adcock ingram

2020

Group Annual Financial Statements

for the year ended 30 June 2020

a dose of care

Contents

Directors' responsibility for and approval of the annual financial statements

The Board of directors (Board) of the Company are required by the Companies Act 71 of 2008 to prepare annual financial statements that fairly present the state of affairs and business of the Company and of the Group at the end of the financial year and the profit for the year then ended. The annual financial statements are prepared in terms of International Financial Reporting Standards (IFRS) and include disclosures as required by the Companies Act. Suitable accounting policies have been used and applied consistently and reasonable and prudent estimates and judgements have been made.

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

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

The Board, in its assessment of the going-concern status of the Company and Group, considered the following factors: the current financial position of the Group, the sustainability of each of the business units and their operating models, available financial resources at 30 June 2020, the budget and cash flow forecast to September 2021, the current regulatory environment and potential changes thereto, the economic outlook, as well as the impact of Covid-19 on its operations and the economic environment. The overwhelming majority of the Group's activities, and those of most of its customers, are regarded as essential services and have been operating throughout all levels of lockdown. However, as the disease spread, the prevalence of infections amongst employees increased, putting certain of the operations at risk of not being able to operate on a fully uninterrupted basis. All factories and distribution centres had to close intermittently for certain periods of time to allow for additional sanitising procedures and employees were isolated or quarantined as appropriate, but all customers were serviced despite these interruptions. The Board is satisfied that the Company and Group will each be able to continue as a going concern in the foreseeable future and has therefore continued to adopt the going-concern basis in preparing the annual financial statements.

Each of the directors, confirm that to the best of their knowledge, the Company and Group annual financial statements for the year ended 30 June 2020, which were prepared in accordance with IFRS, give a true and fair view of the financial position and performance of the Company and Group.

The Company and Group annual financial statements, were approved by the Board of directors on 25 August 2020 and signed on its behalf by:

Andrew G Hall
Chief Executive Officer
25 August 2020

Dorette Neethling
Chief Financial Officer

Certificate by Company Secretary

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

NE Simelane
Company Secretary
25 August 2020

Audit Committee report

This report is presented by the Audit Committee (Committee), appointed by the Board of directors (Board) and endorsed by shareholders in respect of the year ended 30 June 2020. The report is prepared in accordance with the requirements of the Companies Act and the recommendations of King IV and describes, how the Committee discharged its obligations in terms thereof, including the fulfilment of those duties assigned to the Committee by the Board during the reporting period.

Committee composition and meeting attendance

The Committee complies with King IV, which provides that all members should be independent non-executive directors, all of whom are suitably skilled and experienced. The Committee's composition, qualifications and meeting attendance during the year under review were as follows with members of management, representatives from internal audit, the external auditors and the majority shareholder, are invited to attend all meetings:

Committee members	Qualifications	Meeting attendance[1]
Chairperson		
D Ransby	CA(SA)	4/4[2]
Members		
L Boyce	CA(SA), MCom (Fin Mgt)	4/4
M Haus	MB ChB, MD, DCH, FCFP, FFPM	4/4
Invitees		
AG Hall *(CEO)*		4/4
D Neethling *(CFO)*		4/4
S Pietropaolo *(Head of Internal Audit)*		4/4
R Essa *(Corporate Finance Director)*		4/4
W Kinnear *(EY)*		1/1[3]
K Ramnarian *(PWC)*		2/2[3]
C West *(PWC)*		2/2[3]
R Jacobs *(PWC)*		1/2[3]
K Wakeford *(non-executive director)*		3/3
L Berrington *(Head of Internal Audit: The Bidvest Group Limited)*		3/3
M Steyn *(CFO: The Bidvest Group Limited)*		2/3

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

2 *Prof Haus acted as the Chairperson of the Committee before D Ransby was appointed to chair it in August 2019.*

3 *EY was replaced by PWC as external auditor of the Company at the AGM on 22 November 2019.*

Role and function of the Committee

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

Execution of functions during the year

Covid-19

On 11 March 2020, the World Health Organisation officially declared coronavirus 2019 (Covid-19), the disease caused by a novel coronavirus, a pandemic. The Committee is closely monitoring the evolution of this pandemic and effect on the Group, the economy and the general population. Whilst the Committee is aware of cases of Covid-19 infection among the Company's staff, the outbreak has not had a significant impact on the Group's operations to date as the business was regarded as an essential service provider and no lockdown was imposed on the operations.

Management currently has an appropriate response plan in place and the Committee will continue to monitor and assess the ongoing developments and respond accordingly.

Internal audit

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

External audit

At the AGM in 2019, shareholders confirmed the appointment of PricewaterhouseCoopers (PwC), as independent external auditor until the 2020 AGM, the Committee and the Board approving and endorsing their terms of engagement and their fee structures. The designated registered audit partner presently responsible for and who undertook the Group's audit is Mr Keeran Ramnarian. The Committee considered the information detailed in paragraph 22.15(h) of the JSE Listings requirements and asked questions in relation to any issues of concern. The Committee was satisfied with the explanation provided by the external auditor. The Committee was also satisfied with the quality of the external audit process and the team assigned to the audit. No matters of concern were noted by the Committee regarding the performance of the external auditors.

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

The Committee determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management. The audit fee for the year ended 30 June 2020 has been disclosed in note 7.1 of the annual financial statements. The Committee is also responsible for determining the nature and extent of non-audit services that the external auditor may provide and, in such circumstances, the Committee approves or in limited circumstances pre-approves proposals for such non-audit services.

The Committee assessed the quality and effectiveness of the external auditor by reviewing the audit plan, changes thereto as well as the robustness with which they handled key accounting issues and audit judgements. The Committee received the detailed external audit report for the year ended 30 June 2020 and was satisfied with the conclusions that both the consolidated and separate annual financial statements were fairly presented in all material respects and no material issues were raised.

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

Significant matters

The Committee has considered the appropriateness of the key audit matters reported in the external audit opinion. These were addressed by the Committee as follows:

Significant matter	How the Committee addressed the matter
Impairment assessment of goodwill and indefinite life intangible assets	The Committee reviewed and discussed the report from the CFO regarding the carrying values, value in use, the level and appropriateness of impairments, and related key judgements in determining the carrying value of goodwill and intangible assets.
Plush Professional Leather Care Proprietary Limited business combination	The Committee reviewed and discussed the valuation report prepared by management, including the methodology and judgements used in calculating the intangibles and subsequent goodwill.

Reporting

The Committee:

- deliberated on the impact of Covid-19 on the Group, the economy and the general state of the consumer, with specific reference to any possible financial reporting implications, including:
  - possible loss of revenues;
  - impact on inventory levels and related provisions;
  - accounts receivable and related provisions;
  - liquidity levels;
  - restructuring plans; and
  - assessing the impact on key areas of judgement applied in the financial statements;
- considered and concurred with the adoption of the going-concern premise in the preparation of the financial statements;
- reviewed the appropriateness of the financial statements, other reports to shareholders and other financial announcements made public;
- considered whether the annual financial statements fairly present the financial position of the Company and of the Group as at 30 June 2020 and the results of operations and cash flows for the financial year then ended;
- considered the solvency and liquidity of the Company and considered and made recommendations to the Board on the dividend declarations;
- considered accounting treatments, the appropriateness of accounting policies adopted and the effectiveness of the Group's disclosure, controls and procedures;
- satisfied itself with the appropriateness of the expertise and experience of the CFO;
- is satisfied that the Company has established appropriate financial reporting procedures and that these procedures are operating as designed;
- considered whether any concerns were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements;
- reviewed the external auditor's audit report;
- considered and noted the key audit matters as determined by the external auditor;
- reviewed the representation letter, signed by management;
- confirmed that it has considered the findings contained in the "Proactive monitoring report of financials in 2019", issued by the JSE in February 2020, when the annual financial statements for 30 June 2020 were drafted; and
- reviewed the quality and integrity of the integrated report and the sustainability information before publication.

Internal financial and accounting controls

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

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

Expertise and experience of financial director and the finance function

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

Technology and information governance

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

A key focus during the current reporting period included continuous enhancements to the IT applications and the cyber security environment, and upgrading the technical infrastructure when required. The IT operations and applications of Genop Healthcare Proprietary Limited and the new Halfway House logistics facility are now fully integrated into the Company's IT environment. The Committee is also mindful of King IV's emphasis on IT matters, with nominative reference to periodic assessments, independent assurances and cybersecurity.

Combined assurance

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

Compliance

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

Conclusion

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

Following our review of the annual financial statements for the year ended 30 June 2020, 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. At the forthcoming Annual General Meeting the annual financial statements will be presented to shareholders.

On behalf of the Committee

D Ransby

Chairperson

25 August 2020

Directors' report

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 30 June 2020, which have been prepared under the supervision of Ms Dorette Neethling (CA(SA)), Chief Financial Officer and audited by PwC in compliance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended), and the JSE Listings Requirements.

Covid-19

The Board recognises the negative impact of the Covid-19 pandemic on society, the economy and financial markets.

The Group was regarded as an essential service provider and no lockdown was imposed on the operations. In the wake of the Covid-19 outbreak an initial unprecedented demand was seen for certain Consumer, OTC and Hospital products in March and April, as consumers opted to increase safety stock levels. This was however followed by subdued demand from May onwards.

As the pandemic increased in both magnitude and duration, the Group has experienced conditions associated with a general economic downturn, which includes but are not limited to, significant cost push due to Rand weakness, global supply chain disruptions, and declines in consumer discretionary spending.

A number of measures were taken to reduce the financial and non-financial impact of Covid-19 on the Group, including:

- A Covid-19 Crisis Communication Committee (CCC) was immediately established to consider, plan and react to matters related to the pandemic. The CCC, chaired by the Executive Director: Human Capital & Transformation consists of human capital, medical, legal, commercial, operations, IT, distribution, M&A, communications and finance executives and managers. The CCC meets regularly, at least on a weekly basis, to consider challenges that are being experienced in the business, and ensures Group-wide and consistent operational and communication strategies in response to the virus.
- Operational continuity - in that all employees, who could work from home, were supplied with the necessary tools to continue working remotely with additional IT measures put in place for remote working. Employees in manufacturing facilities and distribution centres continued to work on site, to ensure continuity of medicine supply;
- Government programs – support towards initiatives and broader industry-wide participation across various initiatives;
- Liquidity – credit facilities with banks were increased from R850 million to approximately R1 billion to ensure adequate access to funds if needed;
- Health and safety – various occupational health and safety measures were put in place to provide additional protection for all employees as production continued across the facilities;
- Supply chain – increased inventory levels through securing additional supply of certain raw materials and finished goods which are essential in the production of the Group's products and the country's needs. The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for any order is in place. As a result, all material foreign liabilities were covered by forward exchange contracts at year-end;
- Risks - a review of the Group's current risks was undertaken and a process was put in place to identify new Covid-specific risks including an assessment of the probability, impact and controls or mitigating procedures implemented in relation to each of the risks;
- Governance – ensuring ongoing statutory and regulatory compliance despite the various levels of lockdown and the constantly evolving regulatory environment;

Although at this stage, the impact on the Group's results is limited, the continuation of these circumstances could have a prolonged negative impact on the Groups financial results.

Principal activities and nature of the business

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

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

Business combinations

Acquisitions

In May 2020, the Group acquired Plush Professional Leather Care Proprietary Limited, a well-established company offering an extensive range of homecare, cleaning and leather care products in South Africa and certain other Southern African countries (note 1).

No material acquisitions were concluded in the 2019 financial year.

Share capital

Details of the authorised and issued share capital are set out in note 21 to the annual financial statements and in the statement of changes in equity.

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

	2020 R'000	2019 R'000
Adcock Ingram Limited	**8 299 201**	4 285 163
Mpho ea Bophelo Trust*	**–**	5 168 592
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**600**	39 031

* *Previously held shares indirectly, but following the cancellation of the B-BBEE scheme in July 2019, the shareholding has terminated.*

Shareholders

Dividend policy

The Board intends to declare a distribution on at least an annual basis.

Since its listing in 2008 it was the policy of the Company to cover dividends between two to three times by headline earnings.

During the current financial year, shareholders were advised that the Board approved a change to the Company's dividend policy, to cover dividends between two to 2.5 times by headline earnings.

2020

An interim dividend of 100 cents per share was declared and paid in relation to the six-month period ended 31 December 2019.

No final dividend was declared for the year ended 30 June 2020.

2019

An interim dividend of 100 cents per share was declared and paid in relation to the six-month period ended 31 December 2018.

A final dividend of 100 cents per share was declared and paid following the results for the year ended 30 June 2019.

Shareholder spread

On 29 July 2019, The Bidvest Group Limited (Bidvest) became Adcock Ingram's majority shareholder, with minority shareholders owning 49% of the Company. Closer interactions are now taking place between Adcock Ingram and Bidvest, following the appointment of an additional Bidvest representative to the Adcock Ingram Board of Directors.

Please refer to the shareholder analysis section for more details.

Events after 30 June 2020

Refer to note 34.

Subsidiaries and joint ventures

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

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

Directors

The names of the directors who presently hold office are set out on the Company's website.

Changes to directors' responsibilities and status

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

13 August 2019

Ms Debra "Debbie" Ransby and Dr Sibongile Gumbi were appointed as independent non-executive Board members.

27 August 2019

Mr Lindsay Ralphs was appointed to the HR, Remuneration and Nominations Committee and Ms Nompumelelo Madisa resigned from this Committee but remained a permanent invitee thereto;

Mr Ralphs was appointed as the Chairperson of both the Nominations Committee and the Acquisitions Committee; and

Prof Matt Haus was appointed as the Chairperson of the Risk and Sustainability Committee.

Ms Debbie Ransby was appointed as the Chairperson of the Audit Committee and a member of the Risk and Sustainability Committee;

Dr Sibongile Gumbi was appointed as a member of the Risk and Sustainability Committee;

Mr Kevin Wakeford was appointed to the Board as a non-executive director and as a member of the Acquisitions Committee and a permanent invitee to the Audit Committee.

22 November 2019

Dr Anna Mokgokong resigned as the Chairperson of the Social, Ethics and Transformation (SET) Committee and Dr Claudia Manning was appointed as Chairperson; and Dr Sibongile Gumbi was appointed as a member of the Committee.

The Human Resources and Remuneration Committee was constituted as a stand-alone Committee, with the following membership:

a) Ms Lulama Boyce (Chairperson);

b) Dr Claudia Manning;

c) Mr Lindsay Ralphs; and

d) Prof Matt Haus.

The Nominations Committee was constituted as a stand-alone Committee, chaired by the Chairman of the Board;

The following directors were appointed as members of the Nominations Committee:

a) Mr Lindsay Ralphs (Chairman);

b) Ms Lulama Boyce;

c) Dr Claudia Manning; and

d) Prof Matt Haus.

29 February 2020

Dr Anna Mokgokong retired from the Board.

Directors' shareholding

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company.

There has been no change in the holdings since the end of the financial year and up to the date of approval of the annual financial statements.

Details of the directors' shareholdings are reflected below.

Director	Number of shares 2020	Number of shares 2019
A Hall (directly held)	**21 433**	21 433
A Mokgokong* (indirectly held)	–	3 445 642

* *Dr Mokgokong holds a 50% share in CIH Projects Proprietary Limited which in turn held a 26.67% share in Ad-izinyosi (the B-BBEE shareholder of the Group). Following the cancellation of the B-BBEE scheme in July 2019, the scheme shares held by Ad-izinyosi were returned to the AdBEE security holders. Refer to Annexure B for more details.*

Directors' and key management remuneration

Full details regarding non-executive and executive directors' and key management remuneration are set out in note 7.3 and 7.4 and in the Remuneration Implementation Report (Annexure J).

Retirement funds

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

Independent auditor's report

To the Shareholders of Adcock Ingram Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Adcock Ingram Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Adcock Ingram Holdings Limited's consolidated and separate financial statements set out on pages 18 to 112 comprise:

- the consolidated and company statements of financial position as at 30 June 2020;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the document titled "Adcock Ingram Holdings Group Annual Financial Statements for the year ended 30 June 2020", rather than in the notes to the financial statements. These are cross-referenced from the consolidated and separate financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview

Overall group materiality

- *Overall group materiality: R46,500,000, which represents 5% of consolidated profit before taxation.*

Group audit scope

- *Full scope audits were performed over 4 financially significant components in South Africa.*
- *Specified audit procedures were performed on certain account balances and transactions for a further 4 components, 2 of which are joint ventures that are equity accounted in the consolidated financial statements.*
- *Analytical review procedures were performed on the remaining components.*

Key audit matters

- *Impairment assessment of goodwill and indefinite life intangible assets.*
- *Plush Professional Leather Care Proprietary Limited business combination.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R46,500,000*
How we determined it	*5% of consolidated profit before taxation*
Rationale for the materiality benchmark applied	*We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of financially significant components, based on indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before taxation. Based on this assessment we identified 4 financially significant components, on which full scope audits were performed. Specified audit procedures were performed on certain account balances and transactions for a further 4 components, 2 of which are equity-accounted joint ventures, as a result of significant account balances and transactions within those components. In order to obtain sufficient audit evidence in respect of non-significant components, the group engagement team performed analytical review procedures on their financial information. These components have been assessed to be financially inconsequential to the Group.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group's engagement team, and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The group engagement team met with the component auditors of the most significant audit components and engaged with the remaining component auditors by means of discussing pertinent matters and reviewing reporting documents submitted to us as the group engagement team.

This together with additional procedures performed at the group level, including testing of consolidation journal entries and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters in respect of the separate financial statements for the current period to communicate in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment assessment of goodwill and indefinite life intangible assets

Refer to Annexure I Accounting Policies, (Impairment of non-financial assets) and note 13 (Intangible Assets) to the consolidated financial statements.

This key audit matter applies to the consolidated financial statements only.

Indefinite useful life intangible assets amounting to R586 million and goodwill amounting to R283 million, represents a significant portion of the Group's consolidated total assets.

The Group performs annual impairment tests over the recoverability of goodwill and bi-annual impairment tests over the recoverability of indefinite life intangible assets. These tests are subjective in nature due to management's judgements and assumptions relating to the Cash Generating Units (CGUs).

Management estimated the recoverable amount of the CGUs using the value-in-use method as required by International Accounting Standard (IAS) 36 - *Impairment of assets*.

In assessing the goodwill and indefinite life intangible assets for impairment, management applied the following key assumptions that gave rise to estimate uncertainty in determining the recoverable amount:

- revenue growth rate;
- gross margin;
- discount rates; and
- terminal growth rate estimates.

Impairment charges related to indefinite useful life intangible assets amounted to R16 million for the current financial year and have been recognised in the Group's consolidated statement of comprehensive income. No impairment was recognised for goodwill. The valuation of these assets, and the quantum of the associated impairment charges recognised by the Group, remains inherently sensitive to changes in the underlying key assumptions.

We considered the impairment assessment of goodwill and indefinite life intangible assets at the group level, to be a matter of most significance to the current year audit due to the following:

- the judgement and estimates applied by management in performing the impairment assessment; and
- the magnitude of these balances in relation to the consolidated financial statement

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We obtained the Group's impairment assessments and tested the mathematical accuracy of the calculations and the reasonableness of the key assumptions, including revenue growth rate, gross margins, discount rates and terminal growth rate estimates and discount rates by performing the following procedures:

We evaluated management's allocation of assets to cash-generating units (CGUs) for testing goodwill and indefinite useful life intangible assets by assessing the requirements of IAS 36 against management's assessment of the CGUs and found this to be in line with the requirements of IAS 36.

We evaluated the forecasting period used by management against the requirements of IAS 36 and whether the 10 year forecasting period could be justified based on the requirements of IAS 36. Based on the work that we performed, we accepted management's rationale for an extended forecasting period.

We used our valuation expertise to assess the valuation methodology applied by management against generally accepted valuation methods and IAS 36.

For the value-in-use calculations performed, we obtained management's cash flow forecasts and:

- Agreed these forecasts to approved budgets.
- Tested the mathematical accuracy of management's impairment assessments and noted no material differences.
- Assessed the reliability of the forecasts by comparing current year actual results with the prior year budgeted results and noted that management had adjusted their budgets for any material variances noted, where required.
- Compared the revenue growth and gross margin projections applied by management to historically achieved growth rates and noted no material variances in management's calculations.
- We used our valuation expertise to compare the terminal growth rate estimates used by management to long-term consensus inflation rates obtained from independent sources and found no material variances to the outcome of the impairment tests performed.

Utilising our valuation expertise, we recalculated a range of discount rates, considering inputs for similar entities, industry data and entity-specific data. Where differences in discount rates were noted, we included this in our sensitivity analysis to consider whether this would lead to an impairment charge being recognised. No material impact was noted.

We performed our own independent sensitivity calculations on management's impairment assessments, with respect to the key assumptions which included the revenue growth rate, gross margin, discount rate and terminal growth rate. We discussed these with management and considered the likelihood of such changes occurring. Based on the work that we performed, we accepted management's key assumptions as applied in the models.

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Plush Professional Leather Care Proprietary Limited business combination

Refer to note 1 (acquisition of business) to the consolidated financial statements.

This key audit matter applies to the consolidated financial statements only.

The Group acquired 100% of Plush Professional Leather Care Proprietary Limited on 27 May 2020 for a total purchase consideration of R323 million.

Management determined the transaction to be an acquisition of a business as defined in International Financial Reporting Standard (IFRS 3) - *Business Combinations*.

In an acquisition of a business, IFRS 3 requires the recognition of identifiable assets, liabilities and contingent liabilities in a business combination at fair value, at the date of acquisition, with the excess of the purchase consideration over the fair value of the net identifiable assets acquired and liabilities assumed recognised as goodwill or a gain on bargain purchase. The transaction gave rise to goodwill of R107 million.

The identification and measurement of the identifiable assets in this transaction required a significant amount of management estimation, particularly in relation to the measurement of intangible assets. Management made use of the multiple excess earnings method to value the associated brand. The key assumptions used by management included revenue growth, gross margin, the discount rate and terminal growth rate.

We considered the acquisition of Plush Professional Leather Care Proprietary Limited to be a matter of most significance to the current year audit due to the following:

- The measurement of the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, and the determination of goodwill, which required the exercise of significant management judgement relating to the identification and measurement of intangible assets and significant estimation relating to the measurement of the brand.

Note 1 (acquisition of business) to the consolidated financial statements sets out the key management assumptions regarding the transaction.

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We inspected the underlying acquisition agreements for the transaction and evaluated whether the transaction contained inputs, processes and outputs that qualify the transaction to be accounted for as the acquisition of a business as defined in IFRS 3. We also evaluated the effective date of the transaction, where control was obtained, against the requirements of IFRS 3. Based on the work that we performed, we accepted management's accounting treatment of the transaction.

We focused our testing on the identifiable assets and liabilities and on the key assumptions made by management. Our audit procedures included the following:

- We inspected the signed contracts and at acquisition financial information to identify all the assets acquired and liabilities assumed as part of the acquisition and evaluated these against what was identified by management. We found no material differences in this regard.
- We made use of our valuations expertise in performing the following procedures:
    - critically evaluating whether the model used by management to calculate the fair value of the brand acquired and the residual goodwill recognised complies with the requirements of IFRS 3;
    - evaluating the completeness of the intangible assets recognised by comparing management's assessment to the requirements of IFRS 3;
    - evaluating the reasonability of the discount rate used for the brand by testing the assumptions against market data and widely applied risk premiums; and
    - evaluating the reasonability of the terminal growth rate used for the brand against the long-term consensus inflation rates obtained from independent sources.
- We obtained management's purchase price allocation calculations for the brand and subjected the key assumptions to our own independently calculated sensitivity analyses;
- We compared the projected cash flows used for the valuation of the brand, including the assumptions relating to revenue growth rates and gross margin to historical performance. No material differences were noted to management's calculations.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adcock Ingram Holdings Group Annual Financial Statements for the year ended 30 June 2020", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Adcock Ingram Integrated Report 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Adcock Ingram Holdings Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Keeran Ramnarian
Registered Auditor
4 Lisbon Lane, Waterfall City

25 August 2020

Consolidated statements of comprehensive income

Continuing operations	Notes	2020 R'000	2019 R'000
Revenue from contracts with customers	4	**7 346 558**	7 078 438
Cost of sales		**(4 607 502)**	(4 289 332)
Gross profit		**2 739 056**	2 789 106
Selling, distribution and marketing expenses		**(1 263 723)**	(1 318 830)
Fixed and administrative expenses		**(531 053)**	(514 855)
Trading profit	7	**944 280**	955 421
Non-trading expenses	5	**(82 099)**	(71 884)
Operating profit		**862 181**	883 537
Finance income	6.1	**5 278**	6 756
Finance costs	6.2	**(38 764)**	(18 404)
Dividend income		**3 825**	3 864
Equity-accounted earnings		**97 489**	90 714
Profit before taxation		**930 009**	966 467
Taxation	8	**(247 815)**	(269 435)
Profit for the year from continuing operations		**682 194**	697 032
Loss after taxation for the year from discontinued operation	3.1	**–**	(1 609)
Profit for the year		**682 194**	695 423
Other comprehensive income which will subsequently be reclassified to profit or loss		**118 300**	(16 221)
Exchange differences on translation of foreign operations:	23	**40 619**	7 391
Continuing operations		**4 801**	279
Joint venture and associate		**35 818**	4 342
Discontinued operation		**–**	2 770
Movement in cash flow hedge accounting reserve, net of tax		**77 681**	(23 612)
Other comprehensive income reclassified to profit or loss			
– Associate	5	**–**	1 607
– Discontinued operation	3.2	**–**	(18 960)
Other comprehensive income which will not be reclassified to profit or loss	23	**665**	733
Fair value of investment, net of tax		**43**	27
Actuarial profit on post-employment medical liability, net of tax		**622**	706
Total comprehensive income for the year, net of tax		**801 159**	662 582
Profit attributable to:			
Owners of the parent		**676 366**	687 986
Non-controlling interests		**5 828**	7 437
		682 194	695 423

	Notes	2020 R'000	2019 R'000
Total comprehensive income attributable to:			
Owners of the parent		**795 331**	655 145
Non-controlling interests		**5 828**	7 437
		801 159	662 582
Continuing operations:			
Basic earnings per ordinary share (cents)	9.1	**398.0**	414.8
Diluted basic earnings per ordinary share (cents)	9.1	**398.0**	414.8
Headline earnings per ordinary share (cents)	9.1	**417.5**	421.7
Diluted headline earnings per ordinary share (cents)	9.1	**417.5**	421.6
Total operations:			
Basic earnings per ordinary share (cents)	9.2	**398.0**	413.8
Diluted basic earnings per ordinary share (cents)	9.2	**398.0**	413.8
Headline earnings per ordinary share (cents)	9.2	**417.5**	422.8
Diluted headline earnings per ordinary share (cents)	9.2	**417.5**	422.8

Consolidated statement of changes in equity

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained income R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
		Attributable to holders of the parent						
As at 1 July 2018		17 146	666 356	223 875	3 000 743	3 908 120	2 413	3 910 533
Movement in treasury shares*	21.2, 22	(4)	(2 342)			(2 346)		(2 346)
Movement in share-based payment reserve*	23			5 314		5 314		5 314
Total comprehensive income				(32 841)	687 986	655 145	7 437	662 582
Profit for the year					687 986	687 986	7 437	695 423
Other comprehensive income				(32 841)		(32 841)		(32 841)
Dividends	10.1				(270 801)	(270 801)	(7 088)	(277 889)
Balance at 30 June 2019		**17 142**	**664 014**	**196 348**	**3 417 928**	**4 295 432**	**2 762**	**4 298 194**
Share issue	21.2, .22	**2**	**777**			**779**		**779**
Movement in treasury shares*	21.2, .22	**3**	**2 205**			**2 208**		**2 208**
Movement in share-based payment reserve*	23			**(2 133)**		**(2 133)**		**(2 133)**
Share repurchase	21.2, 22	**(401)**	**(156 642)**			**(157 043)**		**(157 043)**
Loss of control of owner driver subsidiaries	2.1						**842**	**842**
Total comprehensive income				**63 114**	**676 366**	**739 480**	**5 828**	**745 308**
Profit for the year					**676 366**	**676 366**	**5 828**	**682 194**
Other comprehensive income				**118 965**		**118 965**		**118 965**
Reclassified to cost of inventory – not included in other comprehensive income				**(55 851)**		**(55 851)**		**(55 851)**
Dividends	10.1				**(342 941)**	**(342 941)**	**(6 713)**	**(349 654)**
Balance at 30 June 2020		**16 746**	**510 354**	**257 329**	**3 751 353**	**4 535 782**	**2 719**	**4 538 501**

**Relate to equity and BMT option schemes.*

Consolidated statements of financial position

	Notes	2020 R'000	2019 R'000
ASSETS			
Property, plant and equipment	11	**1 528 541**	1 538 198
Right-of-use assets	12	**264 274**	–
Intangible assets	13	**928 518**	609 444
Deferred tax	14	**6 385**	8 671
Other financial assets	15	**26 570**	29 627
Investment in joint ventures	16	**545 178**	506 236
Loans receivable	17	**17 861**	–
Non-current assets		**3 317 327**	2 692 176
Inventories	18	**1 909 767**	1 312 551
Trade and other receivables	19	**1 625 246**	1 787 025
Cash and cash equivalents	20	**316 825**	448 252
Taxation receivable	29.4	**12 585**	10 789
Current assets		**3 864 423**	3 558 617
Total assets		**7 181 750**	6 250 793
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	21.2	**16 746**	17 142
Share premium	22	**510 354**	664 014
Non-distributable reserves	23	**257 329**	196 348
Retained income		**3 751 353**	3 417 928
Total shareholders' funds		**4 535 782**	4 295 432
Non-controlling interests		**2 719**	2 762
Total equity		**4 538 501**	4 298 194
Long-term portion of lease liability	24	**281 295**	–
Post-retirement medical liability	25	**14 852**	15 637
Deferred tax	14	**153 507**	102 333
Non-current liabilities		**449 654**	117 970
Trade and other payables	26	**2 014 408**	1 683 923
Short-term portion of lease liability	24	**28 986**	–
Cash-settled options	27	**21 097**	18 699
Provisions	28	**129 104**	132 007
Current liabilities		**2 193 595**	1 834 629
Total equity and liabilities		**7 181 750**	6 250 793

Consolidated statements of cash flows

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Operating profit before working capital changes	29.1	**1 245 557**	1 237 405
Working capital changes	29.2	**(164 655)**	(208 600)
Cash generated from operations		**1 080 902**	1 028 805
Finance income received	29.5	**5 394**	7 350
Finance costs paid	29.6	**(38 479)**	(20 109)
Dividend income received	29.7	**99 474**	41 953
Dividends paid	29.3	**(349 654)**	(277 889)
Taxation paid	29.4	**(271 757)**	(274 147)
Net cash inflow from operating activities		**525 880**	505 963
Cash flows from investing activities			
Acquisition of business (Plush)	1	**(308 979)**	–
Purchase of property, plant and equipment – Replacement		**(129 453)**	(122 858)
– Expansion		**(24 086)**	(92 626)
Cash foregone on loss of control of owner-driver subsidiaries	2.2	**(13 866)**	–
Purchase of intangible assets	13	**(2 578)**	–
Proceeds on sale of investment		**6 125**	–
Proceeds on loan receivable	17	**2 310**	–
Proceeds from sale of interest in BMT	29.9	**1 085**	2 655
Proceeds on disposal of property, plant and equipment	29.10	**836**	1 288
Disposal of Zimbabwean business	3.3	**–**	15 940
Proceeds on disposal of investment in associate		**–**	2 156
Net cash outflow from investing activities		**(468 606)**	(193 445)
Cash flows from financing activities			
Proceeds from issue of share capital		**779**	–
Share repurchase		**(157 043)**	–
Treasury shares bought for equity option scheme	29.8	**(7 363)**	(21 818)
Settlement of Mpho ea Bophelo equity options		**(6 081)**	–
Repayment of lease liabilities		**(21 270)**	–
Net cash outflow from financing activities		**(190 978)**	(21 818)
Net (decrease)/increase in cash and cash equivalents		**(133 704)**	290 700
Net foreign exchange difference on cash and cash equivalents		**2 277**	1 800
Cash and cash equivalents at beginning of year		**448 252**	155 752
Cash and cash equivalents at end of year	20	**316 825**	448 252

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 (equity accounted) and structured entities (the "Group") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 August 2020.

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

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

Changes in accounting policies

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

IAS 19: Employee Benefits – Plan Amendment, Curtailment or Settlement – Amendments

The amendments to *IAS 19 Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment, effective from 1 July 2019, did not have an impact on the Group.

IFRS 16: Leases

The Group has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of single discount rates to be applied to portfolios of leases with reasonably similar characteristics;
- excluding leases with a remaining lease term of less than 12 months as at 1 July 2019 and accounting for these agreements as short-term leases; and
- excluding low-value assets which comprise leases with a value below R100 000.

Liabilities

At 30 June 2019, the Group recorded operating lease commitments of R504.7 million, in accordance with leases classified as 'operating leases' under the principles of IAS 17 Leases.

On 1 July 2019, these liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's weighted average incremental borrowing rate (as obtained from the Group's bankers) of 9.6%, over the term of the lease, resulting in the Group recognising a lease liability of R328.5 million, in accordance with IFRS 16.

A reconciliation from operating leases commitments disclosed at 30 June 2019 to the lease liability disclosed under IFRS16 at 1 July 2019 is shown below:

	R'm
Operating lease commitments at 30 June 2019	504.7
Discounted using incremental borrowing rate of 9.6% at the date of initial application:	
Lease liability recognised at 01 July 2019	328.5
Split and disclosed as follows:	
Current lease liability	47.9
Non-current lease liability	280.6

Refer to note 24 for details on the lease liability as at 30 June 2020.

At the same time, a decrease in "other liabilities" of R28.2 million was recorded with the release of the straight-lining of leases balance at 30 June 2019, which was offset against the "right of use" asset on adoption.

Assets

The Group initially recognised the associated "right of use" (ROU) asset of R300.4 million, at a value equal to the lease liability, adjusted by the release of the straight-lining of leases balance. The net book value of the ROU asset at 30 June 2020 was R264.3 million (refer to note 12).

Profit or loss

During the current financial year, depreciation on the ROU assets of R39.2 million (refer to note 12) and interest costs of R29.7 million (refer to note 6.2) on the lease liabilities have been expensed in profit or loss.

The impact of IFRS 16 on segmental trading profit and earnings per share is immaterial.

Change in initial impact assessment

The decrease in the lease liability and the ROU assets (R7.9 million) in comparison to the impact assessment disclosed in the 30 June 2019 annual financial statements, is due to a payment holiday granted on one warehousing facility subsequent to the initial assessment.

IFRIC 23: Uncertainty over Income Tax Treatments – Interpretation

In June 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* which clarifies the recognition and measurement requirements of IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

The interpretation specifically addresses the following:

- whether an entity should consider uncertain tax treatments separately or together;
- an entity should assume that a taxation authority with the right to examine any amounts reported to it, will examine those amounts and will have full knowledge of all the relevant information in doing so;
- how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates as the entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing:
    - if the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings; and
    - if the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty; and
- that an entity has to reassess its judgements and estimates if facts and circumstances change.

The standard, effective from 1 July 2019, did not have an impact on the Group.

Notes to the group financial statements

	2020 R'000
1. ACQUISITION OF BUSINESS	
On 27 May 2020, Adcock Ingram Healthcare Proprietary Limited acquired 100% of Plush Professional Leather Care Proprietary Limited (Plush), a well-established company offering an extensive range of homecare, cleaning and leather care products, which are sold through most major retailers in South Africa and selected Southern African countries.	
The acquisition of Plush is in line with the Group's strategy to expand into less regulated segments of the market, including homecare.	
The multi-period excess earnings method was used to value the Plush brand included in the business combination. The following key assumptions were used in the valuation of the brand:	
* Revenue from customers/(Turnover) growth of between 4% and 10%	
* Gross margin of 47%	
* Discount rate of 16.86%	
* Terminal growth rate of 0.5%	
The fair value of the identifiable assets based on a provisional purchase price allocation, as at the date of acquisition, was:	
Assets	
Inventories	31 643
Trade and other receivables	34 180
Property, plant and equipment	6 407
Trademarks and brands	235 218
Cash and cash equivalents	13 701
	321 149
Liabilities	
Trade and other payables	37 486
Provisions	675
Deferred tax	66 406
Tax payable	1 077
	105 644
Total identifiable net assets at fair value	215 505
Goodwill arising on acquisition	107 175
Purchase consideration	322 680
Net cash acquired with the business	(13 701)
Net cash consideration	308 979

1. ACQUISITION OF BUSINESS (continued)

Transaction costs of R1.9 million have been expensed and are included in non-trading expenses.

The fair value of the trade receivables equalled the net amount of trade receivables and amounted to R34.0 million.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired as there are no further separately identifiable intangible assets. The significant factor that contributed to the recognition of goodwill includes, but is not limited to a business with strong capabilities in innovation.

From the date of acquisition, Plush contributed R18.9 million towards revenue and reported a profit before income tax of R2.6 million.

If the Plush acquisition took place at the start of the financial year, the revenue would have been R224.0 million and profit before income tax would have been R22.1 million.

	2020 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	**(1 924)**
Net cash acquired with the business (included in cash flows from investing activities)	**13 701**

2. LOSS OF CONTROL OF SUBSIDIARIES

Due to a change in strategy to outsource distribution, on 1 March 2020, Adcock Ingram Healthcare Proprietary Limited signed a cession agreement, transferring its rights, title, interest and obligations in the contracts with the owner-driver companies to RTT Proprietary Limited, resulting in the Group losing control over these companies. As part of a cession agreement, RTT Proprietary Limited will settle the outstanding loan receivables, previously due from the Owner-driver companies.

	2020 R'000
2.1 Reconciliation of net assets at date of loss of control	
Property, plant and equipment	**18 075**
Long-term loan	**(20 171)**
Trade and other receivables	**11 547**
Cash and cash equivalents	**13 866**
Taxation	**15**
Trade and other payables	**(4 900)**
Net assets	**18 432**
Non-controlling interest	**842**
Net loss	**19 274**
2.2 Cash impact of loss of control	
Net cash outflow on loss of control	**(13 866)**

	2019 Six months R'000

3. DISCONTINUED OPERATION

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

3.1 Statement of comprehensive income

	2019 Six months R'000
Revenue from contracts with customers	86 261
Cost of sales	(61 165)
Gross profit	25 096
Selling, distribution and marketing expenses	(11 374)
Fixed and administrative expenses	(8 803)
Trading profit	4 919
Non-trading expenses	(1 821)
Profit before taxation	3 098
Taxation	(1 115)
Profit for the year from discontinued operation	1 983
Loss on disposal of the discontinued operation (note 3.2)	(3 592)
Loss after taxation for the period from discontinued operation attributable to owners of the parent	(1 609)

3.2 Reconciliation of net assets at disposal date:

	2019 Six months R'000
Property, plant and equipment	45 764
Inventories	25 968
Trade and other receivables	54 166
Taxation receivable	1 038
Cash and cash equivalents	20 245
Deferred tax	497
Trade and other payables	(85 890)
Provisions	(3 051)
Net assets	58 737
Consideration received	(36 185)
Other comprehensive income reclassified to profit or loss	(18 960)
Loss on disposal of the discontinued operation	3 592

3.3 Cash inflow on disposal

	2019 Six months R'000
Consideration received	36 185
Net cash disposed of with the discontinued operation	(20 245)
Net cash inflow	15 940

3.4 Cash flow statement

Included in the Group's consolidated statement of cash flows are cash flows from the Zimbabwean discontinued operation. These cash flows are included as follows:

	2019 Six months R'000
Cash outflow from operating activities	(3 631)
Cash outflow from investing activities	(7 264)
Net cash outflow	(10 895)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS BY CHANNEL

Most of the Group's revenue from contracts with customers is recognised at a point in time. Refer to accounting policy for disaggregation of revenue.

	Private R'000	Public R'000	Export and foreign R'000	Total R'000
30 June 2020				
Southern Africa	**6 106 703**	**1 061 305**	**141 329**	**7 309 337**
OTC	**1 834 574**	**154 947**	**28 420**	**2 017 941**
Prescription	**2 324 832**	**374 125**	**59 581**	**2 758 538**
Hospital	**1 054 279**	**532 233**	**41 006**	**1 627 518**
Consumer	**880 070**		**12 322**	**892 392**
Other – shared services	**12 948**			**12 948**
Rest of Africa*			**53 583**	**53 583**
Research and development services in India*			**24 944**	**24 944**
Less: Inter-company sales*			**(41 306)**	**(41 306)**
	6 106 703	**1 061 305**	**178 550**	**7 346 558**
% split	**83,1%**	**14,5%**	**2,4%**	
30 June 2019				
Continuing operations:				
Southern Africa	5 969 909	863 346	196 779	7 030 034
OTC	1 820 678	117 176	45 032	1 982 886
Prescription	2 355 191	319 832	64 626	2 739 649
Hospital	990 241	426 334	38 029	1 454 604
Consumer	737 800	4	49 092	786 896
Other – shared services	65 999			65 999
Rest of Africa*			68 524	68 524
Research and development services in India*			21 114	21 114
Less: Inter-company sales*			(41 234)	(41 234)
	5 969 909	863 346	245 183	7 078 438
% split	84,3%	12,2%	3,5%	

**Has not been further disaggregated, as cumulatively represents less than 5% of the total.*

	2020 R'000	2019 R'000
5. NON-TRADING EXPENSES		
Retrenchment costs	**33 507**	12 347
Deficit on loss of control of subsidiary	**19 274**	–
Ex-gratia B-BBEE expense	**10 000**	–
Impairments (Refer Annexure G)	**16 196**	8 568
Intangible assets	**16 196**	5 595
Investment in associate	**–**	2 973
Fair value adjustment of long-term receivable	**2 027**	1 763
Transaction costs	**1 924**	5 843
Share-based payment expenses (Refer Annexure B)	**936**	41 756
PBLTIS *	**6 049**	–
Equity-settled	**11 218**	21 037
Cash-settled	**2 398**	16 970
Black Managers Share Trust – equity-settled	**(3 748)**	3 749
Black Managers Share Trust – fair value adjustment of employee benefits	**(14 981)**	–
Profit on sale of investment following the cancellation of B-BBEE scheme**	**(2 114)**	–
Lease cancellation fee	**349**	–
Release of foreign currency translation reserve on disposal of investment in associate	**–**	1 607
	82 099	71 884

**Performance-based long-term incentive scheme (equity-settled).*
***Investment previously eliminated on consolidation.*

	2020 R'000	2019 R'000
6. FINANCE INCOME AND FINANCE COSTS		
6.1 Finance income		
Bank	**3 981**	6 194
Receiver of Revenue	**108**	562
Other	**1 189**	–
	5 278	6 756
6.2 Finance costs		
Bank	**9 063**	17 694
IFRS 16 leases	**29 676**	–
Receiver of Revenue	**16**	5
Creditors	**9**	18
Commitment fees	**–**	687
	38 764	18 404

7. TRADING PROFIT

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

	2020 R'000	2019 R'000
External auditor's remuneration		
– Audit fees current year	9 969	10 502
– Audit fees underprovision prior year	254	777
– Taxation services	75	685
– Other services	12	184
Depreciation		
– Freehold land and buildings	20 562	18 968
– Leasehold improvements	6 344	7 057
– Plant, equipment and vehicles	87 701	92 112
– Computer equipment	27 818	29 764
– Furniture and fittings	4 151	3 324
– Right-of-use assets	39 206	–
Amortisation of intangible assets	9 704	11 203
Inventories written off	95 424	99 944
Royalties paid	39 665	38 342
Low value assets and short term leases	2 243	–
Operating lease charges		
– Equipment	–	5 200
– Property	–	43 454
Foreign exchange loss/(profit)	14 870	(1 060)
Fees paid to related parties (refer to note 32)	126 900	74 302
Expected credit loss provision utilised	–	5 167
Expected credit loss provision charge/(release)	8 655	(7 859)
(Profit)/Loss on disposal of property, plant and equipment	(922)	677
Covid-19 related expenses*	31 327	–
Cancellation of IFRS 16 lease	(89)	–

**Includes transport and food, additional personal protective equipment, sanitisation of infrastructure and Covid-19 awareness initiatives.*

7.2 Total staff cost*

	2020 R'000	2019 R'000
Total staff cost*	1 399 337	1 365 298
Included in cost of sales	617 240	592 091
Salaries and wages	550 936	529 522
Employers' contribution to:	66 304	62 569
Medical	16 712	15 505
Retirement	49 592	47 064
Included in operating expenses	782 097	773 207
Salaries and wages	683 327	676 284
Employers' contribution to:	98 770	96 923
Medical	20 081	19 086
Retirement	78 689	77 837

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

	2020 R'000	2019 R'000
7. TRADING PROFIT (continued)		
7.3 Directors' emoluments		
Executive directors	**12 226**	12 211
Salaries	**10 995**	11 047
Retirement benefits	**1 161**	1 139
Medical benefits	**70**	25
Non-executive directors	**4 858**	5 560
Total	**17 084**	17 771
For more details including bonuses and IFRS 2 charges, refer to Annexure J		
7.4 Key management		
Salaries	**23 596**	22 114
Retirement benefits	**3 143**	3 015
Medical benefits	**456**	412
Total	**27 195**	25 541

Key management comprises the Group Executive Committee, other than the executive directors. For more details including bonuses and IFRS 2 charges, refer to Annexure J.

	2020 R'000	2019 R'000
8. TAXATION		
South African taxation		
Current income tax		
– current year	**271 972**	263 304
– prior year overprovision	**(3 930)**	(1 491)
Deferred tax		
– current year	**(20 517)**	3 352
– prior year overprovision	**(756)**	(109)
	246 769	265 056
Foreign taxation		
Current income tax		
– current year	**917**	3 833
– prior year under/(over) provision	**240**	(122)
Deferred tax		
– current year	**(111)**	(268)
– prior year underprovision	**–**	936
	1 046	4 379
Total tax charge	**247 815**	269 435

In addition to the above, deferred tax amounting to R8.7 million has been released to other comprehensive income (2019: R8.9 million charge). Refer note 23.

Reconciliation of the taxation rate:	%	%
Effective rate	**26,6**	27,9
Adjusted for:		
Exempt income (dividend income)	**0,2**	0,3
Non-deductible expenses*	**(2,1)**	(3,4)
Prior year overprovision**	**0,5**	0,3
Equity accounted earnings	**3,0**	2,6
Utilisation of tax loss	**–**	(0,1)
Loss on discontinued operation	**–**	0,5
Capital gains tax	**–**	(0,1)
Other	**(0,2)**	–
South African normal tax rate	**28,0**	28,0

	R'000	R'000
The Group has the following tax losses for offsetting against future taxable profits of the company in which the loss arose. All unutilised assessed losses from continuing operations were recognised as a deferred tax asset in the current year and the prior year.		
South Africa (indefinite expiry)	**1 220**	772

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

** *Current tax and deferred tax*

9. EARNINGS PER SHARE

	2020 R'000	2019 R'000
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**676 366**	687 986
Adjusted for:		
Loss attributable to Adcock Ingram from discontinued operation (note 3.1)	**–**	1 609
Earnings attributable to owners of Adcock Ingram from continuing operations	**676 366**	689 595
Adjusted for:		
Impairment of intangible assets	**16 196**	5 595
Impairment of investment in associate	**–**	2 973
Release of foreign currency translation reserve on disposal of investment in associate	**–**	1 607
(Profit)/Loss on disposal/scrapping of property, plant and equipment	**(922)**	677
Tax effect on (profit)/loss on disposal of property, plant and equipment	**266**	(257)
Loss of control of owner-driver subsidiaries	**19 274**	–
Profit on sale of investment following the cancellation of B-BBEE scheme	**(2 114)**	–
Tax effect on profit on sale of investment following the scheme cancellation of the B-BBEE scheme	**273**	–
Adjustments relating to equity accounted joint ventures and associate		
Loss on disposal of property, plant and equipment	**246**	1 290
Tax effect on loss on disposal of property, plant and equipment	**(64)**	(445)
Headline earnings from continuing operations	**709 521**	701 035

	'000	'000
Reconciliation of diluted weighted average number of shares		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	**175 748 048**	175 748 048
– Effect of ordinary shares issued during the year	**10 217**	–
– Effect of ordinary treasury shares held within the Group	**(5 830 460)**	(9 488 292)
Shares entitled to dividend	**(5 420 927)**	(4 319 700)
Shares not entitled to dividend	**(409 533)**	(5 168 592)
Weighted average number of ordinary shares outstanding	**169 927 805**	166 259 756
Potential dilutive effect of outstanding share options	**18 096**	2 014
Diluted weighted average number of shares outstanding	**169 945 901**	166 261 770

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

Diluted earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur after taking into account all of the Group's outstanding options which will be potentially exercisable. Options granted to employees under the equity option scheme are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share, based on the Group's average share price for the reporting period, to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

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.

		2020 cents	2019 cents
9.	**EARNINGS PER SHARE** (continued)		
9.1	**Continuing operations**		
	Earnings		
	Basic earnings per share	**398,0**	414,8
	Diluted basic earnings per share	**398,0**	414,8
	Headline earnings		
	Headline earnings per share	**417,5**	421,7
	Diluted headline earnings per share	**417,5**	421,6
9.2	**Total operations**		
	Earnings		
	Basic earnings per share	**398,0**	413,8
	Diluted basic earnings per share	**398,0**	413,8
	Headline earnings		
	Headline earnings per share	**417,5**	422,8
	Diluted headline earnings per share	**417,5**	422,8
9.3	**Distribution per share**		
	Interim	**100,0**	100,0
	Final	**–**	100,0
10.	**DISTRIBUTIONS PAID AND PROPOSED**		
	Declared and paid during the year		
	Distribution on ordinary shares		
	Final dividend for 2019: 100 cents (2018: 86 cents)	**171 468**	125 220
	Interim dividend for 2020: 100 cents (2019: 100 cents)	**171 473**	145 581
	Total paid to equity holders of parent company	**342 941**	270 801
	Dividends paid to non-controlling shareholders	**6 713**	7 088
	Total dividend declared and paid to the public	**349 654**	277 889

11. 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
2020							
Carrying value at beginning of year							
Cost	928 122	106 705	948 926	114 950	33 525	219 337	2 351 565
Accumulated depreciation	(166 161)	(81 814)	(466 938)	(73 652)	(24 802)	–	(813 367)
Net book value at beginning of year	761 961	24 891	481 988	41 298	8 723	219 337	1 538 198
Current year movements – cost							
Additions	–	17 856	9 995	2 407	1 907	121 374	153 539
Transfer	51 854	14	52 489	24 674	6 183	(135 214)	–
Additions through business combination (note 1)	–	66	5 680	478	183	–	6 407
Loss of control of owner driver subsidiaries (note 2)	–	–	(47 849)	(86)	(28)	–	(47 963)
Exchange rate adjustments	–	130	719	255	119	–	1 223
Disposals	–	(2 168)	(37 499)	(12 288)	(326)	–	(52 281)
Cost movement for current year	51 854	15 898	(16 465)	15 440	8 038	(13 840)	60 925
Current year movements – accumulated depreciation							
Depreciation	(20 562)	(6 344)	(87 701)	(27 818)	(4 151)	–	(146 576)
Loss of control of owner driver subsidiaries (note 2)	–	–	29 802	62	24	–	29 888
Exchange rate adjustments	–	(68)	(498)	(168)	(51)	–	(785)
Disposals	–	1 646	35 803	9 348	94	–	46 891
Accumulated depreciation movement for current year	(20 562)	(4 766)	(22 594)	(18 576)	(4 084)	–	(70 582)
Carrying value at end of year							
Cost	979 976	122 603	932 461	130 390	41 563	205 497	2 412 490
Accumulated depreciation	(186 723)	(86 580)	(489 532)	(92 228)	(28 886)	–	(883 949)
Net book value at end of year	793 253	36 023	442 929	38 162	12 677	205 497	1 528 541

11. PROPERTY, PLANT AND EQUIPMENT
(continued)

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

12. LEASES

The Group leases various warehouses, forklifts and computer equipment. Contracts vary from 3 years to 12 years. A fixed annual escalation is catered for in the agreements. There are no variable rental agreements in the Group.

On 1 July 2019, these liabilities were measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of 9.6% over the term of the lease, resulting in the Group recognising a lease liability of R329 million, in accordance with IFRS 16.

No contract renewal options have been initially included in the present value calculations as the renewal of any agreement was not considered reasonably certain at that point in time.

The Group initially recognised the associated "right of use" (ROU) asset of R300.4 million, at a value equal to the lease liability, adjusted by the release of the straight-lining of leases balance. The net book value of the ROU asset at 30 June 2020 was R264.3 million. The recoverability of the ROU assets have been considered under IAS 36 and no impairment was required.

	Land and buildings	Equipment and vehicles	Total
RIGHT-OF-USE ASSETS			
Adoption/transition balance at 01 July 2019	**297 360**	**3 000**	**300 360**
Additions during the year	**–**	**4 035**	**4 035**
Cancellation of lease*	**(915)**	**–**	**(915)**
Depreciation	**(37 101)**	**(2 105)**	**(39 206)**
Balance at end of year	**259 344**	**4 930**	**264 274**

* *On 1 March 2020, the Virtual Logistics Proprietary Limited assets were ceded to RTT Proprietary Limited, resulting in the related capitalised leases being derecognised on that date.*

13. INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and Brands R'000	Licence agreements R'000	Total R'000
2020				
Carrying value at beginning of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	–	(104 828)	(10 787)	(115 615)
Accumulated impairment losses	(5 595)	–	–	(5 595)
Net balance at beginning of year	**176 338**	**331 109**	**101 997**	**609 444**
Current year movements – cost				
Additions through business combination (note 1)	107 175	235 218	–	342 393
Additions	–	2 578	–	2 578
Disposals	–	(40)	(2 880)	(2 920)
Exchange rate adjustments	–	18	–	18
Cost movement for the year	**107 175**	**237 774**	**(2 880)**	**342 069**
Charge for the year	–	(9 704)	–	(9 704)
Disposals	–	40	2 880	2 920
Impairment[(1)]	–	(16 196)	–	(16 196)
Exchange rate adjustments	–	(15)	–	(15)
Movement for the year	**–**	**(25 875)**	**2 880**	**(22 995)**
Carrying value at end of year				
Cost	289 108	673 711	109 904	1 072 723
Accumulated amortisation	–	(114 507)	(7 907)	(122 414)
Accumulated impairment losses	(5 595)	(16 196)	–	(21 791)
Net balance at end of year	**283 513**	**543 008**	**101 997**	**928 518**

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

	Goodwill R'000	Trademarks and Brands R'000	Licence agreements R'000	Total R'000
2019				
Carrying value at beginning of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	–	(94 705)	(9 707)	(104 412)
Net balance at beginning of year	181 933	341 232	103 077	626 242
Charge for the year	–	(10 123)	(1 080)	(11 203)
Impairment[(1)]	(5 595)	–	–	(5 595)
Movement for the year	(5 595)	(10 123)	(1 080)	(16 798)
Carrying value at end of year				
Cost	181 933	435 937	112 784	730 654
Accumulated amortisation	–	(104 828)	(10 787)	(115 615)
Accumulated impairment losses	(5 595)	–	–	(5 595)
Net balance at end of year	176 338	331 109	101 997	609 444

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

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

13. INTANGIBLE ASSETS (continued)

Goodwill acquired through business combinations and other intangible assets has been allocated to the following individual reportable segments based on product and market category. Reportable segments are also considered to be operating segments. Intangibles which include goodwill are tested at the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. These represent the lowest level within the entity at which intangible assets are monitored for internal management purposes.

	OTC R'000	Consumer R'000	Prescription R'000	Hospital R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2020							
Carrying amount of goodwill	–	107 175	163 758	12 580	283 513	–	283 513
Genop			163 758		163 758		163 758
Plush		107 175			107 175		107 175
Hospital				12 580	12 580		12 580
Carrying amount of other intangibles	119 411	314 785	207 443	3 338	644 977	28	645 005
Indefinite useful lives	115 506	262 796	207 443	–	585 745	–	585 745
Citro Soda	46 879	–	–	–	46 879	–	46 879
Epimax	–	–	120 000	–	120 000	–	120 000
Plush	–	235 218	–	–	235 218	–	235 218
Other[1]	68 627	27 578	87 443	–	183 648	–	183 648
Finite useful lives	3 905	51 989	–	3 338	59 232	28	59 260
Probiflora	3 905	51 989	–	–	55 894	–	55 894
Other[1]	–	–	–	3 338	3 338	28	3 366
Total	119 411	421 960	371 201	15 918	928 490	28	928 518

13. INTANGIBLE ASSETS (continued)

	OTC R'000	Consumer R'000	Prescription R'000	Hospital R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2019							
Carrying amount of goodwill	–	–	163 758	12 580	176 338	–	176 338
Genop	–	–	163 758	–	163 758	–	163 758
Hospital	–	–	–	12 580	12 580	–	12 580
Carrying amount of other intangibles	128 037	88 008	210 884	3 783	430 712	2 394	433 106
Indefinite useful lives	123 434	27 700	210 592	–	361 726	2 347	364 073
Citro Soda	46 807	–	–	–	46 807	–	46 807
Epimax	–	–	120 000	–	120 000	–	120 000
Other[1]	76 627	27 700	90 592	–	194 919	2 347	197 266
Finite useful lives	4 603	60 308	292	3 783	68 986	47	69 033
Probiflora	4 603	60 308	–	–	64 911	–	64 911
Other[1]	–	–	292	3 783	4 075	47	4 122
Total	128 037	88 008	374 642	16 363	607 050	2 394	609 444

[1] *Other not individually material*

13. INTANGIBLE ASSETS (continued)

Impairment testing of intangible assets

The average remaining useful life for intangible assets with finite useful lives ranges between 17 months and 7.5 years.

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

Key assumptions used in value-in-use calculations:

The calculation of value-in-use for all segments is sensitive to the following assumptions after considering any Covid-19 impact:

Revenue growth rate (Turnover)

Turnover growth for the current and prior year is based on average values of between 0% to 10% achieved in the three years preceding the start of the budget period. These are changed over the budget period for estimated changes to selling prices and market conditions.

Gross margin

Gross margins for the current and prior year are based on average values of between 27% to 55% achieved in the three years preceding the start of the budget period. These are changed over the budget period for estimated changes to cost of production and raw materials, and selling prices.

Discount rates

Discount rates reflect management's estimate of the risks. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The discount rate is derived from the Group's weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and of equity. The cost of equity is derived from the expected return on investment by the Group. The discount rate applied to cash flow projections, is 14.86% (2019: 14.01%)

Terminal growth rate estimate

The terminal rate applied to cash flow projections beyond the 10-year period is 0.5% (2019: 0.5%).

Sensitivity analysis

The directors and management have performed a sensitivity analysis to determine the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the recoverable amount to be equal to its carrying amount. The other CGUs were not considered to be sensitive to change.

	% Point decrease in revenue growth rate	% Point decease in gross margin	% Point increase in discount rate	% Point decrease in terminal growth rate
2020				
Genop	**1.3%**	**2.0%**	**2.5%**	**9.0%**
2019				
Genop	2.5%	2.7%	2.7%	>15%

The Plush CGU was acquired on 27 May 2020 and the valuation of the CGU was performed close to year end. As such, the carrying amount approximates its recoverable amount.

14. DEFERRED TAX

	2020 R'000	2019 R'000
Balance at beginning of year	**(93 662)**	(100 794)
Acquisition of business (refer note 1)	**(66 406)**	–
Disposal of business (refer note 3.2)	**–**	(497)
Movement through profit or loss – continuing operations	**21 384**	(3 911)
– discontinued operation	**–**	1 650
Exchange rate adjustments	**305**	(754)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(8 489)**	9 182
Revaluation to fair value through other comprehensive income	**(254)**	(244)
IFRS 9 adjustment	**–**	1 706
Balance at end of year	**(147 122)**	(93 662)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(111 763)**	(48 406)
Property, plant and equipment	**(149 687)**	(146 280)
Pre-payments	**(3 243)**	(4 239)
Income received in advance	**30 498**	12 700
Provisions	**77 226**	85 677
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(3 310)**	5 179
Tax loss available for future use	**415**	216
Right-of-use assets	**(74 029)**	–
Lease liability	**86 876**	–
Other	**(105)**	1 491
	(147 122)	(93 662)
Disclosed as follows:		
Deferred tax asset	**6 385**	8 671
Deferred tax liability	**(153 507)**	(102 333)

	2020 R'000	2019 R'000
15. OTHER FINANCIAL ASSETS		
15.1 LONG-TERM RECEIVABLE		
Black Managers Share Trust (BMT)		
Balance at beginning of year	**27 978**	32 073
Proceeds from sale	**(1 085)**	(2 332)
Fair value adjustment	**(2 027)**	(1 763)
	24 866	27 978

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options until 30 September 2027 when the scheme is due to end, or when a beneficiary dies. The proceeds on sale during the year is as a result of the capital contribution payments upon units being exercised, after the lock-in period, of R1.1 million (2019: R2.3 million). The fair value adjustment was as a result of the cost of the capital contribution exceeding the terminal amount (original capital contribution, increased by a notional return on the capital contribution and reduced by dividends distributed to the beneficiaries). Refer to Annexure B for further details.

	2020 R'000	2019 R'000
15.2 INVESTMENTS		
Group Risk Holdings Proprietary Limited		
Balance at beginning of year	**1 649**	1 937
Disposal of shares	**–**	(323)
Revaluation of investment through other comprehensive income	**55**	35
	1 704	1 649
Total other financial assets	**26 570**	29 627

16. INVESTMENT IN JOINT VENTURES

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

	2020 R'000	2019 R'000
Adcock Ingram Limited (India)	**356 772**	274 752
National Renal Care Proprietary Limited	**188 406**	231 484
	545 178	506 236

Refer to Annexure F for more details on these investments

	2020 R'000	2019 R'000
17. LOANS RECEIVABLE		
Owner-driver loans transferred to RTT (note 2.1)	**20 171**	–
Payment received	**(2 310)**	–
	17 861	–

Loans receivable are subject to the impairment requirements of IFRS 9 and the identified expected credit loss is immaterial.

18. INVENTORIES

	2020 R'000	2019 R'000
Raw materials	**439 157**	375 198
Work-in-progress	**15 458**	34 250
Finished goods	**1 455 152**	903 103
Inventory value, net of provisions	**1 909 767**	1 312 551
Inventories written down and recognised as an expense in cost of sales that forms part of trading profit:		
Continuing operations	**95 424**	99 944
Discontinued operation (note 3)	**–**	290
	95 424	100 234

Inventories are written off if aged, damaged, stolen or the likelihood of being sold is remote. Inventories are written down to the lower of cost and net realisable value.

Refer to note 29.1 for movement in inventory provisions.

19. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Trade receivables[(1)]	**1 438 275**	1 636 045
Less: Expected allowance for credit losses (note 19.1)	**(42 017)**	(32 257)
	1 396 258	1 603 788
Derivative asset at fair value[(2)]	**12 410**	–
Other receivables	**123 006**	76 000
Bank interest receivable	**197**	313
Sundry receivables[(3)] (note 19.2)	**122 809**	75 687
The maximum exposure to credit risk in relation to trade and other receivables	**1 531 674**	1 679 788
Pre-payments[(4)]	**84 672**	85 935
VAT recoverable[(5)]	**8 900**	21 302
	1 625 246	1 787 025

(1) 80% of trade receivables relates to private, 18% to public and the balance to export customers.

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

(3) Includes fees receivable from multi-national partners.

(4) Includes advance payments for inventory and insurance.

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

66% (2019: 61%) of pre-payments will be reclassified to other assets in the statement of financial position and the remainder to profit or loss over the next 12 months.

	2020 R'000	2019 R'000
19. TRADE AND OTHER RECEIVABLES (continued)		
19.1 Expected allowance for credit losses:		
Balance at 1 July	**(32 257)**	(46 235)
(Charge)/Release for the year	**(8 655)**	7 859
Utilised during the year	**–**	5 167
Exchange rate adjustments	**(1 105)**	(121)
Disposal of business	**–**	1 073
Balance at 30 June	**(42 017)**	(32 257)

Loss allowance is calculated as follows: 2020	Gross trade receivables R'000	Expected credit loss ratio[1] %	Expected credit loss[2] R'000	Estimated net carrying amount R'000
<30 days	**698 452**	**0.1%**	**500**	**697 952**
31 – 60 days	**473 979**	**0.1%**	**657**	**473 322**
61 – 90 days	**140 283**	**1.8%**	**2 591**	**137 692**
91 – 180 days (past due)	**125 561**	**30.5%**	**38 269**	**87 292**
Total	**1 438 275**	**2.9%**	**42 017**	**1 396 258**
2019				
<30 days	901 111	–	–	901 111
31 – 60 days	517 245	0.3%	1 526	515 719
61 – 90 days	123 618	0.5%	642	122 976
91 – 180 days (past due)	94 071	32.0%	30 089	63 982
Total	1 636 045	2.0%	32 257	1 603 788

[1] *The increase in the expected credit loss % includes 0.6% related to Covid-19.*
[2] *69% of the expected credit loss relates to sales to the public sector.*

	2020 R'000	2019 R'000
19.2 Ageing of Sundry Receivables		
Neither past due nor impaired		
<30 days	**68 305**	25 138
31 – 60 days	**8 990**	18 673
61 – 90 days	**29 102**	5 824
>90 days	**16 412**	26 052
Total	**122 809**	75 687

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. Sundry receivables are subject to the impairment requirements of IFRS 9 and the expected credit loss is immaterial.

	2020 R'000	2019 R'000
20. CASH AND CASH EQUIVALENTS		
Cash at banks	**316 855**	448 252

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The fair value of the net cash approximates R316.9 million (2019: R448.3 million).

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

The Group has unutilised facilities of approximately R1 billion as at 30 June, refer to note 30.

21. SHARE CAPITAL

	2020 R'000	2019 R'000
21.1 Authorised		
Ordinary Share Capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
21.2 Issued		
Ordinary Share Capital		
Opening balance of 171 423 855 (2019: 171 456 145) ordinary shares of 10 cents each	**17 142**	17 146
Issue of ordinary shares at 10 cents each	**2**	–
Movement of treasury shares – Employee share incentive trust	**3**	(4)
Repurchase of ordinary shares – Adcock Ingram Limited	**(401)**	–
Closing balance of 167 459 060 (2019: 171 423 855) ordinary shares of 10 cents each	**16 746**	17 142

	Number of shares 000	000
21.3 Treasury Shares		
Shares held by Group companies		
Employee share incentive trust	**600**	39 030
Adcock Ingram Limited	**8 299 201**	4 285 163
Total number of ordinary shares	**8 299 801**	4 324 193

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

21.4 Reconciliation of issued shares		
Number of shares in issue	**175 758 861**	175 748 048
Number of ordinary shares held by Group companies*	**(8 299 801)**	(4 324 193)
Net shares in issue	**167 459 060**	171 423 855

** Entitled to dividends*

21. SHARE CAPITAL (continued)

21.4 Reconciliation of issued shares (continued)

Unissued shares

In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit but subject to the provisions of the Companies Act.

During March 2020, the Adcock Ingram Limited purchased 4 014 038 shares from the open market, at an average price of R39.12, with the price ranging from R38.02 to R40.00, in terms of the November 2019 AGM approval.

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. There are no risks associated with the Group's interest in the trust, as the trust is merely a vehicle used for the share transactions.

	2020 R'000	2019 R'000
22. SHARE PREMIUM		
Balance at the beginning of the year	**664 014**	666 356
Issue of ordinary shares*	**777**	–
Movement in treasury shares – Employee share incentive trust	**2 205**	(2 342)
Repurchase of ordinary shares – Adcock Ingram Limited	**(156 642)**	–
	510 354	664 014

** Issue of ordinary shares due to call options being exercised following the cancellation of the Broad-Based Black Economic Empowerment Scheme.*

Refer to Annexure B.

23. NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Cash flow hedge accounting reserve R'000	Capital redemption reserve R'000	Foreign currency translation reserve R'000	Legal reserves and other R'000	Total R'000
Balance at 1 July 2018	141 820	10 294	3 919	40 057	27 785	223 875
Movement during the year, net of tax	5 314	(23 612)		(9 962)	733	(27 527)
BMT	3 749					3 749
Equity settled	21 037					21 037
Equity options exercised	(19 472)					(19 472)
Hedging reserve movement		(32 794)				(32 794)
Other comprehensive income reclassified to profit or loss				(17 353)		(17 353)
Actuarial profit on post-employment medical liability					942	942
Other movement for the year				7 391	35	7 426
Tax effect on movement		9 182			(244)	8 938
Balance at 30 June 2019	147 134	(13 318)	3 919	30 095	28 518	196 348
Movement during the year, net of tax	**(2 133)**	**21 830**		**40 619**	**665**	**60 981**
BMT	**(3 748)**					**(3 748)**
Equity settled	**11 218**					**11 218**
Equity options exercised	**(9 571)**					**(9 571)**
PBLTIS	**6 049**					**6 049**
Hedging reserve movement		**86 170**				**86 170**
Reclassified to cost of inventory – not included in other comprehensive income		**(55 851)**				**(55 851)**
Actuarial profit on post-employment medical liability					**864**	**864**
Distribution made Mpho ea Bophelo Trust beneficiaries	**(6 081)**					**(6 081)**
Other movement for the year				**40 619**	**55**	**40 674**
Tax effect on movement		**(8 489)**			**(254)**	**(8 743)**
Balance at 30 June 2020	**145 001**	**8 512**	**3 919**	**70 714**	**29 183**	**257 329**

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, a B-BBEE scheme and a performance-based long-term incentive scheme (PBLTIS). Refer Annexure B.

Cash flow hedge accounting reserve

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

Capital redemption reserve

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

Foreign currency translation reserve

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

Legal reserves and other

This represents:

- an unutilised merger reserve when Premier Pharmaceuticals and Adcock Ingram merged;
- actuarial losses on the Group's post-employment medical liability; and
- a fair value adjustment on the Group's investment in Group Risk Holdings Proprietary Limited (refer to note 15.2).

	2020 R'000
24. LEASE LIABILITIES	
Adoption/transition balance at 01 July 2019	**(328 520)**
Additions	**(4 035)**
Cancellation of lease	**1 004**
Lease payments	**50 946**
Less: Finance cost	**(29 676)**
Balance at end of year	**(310 281)**
Split as follows:	
Long-term portion	**(281 295)**
Short-term portion	**(28 986)**

	2020 R'000	2019 R'000
25. POST-RETIREMENT MEDICAL LIABILITY		
Balance at beginning of the year	**15 637**	16 340
Charged to operating profit	**36**	36
Benefits paid	**(1 409)**	(1 277)
Actuarial profit on post-employment medical liability released to other comprehensive income	**(864)**	(942)
Interest cost on benefit obligation	**1 452**	1 480
Balance at the end of the year	**14 852**	15 637

Refer to Annexure D.

	2020 R'000	2019 R'000
26. TRADE AND OTHER PAYABLES		
Trade accounts payable	**1 091 666**	775 421
Derivative liability at fair value[1]	**471**	16 799
Other payables	**905 654**	830 154
Accrued expenses	**762 731**	655 374
Black Managers Share Trust liability	**21 382**	36 362
Sundry payables	**121 541**	138 418
VAT payable[2]	**16 332**	61 549
Interest accrued	**285**	–
	2 014 408	1 683 923

[1] *It is expected that the derivative liability will be settled within the next 90 days.*

[2] *VAT payable will be paid within one month.*

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

	2020 R'000	2019 R'000
Trade Payables		
<30 days	**867 221**	499 171
31 – 60 days	**109 448**	146 947
61 – 90 days	**64 601**	67 332
>90 days	**50 396**	61 971
Total	**1 091 666**	775 421
Other Payables		
<30 days	**285 534**	272 397
31 – 60 days	**93 412**	82 933
61 – 90 days	**267 601**	239 139
>90 days	**259 107**	235 685
Total	**905 654**	830 154

	2020 R'000	2019 R'000
27. CASH-SETTLED OPTIONS		
Opening balance	**18 699**	2 413
Charged to operating profit	**2 398**	16 970
Payments made	**–**	(684)
	21 097	18 699

Refer to Annexure B.

28. PROVISIONS

	2020 R'000	2019 R'000
Leave pay	**58 771**	54 149
Bonus and incentive scheme	**23 905**	31 430
Other	**46 428**	46 428
	129 104	132 007
Made up as follows:		
Leave pay		
Balance at beginning of year	**54 149**	52 816
Arising during the year	**58 258**	76 116
Utilised during the year	**(50 810)**	(67 434)
Unused amounts reversed	**(3 805)**	(4 459)
Disposal of business (note 3)	**–**	(3 051)
Acquisition of business (note 1)	**675**	–
Exchange rate adjustments	**304**	161
Balance at end of year	**58 771**	54 149
Bonus and incentive scheme		
Balance at beginning of year	**31 430**	31 088
Arising during the year	**24 133**	31 430
Utilised during the year	**(29 482)**	(29 868)
Unused amounts reversed	**(2 176)**	(1 220)
Balance at end of year	**23 905**	31 430
Other	**46 428**	46 428

Leave pay provision

In excess of 96% of the balance represents the liability for employees in South Africa. In terms of the Group policy, employees in South Africa are entitled to accumulate leave benefits not taken within a leave cycle, up to a maximum of three times the employee's annual leave allocation, limited to a maximum of 30 days. The obligation is reviewed annually.

Bonus and incentive provision

Certain employees participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. These incentives are expected to be paid in September 2020.

Other

Other provision includes a liability as a result of a contract which requires the Group to sign an obligation agreement.

	2020 R'000	2019 R'000
29. NOTES TO THE STATEMENTS OF CASH FLOWS		
29.1 Operating profit before working capital changes		
Profit before taxation from continuing operations	**930 009**	966 467
Profit before taxation from discontinued operation	**–**	3 098
Profit before taxation	**930 009**	969 565
Adjusted for:		
– amortisation of intangibles	**9 704**	11 203
– depreciation	**185 782**	153 059
property, plant and equipment	**146 576**	–
right-of-use assets	**39 206**	–
– (profit)/loss on disposal/scrapping of property, plant and equipment	**(922)**	677
– deficit on loss of control of subsidiary	**19 274**	–
– profit on sale of investment following the cancellation of B-BBEE scheme	**(2 114)**	–
– dividend income	**(3 825)**	(3 864)
– finance income	**(5 278)**	(6 756)
– finance costs	**38 764**	18 404
– loss on sale of investment in associate	**–**	1 607
– impairment of investment in associate	**–**	2 973
– equity accounted earnings	**(97 489)**	(90 714)
– share-based payment expenses	**936**	41 756
– expected credit loss provision increase	**8 655**	3 548
– (decrease)/increase in provisions and post-retirement medical liability	**(3 803)**	4 804
– straight-lining of leases	**–**	(3 622)
– impairment of intangible asset	**16 196**	5 595
– fair value adjustment of long-term receivable	**2 027**	1 763
– inventories written off	**95 424**	100 234
– increase in inventory provisions	**37 436**	28 233
– cancellation of IFRS 16 lease	**(89)**	–
– foreign exchange loss/(profit)	**14 870**	(1 060)
	1 245 557	1 237 405
29.2 Working capital changes		
(Increase)/Decrease in inventories	**(699 326)**	99 084
Decrease/(Increase) in trade receivables	**193 356**	(207 882)
Increase/(Decrease) in trade and other payables	**341 315**	(99 802)
	(164 655)	(208 600)
29.3 Dividends paid		
Dividends paid to equity holders of the parent	**(342 941)**	(270 801)
Dividends paid to non-controlling shareholders	**(6 713)**	(7 088)
	(349 654)	(277 889)

29. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	2020 R'000	2019 R'000
29.4 Taxation paid		
Amounts overpaid at beginning of year	**10 789**	6 061
Amounts charged to profit or loss	**(247 815)**	(270 550)
Continuing operations	**(247 815)**	(269 435)
Discontinued operation	**–**	(1 115)
Movement in deferred tax	**(21 384)**	2 261
Acquisition of business	**(1 077)**	–
Exchange rate adjustments	**330**	(92)
Disposal of business	**–**	(1 038)
Loss of control of subsidiary	**(15)**	–
Amounts overpaid at end of year	**(12 585)**	(10 789)
	(271 757)	(274 147)
29.5 Finance income received		
Finance income	**5 278**	6 756
Movement in receivable	**116**	594
	5 394	7 350
29.6 Finance costs paid		
Finance costs	**(38 764)**	(18 404)
Movement in accrual	**285**	(1 705)
	(38 479)	(20 109)
29.7 Dividend income received		
Dividend income	**3 825**	3 864
Dividends received from joint ventures (Annexure F)	**95 649**	38 089
	99 474	41 953
29.8 Treasury shares (for equity option scheme)		
Purchase of treasury shares	**(9 765)**	(21 445)
Disposal of treasury shares	**11 973**	19 099
Net movement in treasury shares	**2 208**	(2 346)
Equity options settlement	**(9 571)**	(19 472)
	(7 363)	(21 818)
Refer Annexure B		
29.9 Disposal of other financial assets		
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	**–**	323
Proceeds from sale of interest in Black Managers Share Trust	**1 085**	2 332
	1 085	2 655

	2020 R'000	2019 R'000

29. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

29.10 Proceeds on disposal of property, plant and equipment

	2020 R'000	2019 R'000
Disposal of property, plant and equipment – net book value (refer note 11)	**5 390**	1 965
Profit/(Loss) on disposal	**922**	(677)
	6 312	1 288
Deferred receivable	**(5 476)**	–
Proceeds on disposal	**836**	1 288

30. CONTINGENT LIABILITIES

The wholly-owned South African companies in the Group provide cross-sureties for the overdraft facilities (refer note 20) in South Africa.

No-cross securities were required as the overdraft facility was not utilised at year-end.

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

	2020 R'000	2019 R'000
Commitments contracted for		
Within one year	**50 485**	21 772
Approved but not contracted for		
Within one year	**75 647**	90 100
	126 132	111 872

These commitments relate to property, plant and equipment.

31.2 Guarantees

The Group has provided guarantees to the amount of R2.6 million at 30 June 2020 (June 2019: R3.1 million).

32. RELATED PARTIES

The following services have been obtained from subsidiaries of The Bidvest Group Limited, the controlling shareholder of the Company. All of the services are in the ordinary course of business and on an aggregated basis these arrangements/agreements are less than 10% of the Company's market capitalisation, which is within the ordinary course of business exclusion pursuant to Section 9 of the JSE Listings Requirements.

32.1 The following services are obtained with no contract in place for these services, as they are obtained on an *ad-hoc* basis, with price and quality dictating the purchase:

Company	Description	2020 R'000
Bidvest Services Holdings (Pty) Ltd t/a BidAir Cargo	Freight forwarding	1 146
Bidvest Afcom (Pty) Ltd	Consumables (tape)	1 984
Bidvest G Fox (Pty) Ltd	Protective wear	537
Bidvest Material Handling (Pty) Ltd	Maintenance	25
Bidvest McCarthy Ltd t/a Bidvest Car Rental	Vehicle rental	1 801
Bidvest Office (Pty) Ltd t/a Bidvest Waltons	Office stationery	1 413
Bidvest Office (Pty) Ltd t/a Cecil Nurse	Furniture	2 307
Bidvest Office (Pty) Ltd t/a Hortors SA Diaries	Diaries	1 606
Bidvest Paperplus (Pty) Ltd t/a Lithotech Blesston	Consumables	1 262
Bidvest Paperplus (Pty) Ltd t/a Rotolabel Johannesburg	Packaging	61
First Garment Rental (Pty) Ltd	Factory laundry	2 267
HRG Rennies Travel (Pty) Ltd	Travel	6 935
Steiner Hygiene (Pty) Ltd	Cleaning consumables	133
		21 477

32.2 The following services are obtained where no contract is in place, but a 12-month price agreement has been agreed:

Company	Description	
Bidvest Bank Limited	Forex	203
Bidvest Car Rental (Pty) Ltd t/a Budget Car & Van Rental	Car hire	788
Pureau Fresh Water Company (Pty) Ltd	Refreshments	983
		1 974

32.3 Contracts are in place for a period of time for the following services obtained:

Company	Description	
Bidvest Facilities Management (Pty) Ltd (1)	Facilities Management	8 907
Bidvest Managed Solutions (Pty) Ltd (2)	Cleaning/Gardening	4 186
Bidvest Prestige Cleaning t/a Bidvest Managed Solutions (Pty) Ltd (3)	Cleaning	6 043
Bidvest Protea Coin (Pty) Ltd (4)	Guarding	20 486
Safcor Freight (Pty) Ltd t/a Bidvest International Logistics (5)	Freight forwarding	61 955
		101 577

Contract details

(1) 36 months contract, which started 1 July 2018, with a three-month extension.

(2) Main contract that caters for the manufacturing sites and distribution. Was for 36 months up to February 2020. To be renegotiated.

(3) Main contract that caters for the manufacturing sites and distribution. Was for 36 months up to February 2020. To be renegotiated.

(4) A new contract is in the process of being renegotiated.

(5) The previous contract was for 30 months and expired in February 2019. To be renegotiated.

32. RELATED PARTIES (continued)

32.4 The following directors fees have been paid following the authority granted at the AGM in November 2019:

Company	Description	2020 R'000
Bidvest Branded Products	Directors' fees	**330**
Bidvest Corporate Services	Directors' fees	**1 542**
		1 872

	2020 R'000	2019 R'000
Total purchases from the Bidvest Group Limited	**126 900**	74 302
Balance owing at reporting date	**18 845**	13 899

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

Payments to directors and key management are disclosed in notes 7.3 and 7.4.

33. IMPACT OF COVID-19

The Board, in its assessment of the going-concern status of the Company and Group, considered the current financial position of the Group, the sustainability of each of the business units and their operating models, available financial resources at 30 June 2020, the budget and cash flow forecast to September 2021, the current regulatory environment and potential changes thereto, the economic outlook, as well as the impact of Covid-19 on its operations and the economic environment. The overwhelming majority of the Group's activities, and those of most of its customers, are regarded as essential services and have been operating throughout all levels of lockdown. However, as the disease spread, the prevalence of infections amongst employees increased, putting certain of the operations at risk of not being able to operate on a fully uninterrupted basis. All factories and distribution centres had to close intermittently for certain periods of time to allow for additional sanitising procedures and employees were isolated or quarantined as appropriate, but all customers were serviced despite these interruptions. The Board is satisfied that the Company and Group will each be able to continue as a going concern in the foreseeable future and has therefore continued to adopt the going-concern basis in preparing the annual financial statements.

Management has further considered the impact of Covid-19 on the financial statements, particularly relating to the potential impact on trading profit, property, plant and equipment, intangible assets, inventory, trade and other receivables and other financial instruments. Where a significant impact relating to Covid-19 was noted, management has disclosed this in the applicable note, whereas no specific disclosure was made where Covid-19 did not have a significant impact on the particular class of transaction or balance.

Management is also not aware of any events subsequent to year-end relating to the Covid-19 pandemic that would need to be disclosed in the financial statements and that would result in either an adjusting or non-adjusting event.

34. SUBSEQUENT EVENT

There are no significant events after year-end.

Company statements of comprehensive income

	Notes	2020 R'000	2019 R'000
Revenue	A	**391 524**	64 439
Operating expenses		**(500)**	(369)
Finance costs	B	**(16 781)**	(23 955)
Trading income		**374 243**	40 115
Non-trading expense	C	**(10 000)**	-
Profit before taxation		**364 243**	40 115
Taxation	D	**140**	(567)
Profit for the year		**364 383**	39 548
Other comprehensive income which will not be subsequently be recycled to profit or loss	J	**43**	27
Fair value of investment		**55**	35
Tax effect of revaluation		**(12)**	(8)
Total comprehensive income for the year, net of tax		**364 426**	39 575

Company statement of changes in equity

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained income/ (Accumulated loss) R'000	Total R'000
Balance at 1 July 2018		17 574	894 653	79 562	52 392	1 044 181
Total comprehensive income				27	39 548	39 575
Profit for the year					39 548	39 548
Other comprehensive income				27		27
Dividends	N.1				(278 823)	(278 823)
Balance at 30 June 2019		**17 574**	**894 653**	**79 589**	**(186 883)**	**804 933**
Share issue	H.2,I	**2**	**777**			**779**
Total comprehensive income				**43**	**364 383**	**364 426**
Profit for the year					**364 383**	**364 383**
Other comprehensive income				**43**		**43**
Dividends	N.1				**(351 518)**	**(351 518)**
Balance at 30 June 2020		**17 576**	**895 430**	**79 632**	**(174 018)**	**818 620**

Company statements of financial position

	Notes	Audited 2020 R'000	Restated* 2019 R'000	Restated* 01 July 2018 R'000
ASSETS				
Investments	E	**3 368 590**	3 368 535	3 368 823
Amounts owing by Group companies	G.1	**167 154**	167 154	167 154
Non-current assets		**3 535 744**	3 535 689	3 535 977
Cash and cash equivalents	F	**66 615**	31 926	30 809
Amounts owing by Group companies	G.1	**-**	80 000	98 000
Other receivables	L.2	**-**	351	93
Deferred tax	K	**28**	-	201
Taxation receivable	M.2	**113**	286	1 920
Current assets		**66 756**	112 563	131 023
Total assets		**3 602 500**	3 648 252	3 667 000
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	H.2	**17 576**	17 574	17 574
Share premium	I	**895 430**	894 653	894 653
Non-distributable reserves	J	**79 632**	79 589	79 562
(Accumulated loss)/Retained income		**(174 018)**	(186 883)	52 392
Total equity		**818 620**	804 933	1 044 181
Deferred tax	K	**-**	100	-
Non-current liabilities		**-**	100	-
Bank overdraft		**-**	-	250 000
Other payables	L.1	**1 662**	1 100	2 667
Amounts owing to Group companies	G.2	**2 782 218**	2 842 119	2 370 152
Current liabilities		**2 783 880**	2 843 219	2 622 819
Total equity and liabilities		**3 602 500**	3 648 252	3 667 000

** Refer to Note P.1 for details regarding the restatement.*

Company statements of cash flows

	Notes	Audited 2020 R'000	Restated* 2019 R'000
Cash utilised in operations	M.1	**(10 500)**	(369)
Finance income, excluding accrual		**16 226**	26 092
Finance costs, excluding accrual		**(16 397)**	(25 660)
Dividend income	A	**375 649**	38 089
Dividends paid, excluding accrual		**(351 340)**	(278 685)
Taxation received	M.2	**173**	1 360
Net cash inflow/(outflow) from operating activities		**13 811**	(239 173)
Cash flows from investing activities			
Disposal of investments	M.3	**–**	323
Repayment of amounts owing by Group companies		**80 000**	18 000
Net cash inflow from investing activities		**80 000**	18 323
Cash flows from financing activities			
Proceeds from issue of share capital		**779**	-
Repayment of amounts owing to Group companies		**(159 901)**	(1 926)
Funding from Group companies		**100 000**	473 893
Net cash (outflow)/inflow from financing activities		**(59 122)**	471 967
Net increase in cash and cash equivalents		**34 689**	251 117
Net cash and cash equivalents at beginning of year		**31 926**	(219 191)
Net cash and cash equivalents at end of year	F	**66 615**	31 926

** Refer to Note P.2 for details regarding the restatement.*

Notes to the Company financial statements

		2020 R'000	2019 R'000
A	**REVENUE**		
	Dividend income	**375 649**	38 089
	Finance income	**15 875**	26 350
	Bank	**15 875**	8 989
	Intercompany	**–**	17 361
		391 524	64 439
B	**FINANCE COSTS**		
	Borrowings	**16 781**	23 955
C	**NON-TRADING EXPENSE**		
	Ex-gratia payment made to the Group's B-BBEE partner (Ad-izinyosi Proprietary Limited). Refer to Annexure B	**10 000**	–
D	**TAXATION**		
	South African taxation		
	Current income tax		
	– current year	**–**	274
	Deferred tax		
	– current year	**(140)**	293
		(140)	567
	Reconciliation of the taxation rate:	**%**	%
	Effective rate	**(0.0)**	1.4
	Adjusted for:		
	Exempt income (dividend income)	**28.8**	26.6
	Non-deductible expenses (*Ex-gratia* payment)	**(0.8)**	–
	South African normal tax rate	**28.0**	28.0

		Effective holding 2020 %	Effective holding 2019 %	2020 R'000	2019 R'000
E	**INVESTMENTS**				
	Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
	Adcock Ingram Healthcare Proprietary Limited	**100**	100	**815 390**	815 390
	Adcock Ingram Intellectual Property Proprietary Limited	**100**	100	**104 000**	104 000
	Adcock Ingram Critical Care Proprietary Limited	**100**	100	**284 979**	284 979
	Adcock Ingram International Proprietary Limited	**100**	100	*	*
	Tender Loving Care Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100	*	*
	Thembalami Pharmaceuticals Proprietary Limited	**50**	50	*	*
	Adcock Ingram Limited India	**49.9**	49.9	**31 930**	31 930
	Group Risk Holdings Proprietary Limited [(1)]	**4.4**	4.4	**1 704**	1 649
				3 368 590	3 368 535

**Less than R1 000*

Refer to Annexure H for the Group structure

	2020 R'000	2019 R'000
[(1)] **Group Risk Holdings Proprietary Limited**		
Balance at 1 July	**1 649**	1 937
Disposal of 0.9% interest	**–**	(323)
Revaluation of investment to fair value	**55**	35
	1 704	1 649

		2020 R'000	2019 R'000
F	**NET CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents		
	Cash at banks	**66 615**	31 926

Favourable balances attract interest at 5.35%.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9 and the identified expected credit loss is immaterial.

		Audited 2020 R'000	Restated* 2019 R'000
G	**AMOUNTS OWING BY/TO GROUP COMPANIES**		
G.1	**Amounts owing by Group companies**		
	Included in non-current assets		
	Adcock Ingram International Proprietary Limited	**167 154**	167 154
	Included in current assets		
	Adcock Ingram Critical Care Proprietary Limited	**–**	80 000
	Amounts owing by Group companies are subject to the impairment requirements of IFRS 9 and the identified expected credit loss is immaterial.		
	The loans are unsecured, interest-free, and have no fixed terms of repayment.		
G.2	**Amounts owing to Group companies**		
	Included in current liabilities		
	Adcock Ingram Limited	**2 254 068**	2 154 068
	Adcock Ingram Healthcare Proprietary Limited	**528 150**	688 051
		2 782 218	2 842 119
	The loans are unsecured, interest free, and have no fixed term of repayment.		
	** Refer to Note P.1 for details regarding the restatement.*		
H	**SHARE CAPITAL**		
H.1	**Authorised**		
	Ordinary share capital		
	250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
H.2	**Issued**		
	Ordinary share capital		
	Opening balance of 175 748 048 ordinary shares (2019: 175 748 048) of 10 cents each	**17 574**	17 574
	Issue of 10 813 ordinary shares of 10 cents each	**2**	–
	Closing balance of 175 758 861 ordinary shares of 10 cents each (2019: 175 748 048 ordinary shares of 10 cents each)	**17 576**	17 574
	The 10 813 ordinary shares were issued during the year in various tranches to meet the obligations following the exercise of call options granted in the B-BBEE scheme.		
H.3	**Unissued shares**		
	In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit but subject to the provisions of the Companies Act.		
I	**SHARE PREMIUM**		
	Balance at the beginning of the year	**894 653**	894 653
	Issue of 10 813 ordinary shares	**777**	-
		895 430	894 653

		Share-based payment reserve R'000	Other reserves R'000	Total R'000
J	**NON-DISTRIBUTABLE RESERVES**			
	Balance at 1 July 2018	20 821	58 741	79 562
	Fair value of investment through other comprehensive income		35	35
	Tax effect of revaluation		(8)	(8)
	Balance at 30 June 2019	**20 821**	**58 768**	**79 589**
	Fair value of investment through other comprehensive income		**55**	**55**
	Tax effect of revaluation		**(12)**	**(12)**
	Balance at 30 June 2020	**20 821**	**58 811**	**79 632**

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

		2020 R'000	2019 R'000
K	**DEFERRED TAX**		
	Balance at beginning of year	**(100)**	201
	Movement through profit or loss	**140**	(293)
	Fair value of investment through other comprehensive income	**(12)**	(8)
	Balance at end of year	**28**	(100)
	This balance comprises the temporary difference relating to the fair value adjustment of the Investment in Group Risk Holdings Proprietary Limited, a financial asset designated at fair value through other comprehensive income (OCI), as well as the recognition of an assessed loss.		
L	**OTHER PAYABLES AND RECEIVABLES**		
L.1	**Other payables**		
	Interest accrued	**384**	–
	Shareholders for dividends	**1 278**	1 100
		1 662	1 100
L.2	**Other receivables**		
	Interest accrued	**–**	351
M	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
M.1	**Cash utilised in operations**		
	Profit before taxation	**364 243**	40 115
	Adjusted for:		
	- dividend income	**(375 649)**	(38 089)
	- finance income	**(15 875)**	(26 350)
	- finance costs	**16 781**	23 955
		(10 500)	(369)

		2020 R'000	2019 R'000
M.2	**Taxation received**		
	Amounts overpaid at beginning of year	**286**	1 920
	Amounts charged to profit or loss	**–**	(274)
	Amount overpaid at end of year	**(113)**	(286)
		173	1 360
M.3	**Disposal of investments**		
	Proceeds on sale of 0.9% interest in Group Risk Holdings Proprietary Limited	**–**	323
N	**DISTRIBUTIONS**		
N.1	**Declared and paid during the year**		
	Final dividend for 2019: 100 cents per share (2018: 86 cents per share)	**175 759**	128 918
	Interim dividend for 2020: 100 cents per share (2019: 100 cents per share)	**175 759**	149 905
	Total declared and paid	**351 518**	278 823
N.2	**Declared subsequent to the reporting date**		
	No final dividend declared for 2020 (2019: 100 cents per share)	**–**	175 756
O	**RELATED PARTIES**		
	Related party transactions exist between the Company and other subsidiaries within the Adcock Ingram Group.		
	The following related party transactions occurred:		
	Interest received		
	Adcock Ingram Healthcare Proprietary Limited	**–**	17 361
	Dividends received		
	Adcock Ingram Limited India	**15 649**	38 089
	Adcock Ingram Healthcare Proprietary Limited	**160 000**	–
	Adcock Ingram Critical Care Proprietary Limited	**100 000**	–
	Adcock Ingram Intellectual Property Proprietary Limited	**100 000**	–
		375 649	38 089
	Dividends paid		
	Adcock Ingram Limited	**8 570**	7 970

The related balances (where applicable) are shown in note G. Refer to Annexure H for nature of the relationships of related parties.

P. RESTATEMENT

P.1 Restatement of inter-company loans

The Company incorrectly disclosed amounts owing by/to Group companies as current assets and non-current liabilities respectively, resulting in the overstatement of current assets and non-current liabilities in the prior years.

The disclosure has been corrected by restating each of the financial statement lines for the prior periods as follows:

Statements of financial position extract	30 June 2019	Increase/ (Decrease)	Restated 30 June 2019	30 June 2018	Increase/ (Decrease)	Restated 30 June 2018
Net assets						
Non-current assets – Amounts owing by Group companies	–	167 154	167 154	–	167 154	167 154
Current assets – Amounts owing by Group companies	247 154	(167 154)	80 000	265 154	(167 154)	98 000
Net liabilities						
Non-current liabilities – Amounts owing to Group companies	2 154 068	(2 154 068)	–	2 155 994	(2 155 994)	–
Current liabilities – Amounts owing to Group companies	688 051	2 154 068	2 842 119	214 158	2 155 994	2 370 152

P.2 Restatement of movements in amounts owing by group companies in statement of cash flows

The Company incorrectly disclosed movements in amounts owing by Group companies as cash flows from financing activities.

The disclosure has been corrected by restating the prior period comparative cash flow as follows :

	30 June 2019	Increase/ (Decrease)	Restated 30 June 2019
Funding from Group Companies (included in cash flows from financing activities)	489 967	(16 074)	473 893
Repayment of amounts owing to Group companies (included in cash flows from financing activities)	–	(1 926)	(1 926)
Repayment of amounts owing by Group Companies (included in cash flows from investing activities)	–	18 000	18 000

We draw attention to the fact that at 30 June 2020, the company had accumulated losses of (R174 million) and that the Company's current liabilities exceed its current assets by (R2,717 million). The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The directors are comfortable that the company will be able to service its current obligations as they become due as these current obligations relate to loans to companies within the same Group which have been classified as current liabilities based on the principles of IAS 1. These amounts owing are not deemed to be called on by the subsidiaries in the next 12 months. The company has access to R1 billion in facilities for working capital purposes.

Q FINANCIAL INSTRUMENTS

Fair value hierarchy

The classification of financial instruments and the fair value hierarchy are as follows:

Financial instruments	Classification per IFRS 9	**2020 R'000**	2019 R'000
Investment in Group Risk Holdings Proprietary Limited[(1)]	Fair value through OCI	**1 704**	1 649
Amounts owing by Group companies[(2)]	At amortised cost	**167 154**	247 154
Amounts owing to Group companies[(2)]	At amortised cost	**2 782 218**	2 842 119
Bank[(2)]	At amortised cost	**66 615**	31 926

[(1)] Level 3: The value of the investment is based on Adcock Ingram's proportionate share of the net asset value of this company.
[(2)] The carrying value approximates the fair value due to the short term nature. The identified expected credit loss is immaterial.

Q FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

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

The Company's financial assets comprise an investment, cash and receivables , which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk.

Credit risk

Financial assets of the company which are subject to credit risk consist mainly of cash resources, loans from group companies and receivables at fair value through profit or loss. The company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The only receivables are from Group companies and as such no financial instruments are entered into to mitigate this risk but the Board of directors monitors the solvency and liquidity of the counterparties on an ongoing basis.

Amounts due from Group companies are considered to be of a low credit risk, as they have a strong capacity to meet their contractual cash flow obligations in the near term.

Cash resources are placed with various approved major financial institutions that all have a Baaa3 credit rating. The company limits its exposure to any one institution by not placing more than R500 million at any one institution. This is based on the Groups accounting policy.

Refer to accounting policies "Impairment of Financial Assets".

Interest rate risk

The Company is exposed to interest rate risk on cash balances that carry interest at rates that vary.

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 Company's profit before tax (through the impact on balances subject to floating rates):

		Increase in profit before tax	
	Change in rate	**2020 R'000**	2019 R'000
Cash and cash equivalents			
Cash at banks	+1	**666**	319

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due.

The only payables are Amounts owing to Group companies. The Board of directors maintains facilities to ensure that the Company and Group can meet their financial obligations. The facilities in place in South Africa are approximately R1 billion for working capital purposes. Refer to P.2

The contractual maturity profile of the payables is as follows:

	2020 R'000	2019 R'000
Amounts owing to Group companies (within 12 months)	**2 782 218**	2 842 118
Other payables (within 3 months)	**1 662**	1 100
Net debt		
Amounts owing to Group companies and other payables (included in current liabilities)	**2 783 880**	2 843 219
Cash and cash equivalents	**(66 615)**	(31 926)
Net debt	**2 717 265**	2 811 293

Annexure A – Segment report

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

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

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

The financial information of the Group's reportable segments is reported to key management (executive directors) for purposes of making decisions about allocating resources to the segment and assessing its performance. Key management primarily uses a measure of trading profit to assess the performance of the operating segments. However, key management also receives information about the segments' revenue and assets on a monthly basis. Non-current liabilities are not considered key in assessing the segments 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. The basis of accounting for transactions between reportable segments are internally agreed rates, to recover cost.

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

STATEMENT OF COMPREHENSIVE INCOME

	2020 R'000	2019 R'000
Revenue from contracts with customers		
Continuing operations		
Southern Africa	**7 309 337**	7 030 034
Consumer	**892 392**	786 896
OTC	**2 017 941**	1 982 886
Prescription	**2 758 538**	2 739 649
Hospital	**1 627 518**	1 454 604
Other – shared services	**12 948**	65 999
Rest of Africa	**53 583**	68 524
Research and development services in India	**24 944**	21 114
	7 387 864	7 119 672
less: Intercompany sales	**(41 306)**	(41 234)
	7 346 558	7 078 438
The South African Government represents more than 10% of the Group's revenue, arising in the following segments:		
Consumer	**–**	4
OTC	**154 947**	117 176
Prescription	**374 125**	319 832
Hospital	**532 233**	426 334
	1 061 305	863 346

TRADING PROFIT

	2020 R'000	2019 R'000
Continuing operations		
Southern Africa	**942 221**	944 752
Consumer	**155 134**	134 177
OTC	**426 272**	388 361
Prescription	**217 652**	309 989
Hospital	**140 453**	112 225
Other – shared services	**2 710**	–
Rest of Africa	**(525)**	8 609
Research and development services in India	**2 584**	2 060
	944 280	955 421

OTHER

	2020 R'000	2019 R'000
Fair value adjustment of long-term receivable	**2 027**	1 763
Hospital	**600**	451
Other – shared services	**1 427**	1 312
Impairments [2]		
Southern Africa	**13 849**	5 595
Consumer	**2 700**	–
OTC	**8 000**	–
Prescription	**3 149**	–
Other – shared services	**–**	5 595
Rest of Africa	**2 347**	2 973
	16 196	8 568
Depreciation and amortisation		
Southern Africa	**194 320**	161 374
Consumer	**8 444**	8 383
OTC	**49 096**	45 714
Prescription	**29 800**	29 776
Hospital	**21 009**	24 118
Other – shared services	**85 971**	53 383
Rest of Africa	**581**	520
Research and development services in India	**585**	534
	195 486	162 428

(2) *Refer to Annexure G.*

STATEMENT OF FINANCIAL POSITION

	2020 R'000	2019 R'000
Total assets		
Southern Africa	**6 780 824**	5 922 443
Consumer	**719 751**	342 209
OTC	**1 758 602**	1 771 142
Prescription	**2 241 489**	2 020 144
Hospital	**1 359 322**	1 189 750
Other – shared services	**701 660**	599 198
Rest of Africa	**25 570**	40 502
India	**375 356**	287 848
	7 181 750	6 250 793
Current liabilities		
Southern Africa	**2 160 010**	1 791 161
Consumer	**169 929**	140 835
OTC	**482 343**	499 927
Prescription	**866 609**	564 611
Hospital	**467 052**	388 949
Other – shared services	**174 077**	196 839
Rest of Africa	**30 402**	41 384
India	**3 183**	2 084
	2 193 595	1 834 629
Capital expenditure [(1)]		
Continuing operations		
Southern Africa	**153 244**	207 856
Consumer	**58**	80
OTC	**54 225**	102 025
Prescription	**29 649**	62 994
Hospital	**21 077**	1 930
Other – shared services	**48 235**	40 827
Rest of Africa	**72**	67
India	**223**	297
	153 539	208 220
Discontinued operation		
Rest of Africa		7 264

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

Annexure B – Share-based payments plans

A Performance-based long-term incentive scheme

Shareholders approved the performance-based long-term incentive scheme (PBLTIS) at the Annual General Meeting held on 22 November 2019. The objective of the scheme is to reward and retain selected critical senior employees who contribute to and influence the performance of the Group and its strategy, on a basis which aligns with the interests of shareholders.

The Board is responsible for the governance of the scheme and has the final authority on who participates in the scheme on an annual basis.

2020

During the year 516 000, conditional share awards, were granted to the three executive directors and the four commercial managing directors.

Performance conditions (financial and non-financial) attached to these awards are as follows:

Equity-settled			Performance		
Measure	Weight	Measurement base	Threshold (30% vesting)	Target (60% vesting)	Stretch (100% vesting)
HEPS growth	50%	Inflation	CPI	CPI + 50% of CPI	CPI + 100% of CPI
ROFE[(1)]	25%	ROFE	25%	30%	35%
B-BBEE	25%	B-BBEE Scorecard points	Level 4 (80 to 85 points)	Level 4 (>85 points)	Level 3 (90+ points)

[(1)] *Return on funds employed*

Linear vesting of an award occurs between the intervals stated above.

The Company's performance will be determined annually for each of the three years in the performance period, i.e. FY2020, FY2021 and FY2022, and the average for the three years will be the performance score for the three-year performance period.

Subject to achievement of these conditions, 75% of the portion which the employees are entitled to will vest after three years and 25% after four years from the grant date. The weighted average remining contractual life for these conditional share awards was 2.24 years as at 30 June 2020.

If none of the performance conditions are met, no conditional share award will vest.

The performance conditions of the share awards are classified as non-market conditions and the fair value of the awards is determined by the share price at the grant date, adjusted for a dividend yield, as employees are not entitled to dividends until any portion of the allocation vests. The expected dividend yield was estimated using a two-year moving average of the dividend yield at the grant date.

A share-based payment expense of R6.05 million was recognised during 2020, assuming all performance conditions over the three-year period will be met, as it was too early to determine the probability of these being achieved.

Refer to Annexure J – Remuneration Implementation Report for more details on the outcome.

B General employee share option plans

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

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

The equity-settled awards which were initiated in June 2014 have been replaced with cash-settled awards from August 2018.

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

Equity-settled

	2020		2019	
	Number	WAOP (Rand)	Number	WAOP (Rand)
Outstanding at the beginning of the year	**4 246 005**	**48.92**	5 685 001	48.62
Exercised	**(673 327)**	**43.97**	(805 328)	46.66
Forfeited	**(150 000)**	**52.15**	(633 668)	48.34
Outstanding at the end of the year	**3 422 678**	**49.77**	4 246 005	48.92
Vested and exercisable at the end of the year	**651 327**	**46.69**	432 666	51.36

	2020	2019
Weighted average share price of exercised options:	**R58.19**	R70.84
Weighted average remaining contractual life for the share options outstanding at reporting date:	**5.77 years**	6.79 years
Range of offer prices for options outstanding at the end of the year:	**R41.94 – R57.73**	R41.94 – R57.73
Expense recognised for employee services received during the year (million):	**R11.22**	R21.03

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

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

B General employee share option plans (continued)

Cash-settled

	2020		2019	
	Number	**WAOP (Rand)**	Number	WAOP (Rand)
Outstanding at the beginning of the year	**1 935 000**	**65.29**	57 153	56.63
Granted	**1 165 000**	**58.39**	2 135 000	65.30
Forfeited	**(190 000)**	**63.63**	(200 000)	65.46
Exercised	**–**	**–**	(57 153)	56.63
Outstanding at the end of the year [(1)]	**2 910 000**	**62.63**	1 935 000	65.29

(1) *All options are unvested at the end of each year.*

	2020	2019
Weighted average share price of exercised options:	**–**	R68.59
Weighted average remaining contractual life for the share options outstanding at reporting date:	**4.68 years**	5.25 years
Range of offer prices for options outstanding at the end of the year:	**R58.39 – R65.46**	R62.00 – R65.46
Carrying amount of the liability relating to the cash-settled options at reporting date (million):	**R21.10**	R18.70
Expense recognised for employee services received during the year (million):	**R2.40**	R16.97

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

Key assumptions used in the cash-settled options calculations:	2020	2019
Share price @ 30 June	**R48.00**	R59.60
Volatility	**27.5%**	24.9%
Dividend yield	**3.0%**	2.6%

C Black Managers Share Trust

In terms of the Tiger Brands Limited ("TBL") BEE transaction implemented in July 2005, 4 381 831 TBL shares were acquired by the Tiger Brands Black Manager Share Trust ("Trust"). The purchase of these shares was mainly funded through capital contributions made by TBL and Adcock Ingram related entities. Adcock Ingram Holdings Limited ("Adcock Ingram") was listed on the JSE in August 2008 and subsequently unbundled from TBL. After the unbundling, the Trust, as a shareholder of TBL, received one Adcock share for each TBL share held. This resulted in the trust now holding 4 381 831 shares in both TBL and Adcock. The allocation of participation rights to the shares held by the Trust were made to qualifying black managers, which entitles the beneficiary to receive TBL and Adcock shares, after making a capital contribution to the Trust at any time after the defined lock in period, i.e. from 1 January 2015. These vested right are non-transferable.

The fair value of the participation rights on TBL shares, pre-unbundling and Adcock shares post-unbundling, issued by the Trust to Adcock employees are classified as equity-settled in terms of IFRS 2 and are therefore valued on the grant date and expensed over the relevant vesting period. No subsequent revaluation takes place, although the expense is adjusted for actual forfeitures.

The participation rights, issued by Adcock Ingram, on TBL and Oceana shares to Adcock Ingram employees are accounted for under IAS 19. The liability in respect of these shares is recognised over the average expected life of the participation right rather than being expensed over the vesting period only. The liability is subsequently revalued at year-end taking into consideration market conditions at that date.

The Group does not consolidate the Trust, as it exercises no control over the Trust.

C Black Managers Share Trust (continued)

Number of equity and IAS 19 share award options	2020 Adcock Ingram	2020 Tiger Brands	2020 Oceana	2019 Adcock Ingram	2019 Tiger Brands	2019 Oceana
Outstanding at the beginning of the year	**371 025**	**316 247**	**82 227**	382 754	342 542	–
Granted	**–**	**–**	**–**	–	–	82 227
Exercised	**(19 402)**	**(10 611)**	**(2 991)**	(11 729)	(26 295)	–
Outstanding at the end of the year [(1)]	**351 623**	**305 636**	**79 236**	371 025	316 247	82 227
Weighted average exercise price	**R55.07**	**R202.14**	**R64.05**	R62.06	R276.19	–

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

	2020	2019
Weighted average remaining contractual life for the share options outstanding at reporting date:	**7.25 years**	8.25 years
(Income)/Expense recognised for employee services received during the year (million):	**(R3.75)**	R3.74
Fair value adjustment of employee benefits (IAS 19) (million):	**R15.00**	–

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

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

Key assumptions used in the IAS 19 employee benefits calculations:	2020 Tiger Brands	2020 Oceana	2019* Tiger Brands
Share price @ 30 March	**R185.00**	**R55.00**	R265.00
Volatility	**26.9%**	**28.9%**	26.4%
Dividend yield	**4.6%**	**4.6%**	3.2%

* *Effective date Oceana unbundled from Tiger Brands – 26 April 2019.*

D Broad-Based Black Economic Empowerment (B-BBEE) transaction

Securities holders of AdBEE (RF) Limited (AdBEE) were notified on 31 May 2019 that AdBEE would not initiate the process of extending the Adcock Ingram Broad-Based Black Empowerment Scheme (Scheme) and accordingly the Scheme came to an end on 29 July 2019. The value of a Scheme share did not exceed the maximum price (being R72.00) and therefore, on 1 August 2019, the Scheme transaction, in its entirety, was *ipso facto* cancelled *ab initio*.

Scheme participants received call options entitling the holders thereof to subscribe for Adcock Ingram shares, which had to be exercised at any time within the 30 day period prior to the transaction end date. During July 2019, 10 813 call options were exercised and 10 813 ordinary shares were issued.

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

An ex-gratia payment of R10.0 million was made to the Group's B-BBEE partner (Ad-izinyosi) consequent to the unwinding of the B-BBEE scheme in July 2019.

Subsequently Ad-izinyosi made a payment to its shareholders, as it ceased trading. The Mpho EA Bophelo Trust received R6 124 301, of which R6 081 022 was paid to the Trust beneficiaries.

Annexure C – Defined contribution and defined benefit plan

Defined contribution plan

The Company and its subsidiaries contribute to a defined contribution plan for all employees in South Africa.

These contributions are expensed.

Contributions to the defined contribution plan expected in the following year are R125.3 million (2020: R119.6 million).

Defined benefit plan

In addition, the Company and its subsidiaries contributed to a retirement benefit fund in respect of certain retirees. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act No 24 of 1956, as amended. Funds must, in terms of the Pension Fund Act, be valued at least every three years. The latest full actuarial valuation was performed on 30 September 2019.

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

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

	2020 R'000	2019 R'000
Net benefit expense		
Interest cost on defined benefit obligation	**121**	137
Interest income on assets	**(249)**	(172)
Effect of paragraph 64	**128**	35
Net benefit expense	**–**	–
Benefit liability		
Defined benefit obligation	**(1 371)**	(1 320)
Fair value of plan assets	**7 825**	2 692
	6 454	1 372
Unrecognised due to Paragraph 64 limit	**(6 454)**	(1 372)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July	**(1 320)**	(1 550)
Interest cost	**(121)**	(137)
Benefits paid	**47**	51
Actuarial gain on obligation	**23**	316
Defined benefit obligation at 30 June	**(1 371)**	(1 320)

	2020 R'000	2019 R'000
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July	**2 692**	1 936
Return	**249**	172
Benefits paid	**(47)**	(51)
Actuarial gain	**4 931**	635
Fair value of plan assets at 30 June	**7 825**	2 692
Asset coverage over liabilities (times)	**5.7**	2.0
Assumptions	**%**	%
The assumptions used in the valuations are as follows:		
Discount rate	**9.50**	9.30
Future pension increases	**4.80**	5.60
Estimated asset composition:		
Cash	**70.80**	72.10
Bonds	**29.20**	27.90

Sensitivity analysis	Valuation R'000	+1% R'000	-1% R'000
The liability was recalculated to show the effect of:			
2020			
A one percentage point variance in the discount rate assumption	**(1 371)**	**(1 328)**	**(1 420)**
A one percentage point variance in the pension increase rate	**(1 371)**	**(1 425)**	**(1 324)**
2019			
A one percentage point variance in the discount rate assumption	(1 320)	(1 268)	(1 378)
A one percentage point variance in the pension increase rate	(1 320)	(1 383)	(1 264)

Annexure D – Post-retirement medical liability

The Company and its subsidiaries operate a post-employment medical benefit scheme that covers certain retirees and one employee still in service. The liability is valued annually using the Projected Unit Credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 June 2020.

The following table summarises the components of the net benefit expense recognised in the statement of comprehensive income, the funded status and amounts recognised in the statement of financial position.

	2020 R'000	2019 R'000
Net benefit expense		
Current service cost	**36**	36
Interest cost on benefit obligation	**1 452**	1 480
	1 488	1 516
Expected contributions within the next 12 months	**38**	38
Defined benefit obligation at 1 July	**(15 637)**	(16 340)
Interest cost	**(1 452)**	(1 480)
Current service cost	**(36)**	(36)
Benefits paid	**1 409**	1 277
Actuarial gains on obligation	**864**	942
Defined benefit obligation at 30 June	**(14 852)**	(15 637)
Assumptions		
The assumptions used in the valuations are as follows:		
Discount rate (%)	**9.5**	9.7
Healthcare cost inflation (%)	**6.8**	7.8
Expected retirement age	**63.0**	63.0
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity analysis	**Value R'000**	**+1%/year R'000**	**-1%/year R'000**
The liability was recalculated to show the effect of:			
2020			
A one percentage point variance in the assumed rate of healthcare costs inflation	**(14 852)**	**(16 814)**	**(13 693)**
A one percentage point variance in the discount rate	**(14 852)**	**(13 734)**	**(16 156)**
A one year variance in the expected retirement age	**(14 852)**	**(14 764)**	**(15 029)**
2019			
A one percentage point variance in the assumed rate of healthcare costs inflation	(15 637)	(17 279)	(14 247)
A one percentage point variance in the discount rate	(15 637)	(14 285)	(17 259)
A one year variance in the expected retirement age	(15 637)	(15 560)	(15 719)

Annexure E – Financial instruments

Fair value hierarchy

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

Financial instruments	Classification per IFRS 9	Statement of financial position line item	Year end balance 2020 R'000	Year end balance 2019 R'000	Net (gains) and losses 2020 R'000	Net (gains) and losses 2019 R'000
At fair-value level 2[(1)]						
Foreign exchange contracts – derivative asset	Hedging derivative	Trade and other receivables	**12 410**	–	**(55 851)**	(5 026)
Foreign exchange contracts – derivative liability	Hedging derivative	Trade and other payables	**471**	16 799	**–**	–
At fair-value level 3[(2)]						
Black Managers Share Trust	Fair value through profit and loss	Other financial assets	**24 866**	27 978	**Refer to note 15.1**	Refer to note 15.1
Investment	Fair value through OCI	Other financial assets	**1 704**	1 649	**Refer to note 15.2**	Refer to note 15.2
At amortised cost						
Trade and sundry receivables[(3)]	At amortised cost	Trade and other receivables	**1 519 264**	1 679 475	**–**	–
Trade and other payables[(3)]	At amortised cost	Trade and other payables	**1 997 320**	1 605 575	**–**	–
Cash and cash equivalents[(3)]	At amortised cost	Cash and cash equivalents	**316 825**	448 252	**–**	–

Valuation techniques

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

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

(3) *The carrying value approximates fair value due to the short-term nature.*

Financial risk management objectives and policies

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

The Group has various financial assets such as trade and other receivables and cash which arise directly from its operations.

The Group also enters into derivative transactions via forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout 2020, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are credit, market risk (including interest rate and foreign currency), and liquidity. The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loans receivables, long-term receivables at fair value through profit or loss 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 in South Africa, which represents 94% of total cash, are placed with various approved major financial institutions that all have a Baaa3 credit rating. The Group limits its exposure to any one institution by not placing more than R500 million at any one institution.

Cash and cash resources are also subject to impairment requirements of IFRS 9 and the expected credit loss is immaterial.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Individual credit limits are defined in accordance with an independent assessment. In addition, 65% (2019: 69%) of all debtors balances are covered by credit insurance (90% covered), decreasing the risk of loss due to non-payment. The uncovered portion is considered in the expected credit loss allowance. Receivable balances are monitored on an on-going basis with the result that the Group's historical exposure to credit losses is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Corporate office.

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

Debtors are disclosed net of an expected credit loss allowance.

An analysis is performed at each reporting date using a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19 and Note 15.

Apart from the South African Government, which comprises 18.0% (2019: 13.7%) or R251.1 million (2019: R220.0 million) of trade receivables, there are no significant concentrations of credit risk within the Group arising from the financial assets of the Group.

Long term receivables, sundry receivables and intercompany receivables (stand-alone entities) are assessed for impairment when indications of non-payment or other specific risk have been identified. These amounts are considered low risk, as they have a strong capacity to meet their contractual cash flows in the near term.

Market risk

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

Interest rate risk

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

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

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

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

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

		Increase in profit before tax	
	Change in rate %	**2020 R'000**	2019 R'000
Cash balances			
Cash and cash equivalents	+1	**3 168**	4 483
Bank overdraft	+1	**–**	–

Foreign currency risk

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

Foreign operations

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

	2020 Income/ expenses Average Rand	**2020 Assets/ liabilities Spot Rand**	2019 Income/ expenses Average Rand	2019 Assets/ liabilities Spot Rand
Indian Rupee	**0.2160**	**0.2294**	0.2014	0.2043
Kenyan Shilling	**0.1499**	**0.1626**	0.1399	0.1376

Foreign assets/liabilities

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

			Exchange rate applied	
	Assets FC'000	**Liabilities FC'000**	**Assets Rand**	**Liabilities Rand**
2020				
Euro	**–**	**(5 710)**	**19.45**	**19.47**
US Dollar	**447**	**(7 653)**	**17.32**	**17.33**
2019				
Euro	54	(3 940)	16.00	16.02
US Dollar	1 457	(8 112)	14.07	14.09

The following table demonstrates the sensitivity to change in foreign currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of open forward exchange contracts and net investment hedges):

	Change foreign currency exchange rate %	(Decrease)/ increase in profit before tax R'000	Increase/ (decrease) in other comprehensive income R'000
2020			
Euro			
	+10	**(11 113)**	**28 498**
	-10	**11 113**	**(28 498)**
US dollar			
	+10	**(12 486)**	**42 100**
	-10	**12 486**	**(42 100)**
2019			
Euro			
	+10	(6 220)	21 496
	-10	6 220	(21 496)
US dollar			
	+10	(9 371)	22 333
	-10	9 371	(22 333)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due.

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The facilities in place in South Africa are approximately R1 billion for working capital purposes.

Maturity analysis:

For the maturity analysis of trade and other receivables – refer to Note 19

For the maturity analysis of trade and other payables – refer to Note 26

Balances are due within 12 months and as such the impact of discounting is not significant.

The maturity of the IFRS 16 Lease payables (undiscounted):

Repayments in next year (short-term)	R56.2 million
Repayments thereafter	R433.5 million

Collateral pledged

The Group has provided guarantees to various regulatory authorities to the amount of R2.6 million at 30 June 2020 (2019: R3.1 million).

Hedging strategy

The Group imports inventory and equipment from foreign suppliers, resulting to the exposure to the risk in exchange rate movement.

The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for any order is in place. As a result, all material highly probable foreign forecast purchase were covered by forward exchange contracts (FEC) at year-end. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and the forward exchange rate of a similar contract with similar terms and maturities concluded as at the valuation date multiplied by the foreign currency monetary units as per the FEC contract.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability. In other cases the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period(s) as the hedged cash flows affect profit or loss.

At 30 June 2020, the Group held no foreign exchange contracts designated as hedges of expected future sales to customers outside South Africa for which the Group has firm commitments.

The Group had foreign exchange contracts outstanding at 30 June 2020 designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. All foreign exchange contracts will mature within 12 months. The cash flow hedges of expected future purchases were assessed to be effective.

The effective portion of the gains and losses on the hedging instruments that is included in the initial cost of inventory and subsequently part of cost of sales was a profit of R55.9 million (2019: R5.0 million). The ineffective portion that was taken to fixed operating cost was a profit of R2.5 million (2019: R2.5 million). Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated.

A summary of the material contracts, comprising at least 99% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate	R'000
2020			
Euro	**20 217**	**18,77**	**379 566**
US Dollar	**33 560**	**17,55**	**588 936**
2019			
Euro	18 376	16,68	306 596
US Dollar	21 919	14,53	318 483

The maturity analysis for the material outstanding contracts at:

	Euro '000	Rands '000	US Dollar '000	Rands '000
2020				
Within 30 days	**8 661**	**163 609**	**11 735**	**207 715**
31 to 60 days	**5 059**	**95 832**	**10 623**	**185 056**
61 to 90 days	**2 266**	**40 845**	**4 846**	**83 993**
> 90 days	**4 231**	**79 280**	**6 356**	**112 172**
	20 217	**379 566**	**33 560**	**588 936**
2019				
Within 30 days	3 397	56 203	8 465	122 260
31 to 60 days	6 061	100 017	9 142	132 791
61 to 90 days	1 753	29 231	2 861	41 797
> 90 days	7 165	121 145	1 451	21 635
	18 376	306 596	21 919	318 483

A summary of the material contracts settled during the year:

	Foreign currency '000	Average forward rate	R'000
2020			
Euro	**49 973**	**16.91**	**845 107**
US Dollar	**70 723**	**15.07**	**1 065 525**
2019			
Euro	39 208	16.29	638 803
US Dollar	64 784	14.00	906 825

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. The Group's capital structure consists of equity attributable to shareholders, comprising of issued capital, treasury shares, non-distributable reserves and retained earnings. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

Annexure F – Interest in joint ventures

The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's interest in these entities is accounted for in the consolidated financial statements using the equity method. Summarised financial information of the Group's joint ventures, excluding Thembalami which is dormant, are based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

		2020 R'000	2019 R'000
1.	**Adcock Ingram Limited (India)**		
	Statement of financial position		
	Property, plant and equipment	**233 568**	195 218
	Non-current assets	**233 568**	195 218
	Inventories	**88 480**	110 356
	Trade and other receivables	**258 228**	208 634
	Cash and cash equivalents	**313 533**	136 818
	Current assets	**660 241**	455 808
	Total assets	**893 809**	651 026
	Post-retirement medical liability	**7 752**	5 925
	Deferred tax	**13 971**	19 051
	Non-current liabilities	**21 723**	24 976
	Trade and other payables	**104 361**	55 761
	Short-term borrowings	**–**	498
	Provisions	**1 714**	1 526
	Taxation payable	**51 037**	17 660
	Current liabilities	**157 112**	75 445
	Total liabilities	**178 835**	100 421
	Equity	**714 974**	550 605
	Proportion of Group's ownership	**49.9%**	49.9%
	Carrying amount of the investment	**356 772**	274 752

1. Adcock Ingram Limited (India) (continued)

Statement of comprehensive income

	2020 R'000	2019 R'000
Revenue from contracts with customers	**730 766**	520 764
Cost of sales	**(587 505)**	(383 314)
Gross profit	**143 261**	137 450
Selling, distribution and marketing expenses	**(110)**	(76)
Fixed and administrative income	**43 033**	26 816
Operating profit	**186 184**	164 190
Finance income	**12 192**	327
Finance costs	**(6 618)**	(325)
Dividend income	**–**	8 270
Profit before taxation	**191 758**	172 462
Taxation	**(67 806)**	(58 585)
Profit for the year	**123 952**	113 877
Group's share of profit for the year	**61 852**	56 825
Unearned income on inventory	**(1 284)**	(1 233)
Group's share of profit for the year	**60 568**	55 592
Dividends paid to Group	**15 649**	38 089

	2020 R'000	2019 R'000
2. National Renal Care Proprietary Limited		
Statement of financial position		
Property, plant and equipment	**195 444**	199 964
Intangible assets	**106 040**	106 040
Right-of-use asset	**79 181**	–
Loans receivable	**6 674**	35 336
Deferred tax	**25 225**	27 815
Non-current assets	**412 564**	369 155
Inventories	**24 689**	21 728
Trade and other receivables	**108 477**	113 194
Cash and cash equivalents	**131 134**	207 174
Current assets	**264 300**	342 096
Total assets	**676 864**	711 251
Long-term borrowings	**55 283**	–
Non-current liabilities	**55 283**	–
Trade and other payables	**134 708**	121 504
Short-term borrowings	**35 889**	–
Provisions	**20 031**	17 853
Taxation payable	**10 736**	14 941
Current liabilities	**201 364**	154 298
Total liabilities	**256 647**	154 298
Non-controlling interests	**43 405**	93 985
Equity	**376 812**	462 968
Proportion of Group's ownership	**50.0%**	50.0%
Carrying amount of the investment	**188 406**	231 484

	2020 R'000	2019 R'000
2. National Renal Care Proprietary Limited (continued)		
Statement of comprehensive income		
Revenue from contracts with customers	**1 154 287**	1 105 903
Cost of sales	**(865 936)**	(830 302)
Gross profit	**288 351**	275 601
Selling, distribution and marketing expenses	**(151 823)**	(152 220)
Fixed and administrative expenses	**(10 871)**	(9 031)
Trading profit	**125 657**	114 350
Non-trading expenses (impairment of loans receivable)	**–**	(2 605)
Operating profit	**125 657**	111 745
Finance income	**10 730**	15 026
Profit before taxation	**136 387**	126 771
Taxation	**(47 884)**	(47 274)
Profit for the year	**88 503**	79 497
Less:		
Non-controlling interests	**(14 662)**	(4 521)
Profit attributable to owners of the parent	**73 841**	74 976
Group's share of profit for the year	**36 921**	37 488
Dividends paid to Group	**80 000**	–

Annexure G – Impairments

				2020 R'000	2019 R'000
1.	**Trademarks and brands**				
	Reportable segment	**Brand**	**Reason**		
1.1.	**Southern Africa**				
	OTC	Vita-Thion	The outlook on brand revenue has declined due to increase in competitor activity.	**7 500**	
	Prescription	Prelone	The outlook on revenue and profitability has declined, resulting in an impairment thereof.	**3 149**	
	Consumer	Derma Hydrate	The outlook on revenue and profitability has declined, resulting in an impairment thereof.	**2 700**	
	OTC	Complenatal	A decision was taken not to commercialise the brand, as no future economic benefits are expected.	**350**	
	OTC	Totonik	A decision was taken not to commercialise the brand, as no future economic benefits are expected.	**150**	
1.2.	**Rest of Africa**				
	Kenya	Dawanol	The outlook on revenue and profitability has declined, resulting in an impairment thereof.	**2 347**	
				16 196	
2.	**Goodwill**				
	Reportable segment	**Reason**			
2.1.	**Southern Africa**				
	Other – shared services	Goodwill relating to Virtual Logistics Proprietary Limited was impaired in the previous reporting period as the recoverable amount was lower than the carrying value and operations ceased in that business in the current financial year.			5 595
3.	**Investment in associate**				
	Reportable segment	**Reason**			
3.1.	**Rest of Africa**				
	Ayrton Drug Manufacturing Limited (Ghana)	The investment in the Ghana business was impaired in the prior reporting period as the recoverable amount was lower than the carrying value. The investment was then also disposed of in the prior reporting period.			2 973
	Total			**16 196**	8 568

Annexure H – Interest in subsidiary companies and joint ventures

	Shareholding	
Subsidiaries	**2020 %**	2019 %
Adcock Ingram Critical Care Proprietary Limited	**100**	100
Adcock Ingram Healthcare Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100
Adcock Ingram International Proprietary Limited	**100**	100
Adcock Ingram Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited	*	100
Joint ventures		
Adcock Ingram Limited (India)	**49.9**	49.9
Thembalami Pharmaceuticals Proprietary Limited[1]	**50**	50
Indirect holdings		
Adcock Ingram East Africa Limited (Kenya)	**100**	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited[1]	**100**	100
Adcock Ingram Pharmaceuticals Proprietary Limited[1]	**100**	100
Addclin Research Proprietary Limited	*	100
Dilwed Investments Proprietary Limited	**100**	100
Genop Holdings Proprietary Limited	**100**	100
Genop Healthcare Proprietary Limited	**100**	100
Lulu and Marula Proprietary Limited	**100**	-
Menarini SA Proprietary Limited[2]	**49**	49
Metamorphosa Proprietary Limited[1]	**50**	50
National Renal Care Proprietary Limited	**50**	50
Novartis Ophthalmics Proprietary Limited[2]	**49**	49
Plush Professional Leather Care Proprietary Limited	**100**	–
Premier Pharmaceutical Company Proprietary Limited[1]	**100**	100
Relicare Tech Services Private Limited (India)	**100**	100
Virtual Logistics Proprietary Limited	**100**	100

Trusts and structured entities

Adcock Ingram Holdings Limited Employee Share Trust (2008)
Mpho ea Bophelo Trust
AdBEE (RF) Limited*[3]
Ad-Izinyosi (RF) Proprietary Limited*[3]
Owner-driver companies (2019: 39 companies)[4]

* *Deregistered.*

1 *Dormant.*
2 *Regarded as subsidiaries and consolidated.*
3 *Entities to be deregistered following the cancellation of the B-BBEE transaction.*
4 *Loss of control effective 1 March 2020, no longer managed by Adcock Ingram.*

Annexure I – Accounting policies

The principal accounting policies applied in the preparation and presentation of the annual financial statements of the Group and Company, unless otherwise mentioned, are set out below:

Basis of consolidation

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

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

Underlying concepts

The financial statements are prepared on the going concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are only offset when there is a legally enforceable right to offset, and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively. If after making every reasonable effort to do so, it is impracticable to apply the change retrospectively, it is applied prospectively from the beginning of the earliest period practicable.

Foreign currencies

The consolidated financial statements are presented in South African Rands (Rands), which is the Group's presentational currency and the Company's functional currency.

Each foreign entity in the Group determines its own functional currency.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date.

Foreign currency balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss.

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Foreign operations

At the reporting date, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (Rands) at the exchange rate ruling at the reporting date. Items of profit or loss are translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income: "Exchange differences on translation of foreign operations". On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate.

The functional currencies of the foreign operations are as follows:

- joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- subsidiary, Relicare Tech Services Private Limited in India, the Indian Rupee; and
- subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling.

Interest in group companies

Business combinations

Business combinations are accounted for using the acquisition method.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in non-trading expenses.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the acquirer's share of the acquiree's identifiable net assets is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income, as appropriate. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Equity-accounted investments

The equity-accounted investments are the Group's investments in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. The Group has the following joint ventures:

- Adcock Ingram Holdings Limited has a 49.9% interest in Adcock Ingram Limited, a company incorporated in India, which is involved in the manufacturing of pharmaceutical products; and
- Adcock Ingram Critical Care Proprietary Limited has a 50% indirect interest in National Renal Care Proprietary Limited, a company incorporated in South Africa, which provides renal healthcare services.

Under the equity method, investments are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the profit or loss of these investments. Goodwill relating to equity-accounted investments is included in the carrying amount of the investment and is not tested separately for impairment.

Joint ventures are accounted for from the date that joint control is obtained, to the date that the Group ceases to have joint control.

The statement of comprehensive income reflects the Group's share of these investments' profit or loss. However, losses in excess of the Group's interest are not recognised. Additional losses are provided for and a liability is recognised, only to the extent that a legal or constructive obligation exists. Where a joint venture recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and equity-accounted investments are eliminated to the extent of the interest in the underlying investment.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the carrying value and the higher of its value-in-use or fair value less costs to dispose. Impairment losses are recognised in profit or loss, as part of non-trading expenses.

In the Company financial statements, joint ventures initially accounted for at cost when joint control is obtained and subsequently at cost less accumulated impairment losses.

Upon loss of the joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Where an equity accounted investment's reporting date differs from the Group's, the joint venture prepares financial results for the same financial period as the Group. Where the equity accounted investment's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

The year-end of the joint venture, Adcock Ingram Limited (India) is March, whilst the year-end of National Renal Care Proprietary Limited is September.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item is also accounted for separately if the recognition criteria are met. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end.

Any adjustments to residual value, useful life or depreciation method applied, are changes in the accounting estimate and accounted for prospectively.

The following useful lives have been estimated:

Freehold land	Not depreciated
Freehold buildings – general purpose	40 years
– specialised	20 – 50 years
Leasehold improvements	The shorter of the lease term or the useful life
Plant, equipment and vehicles	3 – 15 years
Furniture and fittings	3 – 15 years
Computer equipment	3 years

Assets in the course of construction are carried at cost, including professional fees, less any impairment loss. When these assets are ready for its intended use, it is transferred into the appropriate category at which point depreciation commences on the same basis as on other property, plant and equipment.

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

Right-of-use assets

The Group-leases various property for warehousing and offices and vehicles and equipment and has the right to use these assets over a contracted lease term.

These "right-of use" assets are initially measured at a value equal to the lease liability and are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

If the lease agreement contains an option to purchase the asset and the Group is reasonably certain that it would exercise the purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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 acquiree's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets

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

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

Intangible assets with finite lives are amortised over their useful life using the straight line method and assessed for impairment when there is an indication that the asset may be impaired due to a change in circumstances. The amortisation period and the amortisation method are reviewed at each year-end.

The following useful lives have been estimated:

Trademarks and Brands	15 years or indefinite
Licence-related intangibles	1 – 15 years

Amortisation is recognised in profit or loss in fixed and administrative expenses. Intangible assets with indefinite useful lives are not amortised but are tested bi-annually for impairment or more frequently when there is an indicator of impairment and the useful lives are also reviewed bi-annually 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, brands and licence agreements have been assessed to have indefinite useful lives, as presently there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the Group.

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

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research costs

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation for goodwill and indefinite life intangible assets on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 10 years. Ten years are used in instances where the Group believes that assets have a value in use of ten or more years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the 10th year.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment:

- annually at the reporting date; and
- when circumstances indicate that the carrying value may be impaired.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment:

- bi-annually as at 31 December and 30 June; and
- when circumstances indicate that the carrying value may be impaired on an individual basis or at the CGU level.

Impairment losses relating to goodwill and intangible assets cannot be reversed in future periods.

Financial assets

Initial recognition and measurement

The Group's financial assets are classified and measured at initial recognition, based on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets, as follows:

Classification	Description of asset
Amortised cost	Trade and sundry receivables Cash and cash equivalents
Fair value through OCI	Investment Foreign exchange contracts (derivative asset)
Fair value through profit and loss	Black Managers Share Trust

Trade receivables do not contain a financing component.

Cash and cash equivalents consist of cash on hand and at banks, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

All other financial assets should be measured at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

These financial assets are subsequently measured using the effective interest (EI) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to irrevocably classify its non-listed equity investments under this category.

Financial assets at fair value through profit or loss (debt instruments)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near-term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

Financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised or removed from the Group's consolidated statement of financial position when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a. the Group has transferred substantially all the risks and rewards of the asset; or
  b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group considers a financial asset in default when contractual payments are past due for more than a year and not subject to any enforcement activity. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments due.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking economic factors. The expected loss rates are based on the payment profiles of sales over a period of five years before the reporting date and the corresponding historical credit losses experienced within this period and incorporating forward-looking information of liquidity and similar risks expected to be impacting our customers.

Long-term receivables, sundry receivables and intercompany receivables (Stand-alone entities) are assessed for impairment when indications of non-payment or other specific risk have been identified.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or fair value through profit or loss, as follows:

Classification	Description of asset
Amortised cost	Trade and other payables Loans and borrowings Bank overdraft
Fair value through OCI	Foreign exchange contracts (derivative liability)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss that are held for trading and those designated at initial recognition as at fair value through profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest (EI) rate method. The EI amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

To measure fair value, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value by valuation technique:

- **Level 1** – quoted (unadjusted) prices in active markets;
- **Level 2** – other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- **Level 3** – valuation techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, risks and the fair value hierarchy.

Derivative financial instruments and hedge accounting

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

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge in terms of IFRS 9. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

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

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

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

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires, or is sold or terminated, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of inventories.

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

Provisions

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

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

Leases

The obligation to make lease payments in terms of a contract over a certain period of time, is recognised as a liability at the date at which the leased asset is available for use by the Group. Should a lease contract contain extension options, which are reasonably certain on the extension based on managements expected future use of the asset, payments for the extension period should also be included in the measurement of the liability.

The liability arising from a lease are initially measured as the present value of the remaining lease payments (which are fixed contractual payments with annual escalation), discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain a similar asset in a similar economic environment with similar terms, security and conditions.

Lease liabilities are disclosed as part of borrowings (refer to note 12.2).

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low values. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases, by recording those lease payments in profit or loss.

Comparatives : IAS 17 was applicable to the comparative year for the treatment of leases.

Revenue from contracts with customers

Revenue is derived from the supply of speciality, branded and generic pharmaceutical products, hospital products, and fast moving consumer goods, which is measured based on the consideration specified in a contract with a customer and excludes amounts to be collected on behalf of third parties such as Value Added Tax. The Group recognises revenue when it transfers control over a product to a customer. Variable consideration, in the form of rebates, discounts and fees is estimated at the most likely amount payable in terms of contracts with customers and netted off revenue at the time of recognition of the related sale.

The Group recognises revenue, net of sales taxes, at the time it sells inventory to the customer, which is generally when delivery has taken place. Most revenue is recognised at a point in time and determined by the relevant shipping terms associated with the transaction.

The Group disaggregates revenue based on the following type of customer markets:

- Public sector (governmental), when sales are normally based on tender prices;
- Private sector, when sales are subject to SEP, non-SEP or formulary prices; and
- Export (foreign) sales.

Non-trading expenses

A non-trading expense is incurred from activities unrelated to core operations, that key management have no direct control over or is of a non-recurring nature.

Dividend income

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

Finance income

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

Borrowing costs

All borrowing costs are expensed in the period they occur, as none of the borrowing costs were directly attributable to the acquisition, construction or production of an asset which qualify for capitalisation. Borrowing costs consist of interest and other costs like commitment fees, that an entity incurs in connection with the borrowing of funds.

Taxes

Current income tax

Current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability or receivable for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the Group operates.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax liabilities are recognised for taxable temporary differences, except:

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

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

Deferred tax is charged to profit or loss, except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that results from an acquisition. In that case, the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority.

On adoption of IFRS 16, the tax base for ROU assets and lease liabilities are considered separately.

Dividends tax

A dividends tax of 20% on dividend distributions is withheld from shareholders and paid to the South African Revenue Service, where applicable.

Value-added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

Short-term employee benefits

All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employees.

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

Defined contribution plans

In respect of defined contribution plans, the contribution paid by the Group is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

Post-retirement medical obligations

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

Actuarial gains or losses are recognised in other comprehensive income in the period it occurs.

Share-based payments

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

Equity-settled transactions

Performance-based long-term Incentive Scheme (PBLTIS)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted, adjusted for dividend yield, as the employees are not entitled to dividends over the vesting period.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the non-market performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

Service-based Incentive Scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external appraiser using a modified version of the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. Service vesting conditions are not included in the fair value but used to determine the number of instruments that will ultimately vest. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Treasury shares

Shares in Adcock Ingram Holdings Limited held by the Group, including shares held by structured entities deemed to be controlled by the Group, are classified within total equity as treasury shares. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes and the cost price of the shares is reflected as a reduction in capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received with regard to treasury shares is recognised in equity.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively, it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

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

Carrying value of goodwill and intangible assets

Indefinite life intangible assets are tested for impairment bi-annually, while goodwill and finite life intangible assets are tested at least annually or when there is an indicator of impairment. The calculation of the recoverable amount requires the use of *estimates* and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors such as discount rates could also impact this calculation. *(Refer to note 13)*.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. *Estimating* fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is *estimated* using a Black-Scholes option pricing model, as the employee share options are not traded on an active market, and the inputs used for the option pricing model require significant judgement and estimation. (Refer to Annexure B)

Inventory

To value inventory at the lower of cost and net realisable value, management is required to make certain *judgements* regarding the allowance for obsolescence, which include expectations of forecast inventory demand and plans to dispose of inventories that may be near to expiry.

Structured entities

Owner-driver companies

Various owner-driver companies existed in the Group until 29 February 2020. These entities were incorporated to support the distribution network of the Group and were consolidated into the Group in accordance IFRS 10.

Based on the contractual terms, these entities conducted their sole activities on behalf of the Group according to its specific business needs and these entities had insufficient assets to allow each entity to finance its own activities without the support of the Group.

As from 1 April 2020, these entities no longer form part of the distribution network of the Group, as the contractual terms have been transferred to RTT, resulting in the de-recognition of these entities.

Mpho ea Bophelo Trust

The Mpho ea Bophelo Trust is an entity incorporated for the purpose of representing Adcock Ingram employees in the Group's BEE transaction and is consolidated in accordance with IFRS 10. The activities of this entity are conducted in accordance with the Group's specific business needs in that the Group obtains benefits from this operation. The Group retains the majority of the residual or ownership risks and rewards related to this entity or its assets and it was therefore considered that the Group controls this entity.

Consolidation of entities in which the Group holds less than the majority of voting rights

The Group considers that it controls Menarini SA Proprietary Limited and Novartis Ophthalmics Proprietary Limited even though it owns less than 50% of the voting rights as it controls the daily management and decision-making of these entities.

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. The Group intends to adopt these standards when they become effective.

IAS 1 and IAS 8: Definition of Material – Amendments

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated. This amendment is effective for the Group from 1 July 2020.

IFRS 3: Business Combinations – Amendments

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to assist entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition. This amendment is effective for the Group from 1 July 2020.

IFRS 9, IAS 39 and IFRS 7: Financial Instruments – Amendments

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The relief relates to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. This amendment, effective from 1 July 2020, is not expected to have an impact on the Group.

The conceptual framework for financial reporting

A revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance.

The new framework is effective for the Group from 1 July 2020.

Annexure J – Remuneration implementation report

Senior management

Senior management comprises the executive committee of the Group, excluding the executive directors. As the executive directors' details are disclosed separately, these are excluded from the figures below. During the year there were changes in the composition of senior management. The details show the apportioned annual remuneration of senior management, for the period the incumbents held the position during the year.

Remuneration

	2020 R'000	2019 R'000
Salary	**23 596**	22 114
Contributions to defined contribution plan	**3 599**	3 427
Gross remuneration	**27 195**	25 541

Short-term incentives

Based on the current year's performance, senior management qualifies for short-term incentives in the amount of R4 985 333.

Full provision has been made for this amount in the current year although payment will only be effected in September 2020. An incentive of R6 860 000 was paid in September 2019, relating to the prior year's performance, which was fully provided for at 30 June 2019.

Long-term incentives

Details of share options in Adcock Ingram granted to senior management in the three different schemes are as follows:

	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Exercised/ Forfeited during the year	Balance at the end of the year
PBLTIS[1]	**26/09/2019**	**N/A**	**–**	**238 000**	**–**	**238 000**
Equity	**17/06/2014**	**52.20**	**112 000**		**(69 000)**	**43 000**
	26/08/2015	**41.94**	**234 000**		**(87 000)**	**147 000**
	26/08/2016	**42.30**	**351 000**		**(75 000)**	**276 000**
	24/08/2017	**57.73**	**351 000**		**–**	**351 000**
	17/11/2017	**57.73**	**50 000**		**–**	**50 000**
			1 098 000		**(231 000)**	**867 000**
Phantom	**28/08/2018**	**65.46**	**495 000**	**–**	**(30 000)**	**465 000**
	08/03/2019	**64.50**	**130 000**	**–**	**–**	**130 000**
	27/08/2019	**58.39**	**–**	**275 000**	**–**	**275 000**
			625 000	**275 000**	**(30 000)**	**870 000**

[1] *Performance-based long-term incentive scheme.*

	Offer date	Offer price R	Balance at the beginning of the year	Exercised/ Forfeited during the year	Balance at the end of the year
BMT					
TBL	**01/11/2005**	**56.30**	**5 000**		**5 000**
OCE	**01/11/2005**	**16.46**	**1 293**		**1 293**
AIP	**01/11/2005**	**16.31**	**6 376**		**6 376**
TBL	**01/07/2012**	**56.30**	**3 000**		**3 000**
OCE	**01/07/2012**	**16.46**	**776**	**(776)**	**–**
AIP	**01/07/2012**	**14.89**	**1 700**		**1 700**
			18 145	**(776)**	**17 369**

TBL – Tiger Brands Limited
AIP – Adcock Ingram Holdings Limited
OCE – Oceana Group Limited

Details of options exercised by senior management are as follows:

	Offer date	Offer price R	Weighted average exercise price R	Number of options	Gain realised on exercising of options[1] R
2020					
Equity					
	17/06/2014	**52.20**	**59.07**	**69 000**	**474 320**
	26/08/2015	**41.94**	**58.92**	**87 000**	**1 477 410**
	26/08/2016	**42.30**	**58.79**	**75 000**	**1 237 050**
				231 000	**3 188 780**
BMT					
OCE	**01/07/2012**	**17.13**	**60.02**	**776**	**34 835**
2019					
Equity					
	17/06/2014	52.20	71.30	140 000	2 674 000
	26/08/2015	41.94	71.30	147 000	4 315 920
				287 000	6 989 920
Phantom	01/10/2012	59.56	71.30	8 890	104 369
	02/05/2013	60.55	71.30	17 617	189 382
				26 507	293 751

1 *Amounts shown before taxation.*

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

	2020 R'000	2019 R'000
Total	**7 148**	6 395

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

Executive directors

The executive directors are currently regarded as the only prescribed officers of the Group. No fees for services as director, consulting or other fees were paid in the current or prior year and no profit-sharing agreements are in place.

Service contracts for executive directors

The Company policy is to employ each executive director under a permanent employment contract which is subject to a three-month notice period.

Shareholding

AG Hall held 21 433 shares (2019: 21 433) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year-end.

Remuneration

	Salary R'000	Contributions to defined contribution plan R'000	Gross remuneration R'000	Short-term incentives R'000
2020[1]				
AG Hall	**5 010**	**350**	**5 360**	**814**
D Neethling	**3 254**	**350**	**3 604**	**442**
B Letsoalo	**2 801**	**461**	**3 262**	**411**
	11 065	**1 161**	**12 226**	**1 667**
2019				
AG Hall	5 017	350	5 367	4 450
D Neethling	3 242	350	3 592	2 261
B Letsoalo	2 813	439	3 252	1 535
	11 072	1 139	12 211	8 246

1 *The executive directors voluntarily sacrificed 20% of their gross remuneration for the period April to June 2020, for the benefit of the Solidarity Fund.*

Based on the current year's performance the performance target for trading profit was not achieved. Although the target for ROFE was achieved, this portion of the short-term incentive is only payable if the trading profit target is achieved. The additional performance target for the CEO and CFO of headline earnings per share was also not met. Consequently, the CEO and CFO, earned no short-term incentive in the year under review. B Letsoalo achieved her additional performance metrics and qualified for 30% of her short-term incentive. The Board took into consideration the challenging and exceptional economic and operating conditions under which the executive team managed the Company, particularly during the peak of the Covid-19 pandemic. They also considered the fact that had there not been abnormal costs incurred in relation to Covid-19, the additional performance metric of the CEO and CFO would have been met. Consequently, the pay-out for the additional performance metric (HEPS), which comprises 20% of the short-term incentive, has been approved for AG Hall and D Neethling. The amount of R1.7 million has been fully provided for, although payment will only be made in September.

The prior year incentives which were paid in September 2019, relating to the prior year's performance, were fully provided for at 30 June 2019.

Long-term incentives

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

		Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Exercised during the year	Balance at the end of the year
AG Hall							
PBLTIS[1]		26/09/2019	N/A	–	155 000	–	155 000
Equity		17/06/2014	52.20	58 334		–	58 334
		26/08/2015	41.94	116 667		(58 333)	58 334
		26/08/2016	42.30	200 000		(66 666)	133 334
		24/08/2017	57.73	200 000		–	200 000
				575 001		(124 999)	450 002
Phantom		28/08/2018	65.46	200 000		–	200 000
D Neethling							
PBLTIS[1]		26/09/2019	N/A	–	64 000	–	64 000
Equity		17/06/2014	52.20	20 000		–	20 000
		26/08/2015	41.94	60 000		(30 000)	30 000
		26/08/2016	42.30	150 000		(50 000)	100 000
		24/08/2017	57.73	150 000		–	150 000
				380 000		(80 000)	300 000
Phantom		28/08/2018	65.46	150 000		–	150 000
B Letsoalo							
PBLTIS[1]		26/09/2019	N/A	–	59 000	–	59 000
Equity		17/06/2014	52.20	15 000		–	15 000
		26/08/2015	41.94	30 000		(15 000)	15 000
		26/08/2016	42.30	45 000		(15 000)	30 000
		25/11/2016	42.08	75 000		–	75 000
		24/08/2017	57.73	120 000		–	120 000
				285 000		(30 000)	255 000
Phantom		28/08/2018	65.46	120 000		–	120 000
BMT	TBL	31/01/2008	56.30	3 500		–	3 500
	OCE	31/01/2008	16.46	905		–	905
	AIP	31/01/2008	16.31	13 742		–	13 742
	TBL	01/07/2012	56.30	7 734		–	7 734
	OCE	01/07/2012	16.46	2 001		–	2 001
	AIP	01/07/2012	14.89	4 534		–	4 534
				32 416		–	32 416

[1] *Performance-based long-term incentive scheme*

TBL – Tiger Brands Limited

AIP – Adcock Ingram Holdings Limited

OCE – Oceana Group Limited

Details of options exercised are as follows:

Equity	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R
AG Hall					
2020	**26/08/2015**	**41.94**	**58.01**	**58 333**	**937 411**
	26/08/2016	**42.30**	**58.20**	**66 666**	**1 059 989**
				124 999	**1 997 400**
2019	17/06/2014	52.20	71.30	58 333	1 114 160
	26/08/2015	41.94	71.30	58 333	1 712 657
				116 666	2 826 817
D Neethling					
2020	**26/08/2015**	**41.94**	**58.20**	**30 000**	**487 800**
	26/08/2016	**42.30**	**58.20**	**50 000**	**795 000**
				80 000	**1 282 800**
2019	17/06/2014	52.20	71.30	20 000	382 000
	26/08/2015	41.94	71.30	30 000	880 800
				50 000	1 262 800
B Letsoalo					
2020	**26/08/2015**	**41.94**	**58.20**	**15 000**	**243 900**
	26/08/2016	**42.30**	**58.20**	**15 000**	**238 500**
				30 000	**482 400**
2019	17/06/2014	52.20	71.30	15 000	286 500
	26/08/2015	41.94	71.30	15 000	440 400
				30 000	726 900

The following charges were expensed in the statement of comprehensive income, in non-trading expenses, during the year under review, in terms IFRS 2[2]:

	2020 R'000	2019 R'000
AG Hall	**3 744**	3 124
D Neethling	**2 175**	2 229
B Letsoalo	**1 902**	1 687
	7 821	7 040

[1] *Amounts are show before taxation.*

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

Performance-based long-term incentive scheme

During the year, conditional share awards were granted to the three executive directors and the four commercial managing directors, which are included in key management.

Performance conditions (financial and non-financial) attached to these awards, measured over a three-year period, as detailed in Annexure B, are as follows:

			Performance		
Measure	Weight	Measurement base	Threshold (30% vesting)	Target (60% vesting)	Stretch (100% vesting)
HEPS growth	50%	Inflation	CPI	CPI + 50% of CPI	CPI + 100% of CPI
ROFE	25%	ROFE	25%	30%	35%
B-BBEE	25%	B-BBEE Scorecard points	Level 4 (80 to 85 points)	Level 4 (>85 points)	Level 3 (90+ points)

Linear vesting of an award occurs between the intervals stated above.

The outcome for year 1, based on the current financial year's performance is as follows:

Measure	Weight	Outcome	Achievement	Weighted potential vesting
HEPS growth	50%	-1%	–	–
ROFE	25%	31.2%	70%	22%
B-BBEE	25%	Level 1	100%	25%
Total				**47%**

Non-executive directors

Current annual fees

The following annual fixed fees have been in place since 1 December 2019.

	Chairman R	Member R
Committee		
Board	1 189 163	302 400
Lead independent director		390 000
Audit	249 500	124 740
Risk and Sustainability	235 370	120 000
Human Resources, Remuneration and Nominations	180 000	82 700
Social, Ethics and Transformation	165 900	71 230
Acquisitions	249 500	124 740

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

Remuneration paid

Non-executive directors receive no other benefits, do not participate in the short-term or long-term incentive schemes and do not receive any performance related pay from the Group. The following fees, excluding value added tax (VAT) where applicable, were paid to non-executive directors, following the changes to the directors' responsibilities and status as detailed on page 9.

	2020[1] R'000	2019 R'000
Boyce	570	564
John	54	643
Haus	693	518
Gumbi	376	–
Lesoli	–	139
Madisa[2]	412	469
Makwana	–	229
Manning	479	407
Mokgokong	281	380
Ralphs[2]	1 130	400
Ransby	533	–
Raphiri	–	1 172
Stewart	–	639
Wakeford[3]	330	–
	4 858	5 560

1 *The non-executive directors voluntarily sacrificed 20% of their gross remuneration for the period April to June 2020, for the benefit of the Solidarity Fund.*

2 *Paid to Bidvest Corporate Services Proprietary Limited.*

3 *Paid to Bidvest Branded Products Proprietary Limited*

Shareholdings

At 30 June 2019, Dr Mokgokong held 3 445 642 shares indirectly in the Company, as she holds a 50% share in CIH Projects Proprietary Limited, which in turn held a 26.67% share in Ad-izinyosi (the B-BBEE shareholder of the Group), which ceased trading on 29 July 2019 due to the cancellation of the B-BBEE scheme, resulting in it no longer holding shares in the Company.

Refer to Annexure B.

Shareholder analysis

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 June 2020:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	6 757	78.6	1 389 320	0.8
1 001 – 10 000 shares	1 488	17.3	4 560 082	2.6
10 001 – 100 000 shares	248	2.9	8 013 616	4.5
100 001 – 1 000 000 shares	90	1.1	22 621 152	12.9
1 000 001 shares and above	12	0.1	139 174 691	79.2
Total	8 595	100	175 758 861	100.0

Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/Company related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	5	0.05	98 035 197	55.7
BB Investment Company Proprietary Limited	1	0.01	89 713 963	51.0
Adcock Ingram Limited	2	0.02	8 299 201	4.7
Adcock Ingram Holdings Limited Employee Share Trust (2008)	1	0.01	600	0.0
Director	1	0.01	21 433	0.0
Public shareholders	8 590	99.95	77 723 664	44.3
Total	8 595	100.00	175 758 861	100.0

** Associates of directors do not hold any shares.*

Substantial investment management equal to or in excess of 5%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56(b) of the Companies Act, the following shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at 30 June 2020:

Investment manager	Total shareholding	%
BB Investment Company Proprietary Limited	89 713 963	51.0
Public Investment Corporation of South Africa	25 242 207	14.4
Total	114 956 170	65.4

Geographical split of beneficial shareholders

Country	Total shareholding	% of issued share capital
South Africa	162 513 769	92.46
United States of America and Canada	8 395 925	4.78
United Kingdom	2 513 397	1.43
Rest of Europe	1 400 752	0.80
Other[1]	935 018	0.53
Total	**175 758 861**	**100.0**

[1] *Represents all shareholdings except those in the above regions*

Monthly trading history

The high, low and closing price of ordinary shares on the JSE and the aggregated monthly value during the year are set out below:

Month	Total volume	Total value (R'm)	High (R)	Low (R)	Closing price (R)
2019 – July	7 276 464	435	62.50	54.00	57.40
2019 – August	6 990 293	402	60.49	54.20	57.75
2019 – September	11 763 368	701	61.48	56.23	56.75
2019 – October	8 762 029	495	59.28	54.88	56.24
2019 – November	6 361 755	361	58.50	54.08	55.01
2019 – December	4 913 184	266	57.94	52.49	53.78
2020 – January	4 030 473	208	54.67	50.06	50.85
2020 – February	5 381 984	244	53.99	39.52	40.13
2020 – March	13 377 146	540	45.00	37.00	43.57
2020 – April	4 669 839	209	47.73	41.41	44.39
2020 – May	3 720 551	166	47.80	42.51	43.45
2020 – June	3 689 931	178	52.18	44.20	48.00

Corporate Information

Adcock Ingram Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 2007/016236/06)
Share code: AIP ISIN: ZAE000123436
("**Adcock Ingram**" or "**the Company**" or "**the Group**")

Directors

Ms L Boyce (Independent Non-executive Director)
Dr S Gumbi (Independent Non-executive Director)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Lead Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Ms N Madisa (Non-executive Director)
Dr C Manning (Independent Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr L Ralphs (Non-executive Director)
Ms D Ransby (Independent Non-executive Director)
Mr K Wakeford (Non-executive Director)

Company secretary

Mr NE Simelane

Registered office

1 New Road, Midrand, 1682

Postal address

Private Bag X69, Bryanston, 2021

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051
Marshalltown, 2107

Auditors

PricewaterhouseCoopers
4 Lisbon Ave, Waterfall City
Waterfall, 2090

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

Bankers

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

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

Investec Bank Limited
100 Grayston Drive
Sandton, 2196