Africa, and 10,1% (2012: 11,0%) for the remainder of the intangible assets. The cash flows beyond the ten-year period are extrapolated using a 0,5% growth rate (2012: 0,5%).

Key assumptions used in value in use calculations

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

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

Gross margin

Gross margins are based on average values 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 and raw material, and selling prices.

Discount rates

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

Raw materials price inflation

Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw 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 Group'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
FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
10	**DEFERRED TAX**		
	Balance at beginning of year	**(96 813)**	(90 109)
	Movement through profit or loss	**(26 582)**	(11 579)
	Exchange rate adjustments	**(759)**	319
	Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(348)**	4 556
	Revaluation of available-for-sale asset to fair value	**(57)**	–
	Balance at end of year	**(124 559)**	(96 813)
	Analysis of deferred tax		
	This balance comprises the following temporary differences:		
	Trademarks	**(29 167)**	(48 027)
	Property, plant and equipment	**(134 598)**	(81 575)
	Pre-payments	**(3 561)**	(1 875)
	Provisions	**33 565**	29 555
	Revaluations of foreign currency contracts (cash flow hedges) to fair value	**885**	1 233
	Other	**8 317**	3 876
		(124 559)	(96 813)
	Disclosed as follows:		
	Deferred tax asset	**14 507**	5 097
	Deferred tax liability	**(139 066)**	(101 910)
11	**OTHER FINANCIAL ASSETS**		
11.1	**Long-term receivable (at amortised cost)**		
	*Black Managers Share Trust (BMT)**		
	Balance at 1 October	**137 430**	137 430
	Proceeds from sale	**(118)**	–
		137 312	137 430
	**The maturity of the receivable from the BMT depends on how beneficiaries exercise their options from 1 January 2015 until 30 September 2024 when the scheme is due to end or when any beneficiary dies. Refer to note B in Annexure B for further details of the capital contribution.*		
11.2	**Investment**		
	Group Risk Holdings (Pty) Limited		
	Balance at 1 October	**2 321**	1 582
	(Disposal)/acquisition of shares	**(291)**	739
	Revaluation of investment	**304**	–
	Directors' valuation of unlisted investments	**2 334**	2 321
12	**OTHER NON-FINANCIAL ASSET**		
	VAT recoverable	**36 987**	–
	The non-financial asset relates to the acquisition of Cosme and will not be recovered within the next 12 months. Refer note 1.		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
13	**INVESTMENT IN ASSOCIATES**		
13.1	**Batswadi Biotech (Pty) Limited**		
	Cost of investment	**12 200**	12 200
	Impairment of investment	**(12 200)**	(12 200)
		–	–
	The investment in Batswadi Biotech (Pty) Limited is impaired as there is still significant uncertainty as to the extent and probability of future cash flows.		
13.2	**Melomed Renal Care (Pty) Limited**		
	Cost of investment	*****	*
	Equity accounted profit	**2 663**	*
		2 663	*
	This is an associate of National Renal Care (Pty) Limited.		
	**Less than R1 000.*		
14	**LOANS RECEIVABLE**		
	Loans to National Renal Care doctors(1)	**16 489**	16 489
	Owner driver loans(2)	**–**	11 221
	Less: Current portion included in other receivables	**–**	(650)
		16 489	27 060
	(1)These loans bear no interest and will be repaid through dividends earned by the doctors. These loans are not expected to be repaid within the next 12 months. The carrying value of the loans approximates the fair value at the reporting date.		
	(2)These loans bear no interest and will be repaid in monthly instalments over five years. The borrowers have pledged vehicles as security. During the current year, these vehicles were included in property, plant and equipment resulting in the elimination of the Owner-driver loans at Group level. Refer note 8. The carrying value of the loans approximated the fair value at 30 September 2012.		
	The maximum credit exposure amounts to R16,5 million (2012: R27,7 million).		
15	**INVENTORIES**		
	Raw materials	**323 396**	266 405
	Work-in-progress	**143 703**	30 214
	Finished goods	**1 091 368**	659 545
	Inventory value, net of provisions	**1 558 467**	956 164
	Inventories are written off if aged, damaged or stolen. Inventories are written down to the lower of cost and net realisable value.		
	The amount of inventories written down recognised as an expense in profit or loss.	**38 283**	45 606

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

16 TRADE AND OTHER RECEIVABLES

	2013 R'000	2012 R'000
Trade receivables	**1 437 138**	1 113 572
Less: Provision for credit notes	**(17 035)**	(6 823)
Provision for impairment	**(15 764)**	(5 847)
	1 404 339	1 100 902
Derivative asset at fair value	**6 012**	962
Other receivables	**126 510**	86 888
Bank interest receivable	**4 325**	3 578
Sundry receivables	**122 185**	83 310
The maximum exposure to credit risk in relation to trade and other receivables	**1 536 861**	1 188 752
Pre-payments	**59 286**	95 512
VAT recoverable	**22 800**	35 927
	1 618 947	1 320 191

Details in respect of the Group's credit risk management policies are set out in Annexure E. The directors consider that the carrying amount of the trade and other receivables approximates their fair value due to the short period to maturity.

No trade receivables were impaired in both the reporting periods. Trade debtors are impaired when the event of recoverability is highly unlikely.

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

	Individually impaired R'000	Credit notes R'000	Total R'000
Balance at 1 October 2011	(2 582)	(4 094)	(6 676)
Charge for the year	(3 265)	(5 657)	(8 922)
Utilised during the year	–	2 928	2 928
At 30 September 2012	(5 847)	(6 823)	(12 670)
Charge for the year	**(9 917)**	**(17 550)**	**(27 467)**
Utilised during the year	**–**	**7 338**	**7 338**
At 30 September 2013	**(15 764)**	**(17 035)**	**(32 799)**

		2013 R'000	2012 R'000
16	**TRADE AND OTHER RECEIVABLES (continued)**		
	The maturity analysis of trade and other receivables is as follows:		
	Trade receivables		
	Neither past due nor impaired		
	<30 days	**947 995**	687 617
	31 – 60 days	**356 227**	352 769
	61 – 90 days	**69 825**	45 740
	Past due after impairments		
	91 – 180 days	**14 143**	7 381
	>180 days	**16 149**	7 395
	Total	**1 404 339**	1 100 902
	Sundry receivables		
	Neither past due nor impaired		
	<30 days	**54 791**	54 224
	31 – 60 days	**10 677**	6 992
	61 – 90 days	**10 256**	10 049
	>90 days	**46 462**	12 045
	Total	**122 186**	83 310
	VAT recoverable and bank interest receivable will be received within one month.		
	56% (2012: 73%) of pre-payments will be recycled to other assets in the statement of financial position and the balance to profit or loss over the next 12 months.		
17	**CASH AND CASH EQUIVALENTS**		
	Cash at banks	**163 070**	292 716
	Preference share investments	**–**	200 000
		163 070	492 716
	Bank overdraft	**(1 307 993)**	–
		(1 144 923)	492 716

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances incur interest at rates varying between 6,25% and 7,0%.

Preference share investments earned dividend income at rates varying between 4,6% and 5,1% in the previous year.

The fair value of the net bank overdraft is R1 144,9 million (2012: The fair value of net cash and cash equivalents was R492,7 million).

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
18	**SHARE CAPITAL**		
18.1	**Authorised**		
	Ordinary share capital		
	250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
	19 458 196 A shares of 10 cents each	**1 946**	1 946
	6 486 065 B shares of 10 cents each	**649**	649
18.2	**Issued**[1]		
	Ordinary share capital		
	Opening balance of 168 724 055 ordinary shares (2012: 168 883 988) of 10 cents each	**16 872**	16 888
	Issue of 392 530 ordinary shares (2012: 579 767) of 10 cents each	**39**	57
	Movement in ordinary treasury shares	**(79)**	(73)
		16 832	16 872
		Number of shares	
18.3	**Treasury shares**[3]		
	Shares held by the BEE participants		
	– number of A shares	**19 458 196**	19 458 196
	– number of B shares	**6 486 065**	6 486 065
	– number of ordinary shares	**2 571 000**	1 782 000
	Shares held by Group company		
	– number of ordinary shares	**4 285 163**	4 285 163
		32 800 424	32 011 424
18.4	**Reconciliation of issued shares**		
	Number of shares in issue	**201 128 009**	200 735 479
	Number of A and B shares held by the BEE participants	**(25 944 261)**	(25 944 261)
	Number of ordinary shares held by the BEE participants	**(2 571 000)**	(1 782 000)
	Number of ordinary shares held by the Group company	**(4 285 163)**	(4 285 163)
	Net shares in issue	**168 327 585**	168 724 055

(1) Issued share capital

The following ordinary shares were issued and bought back during the year:

(i) In various tranches, 392 530 (2012: 579 767) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008), refer to Annexure B; and

(ii) 789 000 ordinary shares were bought back by the Group (2012: 739 700).

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

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

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE, the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE;

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

18 SHARE CAPITAL (continued)

(2) Unissued shares

The unissued shares are under the control of the directors subject to a limit of 5% of issued ordinary share capital, in terms of a general authority granted by the shareholders at the last Annual General Meeting (AGM) to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming AGM of the Company.

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

(3) Treasury shares

As required by IFRS, both Blue Falcon Trading 69 (Pty) Limited and the Mpho ea Bophelo Trust have been consolidated into the Group's annual financial statements and all A, B and ordinary shares held by them are accounted for as treasury shares. Shares bought back and held by a Group company are also regarded as treasury shares.

19 SHARE PREMIUM

	2013 R'000	2012 R'000
Balance at the beginning of the year	**547 400**	765 288
Issue of 392 530 ordinary shares (2012: 579 767)	**5 060**	7 011
Movement in ordinary treasury shares	**(48 396)**	(45 610)
Distribution out of share premium in 2012: 106 cents per share – refer note 7.2	**–**	(179 289)
	504 064	547 400

20 NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Cash flow hedge accounting reserve R'000	Capital redemption reserve R'000	Foreign currency translation reserve R'000	Legal reserves and other R'000	Total R'000
Balance at 1 October 2011	332 809	12 162	3 919	(3 895)	26 373	371 368
Movement during the year, net of tax	20 068	(11 715)	–	(23 492)	–	(15 139)
Movement for the year	20 068	(16 271)	–	(23 492)	–	(19 695)
Tax effect of net movement on cash flow hedge		4 556				4 556
Balance at 30 September 2012	352 877	447	3 919	(27 387)	26 373	356 229
Movement during the year, net of tax	**13 077**	**895**	**–**	**(1 783)**	**(3 422)**	**8 767**
Movement for the year	**15 010**	**1 243**	**–**	**(1 783)**	**304**	**14 774**
Accelerated Bophelo payment	**(1 933)**					**(1 933)**
Movement due to share issue costs					**(3 669)**	**(3 669)**
Tax effect of net movement on cash flow hedge and revaluation surplus on investment		**(348)**			**(57)**	**(405)**
Balance at 30 September 2013	**365 954**	**1 342**	**3 919**	**(29 170)**	**22 951**	**364 996**

Share-based payment reserve

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

Cash flow hedge accounting reserve

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

Capital redemption reserve

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

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. This also includes share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India) and a fair value adjustment on the Group's investment in Group Risk Holdings (Pty) Limited.

	2013 R'000	2012 R'000
21 LONG-TERM BORROWINGS		
Unsecured		
Loans bearing interest at fixed rates of 8% – 9%(1)	**5 679**	10 294
Loan bearing interest at a fixed rate of 9%(2)	**3 925**	–
Secured		
Loan bearing interest at 1,25% below the bank's lending rate(3)	**–**	7 402
Loan bearing interest at 2,75% below the bank's lending rate(4)	**2 227**	13 995
Loan bearing interest at 3,8%(5)	**27 450**	–
Loan bearing interest at JIBAR* + 265 basis points(6)	**63 750**	318 750
Loan bearing interest at JIBAR* + 180 basis points(7)	**36 250**	181 250
Finance leases	**1 398**	4 302
	140 679	535 993
Less: Current portion included in short-term borrowings	**(135 507)**	(431 368)
	5 172	104 625

(1) These unsecured loans bear interest at fixed rates of 8% to 9% per annum. These loans are repayable in 36 instalments with the first instalment paid on 1 August 2010 and the final instalment payable on 1 February 2015. This aggregate loan balance comprises numerous individual loans.

(2) This unsecured loan bears interest at a fixed rate of 9% per annum and is repayable on termination of the contract with C&F Agency in India.

(3) This secured loan in the India Joint Venture bore interest at 1,25% below the State bank of Hyderabad's lending rate, currently at a rate of 12,25% (2012: 12,75%), repaid in quarterly instalments over five years with the first instalment paid in December 2008 and the final instalment was paid in September 2013. Prior to full settlement, the loan was secured by fixed assets and to the extent that fixed assets could not cover the liability, current assets. Refer to note 8.

(4) This secured loan in the India Joint Venture, bearing interest at 2,75% below the State bank of Hyderabad's lending rate currently at a rate of 10,75% (2012:11,25%) and does not have any fixed repayment terms. The loan is secured by fixed assets and to the extent that fixed assets cannot cover the liability, current assets. Refer to note 8.

(5) This secured loan in the India Joint Venture is linked to the LIBOR** rate and does not have any fixed repayment terms. The loan is secured by fixed assets and, to the extent that fixed assets cannot cover the liability, current assets. Refer to note 8.

(6) A secured loan bearing interest at JIBAR* plus 265 basis points. Interest is payable quarterly in arrears and the capital is being repaid in quarterly instalments from March 2012 with the final instalment due in December 2013. During the year, interest of R3,8 million (2012: R33,3 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has been met.

(7) A secured loan, bearing interest at JIBAR* plus 180 basis points. During the year interest of R7,6 million (2012: R11,6 million) has been capitalised to property, plant and equipment as the definition of a qualifying asset per IAS 23 has been met.

Financial covenants, including a debt service cover ratio, Net debt: EBITDA ratio and interest cover ratio are applicable over loans (6) and (7). Following the Cosme acquisition (note 1), there was a technical breach of the debt service ratio. This was condoned by the lenders.

The shares in Group companies were pledged as security for loans (6) and (7).

The directors consider that the carrying amount of the long-term borrowings approximates their fair value.

* *JIBAR – Johannesburg Interbank Agreed Rate. On 30 September 2013: 5.1330% (2012: 5.0625%).*

** *LIBOR – London Interbank Offered Rate.*

21 LONG-TERM BORROWINGS (continued)

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

	Unsecured loans at fixed interest rate R'000	Secured loans at variable interest rates R'000	Finance lease R'000	Total R'000
2013				
Capital repayment on loans				
– payable within 12 months	**5 347**	**129 677**	**483**	**135 507**
– payable within 12 – 24 months	**332**	**–**	**915**	**1 247**
– payable thereafter	**3 925**	**–**	**–**	**3 925**
	9 604	**129 677**	**1 398**	**140 679**
Interest repayment on loans*				
– payable within 12 months	**457**	**2 506**	**124**	**3 087**
– payable within 12 – 24 months	**356**	**–**	**96**	**452**
– payable thereafter	**706**	**–**	**–**	**706**
	1 519	**2 506**	**220**	**4 245**
2012				
Capital repayment of loans				
– payable within 12 months	7 067	421 397	2 904	431 368
– payable within 12 – 24 months	2 662	100 000	483	103 145
– payable thereafter	565	–	915	1 480
	10 294	521 397	4 302	535 993
Interest repayment on loans*				
– payable within 12 months	544	26 880	431	27 855
– payable within 12 – 24 months	146	1 851	124	2 121
– payable thereafter	9	–	235	244
	699	28 731	790	30 220

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
22	**POST-RETIREMENT MEDICAL LIABILITY**		
	Balance at beginning of year	**15 341**	13 987
	(Released)/Charged to operating profit	**(233)**	1 354
	Balance at end of year	**15 108**	15 341
	For more details refer to Annexure D.		
23	**TRADE AND OTHER PAYABLES**		
	Trade accounts payable	**805 995**	634 501
	Other payables	**486 384**	345 097
	Accrued expenses	**363 679**	231 546
	Deferred portion of purchase price of business combination	**1 250**	2 500
	Sundry payables	**121 455**	111 051
	VAT payable	**38 497**	3 323
	Interest accrued	**9 457**	668
		1 340 333	983 589
	The directors consider that the carrying amount of the trade and other payables approximates their fair value due to the short-term maturity.		
	The maturity analysis of trade and other payables is as follows:		
	Trade payables		
	<30 days	**433 591**	376 807
	31 – 60 days	**116 973**	131 310
	61 – 90 days	**160 187**	31 726
	>90 days	**95 244**	94 658
	Total	**805 995**	634 501
	Other payables		
	<30 days	**222 822**	130 496
	31 – 60 days	**42 765**	72 190
	61 – 90 days	**41 445**	40 463
	>90 days	**179 352**	101 948
	Total	**486 384**	345 097
24	**CASH-SETTLED OPTIONS**		
	Opening balance	**39 983**	64 036
	Charged to operating profit	**11 748**	6 659
	Payments made	**(12 581)**	(30 712)
		39 150	39 983

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
25	**PROVISIONS**		
	Leave pay	**55 631**	44 775
	Bonus and incentive scheme	**–**	–
		55 631	44 775
	Made up as follows:		
	Leave pay provision		
	Balance at beginning of year	**44 775**	40 551
	Arising during the year	**48 060**	44 944
	Utilised during the year	**(33 025)**	(31 872)
	Unused amounts reversed	**(4 236)**	(8 848)
	Exchange rate adjustments	**57**	–
	Balance at end of year	**55 631**	44 775
	Bonus and incentive scheme		
	Balance at beginning of year	**–**	2 308
	Unused amounts reversed	**–**	(2 308)
	Balance at end of year	**–**	–

Leave pay provision

In terms of the Group policy, employees in South Africa are entitled to accumulate leave benefits not taken within a leave cycle, up to a maximum of three times the employee's annual leave allocation, limited to a maximum of 60 days. The obligation is reviewed annually. The timing of the cash flow, if any, is uncertain. In excess of 95% of the balance represents the liability for employees in South Africa.

Bonus and incentive provision

Some employees in the service of the Group participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. No provision was made for incentives, normally paid in December, as performance criteria in the current financial year have not been met.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
26	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
26.1	**Operating profit before working capital changes**		
	Profit before taxation	**848 108**	887 341
	Adjusted for:		
	– amortisation of intangibles	**50 524**	17 524
	– depreciation	**151 795**	99 312
	– loss on disposal of property, plant and equipment	**3 877**	4 238
	– dividend income	**(12 613)**	(26 872)
	– net finance income	**57 973**	8 352
	– equity-accounted earnings	**(2 663)**	–
	– share-based payment expenses	**33 478**	26 727
	– inventories written off	**38 283**	45 606
	– provision for accounts receivable impairment and credit notes	**20 129**	5 994
	– increase in provisions and post-retirement medical liability	**10 550**	3 450
	– straight-lining of leases	**7 391**	4 022
	– impairment of leasehold improvements and intangible assets	**–**	1 887
	– accelerated Bophelo payment	**(1 933)**	–
		1 204 899	1 077 581
26.2	**Working capital changes**		
	Increase in inventories	**(636 782)**	(140 845)
	Increase in trade and other receivables	**(310 535)**	(128 142)
	Increase/(Decrease) in trade and other payables	**316 719**	(23 151)
		(630 598)	(292 138)
26.3	**Dividends paid**		
	Dividends paid to equity holders of the parent	**(340 138)**	(144 474)
	Dividends paid to non-controlling shareholders	**(6 980)**	(10 882)
		(347 118)	(155 356)
26.4	**Taxation paid**		
	Amounts overpaid at beginning of year	**70 170**	30 143
	Amounts charged to profit or loss	**(246 878)**	(168 265)
	Movement in deferred tax	**26 582**	11 579
	Exchange rate adjustments	**(93)**	555
	Amounts overpaid at end of year	**(65 871)**	(70 170)
		(216 090)	(196 158)
26.5	**Acquisition of business, net of cash**		
	Property, plant and equipment	**(130)**	
	Intangible assets	**(720 786)**	
	VAT recoverable and deposits	**(39 193)**	
	Fair value of net assets	**(760 109)**	
	Goodwill acquired	**(61 484)**	
	Cash outflow on business combination	**(821 593)**	
26.6	**Decrease in other financial assets**		
	Decrease in Fairbairn Capital Investments	**–**	1 196
	Proceeds from sale/(Cost of acquisition) of additional interest in Group Risk Holdings (Pty) Limited	**291**	(739)
	Decrease in Black Managers Share Trust	**118**	–
		409	457

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

27 CONTINGENT LIABILITIES

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

28 COMMITMENTS AND CONTINGENCIES

28.1 Operating lease commitments

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

	Lease 1 New Road	Lease 2 Durban	Lease 3 Cape Town	Lease 4 Bangalore (Ground and 1st floors)	Lease 5 Bangalore (2nd and 3rd floors)	Lease 6 Goa
Initial lease period (years)	10	12	10	8	9	5
Ending	30 November 2021	31 October 2022	31 August 2022	15 April 2021	30 November 2020	9 April 2018
Renewal option period (years)	10	10	5	By mutual consensus	By mutual consensus	By mutual consensus
Ending	30 November 2031	31 October 2032	31 August 2027	n/a	n/a	n/a
Escalation	7,3%	8,5%	7%	16,3% after 3 years	16,3% after 3 years	15% after 3 years

Future minimum rentals payable under all non-cancellable operating leases as at 30 September are as follows:

	2013 R'000	2012 R'000
Within one year	**27 909**	26 522
After one year but not more than five years	**127 672**	119 114
More than five years	**137 163**	173 034
	292 744	318 670

28.2 Capital commitments

	2013 R'000	2012 R'000
Commitments contracted for		
Within one year	**34 737**	64 632
Approved but not contracted for	**117 342**	143 403
Within one year	**117 342**	115 526
Between one and two years	**–**	27 877
	152 079	208 035

These commitments relate to property, plant and equipment.

28.3 Guarantees

The Group has provided guarantees to the amount of R13,5 million at 30 September 2013 (2012: R106,0 million).

29 RELATED PARTIES

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

Payments to directors and key management are disclosed in notes 4.3 and 4.4.

30 SUBSEQUENT EVENTS

30.1 Bank overdraft

Subsequent to year-end, a secured term loan of R1 billion was agreed with Nedbank, replacing a portion of the current bank overdraft. The secured loan will bear interest at JIBAR +176 points. Interest will be payable quarterly in arrears and the capital will be repaid in December 2018.

30.2 CFR Pharmaceuticals S.A. (CFR)

In announcements released by the Company on the JSE Limited's Stock Exchange News Service (SENS) on 3 July 2013, 15 August 2013, 11 September 2013 and 30 October 2013, the Company notified Adcock Ingram shareholders of a potential offer, to acquire control of the Company, by CFR, incorporated in Chile. On 15 November 2013, the Company announced on SENS:

- CFR's firm intention to make an offer for the Company;
- the Adcock Ingram Board's agreement to propose and recommend a Scheme of Arrangement (Scheme) in relation to the offer;
- certain arrangements with the Company's black economic empowerment partners and participants in the Company's employee incentive schemes; and
- if the Scheme is implemented, the delisting from the JSE of the Company's shares and the listing of CFR on the JSE by way of a secondary listing.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	Note	2013 R'000	2012 R'000
Revenue	A	**464 590**	233 106
Operating expenses		**(266)**	(2 463)
Finance income	B.1	**47 213**	58 106
Finance costs	B.2	**(39 532)**	(57 636)
Dividend income	A	**417 377**	175 000
Profit before taxation		**424 792**	173 007
Taxation	C	**(2 203)**	(784)
Profit for the year		**422 589**	172 223
Other comprehensive income which will subsequently be recycled to profit or loss			
Net profit on available-for-sale asset, net of tax		**247**	–
Total comprehensive income for the year, net of tax		**422 836**	172 223

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	Note	Issued share capital R'000	Share premium R'000	Accumulated loss R'000	Non-distributable reserves R'000	Total R'000
As at 1 October 2011		20 016	1 141 373	(189 949)	269 286	1 240 726
Share issue	I.2, J	57	7 011			7 068
Total comprehensive income				172 223		172 223
Profit for the year				172 223		172 223
Other comprehensive income				–		–
Dividends	D.1			(171 719)		(171 719)
Distribution out of share premium	D.2		(212 437)			(212 437)
Balance at 30 September 2012		20 073	935 947	(189 445)	269 286	1 035 861
Share issue	I.2, J	**39**	**5 060**			**5 099**
Total comprehensive income				**422 589**	**247**	**422 836**
Profit for the year				**422 589**		**422 589**
Other comprehensive income				**–**	**247**	**247**
Dividends	D.1			**(404 888)**		**(404 888)**
Balance at 30 September 2013		**20 112**	**941 007**	**(171 744)**	**269 533**	**1 058 908**

COMPANY STATEMENTS OF FINANCIAL POSITION

AT 30 SEPTEMBER

	Note	2013 R'000	2012 R'000
ASSETS			
Investments	E	**3 369 220**	3 369 207
Amounts owing by Group companies	G.1	**–**	100 000
Non-current assets		**3 369 220**	3 469 207
Amounts owing by Group companies	G.1	**511 928**	400 000
Other receivables	H	**1 042**	–
Taxation receivable	O.3	**505**	817
Current assets		**513 475**	400 817
Total assets		**3 882 695**	3 870 024
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	I.2	**20 112**	20 073
Share premium	J	**941 007**	935 947
Non-distributable reserves	K	**269 533**	269 286
Accumulated loss		**(171 744)**	(189 445)
Total equity		**1 058 908**	1 035 861
Long-term borrowings	L	**–**	100 000
Amounts owing to Group companies	G.2	**2 155 994**	2 155 994
Deferred tax	M	**57**	–
Non-current liabilities		**2 156 051**	2 255 994
Short-term borrowings	L	**100 000**	400 000
Bank overdraft	F	**567 010**	176 456
Other payables	N	**726**	974
Amounts owing to Group companies	G.2	**–**	739
Current liabilities		**667 736**	578 169
Total equity and liabilities		**3 882 695**	3 870 024

COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Note	2013 R'000	2012 R'000
Cash flows from operating activities			
Operating profit before working capital changes	O.1	**(266)**	(2 463)
Working capital changes	O.2	**(248)**	148
Cash utilised in operations		**(514)**	(2 315)
Finance income, excluding receivable		**46 171**	59 187
Finance costs		**(39 532)**	(57 680)
Dividend income	A	**417 377**	175 000
Dividends paid	D.1	**(404 888)**	(171 719)
Taxation paid	O.3	**(1 891)**	(1 493)
Net cash inflow from operating activities		**16 723**	980
Cash flows from investing activities			
Decrease/(Increase) in investments	O.4	**291**	(739)
Net (increase)/decrease in amounts owing by Group companies		**(11 928)**	294 158
Net cash (outflow)/inflow from investing activities		**(11 637)**	293 419
Cash flows from financing activities			
Proceeds from issue of share capital		**5 099**	7 068
Distribution out of share premium	D.2	**–**	(212 437)
(Decrease)/Increase in amounts owing to Group companies		**(739)**	816
Increase in borrowings		**–**	5 842
Repayment of borrowings		**(400 000)**	(300 000)
Net cash outflow from financing activities		**(395 640)**	(498 711)
Net decrease in cash and cash equivalents		**(390 554)**	(204 312)
Cash and cash equivalents at beginning of year		**(176 456)**	27 856
Cash and cash equivalents at end of year	F	**(567 010)**	(176 456)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

		2013 R'000	2012 R'000
A	**REVENUE**		
	Finance income	**47 213**	58 106
	Dividend income	**417 377**	175 000
		464 590	233 106
B	**FINANCE INCOME AND FINANCE COSTS**		
B.1	**Finance income**		
	Bank	**7 681**	499
	Inter-Group interest	**39 532**	57 607
		47 213	58 106
B.2	**Finance costs**		
	Borrowings	**39 532**	57 607
	Other	**–**	29
		39 532	57 636
C	**TAXATION**		
	South African taxation		
	Current income tax		
	– current year	**2 203**	96
	Secondary Tax on Companies	**–**	688
	Total tax charge	**2 203**	784
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**0,5**	0,5
	Adjusted for:		
	Exempt income	**27,5**	28,3
	Non-deductible expenses	**–**	(0,4)
	Secondary Tax on Companies	**–**	(0,4)
	South African normal tax rate	**28,0**	28,0
D	**DISTRIBUTIONS PAID AND PROPOSED**		
D.1	**Dividends**		
	Declared and paid during the year		
	Dividends on ordinary shares		
	Interim dividend for 2012: 86 cents		171 719
	Final dividend for 2012: 115 cents	**231 941**	
	Interim dividend for 2013: 86 cents	**172 947**	
	Total declared and paid	**404 888**	171 719
D.2	**Distribution out of share premium**		
	Declared and paid during the year		
	Distribution on ordinary shares		
	Final distribution for 2011: 106 cents		212 437
	Total declared and paid		212 437
D.3	**Proposed for approval at the Annual General Meeting**		
	Dividend on ordinary shares		
	Final dividend for 2012: 115 cents per share		230 846
			230 846

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 Effective holding %	2012 Effective holding %	2013 R'000	2012 R'000
E	**INVESTMENTS**				
	Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
	Adcock Ingram Healthcare (Pty) Limited	**100**	100	**815 390**	815 390
	Adcock Ingram Intellectual Property (Pty) Limited	**100**	100	**104 000**	104 000
	Adcock Ingram Critical Care (Pty) Limited	**100**	100	**284 979**	284 979
	Adcock Ingram Limited India	**49,9**	49,9	**31 930**	31 930
	Adcock Ingram International (Pty) Limited	**100**	100	*****	*
	Thembalami Pharmaceuticals (Pty) Limited	**50**	50	*****	*
	Group Risk Holdings (Pty) Limited[1]	**7,0**	8,0	**2 334**	2 321
				3 369 220	3 369 207

**Less than R1 000.*

[1] For more details refer to note 11.2.

		2013 R'000	2012 R'000
F	**CASH AND CASH EQUIVALENTS**		
	Bank overdraft	**(567 010)**	(176 456)
G	**AMOUNTS OWING BY/(TO) GROUP COMPANIES**		
G.1	**Amounts owing by Group companies**		
	Included in current assets	**511 928**	400 000
	Adcock Ingram Critical Care (Pty) Limited	**36 250**	145 000
	Adcock Ingram Healthcare (Pty) Limited	**308 175**	255 000
	Adcock Ingram International (Pty) Limited	**167 154**	–
	Adcock Ingram Holdings Limited Employee Share Trust (2008)	**339**	–
	Mpho ea Bophelo Trust	**10**	–
	Included in non-current assets	**–**	100 000
	Adcock Ingram Critical Care (Pty) Limited	**–**	36 250
	Adcock Ingram Healthcare (Pty) Limited	**–**	63 750

Adcock Ingram Critical Care (Pty) Limited

A secured loan of R36,25 million, bearing interest at JIBAR[(1)] plus 180 basis points. Interest is payable quarterly in arrears and the capital is repaid in quarterly instalments from March 2012, with the final instalment due in December 2013.

Adcock Ingram Healthcare (Pty) Limited

(a) A secured loan of R63,75 million bearing interest at JIBAR[(1)] plus 265 basis points. Interest is payable quarterly in arrears and the capital is being repaid in quarterly instalments from March 2012 with the final instalment due in December 2013.

(b) An unsecured loan of R244,43 million which bears interest at a prime less 1,5% and has no fixed terms of repayment.

Adcock Ingram International (Pty) Limited

The loan is unsecured, interest free, and has no fixed terms of repayment.

The undiscounted maturity profile of the Company's borrowings are as follows:

	2013 R'000	2012 R'000
Capital repayment on loans with fixed terms of repayment		
– payable within 12 months	**100 000**	400 000
– payable within 12 – 24 months	**–**	100 000
	100 000	500 000
Interest repayment on loans [(2)]		
– payable within 12 months	**1 884**	25 915
– payable within 12 – 24 months	**–**	1 851
	1 884	27 766

[(1)] JIBAR – Johannesburg Interbank Agreed Rate. On 30 September 2013: 5.1330% (2012: 5.0625%).

[(2)] Interest repayments have been calculated using the interest rates at the reporting dates.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
G	**AMOUNTS OWING BY/(TO) GROUP COMPANIES (continued)**		
G.2	**Amounts owing to Group companies**		
	Included in non-current liabilities:		
	Adcock Ingram Limited*	**(2 155 994)**	(2 155 994)
	Included in current liabilities:		
	Adcock Ingram Healthcare (Pty) Limited	**–**	(739)
	The loan is unsecured, interest free and has no fixed term of repayment.		
	** It is not expected that the subsidiary would call on payment within the next 12 months.*		
H	**OTHER RECEIVABLES**		
	Bank interest receivable	**1 042**	–
I	**SHARE CAPITAL**		
I.1	**Authorised**		
	Ordinary share capital		
	250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
	19 458 196 A shares of 10 cents each	**1 946**	1 946
	6 486 065 B shares of 10 cents each	**649**	649

Terms and conditions of the A and B ordinary shares as per sections 43 and 44 of the Memorandum of Incorporation:

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

(i) these A and B ordinary shareholders shall not participate in any special dividends declared or paid by the Company, unless the respective notional outstanding loan balances become zero at any time prior to the respective release dates, in which event these A and B ordinary shares shall be entitled to participate in all special dividends declared or paid by the Company;

(ii) A and B ordinary shares shall remain certificated and shall not be listed on any stock exchange;

(iii) for so long as the ordinary shares are listed on the JSE Limited (JSE), the rights attaching to these A and B ordinary shares may not be amended in any material respect without the prior written approval of the JSE; and

(iv) these terms and conditions may only be amended as prescribed by sections 43 and 44 of the Memorandum of Incorporation of the Company.

		2013 R'000	2012 R'000
I.2	**Issued**		
	Ordinary share capital		
	Opening balance of 200 735 481 (2012: 200 155 714) ordinary shares of 10 cents each	**20 073**	20 016
	Issue of 392 530 (2012: 579 767) ordinary shares of 10 cents each	**39**	57
		20 112	20 073

The following ordinary shares were issued during the year:

(i) In various tranches, 392 530 (2012: 579 767) ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

I.3 Unissued shares

The unissued shares are under the control of the directors subject to a limit of 5% of issued ordinary share capital, in terms of a general authority granted by the shareholders at the last annual general meeting (AGM) to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming AGM of the Company.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
J	**SHARE PREMIUM**		
	Balance at beginning of the year	**935 947**	1 141 373
	Issues of 392 530 (2012: 579 767) ordinary shares	**5 060**	7 011
	Distribution out of share premium in 2012: 106 cents per share	**–**	(212 437)
		941 007	935 947

		Share-based payment reserve R'000	Other reserves R'000	Total R'000
K	**NON-DISTRIBUTABLE RESERVES**			
	Balance at 1 October 2011	269 000	286	269 286
	Movement during the year	–	–	–
	Balance at 30 September 2012	269 000	286	269 286
	Movement during the year	**–**	**247**	**247**
	Balance at 30 September 2013	**269 000**	**533**	**269 533**

		2013 R'000	2012 R'000
L	**LONG-TERM BORROWINGS**		
	A secured loan, bearing interest at JIBAR plus 180 basis points. Interest is payable quarterly in arrears and the capital is repaid in quarterly instalments from March 2012, with the final instalment due in December 2013.	**36 250**	181 250
	A secured loan bearing interest at JIBAR plus 265 basis points. Interest is payable quarterly in arrears and the capital will be repaid in quarterly instalments from March 2012 with the final instalment due in December 2013.	**63 750**	318 750
		100 000	500 000
	Less: Current portion included in short-term borrowings	**(100 000)**	(400 000)
		–	100 000
	Capital repayments on loans		
	– payable within 12 months	**100 000**	400 000
	– payable within 12 – 24 months	**–**	100 000
		100 000	500 000
	Interest repayments on loans*		
	– payable within 12 months	**1 884**	25 915
	– payable within 12 – 24 months	**–**	1 851
		1 884	27 766
	** Interest repayments have been calculated using the interest rates at the reporting dates.*		
M	**DEFERRED TAX**		
	Balance at beginning of year	**–**	–
	Other comprehensive income movement	**(57)**	–
	Balance at end of year	**(57)**	–
	Analysis of deferred tax		
	This balance comprises the following temporary difference:		
	Revaluations of available-for-sale financial asset	**(57)**	–

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

		2013 R'000	2012 R'000
N	**OTHER PAYABLES**		
	Interest accrued	–	417
	Other	**726**	557
		726	974
O	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
O.1	**Operating profit before working capital changes**		
	Profit before taxation	**424 792**	173 007
	Adjusted for:		
	– dividend income	**(417 377)**	(175 000)
	– net finance income	**(7 681)**	(470)
		(266)	(2 463)
O.2	**Working capital changes**		
	(Decrease)/Increase in other payables (excluding accrual)	**(248)**	148
O.3	**Taxation paid**		
	Amounts overpaid at beginning of the year	**817**	108
	Amounts charged to the statement of comprehensive income	**(2 203)**	(784)
	Amount overpaid at end of the year	**(505)**	(817)
		(1 891)	(1 493)
O.4	**Increase in investments**		
	Proceeds on sale of 1,0% interest in Group Risk Holdings (Pty) Limited	**291**	–
	Cost of acquisition of additional 2.7% interest in Group Risk Holdings (Pty) Limited	–	(739)
		291	(739)

P RELATED PARTIES

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

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

	2013 R'000	2012 R'000
Interest received		
Adcock Ingram Healthcare (Pty) Limited	**30 740**	37 989
Adcock Ingram Critical Care (Pty) Limited	**8 792**	19 618
Dividends received		
Adcock Ingram Limited	**300 000**	175 000
Adcock Ingram Healthcare (Pty) Limited	**110 000**	–
Adcock Ingram Limited (India)	**7 377**	–
Dividends paid		
Adcock Ingram Limited	**8 612**	3 685
Blue Falcon Trading 69 (Pty) Limited	**42 009**	17 630
Mpho ea Bophelo Trust	**14 127**	5 930

Refer to Annexure G for nature of the relationships of related parties.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER (continued)

Q FINANCIAL INSTRUMENTS

Fair value hierarchy

Classification of financial instruments and fair value hierarchy is as follows:

Financial instruments	Classification per IAS 39	2013 R'000	2012 R'000
Investment in Group Risk Holdings (Pty) Limited[1]	Available for sale	**2 334**	2 321
Amounts owing by Group companies	Loans and receivables	**511 928**	500 000
Amounts owing to Group companies	Loans and borrowings	**2 155 994**	2 156 733
Long-term borrowings	Loans and borrowings	**–**	100 000
Other payables	Loans and borrowings	**726**	974
Short-term borrowings	Loans and borrowings	**100 000**	400 000
Bank overdraft	Loans and borrowings	**567 010**	176 456

[1] *Level 3: Fair value based on latest available selling price.*

The Company used the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value by valuation technique:

Level 1: quoted prices in active markets;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, bank overdraft and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The financial instruments' carrying values approximates their fair values.

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

Interest rate sensitivity

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

	Change in rate	Decrease in profit before tax	
	%	2013 R'000	2012 R'000
Cash and cash equivalents			
Bank overdraft	+1	**5 670**	1 765

No sensitivity analysis is performed on the borrowings as terms of these and amounts owed by Group companies are linked.

ANNEXURE A – SEGMENT REPORT

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

In Southern Africa, the principal segments have been identified by grouping similar-type products resulting in the following three reportable operating segments for financial performance purposes:

- Over the Counter, which comprises pharmaceutical products available without prescription as well as personal care products.
- Prescription, which comprises products available on prescription only.
- Hospital.

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

No operating segments have been aggregated to form the above reportable operating segments, unless stated otherwise.

STATEMENT OF COMPREHENSIVE INCOME

	2013 R'000	2012 R'000
Turnover		
Southern Africa	**5 030 767**	4 435 938
OTC	**2 002 279**	1 791 875
Prescription	**1 852 759**	1 520 219
Generics	**865 444**	640 694
Branded	**987 315**	879 525
Hospital	**1 175 729**	1 123 844
Rest of Africa	**220 635**	155 112
India	**386 331**	140 433
	5 637 733	4 731 483
Less: Inter-company sales	**(192 094)**	(132 234)
	5 445 639	4 599 249
Contribution after marketing expenses (CAM)		
Southern Africa	**1 177 249**	1 245 746
OTC	**707 403**	660 492
Prescription	**321 704**	371 801
Generics	**145 029**	205 568
Branded	**176 675**	166 233
Hospital	**148 142**	213 453
Rest of Africa	**48 253**	27 315
India	**108 968**	48 388
	1 334 470	1 321 449
Less: Inter-company	**(9 194)**	(7 492)
	1 325 276	1 313 957
Less: Other operating expenses	**(434 471)**	(445 136)
Research and development	**(104 941)**	(81 601)
Fixed and administrative	**(329 530)**	(363 535)
Operating profit	**890 805**	868 821

Other operating expenses and Group financing (including finance costs and finance income) are managed on a central basis and are not allocated to operating segments.

ANNEXURE A – SEGMENT REPORT

(continued)

As the assets and liabilities of the Over the Counter and Prescription products are integrated and managed in the Pharmaceutical division in Southern Africa, the Group regards this as a single primary business segment for statement of financial position purposes.

STATEMENT OF FINANCIAL POSITION

	2013 R'000	2012 R'000
Assets		
Southern Africa	**5 357 946**	4 927 864
Pharmaceuticals	**4 585 199**	4 312 443
Hospital	**772 747**	651 421
Rest of Africa	**286 104**	187 352
India	**1 174 777**	167 070
	6 818 827	5 282 286
Current liabilities		
Southern Africa	**2 637 079**	1 384 212
Pharmaceuticals	**2 012 349**	1 090 371
Hospital	**624 730**	293 841
Rest of Africa	**59 296**	29 097
India	**182 239**	86 406
	2 878 614	1 499 715
Capital expenditure [(1)]		
Southern Africa	**278 354**	500 233
Pharmaceuticals	**200 974**	398 438
Hospital	**77 380**	101 795
Rest of Africa	**42 236**	4 597
India	**23 783**	6 963
	344 373	511 793

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

OTHER

	2013 R'000	2012 R'000
Impairment losses		
Southern Africa		
Pharmaceuticals	**–**	1 887
Depreciation and amortisation		
Southern Africa	**154 127**	107 569
Pharmaceuticals	**111 777**	73 564
Hospital	**42 350**	34 005
Rest of Africa	**7 617**	5 582
India	**40 575**	3 685
	202 319	116 836

A GENERAL EMPLOYEE SHARE-OPTION PLAN

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

Options vest as follows:

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

From January 2006, the option plan rules were changed from being an equity-settled scheme to a cash-settled scheme. Options under the cash-settled scheme have been issued at least annually by the Adcock Ingram Board of directors.

The expense recognised for employee services received during the year to 30 September 2013 is R11,7 million (2012: R6,7 million).

Equity settled

The following table illustrates the number and weighted average offer prices (WAOP) of and movements in Adcock Ingram share options during the year. No additional equity options were granted during the year.

	2013		2012	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the year	**944 630**	**14,87**	1 524 397	13,82
Reinstatement	**18 200**	**16,63**	–	–
Exercised and paid in full[(1)]	**(392 530)**	**12,99**	(579 767)	12,12
Outstanding at the end of the year	**570 300**	**16,20**	944 630	14,87
Exercisable at the end of the year	**570 300**	**16,20**	944 630	14,87

[(1)] The weighted average share price at the date of exercise, for the options exercised is R56.57 (2012: R61.27).

	2013	2012
Weighted average remaining contractual life for the share options outstanding at year-end	**0 years**	0.88 years
Range of offer prices for options outstanding at the end of the year	**R13,62 – R28,33**	R11,77 – R28,33

Share options are fair valued using a Black-Scholes model. The observable volatility in the market was the basis upon which the options were valued.

Loans to the amount of R433 756 relating to an Adcock Ingram employee and a former Adcock Ingram employee were outstanding at the end of the year (2012: R512 298).

Cash settled

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

	2013		2012	
	Number	**WAOP**	Number	WAOP
Outstanding at the beginning of the year	**3 463 690**	**49,62**	4 159 381	42,67
Granted during the year	**1 327 148**	**53,99**	1 038 271	60,24
Forfeited during the year	**(394 880)**	**54,56**	(635 746)	50,53
Exercised during the year	**(527 444)**	**36,58**	(1 098 216)	34,05
Outstanding at the end of the year	**3 868 514**	**52,06**	3 463 690	49,62
Vested and exercisable at the end of the year	**515 710**	**38,37**	114 793	33,28

ANNEXURE B – SHARE-BASED PAYMENT PLANS
(continued)

A GENERAL EMPLOYEE SHARE-OPTION PLAN (continued)

	2013	2012
Weighted average remaining contractual life for the share options outstanding at year-end	**3,52 years**	3,74 years
Range of offer prices for options outstanding at the end of the year	**R28,27 – R62,29**	R28,27 – R62,29
Carrying amount of the liability relating to the cash-settled options at year-end (R million)	**39,15**	39,98

Given the limited trading history of Adcock Ingram, long dated volatility is calculated as a weighted average of historical volatility of shares in the Pharmaceuticals and Biotechnology sectors for terms matching the remaining life of each option. Shorter dated volatility is based on the historical volatility of the Adcock Ingram share price matching the remaining life of each option. The valuation is measured at fair value (excluding any non-market vesting conditions) and is the sum of the intrinsic value plus optionality. The fair value of each option is estimated using an explicit finite-difference option pricing model. All options are valued with an European expiry profile, i.e. with a single exercise date at maturity.

B BLACK MANAGERS SHARE TRUST

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

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

	2013	2012
Expense recognised for employee services received during the year (R million)	**6,7**	3,6
Number of participation rights allocated to Adcock Ingram employees at year-end	**1 068 982**	1 135 900
Weighted average remaining contractual life for the share options outstanding at year-end	**1,55 years**	2,86 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/Adcock Ingram share price;
- outstanding debt projections; and
- optimal early exercise conditions.

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

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

BEE participants

The entities which participated in the transaction are:
- The strategic partners, who collectively participate through a single investment vehicle, namely Blue Falcon Trading 69 (Pty) Limited (Blue Falcon); and
- Qualifying employees, who participate through the Mpho ea Bophelo Trust (Bophelo Trust).

Blue Falcon's shareholders are as follows:
- Kagiso Strategic Investments III (Pty) Limited (62,9%);
- Kurisani Youth Development Trust (26,6%); and
- Mookodi Pharma Trust (10,5%)

ANNEXURE B – SHARE-BASED PAYMENT PLANS
(continued)

C BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Estimated economic costs

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

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

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

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

The expense recognised for employee services during the year amounts to R15,1 million (2012: R16,4 million) after allocations were made to staff on 31 March 2013 at a fair value of R13,72 per option.

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

Equity-settled

	2013 Number	2012 Number
Outstanding at the beginning of the year	**4 979 100**	4 977 000
Granted during the year	**321 300**	403 200
Forfeited during the year	**(203 000)**	(401 100)
Paid out during the year[1]	**(461 300)**	–
Outstanding at the end of the year	**4 636 100**	4 979 100
Vested at the end of the year	**1 698 900**	1 305 500
Exercisable at the end of the year[2]	**100 100**	433 300
Available for future distribution to qualifying employees	**1 388 665**	1 506 965

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

[2)] *Became exercisable as a result of death, disability, retirement or retrenchment.*

Key terms and contractual obligations

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

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

ANNEXURE C – DEFINED BENEFIT PLAN

The Company and its subsidiaries contribute to a retirement contribution plan for employees in South Africa. 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 plan is 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 Fund Act, be valued at least every three years. The last full actuarial valuation was performed on 30 September 2013.

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

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

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Net benefit expense					
Current service cost	**68 346**	65 605	57 711	64 347	49 768
Interest cost on benefit obligation	**376**	543	597	694	683
Expected return on plan assets	**(645)**	(988)	(1 169)	(1 455)	(8 504)
Effect of paragraphs 58 and 58A	**269**	540	(911)	24 170	5 134
Settlement costs	**–**	767	–	–	–
Net benefit expense	**68 346**	66 467	56 228	87 756	47 081
Actual return on plan assets	**1 690**	2 709	1 978	(2 514)	32 491
Benefit liability					
Defined benefit obligation	**(2 612)**	(5 226)	(8 278)	(7 283)	(7 581)
Fair value of plan assets	**9 765**	11 772	15 317	17 369	20 145
	7 153	6 546	7 039	10 086	12 564
Unrecognised actuarial gains	**(7 153)**	(6 546)	(7 039)	(10 086)	(7 411)
	–	–	–	–	5 153
Changes in the present value of the defined benefit obligation are as follows:					
Defined benefit obligation at 1 October	**(5 226)**	(8 278)	(7 283)	(7 581)	(7 453)
Interest cost	**(376)**	(543)	(597)	(694)	(683)
Contribution	**68 346**	65 605	57 711	64 347	49 768
Current service cost	**(68 346)**	(65 605)	(57 711)	(64 347)	(49 768)
Benefits paid	**317**	69	74	100	143
Settlement liability	**–**	4 325	–	–	–
Actuarial gains/(losses) on obligation	**2 673**	(799)	(472)	892	412
Defined benefit obligation at 30 September	**(2 612)**	(5 226)	(8 278)	(7 283)	(7 581)
Changes in the fair value of the defined benefit plan assets are as follows:					
Fair value of plan assets at 1 October	**11 772**	15 317	17 369	20 145	92 007
Expected return	**645**	988	1 169	1 455	8 504
Utilisation of asset from defined contribution fund	**–**	–	–	(5 190)	(29 650)
Benefits paid	**(317)**	(69)	(74)	(100)	(143)
Amount settled	**–**	(4 325)	–	–	–
Actuarial (loss)/gain	**(2 335)**	(139)	(3 147)	1 059	(50 573)
Fair value of plan assets at 30 September	**9 765**	11 772	15 317	17 369	20 145
Asset coverage over liabilities (times)	**3,7**	2,3	1,9	2,4	2,7
The assumptions used in the valuations are as follows:					
	%	%	%	%	%
Discount rate	**8,50**	7,25	8,75	8,25	9,25
Expected rate of return on assets	**8,50**	5,50	8,75	6,75	9,25
Future salary increases	**7,10**	6,25	6,75	6,25	6,75
Future pension increases	**6,10**	5,25	3,57	3,10	4,05
Estimated asset composition					
Cash	**72,80**	81,10	43,14	61,61	
Equity	**–**	–	33,97	–	
Bonds	**27,20**	18,90	6,13	38,39	
Property	**–**	–	6,37	–	
International	**–**	–	10,39	–	
Total	**100,00**	100,00	100,00	100,00	

ANNEXURE D – POST-RETIREMENT MEDICAL LIABILITY

The Company and its subsidiaries operate a post-employment medical benefit scheme that covers certain retirees and one employee still in service. The liabilities are valued annually using the projected unit credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 September 2013.

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

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Net benefit expense					
Current service cost	**27**	–	–	–	27
Interest cost on benefit obligation	**1 068**	1 169	1 356	1 230	1 211
Effect of paragraphs 58 and 58A	**–**	–	–	–	–
	1 095	1 169	1 356	1 230	1 238
Defined benefit obligation at 1 October	**(15 341)**	(13 987)	(15 808)	(14 298)	(13 698)
Interest cost	**(1 068)**	(1 169)	(1 356)	(1 230)	(1 211)
Current service cost	**(27)**	–	–	–	(27)
Benefits paid	**1 138**	1 162	1 287	1 168	994
Actuarial gains/(losses) on obligation	**190**	(1 347)	1 890	(1 448)	(356)
Defined benefit obligation at 30 September	**(15 108)**	(15 341)	(13 987)	(15 808)	(14 298)
The assumptions used in the valuations are as follows:					
	%	%	%	%	%
Discount rate	**8,60**	7,25	8,75	8,25	9,25
CPI increase	**6,00**	5,00	5,75	6,75	7,25
Healthcare cost inflation	**8,00**	7,00	7,75	7,25	7,25
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table	PA(90) ultimate table	PA(90) ultimate table	PA(90) ultimate table
	R'000	R'000	R'000	R'000	R'000
Sensitivity A one percentage point increase in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:					
Increase of the interest cost	**136**	124	113	121	120
Increase of the liability	**1 500**	1 613	1 288	1 474	1 320
A one percentage point decrease in the assumed rate of healthcare cost inflation would have the following effects on the post-retirement medical aid liability:					
Decrease of the interest cost	**116**	105	97	105	102
Decrease of the liability	**1 277**	1 363	1 110	1 268	1 142

ANNEXURE E – FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

Classification of financial instruments and fair value hierarchy

Financial instruments	Classification per IAS 39	Statement of financial position line item	2013 R'000	2012 R'000
Investments[1]	Available for sale	Other financial assets	**2 334**	2 321
Black Managers Share Trust	Loans and receivables	Other financial assets	**137 312**	137 430
Loans receivable	Loans and receivables	Loan receivable	**16 489**	27 060
Trade and other receivables	Loans and receivables	Trade and other receivables	**1 526 524**	1 184 212
Foreign exchange contracts – derivative asset[2]	Fair value cash flow hedge	Trade and other receivables	**6 012**	962
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	**163 070**	492 716
Long-term borrowings	Loans and borrowings	Long-term borrowings	**5 172**	104 625
Trade and other payables	Loans and borrowings	Trade and other payables	**1 292 379**	979 598
Short-term borrowings	Loans and borrowings	Short-term borrowings	**135 507**	431 368
Bank overdraft	Loans and borrowings	Bank overdraft	**1 307 993**	–

[1] *Level 3. Fair value based on latest available selling price.*
[2] *Level 2. Fair value based on the ruling market rate at year-end.*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value by valuation technique:
Level 1 – quoted prices in active markets;
Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, loans receivable and cash which arise directly from its operations. The Group also enters into derivative transactions via forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout 2013, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, credit, liquidity and foreign currency. The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The Group is exposed to interest rate risk as the following assets and liabilities carry interest at rates that vary in response to the lending rates in South Africa, India, Ghana and Zimbabwe:

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

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

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

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

	Change in rate	(Decrease)/Increase in profit before tax	
	%	**2013 R'000**	2012 R'000
Liabilities			
Indian Rupee loans	+1	**(297)**	(214)
South African loans at variable rates	+1	**(1 014)**	(5 043)
Cash balances			
Cash and cash equivalents	+1	**1 631**	4 927
Bank overdraft	+1	**(13 080)**	–

ANNEXURE E – FINANCIAL INSTRUMENTS

(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loans receivables and trade receivables. The maximum exposure to credit risk is set out in the respective cash, loans receivable and accounts receivable notes. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are credit worthy.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's historical exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Corporate office. Apart from the South African Government, which comprises 12,5% (R175 million) of trade receivables, there are no significant concentrations of credit risk within the Group arising from the financial assets of the Group.

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

Debtors are disclosed net of a provision for impairment.

Liquidity risk

Although the Group is in a net debt position it has limited exposure to liquidity risk as all obligations in the foreseeable future will be met.

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The maturity profile of the Group's long-term financial liabilities at 30 September 2013, based on contractual undiscounted payments, is shown in note 21 and the maturity profile of the trade and other payables in note 23.

Foreign currency risk

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

Foreign operations

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

	2013	**2013**	2012	2012
	Income/ Expenses	**Assets/ Liabilities**	Income/ Expenses	Assets/ Liabilities
	Average (Rand)	**Spot (Rand)**	Average (Rand)	Spot (Rand)
Kenyan Shilling	**0.1069**	**0.1168**	0.0927	0.0972
Ghanaian Cedi	**4.6638**	**4.6125**	4.4949	4.3687
United States Dollar	**9.3092**	**10.0505**	–	–
Indian Rupee	**0.1647**	**0.1605**	0.1539	0.1569

Foreign assets/liabilities

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

	Assets Rand	**Liabilities Rand**	**Average Rand**
2013			
US Dollar	**10.05**	**10.05**	**10.05**
Euro	**13.61**	**13.59**	**13.60**
2012			
US Dollar	8.31	8.27	8.29
Euro	10.71	10.66	10.69

ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Cash flow hedges

The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for the order of inventory is in place. As a result, all material foreign liabilities were covered by forward exchange contracts at year-end.

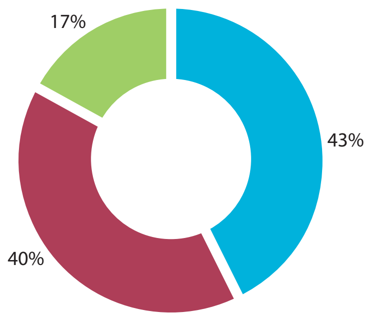
The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Forward exchange contracts are entered into to cover import exposures. The fair value is determined using the quoted forward price with similar maturity profiles at reporting dates.

At 30 September 2013, 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 2013 designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. All foreign exchange contracts will mature within 12 months. The cash flow hedges of expected future purchases were assessed to be effective.

A summary of the material contracts, comprising at least 80% of the total contracts outstanding at:

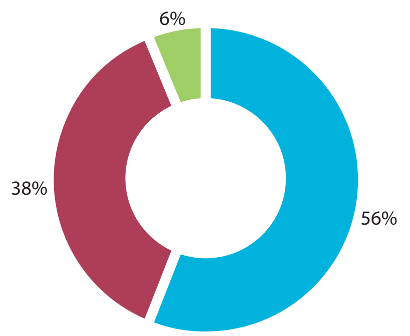
	Foreign currency '000	Average forward rate	R'000
30 September 2013			
Foreign currency			
US Dollar	**12 119**	**10.02**	**121 404**
Euro	**9 973**	**13.21**	**131 700**
30 September 2012			
Foreign currency			
US Dollar	10 789	8.39	90 548
Euro	12 074	10.66	128 765

2013



EUR
USD
OTHER

2012



The maturity analysis for the outstanding contracts at:

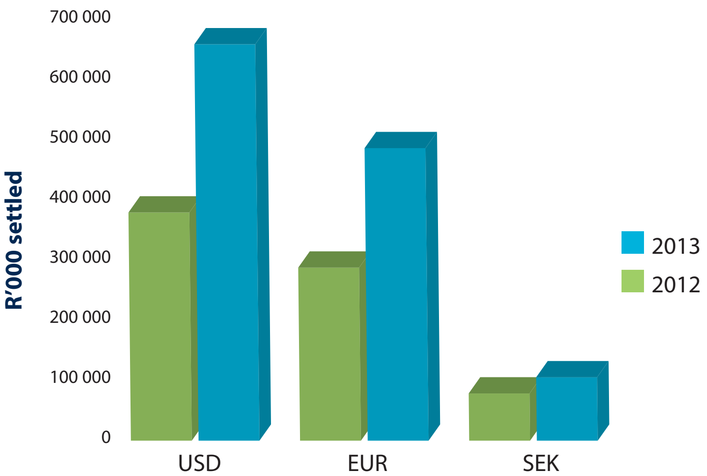
	US Dollar '000	Rands '000	Euro '000	Rands '000
30 September 2013				
Within 30 days	**11 478**	**115 059**	**7 664**	**101 593**
31 to 60 days	**641**	**6 345**	**1 953**	**25 684**
61 to 90 days	**–**	**–**	**250**	**3 095**
> 90 days	**–**	**–**	**106**	**1 328**
	12 119	**121 404**	**9 973**	**131 700**
30 September 2012				
Within 30 days	6 267	52 022	5 166	54 199
31 to 60 days	683	5 710	1 778	19 174
61 to 90 days	351	2 980	1 533	16 527
> 90 days	3 488	29 836	3 596	38 865
	10 789	90 548	12 073	128 765

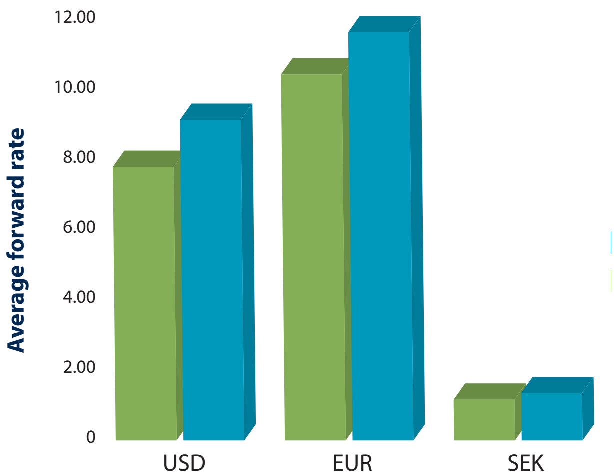
ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

A summary of the material contracts settled during the year ended:

	Foreign currency '000	Average forward rate	R'000
30 September 2013			
Foreign currency			
US Dollar	**72 013**	**9.20**	**662 650**
Euro	**41 762**	**11.71**	**489 050**
Swedish Krona (SEK)	**77 767**	**1.36**	**105 951**
30 September 2012			
Foreign currency			
US Dollar	48 574	7.85	381 483
Euro	27 542	10.50	289 294
Swedish Krona (SEK)	67 445	1.17	78 935





ANNEXURE E – FINANCIAL INSTRUMENTS
(continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 investments hedges):

	Change in rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
2013			
US Dollar			
	+10	**2 218**	**8 783**
	-10	**(2 218)**	**(8 783)**
Euro			
	+10	**6 107**	**9 794**
	-10	**(6 107)**	**(9 794)**
2012			
US Dollar			
	+10	878	6 494
	-10	(878)	(6 494)
Euro			
	+10	1 607	9 368
	-10	(1 607)	(9 368)

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.

	2013 R'000	2012 R'000
Interest-bearing loans and borrowings	**1 448 672**	535 993
Less: Cash and short-term deposits	**(163 070)**	(492 716)
Net debt	**1 285 602**	43 277
Equity	**3 780 867**	3 560 695
Gearing ratio %	**34**	1

ANNEXURE F – INTEREST IN JOINT VENTURES

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 a manufacturer of pharmaceutical products.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entity at 30 September and for the years then ended, which are included in the consolidated financial statements, before eliminating inter-company transactions, are as follows:

	2013 R'000	2012 R'000
Non-current assets	**74 945**	68 884
Current assets	**119 041**	90 468
Total assets	**193 986**	159 352
Non-current liabilities	**17 502**	8 798
Current liabilities	**82 411**	85 755
Total liabilities	**99 913**	94 553
Revenue	**208 810**	133 083
Turnover	**208 290**	132 942
Cost of sales	**(148 781)**	(91 831)
Gross profit	**59 509**	41 111
Selling and distribution expenses	**(127)**	(215)
Administrative expenses	**(3 906)**	(15 197)
Operating profit	**55 476**	25 699
Finance income	**520**	141
Finance costs	**(2 128)**	(3 143)
Profit before taxation	**53 868**	22 697
Taxation	**(17 241)**	(7 447)
Profit for the year	**36 627**	15 250

ANNEXURE F – INTEREST IN JOINT VENTURES

(continued)

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 Group's share of the assets, liabilities, income and expenses of the jointly controlled entity at 30 September and for the years then ended, which are included in the consolidated financial statements, before eliminating inter-company transactions, are as follows:

	2013 R'000	2012 R'000
Non-current assets	**68 640**	40 484
Current assets	**84 019**	79 746
Total assets	**152 659**	120 230
Non-current liabilities	**2 919**	3 221
Current liabilities	**52 615**	65 615
Total liabilities	**55 534**	68 836
Revenue	**347 164**	289 762
Turnover	**344 663**	287 977
Cost of sales	**(271 030)**	(249 058)
Gross profit	**73 633**	38 919
Administrative expenses	**(21 586)**	(11 910)
Operating profit	**52 047**	27 009
Finance income	**2 501**	1 785
Finance costs	**(358)**	(4 902)
Profit attributable to an associate	**2 663**	–
Profit before taxation	**56 853**	23 892
Taxation	**(16 510)**	(8 190)
Profit for the year	**40 343**	15 702

3 THEMBALAMI PHARMACEUTICALS (PTY) LIMITED

Adcock Ingram Holdings Limited has a 50% interest in Thembalami Pharmaceuticals (Pty) Limited, a jointly controlled entity which is dormant. At September 2013 and 2012 the shareholders' deficit was R2 698 642, of which R1 349 321 relates to the Group.

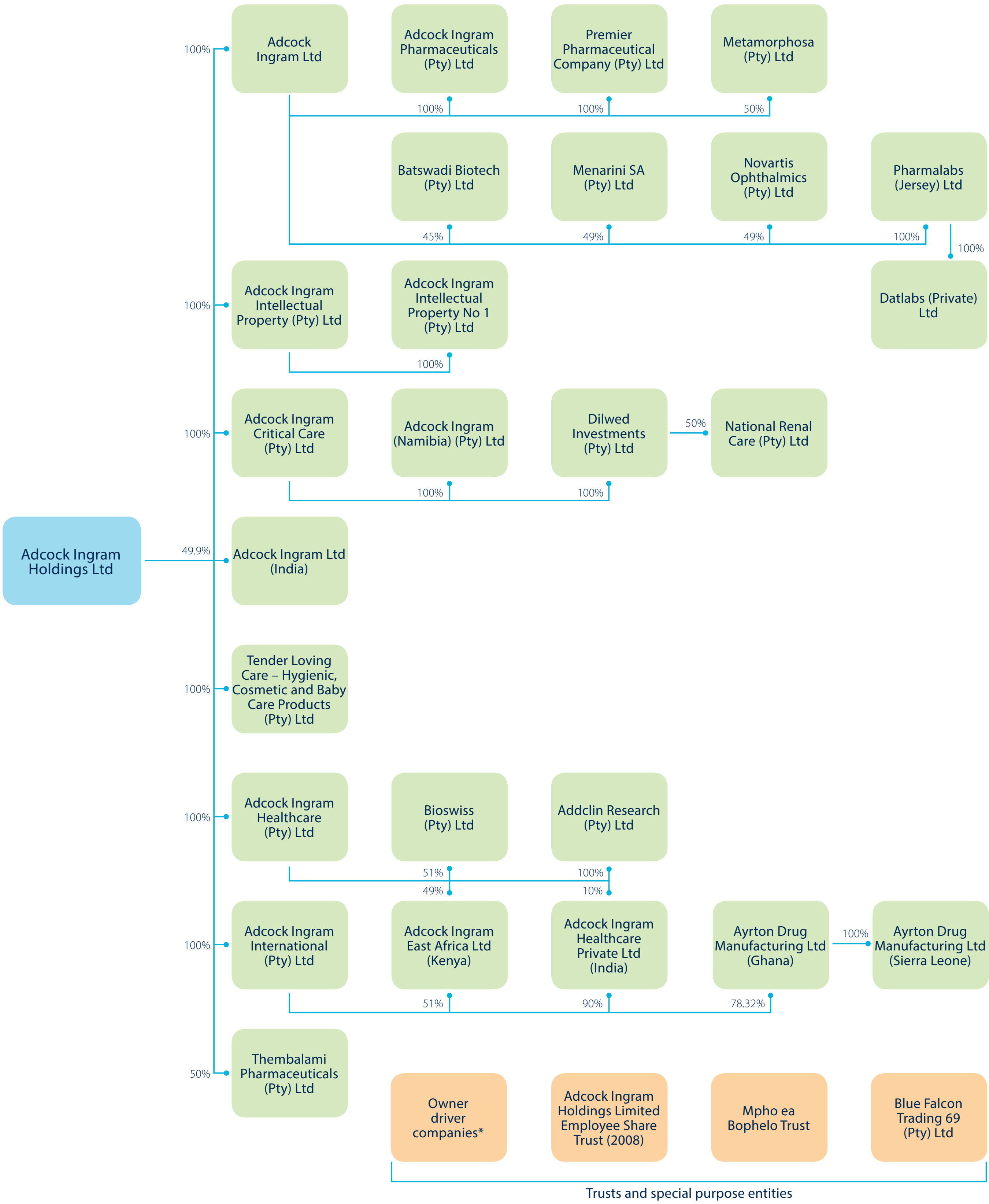
There are no contingent liabilities or other commitments relating to the joint ventures.

Please refer to Annexure I which discloses the details should the joint ventures be equity accounted.

ANNEXURE G – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES

	Share-holding 2013 %	Share-holding 2012 %
Subsidiaries		
Adcock Ingram Limited	**100**	100
Adcock Ingram Healthcare (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property (Pty) Limited	**100**	100
Adcock Ingram Critical Care (Pty) Limited	**100**	100
Adcock Ingram International (Pty) Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products (Pty) Limited	**100**	100
Joint ventures		
Thembalami Pharmaceuticals (Pty) Limited	**50**	50
Adcock Ingram Limited (India)	**49,9**	49,9
Indirect holdings		
Adcock Ingram Pharmaceuticals (Pty) Limited	**100**	100
Premier Pharmaceutical Company (Pty) Limited	**100**	100
Metamorphosa (Pty) Limited	**50**	50
Menarini SA (Pty) Limited	**49**	49
Novartis Ophthalmics (Pty) Limited	**49**	49
Batswadi Biotech (Pty) Limited	**45**	45
Bioswiss (Pty) Limited	**51**	51
Addclin Research (Pty) Limited	**100**	100
Adcock Ingram Intellectual Property No 1 (Pty) Limited	**100**	100
Dilwed Investments (Pty) Limited	**100**	100
Adcock Ingram Namibia (Pty) Limited	**100**	100
National Renal Care (Pty) Limited	**50**	50
Pharmalabs (Jersey) Limited	**100**	50
Datlabs (Private) Limited	**100**	50
Adcock Ingram Healthcare Private Limited (India)	**100**	100
Adcock Ingram East Africa Limited	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**78,32**	78,14
Ayrton Drug Manufacturing Limited (Sierra Leone)	**78,32**	78,14
Trusts and special purpose entities		
Adcock Ingram Holdings Limited Employee Share Trust (2008)		
Mpho ea Bophelo Trust		
Blue Falcon Trading 69 (Pty) Limited		
Owner-driver companies (12 entities)		

ANNEXURE G – INTEREST IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES
(continued)



* Consists of 12 entities

ANNEXURE H – ACCOUNTING POLICIES

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries, joint ventures, associates and special purpose entities deemed to be controlled by the Group. The financial results of the subsidiaries are prepared for the same reporting period using consistent accounting policies.

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

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

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

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

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

UNDERLYING CONCEPTS

The financial statements are prepared on the going-concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are only offset when there is a legally enforceable right to offset, and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

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

FOREIGN CURRENCIES

The consolidated financial statements are presented in South African Rands (Rands), which is the Group's functional and presentational currency. Each foreign entity in the Group determines its own functional currency.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date.

Foreign currency balances

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

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Foreign operations

At the reporting date, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (Rands) at the exchange rate ruling at the date of the statement of financial position. Items of profit or loss are translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate. The functional currencies of the foreign operations are as follows:

- Joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- Subsidiary, Adcock Ingram Healthcare Private Limited in India, the Indian Rupee;
- Subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- Subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling; and
- Subsidiary, Ayrton Drug Manufacturing Limited in Ghana, the Ghanaian Cedi.

INTEREST IN GROUP COMPANIES

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income, as appropriate. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity in a separate entity 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 Company carries its investment in joint ventures at cost less any impairments.

The Group reports its interests in joint ventures using the proportionate consolidation method until the date on which the Group ceases to have joint control over the joint venture. 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 and intra-Group balances 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 results 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.

Upon loss of joint control and provided the former jointly controlled entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

ASSOCIATE

An associate is an entity over which the Group has significant influence through participation in the financial and operating policy decisions. The entity is neither a subsidiary nor a joint venture.

The Company carries its investment in associates at cost less any impairments.

Associates are accounted for using the equity method of accounting. Under this method, investments in associates are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested separately for impairment.

The statement of comprehensive income reflects the Group's share of the associate's profit or loss. However, an associate's losses in excess of the Group's interest are not recognised. Where an associate recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the underlying associate.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the carrying value and the higher of its value in use or fair value less costs to sell. Impairment losses are recognised in the statement of comprehensive income in profit or loss.

Where an investment in an associate is classified as held for sale in terms of IFRS 5, equity accounting is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

Where an associate's reporting date differs from the Group's, the associate prepares financial statements as of the same date as the Group. If this is impracticable, financial statements are used where the date difference is no more than three months. Adjustments are made for significant transactions between the relevant dates. Where the associate's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item is also accounted for separately if the recognition criteria are met. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred. Each part of an item of property, plant and equipment with a cost that is significant is depreciated separately.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end. Any adjustments are accounted for prospectively.

The following useful lives have been estimated:

Freehold land	Not depreciated
Freehold buildings – general purpose	40 years
– specialised	20 – 50 years
Leasehold improvements	The lease term or useful life, whichever is the shorter period
Plant, equipment and vehicles	3 – 15 years
Furniture and fittings	3 – 15 years
Computer equipment	3 years

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

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognised in profit or loss.

GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of any previously held equity interest in the acquiree, over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Goodwill is tested 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.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

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

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

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

The following useful lives have been estimated:

Trademarks	15 years or indefinite
Customer, supplier and licence-related intangibles	1 – 15 years

Amortisation is recognised in the statement of comprehensive income through profit or loss in fixed and administrative expenses. 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 cash flows for the Group.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income through profit or loss when the asset is derecognised.

Research and development costs

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

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

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

IMPAIRMENT

The Group assesses property, plant and equipment and intangible assets, with finite useful lives, and investments in subsidiaries, joint ventures and associates for the Company, at least at each reporting date for an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, 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 statement of comprehensive income through profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

The Group's classification of financial assets is as follows:

Description of asset	Classification
Amounts owing by Group companies	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Investments	Available-for-sale
Other financial assets	Loans and receivables/Available-for-sale

All financial assets are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in fixed and administrative expenses.

Available-for-sale financial assets

Available-for-sale financial assets could include equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains and losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to profit or loss in the statement of comprehensive income.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired by a significant amount or for a prolonged period of time, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss even though the financial asset has not been derecognised.

Derecognition

Financial assets or parts thereof are derecognised when:

- the right to receive the cash flows has expired; or
- the Group transfers the right to receive the cash flows, and also transfers either all the risks and rewards, or control over the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original costs of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less an impairment loss on that investment previously recognised in the statement of comprehensive income – is reclassified from other comprehensive income to profit or loss. Increases in fair value after impairment are recognised directly in other comprehensive income. Impairment losses on available-for-sale equity instruments are not reversed through profit or loss.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. The Group has classified financial liabilities, as follows:

Description of liability	Classification
Loans payable and borrowings	Loans and borrowings
Trade and other payables	Loans and borrowings
Loans from subsidiaries	Loans and borrowings
Bank overdraft	Loans and borrowings
Amounts owing to Group companies	Loans and borrowings

Subsequent measurement

LOANS AND BORROWINGS

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income through profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

DERECOGNITION

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an existing liability and a recognition of a new financial liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income through profit or loss.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consists of cash on hand and at banks, short-term deposits with an original maturity of three months or less and highly liquid investments.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

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

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

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 or 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 other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

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

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 other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recognised in other comprehensive income are transferred to profit or loss.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows):

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item;
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract; and
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

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. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are not subsequently depreciated 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.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the prior year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity

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

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of 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 statement of comprehensive income through profit or loss net of any reimbursement.

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

LEASES

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

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.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

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

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

REVENUE

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

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer. Dividend income is recognised when the Group's right to receive payment is established. Finance income is accrued on a time basis recognising the effective rate applicable on the underlying assets.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

INCOME TAXES

The income tax expense represents the sum of current tax, deferred tax, Secondary Taxation on Companies and Dividends Tax.

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income and not in profit or loss. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax liabilities are recognised for taxable temporary differences:

- except where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

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

Deferred tax is charged to profit or loss, except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that results from an acquisition. In this case, the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority.

Secondary Tax on Companies

Secondary Tax on Companies (STC) on dividends declared is accrued in the period in which the dividend is declared for all dividends declared before 1 April 2012.

Dividends Tax

A Dividends Tax of 15% of dividend distributions is withheld from shareholders and paid to the South African Revenue Service for dividends paid on or after 1 April 2012, where applicable.

Value-Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

EMPLOYEE BENEFITS

Short-term employee benefits

All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employees.

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

Defined contribution plans

In respect of defined contribution plans, the contribution paid by the Group is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

Defined benefit plans

The present value of the defined benefit obligation, the related current service costs and, where applicable, past service costs, are calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on high quality government bonds.

Actuarial gains and losses are recognised in the statement of comprehensive income through profit or loss when the net cumulative unrecognised actuarial gains or 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 statement of financial position comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past service costs 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 gains or losses 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 healthcare benefits to certain of its retirees and one employee still in service. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, discount rate based on current bond yields of appropriate terms and healthcare inflation costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of the defined benefit obligation.

ANNEXURE H – ACCOUNTING POLICIES

(continued)

SHARE-BASED PAYMENTS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

Equity-settled share options granted before 7 November 2002

No expense is recognised in the statement of comprehensive income in profit or loss 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 Annexure B.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in the statement of comprehensive income in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation (acceleration of vesting), and any unrecognised expense recognised immediately. Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted (see Annexure B). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Accounting for BEE transactions

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

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

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

BEE transactions are accounted for as equity-settled share-based payments and are treated the same as equity-settled transactions.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

TREASURY SHARES

Shares in Adcock Ingram Holdings Limited held by the Group, including shares held by special purpose entities deemed to be controlled by the Group, are classified within total equity as treasury shares. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes and the cost price of the shares is reflected as a reduction in capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the statement of comprehensive income through profit or loss on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received with regard to treasury shares is recognised in equity.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

The special purpose entities established in terms of the share options schemes and Black Economic Empowerment (BEE) transaction have been consolidated in the Group results.

The substance of the relationship between the Company and these entities has been assessed, and the decision made is that they are deemed to be controlled entities.

Consolidation of Blue Falcon Trading 69 (Pty) Ltd and Mpho ea Bophelo Trust as special purpose entities

Blue Falcon Trading 69 (Pty) Ltd and Mpho ea Bophelo Trust are entities incorporated for the purpose of facilitating Adcock Ingram Holdings Limited's BEE transaction and are consolidated into the Group in accordance with SIC 12: *Consolidation – Special Purpose Entities*. In substance, the activities of these entities are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from these entities' operations. In addition, the Group retains the majority of the residual or ownership risks and rewards related to these entities or their assets in order to obtain benefits from their activities in the form of BEE credentials.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates, assumptions and judgements

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

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

Carrying value of goodwill, property, plant and equipment, and intangible assets

Goodwill and indefinite life intangible assets are tested for impairment bi-annually, while property, plant and equipment and finite life intangible assets are tested at least annually or when there is an indicator of impairment. The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors such as discount rates could also impact this calculation.

Residual values and useful lives of property, plant and equipment, and intangible assets

Residual values and useful lives of property, plant and equipment, and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation and amortisation charges and carrying values of property, plant and equipment, and intangible assets in the future.

Fair value of BEE share allocations

In calculating the amount to be expensed as a share-based payment, the Group is required to calculate the fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transactions.

ANNEXURE H – ACCOUNTING POLICIES
(continued)

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 Annexure B.

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is measured using a Black-Scholes option pricing model.

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

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

Provisions
The establishment and review of provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE
The following standards and interpretations have not been applied by the Group as the standards and interpretations are not yet effective. The Group intends to adopt these standards when they become effective.

IFRS 9: *Financial Instruments – Recognition and Measurement*
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments. This standard is part of the IASB's project to replace IAS 39 in its entirety. The Board's work on the subsequent phases is ongoing and includes impairment, hedge accounting and derecognition. On adoption, the Group will need to consider its financial assets and liabilities in light of its business model or managing such assets and liabilities, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items. IFRS 9 will be effective for the Group from 1 October 2015.

IFRS 10: *Consolidated Financial Statements;* IAS 27: *Consolidated and Separate Financial Statements;* IAS 28: *Investments in Associates and Joint Ventures;* IFRS 11: *Joint Arrangements;* IFRS 12: *Disclosure of Interest in Other Entities*
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12: *Consolidation – Special Purpose Entities.* IFRS 10 establishes a single control model that applies to all entities. The changes will require management to make significant judgements to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are consolidated within a group.

IFRS 11 replaces IAS 31: *Interest in Joint Ventures* and SIC 13: *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements: joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (proportional consolidation will no longer be permitted).

IFRS 12 includes all the disclosures that were previously in IAS 27 related to consolidated financial statements as well as all of the disclosures that were previously included in IAS 31 and IAS 28: *Investments in Associates*. A number of new disclosures are also required.

IAS 28 caters for joint ventures accounted for by applying the equity accounting method as well as prescribing the accounting for investments in associates. The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. Additional disclosures will also be required.

All of the above will be effective for the Group from 1 October 2013.

Refer Annexure I detailing impact on disclosure of the Group

IFRS 13: *Fair Value Measurement*

IFRS 13 establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group from 1 October 2013.

IFRS 7: *Financial Instruments: Disclosures;* IAS 32: *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities*

IFRS 7 as amended provides additional disclosures, similar to current US GAAP requirements.

IAS 32 as amended clarifies the meaning of the entity currently having a legally enforceable right to set-off financial assets and financial liabilities.

IFRS 7 will be effective for the Group from 1 October 2013 and IAS 32 from 1 October 2014.

IAS 19: *Employee Benefits*

IAS 19 as revised will be effective for the Group from 1 October 2013. The "corridor approach" currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains or losses on defined benefit plans has been removed. Actuarial gains or losses in respect of these are now recognised in other comprehensive income when they occur.

The amounts recognised in profit or loss, for defined benefit plans, are limited to current and past service costs, gains or losses on settlements and interest income/expense.

The distinction between short-term and other long-term benefits will be based on the expected timing of the settlement rather than the employee's entitlement to the benefits. The Group expects this to have an impact on the manner in which leave pay and similar liabilities are currently classified.

ANNEXURE I – EQUITY-ACCOUNTED JOINT VENTURES

As detailed in Annexure H – Accounting policies, Standards and interpretations issued that are not yet effective, IFRS 11 *Joint Arrangements*, (page 137), from 1 October 2013, both the National Renal Care and India joint ventures will no longer be permitted to be proportionately consolidated, but required to be equity accounted. The financial information below for both the 2012 and 2013 financial years have been represented accordingly, for illustrative purposes only:

(1) Audited financial information previously published
(2) Adjustment relating to India joint venture
(3) Adjustment relating to National Renal Care joint venture
(4) Revised financial information

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2013				2012			
	(1) Year ended 30-Sep R' 000	(2) Year ended 30-Sep R' 000	(3) Year ended 30-Sep R' 000	**(4) Revised Year ended 30-Sep R' 000**	**(1) Year ended 30-Sep R' 000**	(2) Year ended 30-Sep R' 000	(3) Year ended 30-Sep R' 000	**(4) Revised Year ended 30-Sep R' 000**
REVENUE	**5 482 783**	(29 725)	(223 750)	**5 229 308**	**4 644 406**	(14 613)	(182 566)	**4 447 227**
TURNOVER	**5 445 639**	(29 205)	(221 249)	**5 195 185**	**4 599 249**	(14 472)	(180 781)	**4 403 996**
Cost of sales	**(3 208 798)**	(30 304)	147 616	**(3 091 486)**	**(2 505 167)**	(26 639)	141 862	**(2 389 944)**
Gross profit	**2 236 841**	(59 509)	(73 633)	**2 103 699**	**2 094 082**	(41 111)	(38 919)	**2 014 052**
Selling and distribution expenses	**(699 635)**	127	–	**(699 508)**	**(571 500)**	215	–	**(571 285)**
Marketing expenses	**(211 930)**	–	–	**(211 930)**	**(208 625)**	–	–	**(208 625)**
Research and development expenses	**(104 941)**	–	–	**(104 941)**	**(81 601)**	–	–	**(81 601)**
Fixed and administrative expenses	**(329 530)**	3 906	21 586	**(304 038)**	**(363 535)**	15 197	11 910	**(336 428)**
Operating profit	**890 805**	(55 476)	(52 047)	**783 282**	**868 821**	(25 699)	(27 009)	**816 113**
Finance income	**24 531**	(520)	(2 501)	**21 510**	**18 285**	(141)	(1 785)	**16 359**
Finance costs	**(82 504)**	2 128	358	**(80 018)**	**(26 637)**	3 143	4 902	**(18 592)**
Dividend income	**12 613**	–	–	**12 613**	**26 872**	–	–	**26 872**
Equity-accounted earnings	**2 663**	–	(2 663)	**–**	**–**	–	–	**–**
Equity accounted profit attributable to joint ventures	**–**	36 627	35 566	**72 193**	**–**	15 250	12 625	**27 875**
Profit before taxation	**848 108**	(17 241)	(21 287)	**809 580**	**887 341**	(7 447)	(11 267)	**868 627**
Taxation	**(246 878)**	17 241	16 510	**(213 127)**	**(168 265)**	7 447	8 190	**(152 628)**
Profit for the year	**601 230**	–	(4 777)	**596 453**	**719 076**	–	(3 077)	**715 999**
Other comprehensive income	**370**			**370**	**(37 896)**			**(37 896)**
Total comprehensive income for the year, net of tax	**601 600**	–	(4 777)	**596 823**	**681 180**	–	(3 077)	**678 103**
Profit attributable to:								
Owners of the parent	**587 844**	–	–	**587 844**	**705 641**	–	–	**705 641**
Non-controlling interests	**13 386**	–	(4 777)	**8 609**	**13 435**	–	(3 077)	**10 358**
	601 230	–	(4 777)	**596 453**	**719 076**	–	(3 077)	**715 999**
Total comprehensive income attributable to:								
Owners of the parent	**587 203**	–	–	**582 426**	**670 434**	–	–	**667 357**
Non-controlling interests	**14 397**	–	–	**14 397**	**10 746**	–	–	**10 746**
	601 600	–	–	**596 823**	**681 180**	–	–	**678 103**
Basic earnings per ordinary share (cents)	**348,6**	–	–	**348,6**	**417,8**	–	–	**417,8**
Diluted basic earnings per ordinary share (cents)	**348,3**	–	–	**348,3**	**417,2**	–	–	**417,2**
Headline earnings per ordinary share (cents)	**350,5**	–	–	**350,5**	**422,4**	–	–	**422,4**
Diluted headline earnings per ordinary share (cents)	**350,2**	–	–	**350,2**	**421,8**	–	–	**421,8**

ANNEXURE I – EQUITY-ACCOUNTED JOINT VENTURES
(continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2013				2012			
	(1) Year ended 30-Sep R'000	(2) Year ended 30-Sep R'000	(3) Year ended 30-Sep R'000	(4) Revised Year ended 30-Sep R'000	(1) Year ended 30-Sep R'000	(2) Year ended 30-Sep R'000	(3) Year ended 30-Sep R'000	(4) Revised Year ended 30-Sep R'000
ASSETS								
Property, plant and equipment	**1 766 464**	(74 945)	(42 810)	**1 648 709**	**1 560 177**	(68 878)	(40 484)	**1 450 815**
Intangible assets	**1 435 716**	–	–	**1 435 716**	**710 960**	(6)	–	**710 954**
Deferred tax	**14 507**	–	(6 678)	**7 829**	**5 097**	–	–	**5 097**
Other financial assets	**139 646**	–	–	**139 646**	**139 751**	–	–	**139 751**
Other non-financial assets	**36 987**	–	–	**36 987**	**–**	–	–	**–**
Investment in associate	**2 663**	–	(2 663)	**–**	**–**	–	–	**–**
Investment in joint venture	**–**	94 073	80 164	**174 237**	**–**	64 799	59 598	**124 397**
Loans receivable	**16 489**	–	(16 489)	**–**	**27 060**	–	(16 489)	**10 571**
Non-current assets	**3 412 472**	19 128	11 524	**3 443 124**	**2 443 045**	(4 085)	2 625	**2 441 585**
Inventories	**1 558 467**	(27 698)	(7 693)	**1 523 076**	**956 164**	(20 468)	(4 547)	**931 149**
Trade and other receivables	**1 618 947**	(50 703)	(20 185)	**1 548 059**	**1 320 191**	(32 225)	(32 455)	**1 255 511**
Cash and cash equivalents	**163 070**	(9 337)	(56 141)	**97 592**	**492 716**	(11 986)	(46 643)	**434 087**
Taxation receivable	**65 871**	–	–	**65 871**	**70 170**	–	–	**70 170**
Current assets	**3 406 355**	(87 738)	(84 019)	**3 234 598**	**2 839 241**	(64 679)	(83 645)	**2 690 917**
Total assets	**6 818 827**	(68 610)	(72 495)	**6 677 722**	**5 282 286**	(68 764)	(81 020)	**5 132 502**
EQUITY AND LIABILITIES								
Capital and reserves								
Issued share capital	**16 832**	–	–	**16 832**	**16 872**	–	–	**16 872**
Share premium	**504 064**	–	–	**504 064**	**547 400**	–	–	**547 400**
Non-distributable reserves	**364 996**	–	–	**364 996**	**356 229**	–	–	**356 229**
Retained income	**2 750 097**	–	–	**2 750 097**	**2 502 510**	–	–	**2 502 510**
Total shareholders' funds	**3 635 989**	–	–	**3 635 989**	**3 423 011**	–	–	**3 423 011**
Non-controlling interests	**144 878**	–	(16 961)	**127 917**	**137 684**	–	(12 184)	**125 500**
Total equity	**3 780 867**	–	(16 961)	**3 763 906**	**3 560 695**	–	(12 184)	**3 548 511**
Long-term borrowings	**5 172**	–	(2 919)	**2 253**	**104 625**	–	(3 221)	**101 404**
Post-retirement medical liability	**15 108**	–	–	**15 108**	**15 341**	–	–	**15 341**
Deferred tax	**139 066**	(17 502)	–	**121 564**	**101 910**	(8 797)	–	**93 113**
Non-current liabilities	**159 346**	(17 502)	(2 919)	**138 925**	**221 876**	(8 797)	(3 221)	**209 858**
Trade and other payables	**1 340 333**	(271)	(44 894)	**1 295 168**	**983 589**	(26 938)	(54 800)	**901 851**
Bank overdraft	**1 307 993**	–	–	**1 307 993**	**–**	–	–	**–**
Short-term borrowings	**135 507**	(29 677)	(2 759)	**103 071**	**431 368**	(21 397)	(7 049)	**402 922**
Cash-settled options	**39 150**	–	–	**39 150**	**39 983**	–	–	**39 983**
Provisions	**55 631**	(416)	(5 209)	**50 006**	**44 775**	(395)	–	**44 380**
Taxation payable	**–**	(20 744)	247	**(20 497)**	**–**	(11 237)	(3 766)	**(15 003)**
Current liabilities	**2 878 614**	(51 108)	(52 615)	**2 774 891**	**1 499 715**	(59 967)	(65 615)	**1 374 133**
Total equity and liabilities	**6 818 827**	(68 610)	(72 495)	**6 677 722**	**5 282 286**	(68 764)	(81 020)	**5 132 502**

ANNEXURE I – EQUITY-ACCOUNTED JOINT VENTURES
(continued)

SEGMENT REPORT

	2013				2012			
	(1) Year ended 30-Sep R'000	(2) Year ended 30-Sep R'000	(3) Year ended 30-Sep R'000	(4) Revised Year ended 30-Sep R'000	(1) Year ended 30-Sep R'000	(2) Year ended 30-Sep R'000	(3) Year ended 30-Sep R'000	(4) Revised Year ended 30-Sep R'000
TURNOVER								
Southern Africa	5 030 767	–	(221 249)	4 809 518	4 435 938	–	(180 781)	4 255 157
OTC	2 002 279	–	–	2 002 279	1 791 875	–	–	1 791 875
Prescription	1 852 759	–	–	1 852 759	1 520 219	–	–	1 520 219
Hospital	1 175 729	–	(221 249)	954 480	1 123 844	–	(180 781)	943 063
Rest of Africa and India	606 966	(208 290)	–	398 676	295 545	(132 942)	–	162 603
	5 637 733	(208 290)	(221 249)	5 208 194	4 731 483	(132 942)	(180 781)	4 417 760
Less: Inter-company sales	(192 094)	179 085	–	(13 009)	(132 234)	118 470	–	(13 764)
	5 445 639	(29 205)	(221 249)	5 195 185	4 599 249	(14 472)	(180 781)	4 403 996
CONTRIBUTION AFTER MARKETING EXPENSES								
Southern Africa	1 177 249	–	(73 633)	1 103 616	1 245 746	–	(38 919)	1 206 827
OTC	707 403	–	–	707 403	660 492	–	–	660 492
Prescription	321 704	–	–	321 704	371 801	–	–	371 801
Hospital	148 142	–	(73 633)	74 509	213 453	–	(38 919)	174 534
Rest of Africa and India	157 221	(59 382)	–	97 839	75 703	(40 896)	–	34 807
Less: Inter-company	(9 194)	–	–	(9 194)	(7 492)	–	–	(7 492)
	1 325 276	(59 382)	(73 633)	1 192 261	1 313 957	(40 896)	(38 919)	1 234 142
Less: Other operating expenses	(434 471)	3 906	21 586	(408 979)	(445 136)	15 197	11 910	(418 029)
Research and development	(104 941)	–	–	(104 941)	(81 601)	–	–	(81 601)
Fixed and administrative	(329 530)	3 906	21 586	(304 038)	(363 535)	15 197	11 910	(336 428)
Operating profit	890 805	(55 476)	(52 047)	783 282	868 821	(25 699)	(27 009)	816 113

SHAREHOLDER ANALYSIS

1. REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 September 2013:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 604	68,9	2 458 076	1,2
1 001 – 10 000 shares	2 416	25,2	7 380 142	3,7
10 001 – 100 000 shares	361	3,8	11 558 985	5,7
100 001 – 1 000 000 shares	164	1,7	56 472 604	28,1
1 000 001 shares and above	36	0,4	123 258 202	61,3
Total	**9 581**	**100,0**	**201 128 009**	**100,0**

2. PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	8	0,08	32 903 074	16,4
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0,01	54 200	0,0
Adcock Ingram Limited	1	0,01	4 285 163	2,1
Blue Falcon Trading 69 (Pty) Limited (A shares)	1	0,01	19 458 196	9,7
Blue Falcon Trading 69 (Pty) Limited (ordinary shares)	1	0,01	1 883 000	0,9
Mpho ea Bophelo Trust (B shares)	1	0,01	6 486 065	3,2
Mpho ea Bophelo Trust (ordinary shares)	1	0,01	688 000	0,3
Directors	2	0,02	48 450	0,0
Public shareholders	9 573	99,92	168 224 935	83,6
Total	**9 581**	**100,00**	**201 128 009**	**100,0**

3. SUBSTANTIAL INVESTMENT MANAGEMENT EQUAL TO OR IN EXCESS OF 5%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56(7)(b) of the Companies Act, the following shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at 30 September 2013:

Investment manager	Total shareholding	%
PIC	26 696 649	13,27
Blue Falcon Trading 69 (Pty) Limited	21 341 196	10,61
Foord Asset Management (Pty) Limited	17 212 817	8,56
Prudential Portfolio Managers	12 140 828	6,04
Total	**77 391 490**	**38,48**

** Associates of directors do not hold any shares.*

SHAREHOLDER ANALYSIS
(continued)

4. GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	172 950 685	86,00
United States of America and Canada	11 411 646	5,67
United Kingdom	5 169 496	2,57
Rest of Europe	2 515 266	1,25
Rest of the World[1]	9 080 916	4,51
Total	**201 128 009**	**100,00**

[1] *Represents all shareholdings except those in the above regions.*

* *Beneficial interest and beneficial shareholder categories are not shown in this report, as agreed with JSE.*

5. MONTHLY TRADING HISTORY

The high, low and closing price of ordinary shares on the JSE and the aggregated monthly value during the financial year are set out below:

Month	Total volume	Total value R'm	High R	Low R	Closing price R
2012 – October	6 008 100	350,01	60,00	57,07	57,90
2012 – November	10 914 600	604,33	58,46	52,90	53,50
2012 – December	14 653 100	774,18	55,51	51,00	54,00
2013 – January	5 765 700	325,75	58,99	53,17	57,40
2013 – February	4 993 100	281,29	59,00	54,06	55,88
2013 – March	29 437 700	1 730,96	63,11	52,70	60,59
2013 – April	27 002 500	1 629,67	63,48	58,50	61,00
2013 – May	19 777 300	1 325,68	72,00	61,00	68,50
2013 – June	9 292 300	607,65	68,75	62,33	65,00
2013 – July	10 821 600	721,30	70,00	60,00	67,73
2013 – August	6 339 800	425,80	69,00	65,43	66,10
2013 – September	7 206 700	488,03	69,55	63,55	68,55

Source: Deutsche Bank

SHAREHOLDERS' diary

Financial year-end	30 September 2013
Annual General Meeting (AGM)	31 January 2014
AGM Last Day to Trade Friday	17 January 2014
AGM Voting Record Date Friday	24 January 2014
Proxy forms lodged by 14:00 on Wednesday	29 January 2014

Distributions made to shareholders:

Interim	Cents per share	86
	Paid	8 July 2013
Final	Cents per share	Nil

ADCOCK INGRAM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436 JSE Share Code: AIP
("Adcock Ingram" or "the Company")

Board of directors: Dr KDK Mokhele (Chairman), Mr AG Hall (Deputy CEO and Financial Director), Prof M Haus, Dr T Lesoli, Dr JJ Louw (CEO), Mr PM Makwana, Mr CD Raphiri, Mr LE Schönknecht, Dr RI Stewart, Mr AM Thompson

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of Adcock Ingram will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Friday, 31 January 2014 at 14:00 ("Annual General Meeting").

[This document is important and requires your immediate attention. Your attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the Annual General Meeting. For purposes of this Notice of Annual General Meeting and the explanatory notes hereto, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act 71 of 2008 ("Companies Act").]

In terms of section 59(1) of the Companies Act the Board of Adcock Ingram ("the Board") has set the record date to determine which shareholders are entitled to: (a) receive this Notice of Annual General Meeting as being Friday, 13 December 2013 and (b) participate in and vote at the Annual General Meeting as being Friday, 24 January 2014. The last day to trade in the Company's shares, in order to participate in and vote at the Annual General Meeting is Friday, 17 January 2014. The meeting is convened for the purpose of conducting the following business:

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Board hereby presents the audited annual financial statements of the Company and the Group, incorporating, inter alia, the reports of the external Auditors, Audit Committee and the directors for the year ended 30 September 2013.

2. SOCIAL ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Board hereby presents the report of the Social, Ethics and Transformation Committee for the year ended 30 September 2013, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011.

3. RE-ELECTION OF DIRECTORS

Ordinary resolution 1

To elect by way of separate resolutions directors who retire by rotation in accordance with the Company's Memorandum of Incorporation. The directors retiring are listed below:

1.1 Mr CD Raphiri;
1.2 Mr LE Schönknecht; and
1.3 Mr A M Thompson.

Mr Raphiri and Mr Thompson, being eligible and available, offer themselves for re-election. Mr LE Schönknecht is not available, and does not offer himself for re-election.

An abbreviated curriculum vitae in respect of each director offering himself for re-election is contained on page 11 of the Integrated Report.

4. ELECTION OF AUDIT COMMITTEE MEMBERS

Ordinary resolution 2

To elect by way of separate resolutions the Audit Committee members for the ensuing year in accordance with the Companies Act. The proposed Audit Committee members listed below currently serve on the same committee and, accordingly, offer themselves for re-election:

2.1 Prof. M Haus
2.2 Dr R I Stewart; and
2.2 Mr A M Thompson (Chairman) (subject to being re-elected as a director in terms of resolution number 1.3 above).

Prof. Haus is eligible and is nominated by the Board for election to the Audit Committee.

An abbreviated curriculum vitae in respect of each Audit Committee member offering himself for election or re-election is contained on pages 10 and 11 of the Integrated Report.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

5. RE-APPOINTMENT OF EXTERNAL AUDITORS

Ordinary resolution 3

To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr WK Kinnear) and to note the remuneration of the independent external auditors as determined by the Audit Committee of the Board for the past year's audit as reflected in note 4 to the annual financial statements.

6. DELEGATION OF AUTHORITY

Ordinary resolution 4

To authorise any one director and/or the Company Secretary to do all such things and sign all such documents as are deemed necessary or advisable to implement the resolutions set out in the notice convening the Annual General Meeting at which these resolutions will be considered.

7. NON-BINDING ADVISORY VOTE

Ordinary resolution 5

To consider and if deemed appropriate endorse, through a non-binding vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out on page 50 of the Integrated Report.

Any other business

In terms of section 61(8)(d) of the Companies Act, an Annual General Meeting must provide for the transacting of business in relation to any matters raised by shareholders, with or without advance notice to the Company.

Electronic communication and participation

Shareholders are advised in terms of section 63(3) of the Companies Act, that:

- while the meeting will be held in person, it is open to shareholders (and/or their proxies) to participate in (but not vote at) the Annual General Meeting by electronic communication, as contemplated in sub-section 63(2); and
- shareholders and/or proxies will be able, at their own expense, to access the meeting by means of a teleconference facility.

Arrangements can be made through the office of the Company Secretary.

Proxies and voting

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company.

Please note that, in accordance with section 63(1) of the Companies Act, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Accordingly, meeting participants (including shareholders and proxies) must provide satisfactory identification. Without limiting the generality hereof, the Company will accept a valid South African identity document, a valid driver's licence or a valid passport as satisfactory identification.

Forms of proxy must be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, corner Sauer Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107), by no later than 14:00 on Wednesday, 29 January 2014.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the Annual General Meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the Annual General Meeting.

By order of the Board

NE Simelane
Company Secretary
Midrand

18 December 2013

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Section 61(8) of the Companies Act requires directors to present the annual financial statements for the year ended 30 September 2013 to shareholders, together with the reports of the directors and the Audit Committee at the Annual General Meeting. These are contained within the Integrated Report.

Shareholders are advised that, in terms of section 62(3)(d)(ii) of the Companies Act, a copy of the complete annual financial statements for the preceding financial year may be obtained by submitting a written request to the Company Secretary, and electronic copies are available on the Adcock website.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulation, 2011 requires the Social and Ethics Committee, through one of its members, to report to the shareholders at the Annual General Meeting. The Social, Ethics and Transformation Committee's report is available on the Adcock website.

ORDINARY RESOLUTION 1 – RE-ELECTION OF DIRECTORS

In accordance with the Company's Memorandum of Incorporation (the MOI), one-third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election.

The following directors retire by rotation:

Mr CD Raphiri;
Mr LE Schönknecht; and
Mr A M Thompson.

Messrs Raphiri and Thompson, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible and offer themselves for re-election. Mr LE Schönknecht is not available, and does not offer himself for re-election.

Brief biographical details of each of the above directors and the remaining members of the Board, are set out on pages 10 and 11 of the Integrated Report.

To be adopted, each of the resolutions for the re-election of directors in Ordinary resolution 1 requires the support of more than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION 2 – ELECTION OF THE AUDIT COMMITTEE MEMBERS

Section 94(2) of the Companies Act requires the Company to elect an Audit Committee comprising at least three members at each Annual General Meeting. In order to comply with this provision of the Companies Act the Board, following the recommendations of the Nominations Committee, hereby nominates the following directors to be elected as members of the Audit Committee:

Prof M Haus
Dr R I Stewart; and
Mr A M Thompson (Chairman).

Mr A M Thompson was appointed the Chairman of the Audit Committee with effect from 12 April 2013 following Mr E K Diack's resignation from the Board and its Committees.

To be adopted, each of the resolutions for the election of members of the Audit Committee in Ordinary resolution 2 requires the support of more than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION 3 – AUDITORS

Ernst & Young has indicated its willingness to continue in office and Ordinary resolution 3 proposes the re-appointment of that firm as the Company's auditors with effect from 1 February 2014 until the next Annual General Meeting. As required in terms of section 90(1) of the Companies Act, as amended or replaced, the name of the designated auditor, Mr WK Kinnear, forms part of the resolution. The resolution also notes the remuneration of the independent external auditors as determined by the Audit Committee of the Board.

To be adopted, Ordinary resolution 3 requires the support of more than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION 4 – DIRECTOR OR COMPANY SECRETARY AUTHORISATION

Any one director or the Company Secretary of the Company be authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which this ordinary resolution will be considered.

To be adopted, Ordinary resolution 4 requires the support of more than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION 5 – REMUNERATION POLICY NON-BINDING ADVISORY VOTE

Chapter 2 paragraph 186 of King III dealing with boards and directors requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's remuneration report is contained on pages 50 to 59 of the Integrated Report. Ordinary resolution 5 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into account when reviewing the Company's remuneration policy.

To be adopted, Ordinary resolution 5 requires the support of more than 50% of the voting rights exercised on the resolution.

QUORUM

The meeting of shareholders contemplated herein may begin, and a matter may begin to be debated at that meeting, only if the following quorum requirements are met:

1. subject to 2 and 3:

   1.1 a meeting of shareholders may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and

   1.2 a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.

2. once a quorum has been established at a meeting of shareholders, all the shareholders required to maintain such quorum must be present at that meeting to consider and vote on any matter; and

3. notwithstanding the percentage figures set out in 1, as the Company has more than 2 (two) shareholders, a meeting may not commence, or a matter begin to be debated unless:

   3.1 at least 3 (three) shareholders are present at the meeting; and

   3.2 the requirements of 1, are satisfied.

FORM OF PROXY

ADCOCK INGRAM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436 JSE Share Code: AIP
("Adcock Ingram" or "the Company")

For use 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 Friday, 31 January 2014 at 14:00.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of Adcock Ingram) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.

All terms defined in the Notice of Annual General Meeting to shareholders dated 18 December 2013 to which this form of proxy is attached and not defined herein shall bear the same meanings herein.

This form of proxy is only to be completed by those ordinary shareholders of Adcock Ingram who hold ordinary shares in certificated form or who are recorded on sub-registered electronic form in "own name". Shareholders who hold dematerialised ordinary shares are referred to paragraphs 3 and 4 of the "Notes" overleaf for further instructions.

I/We, the undersigned (Please print full names) ______________________

of (address) ______________________

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

______________________ or failing him/her,

______________________ or, failing him/her,

the chairman of the Annual General Meeting,

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng on Friday, 31 January 2014 at 14:00 or any adjournment thereof, as follows:

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

	Number of votes		
	*In favour of the resolution	*Against the resolution	*Abstain from voting on the resolution
1. To re-elect the following directors who retire in terms of the Company's MOI and make themselves available for reelection:			
1.1 Mr CD Raphiri			
1.2 Mr AM Thompson			
2. To elect the following Audit Committee members:			
2.1 Prof. M Haus			
2.2 Dr RI Stewart			
2.3 Mr AM Thompson (Chairman)			
3. To re-appoint Ernst & Young Inc. as the Company's auditors			
4. To authorise any one director or Company Secretary to do all such things and sign all such documents to implement the above resolutions			
5. To endorse by way of a non-binding vote the Company's remuneration policy			

And generally to act as my/our proxy at the Annual General Meeting.

Signed by me (full names) ______________________ in my capacity as ______________________

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

Signature ______________________

Please read the notes on the reverse hereof.

NOTES TO COMPLETION OF FORM OF PROXY

1. If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, Central Securities Depository Participant ("CSDP"), banker, attorney, accountant or other person through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected. You are reminded that the onus is on you to communicate with your CSDP or broker.
3. A form of proxy is only to be completed by those ordinary shareholders who are:
   3.1 holding ordinary shares in certificated form; or
   3.2 recorded on sub-register electronic form in "own name".
4. If you have already dematerialised your ordinary shares through a CSDP or broker and wish to attend the Annual General Meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
5. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the chairman of the Annual General Meeting" but any such deletion must be initialled by you. Any insertion or deletion not complying with the foregoing will, subject to 15 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
6. If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
7. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of the votes exercisable by the shareholder or by the proxy.
8. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.
9. Forms of proxy must be received by the Company's transfer secretaries by no later than 14:00 on Wednesday, 29 January 2014 (or not less than 48 hours before any adjourned or postponed meeting). The transfer secretaries' address is: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The Company may at its sole discretion and in exceptional circumstances accept late forms of proxy.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Adcock Ingram.
12. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
13. Notwithstanding the aforegoing, the chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.

    Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
14. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
15. A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.

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SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN TERMS OF SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act 71 of 2008 ("Companies Act").

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at, a shareholders' meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the memorandum of incorporation of a company provides otherwise:
   3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
   3.2 a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy:
   4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   5.1 stated in the revocation instrument, if any; or
   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the:
   6.1 shareholder; or
   6.2 proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provides otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
   8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised and must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act;
   8.2 the company must not require that the proxy appointment be made irrevocable; and
   8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act (see paragraph 5 above).

GLOSSARY

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

Adcock Ingram	Adcock Ingram Holdings Limited
A ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
API	Active Pharmaceutical Ingredient(s) used in the manufacturing of products
ARV	Anti-retrovirals, used in the treatment of HIV/AIDS
BBBEE	Broad-based black economic empowerment, as defined by the codes of BEE good practice
BEE	Black Economic Empowerment, as envisaged in the BBBEE Act, 2003
BEE-Co	Blue Falcon 69 Trading (Proprietary) Limited (Registration number 2009/016091/07), a private company through which the Strategic Partners hold their equity interests in Adcock Ingram
BEE Participants	BEE-Co and the Employee Trust
Blue Falcon 59 Trading (Pty) Limited	BEE-Co owned by Kagiso 62,9%, Kurisani 26,6% and Mookodi 10,5%
B ordinary share	A share with a par value of 10 cents in the Company, which carries the same voting rights as an ordinary share, and which is automatically convertible into an ordinary share on a one-for-one basis
CAMs	Complementary alternative medicines
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
Companies Act	The Companies Act (Act 71 of 2008)
DMD	Drug management and development
DPP	Dextropropoxyphene
Employee Trust	The Mpho ea Bophelo Trust (Master's reference number IT330/2010)
FDA	The Food and Drug Administration, a regulatory body in the United States
FMCG	Fast moving consumer goods
GMP	Good manufacturing practice
Group	Adcock Ingram and its direct and indirect subsidiaries, joint ventures and associates from time to time
HRT	Hormone Replacement Therapy
HVL	High-volume liquids, used in the context of the plant operated by Adcock Ingram in Clayville
IFRS	International Financial Reporting Standards
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited, the securities exchange on which the shares of Adcock Ingram are listed
Kagiso	Kagiso Strategic Investments III (Proprietary) Limited (Registration number 2007/023000/07)
Kurisani	Kurisani Youth Development Trust (Master's reference number IT8979/04), a trust set up in accordance with the laws of South Africa to benefit historically disadvantaged South African youth through loveLife's Programmes
kWh	Kilowatt hour
LIBOR	London Interbank Offered Rate
MCC	Medicines Control Council, the regulatory body responsible for evaluation of and monitoring the quality, safety and efficacy of medicines on the South African market
MNC	Multi-national companies
Mookodi	The Mookodi Pharma Trust (Master's reference number IT314/2010), a trust set up in accordance with the laws of South Africa and for the benefit of black medical doctors and/or health professionals
MSD	MSD (Pty) Limited, also known as Merck
OTC	Over the Counter products, available without prescription
PIC/S	Pharmaceutical Inspection Convention and Pharmaceutical Co-operation Scheme
R&D	Research and Development
SEP	Single exit price, the price determined by regulation, at which medicines may be offered for sale on the South African private market
SIP	Strategic Industrial Project
VMS	Vitamins, minerals and supplements
WHO	World Health Organization
ZAR	South African Rand

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ENQUIRIES:

For questions regarding this report, contact

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Company Secretary
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More detailed information is also available on www.adcock.com

Adcock Ingram welcomes feedback from stakeholders at investor.relations@adcock.com