Group Results and cash dividend declaration

for the year ended 30 June 2019

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**")

SALIENT FEATURES

CONTINUING OPERATIONS

Revenue increases 11% to R7,089 million
Gross profit improves 11% to R2,789 million
Trading profit increases 12% to R955 million
Headline earnings per share increases 11%
Total dividend increases 16% to 200 cents per share

INTRODUCTION

The Board of Directors (Board) is pleased with the robust results delivered by the Group in a volatile market, characterised by weak economic growth and declining consumer spend. Under these circumstances, each of the business units performed well, with core brands showing encouraging market share, indicative of the brand resilience of our trusted portfolio. The Group's Zimbabwean enterprise, which was reflected as an asset held-for-sale at 31 December 2018, was disposed of in January 2019 and the results are reflected as a discontinued operation. The Group has also disposed of its investment in Ayrton Drug Manufacturing Limited, the associate in Ghana as performance from this business did not meet expectations.

FINANCIAL PERFORMANCE

REVENUE AND PROFITS

Revenue from contracts with customers for the year under review increased by 10.9% to R7,078 million (2018: R6,383 million), driven by a change in mix of 5.4%, of which Genop contributed 4.6% following its inclusion for the full year, compared to six months in the prior year. Volumes increased by an impressive 3.7%, and price mainly in the OTC and Consumer business segments, contributed to the balance.

The slight gross margin improvement from 39.3% to 39.4%, arose from an advantageous sales mix.

Total operating expenses increased by 10.4%, and excluding the impact of Genop, increased by 5.1%, resulting in a 12.4% improvement in trading profit to R955.4 million (2018: R849.9 million).

NON-TRADING EXPENSES

Non-trading expenses of R71.9 million include share-based expenses of R41.8 million, retrenchment costs of R12.3 million, impairments of R8.6 million and corporate activity costs of R5.8 million.

HEADLINE EARNINGS

Headline earnings from continuing operations for the year increased to R701.0 million (2018: R634.0 million). This translates into headline earnings per share from continuing operations of 421.7 cents (2018: 381.3 cents), an improvement of 10.6%.

CASH FLOWS

Cash generated from operations amounted to R1,029 million (2018: R861.2 million) after working capital increased by R208.6 million (2018: R343.0 million). Trade and other payables decreased by R99.8 million, almost equivalent to the decrease in inventories (R99.1 million), following a reduction in the stock holding of certain multinational partners' portfolios. Trade and other receivables increased by R207.8 million, but remained well controlled and the average days outstanding are 64 (2018: 65 days).

The Group had net cash resources of R448 million (2018: R156 million) at the end of the year.

DIVIDEND DISTRIBUTION

The Board has declared a final dividend of 100 cents per share for the year ended 30 June 2019 out of income reserves. The total dividend distribution will therefore be 200 cents per share, an improvement of 16% compared to 2018.

BUSINESS OVERVIEW

OTC,which focuses on products in the pain, coughs, colds and flu, and anti-histamine therapeutic areas through the pharmacy channel, turnover was flat at R1,983 million (2018: R1,989 million), adversely impacted by the challenging trading environment, down-scheduling of certain brands which were formerly only available on prescription in the analgesic therapeutic area and delays in obtaining export permits from the South African Health Products Regulatory Authority (SAHPRA). In general, the pain and cough portfolio performed below expectations, but top brands like Corenza C and Citro-Soda showed excellent growth.

Gross margin ended in line with the prior year resulting in trading profit declining by 2.8% to R388.4 million (2018: R399.6 million). In the second half of the financial year, the Division underwent leadership changes. Subsequently, some strategy realignment and reorganisation has taken place and we expect to see an improvement in customer focus, brand marketing support and trading performance.

Prescription turnover improved by 22.4% to R2,740 million (2018: R2,238 million), of which Genop contributed 13.2%. The launches of Innuvair, Rapacid and Versatis added 0.7% to the mix. The Division showed strong growth of 6.6% in the prescription private market segment as measured by IQVIA, compared to the market growth of 3.2%. Ex-factory volumes increased by 8.7% mainly as a result of increased demand in the ARV private market, and down-scheduling of some pain products.

Gross margin ended in line with the prior year, resulting in trading profit of R310.0 million 29.5% ahead of the prior year (R239.4 million). The Division concluded an agreement with Leo Pharmaceuticals to perform the sales, marketing and distribution of their recently acquired Bayer dermatology portfolio in South Africa, which includes Advantan, Scheriproct, Travocort and Skinoren, effective 1 July 2019.

Consumer turnover improved by 14.6% to R787.0 million (2018: R687.0 million), an excellent result in a very challenging environment, characterised by limited consumer discretionary spend. Notwithstanding an increasingly competitive environment, the Division's focus on its flagship brands, Panado, Compral and Bioplus, combined with good cost control, resulted in trading profit increasing by 19.6% to R134.2 million (2018: R112.2 million). Overall, an excellent performance from a rejuvenated management team.

Hospital sustained its upward trajectory, with turnover improving by 7.9% to R1,455 million (2018: R1,348 million) and all product categories achieving growth. The gross margin improved as a result of a favourable sales mix with good gains in the private market. Trading profits improved by an impressive 17.7% to R112.2 million (2018: R95.3 million).

Rest of Africa Turnover in the Group's Kenya operation increased by 5.3% to R68.5 million (2018: R65.1 million) and it achieved a trading profit of R8.6 million, a solid performance compared to the R1.9 million reported in the prior year.

CHANGES TO THE BOARD

The following changes were effective 20 February 2019:

- Dr Claudia Manning was appointed as a member of the Social, Ethics and Transformation ("SET") Committee and the HR, Remuneration and Nominations ("REM") Committee. She relinquished her position as a member of the Risk and Sustainability Committee;
- Dr Anna Mokgokong was appointed as the Chairperson of the SET Committee; and
- Mr Andrew Hall resigned as a member of the SET Committee but remains a permanent invitee.

The following changes were effective 30 June 2019:

- Mr Clifford Raphiri retired as the Chairman of the Board and the Nominations Committee and as member of the REM Committee; and
- Dr Roger Stewart retired from the Board and as a member of the Audit Committee as well as the Chairman of the Risk and Sustainability Committee.

Mr Lindsay Ralphs was appointed as Chairman of the Board and Prof Matthias Haus was appointed as the Lead Independent Director, effective 1 July 2019.

Ms Jenitha John resigned from the Board and as Chairperson of the Audit Committee, effective 31 July 2019.

Ms Debbie Ransby and Dr Sibongile Gumbi were appointed as members of the Board, effective 14 August 2019.

PROSPECTS

The Bidvest Group's shareholding in Adcock Ingram recently increased to 50.1%. This will enhance interactions between the entities in exploring strategic and operational possibilities for Adcock Ingram's operations and options for growth. Bidvest is supportive of Adcock Ingram's current decentralised and autonomous business model and sees opportunity for the Company to grow.

The Board expects that the current economic environment, exchange rate weakness and volatility, and constraints on consumer spending will not change in the short-term. The Group remains committed to the growth of our well-respected and diversified basket of brands, and seeking additional affordable brands to augment our portfolios across the business.

DIVIDEND DISTRIBUTION

The Board has declared a final gross dividend out of income reserves of 100 cents per share in respect of the year ended 30 June 2019. The South African dividend tax ("DT") rate is 20% and the net dividend payable to shareholders who are not exempt from DT is 80 cents per share. Adcock Ingram currently has 175 756 026 ordinary shares in issue and qualifying for ordinary dividends. The income tax reference number is 9528/919/15/3.

The salient dates for the distribution are detailed below:

Last date to trade *cum* distribution	Tuesday, 17 September 2019
Share trade *ex* distribution	Wednesday, 18 September 2019
Record date	Friday, 20 September 2019
Payment date	Monday, 23 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, both dates inclusive.

LP Ralphs
Chairman

AG Hall
Chief Executive Officer

27 August 2019

Consolidated statements of comprehensive income

Continuing operations	Notes	Audited 2019 R'000	Change %	Restated* Audited 2018 R'000
Revenue	2	**7 089 058**	11	6 405 316
Contracts with customers	2	**7 078 438**	11	6 382 706
Cost of sales		**(4 289 332)**		(3 871 397)
Gross profit		**2 789 106**	11	2 511 309
Selling, distribution and marketing expenses		**(1 318 830)**	13	(1 166 443)
Fixed and administrative expenses		**(514 855)**	4	(494 922)
Trading profit		**955 421**	12	849 944
Non-trading expenses	3	**(71 884)**		(46 895)
Operating profit		**883 537**	10	803 049
Finance income	2	**6 756**		18 270
Finance costs		**(18 404)**		(25 401)
Dividend income	2	**3 864**		4 340
Equity-accounted earnings		**90 714**		79 252
Profit before taxation		**966 467**	10	879 510
Taxation		**(269 435)**		(246 145)
Profit for the year from continuing operations		**697 032**	10	633 365
(Loss)/Profit after taxation for the period/year from discontinued operation		**(1 609)**		10 708
Profit for the year		**695 423**	8	644 073
Other comprehensive income which will subsequently be recycled to profit or loss				
Exchange differences on translation of foreign operations:				
– Continuing operations		**279**		1 126
– Joint venture and associate		**4 342**		(1 914)
– Discontinued operation		**2 770**		2 588
Movement in cash flow hedge accounting reserve, net of tax		**(23 612)**		4 582
Other comprehensive income transferred to profit or loss				
– associate		**1 607**		–
– discontinued operation		**(18 960)**		–
Other comprehensive income which will not be recycled to profit or loss				
Fair value of investment		**27**		24
Actuarial profit on post-retirement medical liability		**706**		634
Total comprehensive income for the year, net of tax		**662 582**		651 113
Profit attributable to:				
Owners of the parent		**687 986**		637 943
Non-controlling interests		**7 437**		6 130
		695 423		644 073
Total comprehensive income attributable to:				
Owners of the parent		**655 145**		644 983
Non-controlling interests		**7 437**		6 130
		662 582		651 113
Continuing operations:				
Basic earnings per ordinary share (cents)		**414.8**	10	377.2
Diluted basic earnings per ordinary share (cents)		**414.8**	10	377.2
Headline earnings per ordinary share (cents)		**421.7**	11	381.3
Diluted headline earnings per ordinary share (cents)		**421.6**	11	381.3
Discontinued operations:				
Basic (loss)/earnings per ordinary share (cents)		**(1.0)**		6.4
Diluted (loss)/earnings per ordinary share (cents)		**(1.0)**		6.4
Headline earnings per ordinary share (cents)		**1.2**		6.4
Diluted headline earnings per ordinary share (cents)		**1.2**		6.4
Total operations:				
Basic earnings per ordinary share (cents)		**413.8**	8	383.6
Diluted basic earnings per ordinary share (cents)		**413.8**	8	383.6
Headline earnings per ordinary share (cents)		**422.8**	9	387.7
Diluted headline earnings per ordinary share (cents)		**422.8**	9	387.7

* *Prior year has been restated to show comparatives for the discontinued operation.*

Consolidated statement of changes in equity

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

* *NDR = Non-distributable reserves*

** *Refer to note 1.2*

Consolidated statements of financial position

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

Consolidated statements of cash flows

	Audited 2019 R'000	Audited 2018 R'000
Cash flows from operating activities		
Operating profit from continuing operations	**883 537**	803 049
Operating profit from discontinued operation	**3 098**	16 433
Operating profit	**886 635**	819 482
Other adjustments and non-cash items	**350 770**	384 646
Operating profit before working capital changes	**1 237 405**	1 204 128
Working capital changes	**(208 600)**	(342 968)
Cash generated from operations	**1 028 805**	861 160
Finance income received	**7 350**	17 363
Finance costs paid	**(20 109)**	(25 605)
Dividend income received	**41 953**	30 100
Dividends paid	**(277 889)**	(247 143)
Taxation paid	**(274 147)**	(246 663)
Net cash inflow from operating activities	**505 963**	389 212
Cash flows from investing activities		
Decrease in other financial assets	**2 655**	5 232
Acquisition of business	**–**	(327 623)
Disposal of business	**15 940**	–
Purchase of property, plant and equipment		
– Expansion	**(92 626)**	(84 684)
– Replacement	**(122 858)**	(134 564)
Purchase of intangible assets	**–**	(4 450)
Proceeds on disposal of investment in associate	**2 156**	–
Proceeds on disposal of property, plant and equipment	**1 288**	6 911
Net cash outflow from investing activities	**(193 445)**	(539 178)
Cash flows from financing activities		
Treasury shares (for equity option scheme)	**(21 818)**	(6 804)
Repayment of borrowings	**–**	(276 177)
Net cash outflow from financing activities	**(21 818)**	(282 981)
Net increase/(decrease) in cash and cash equivalents	**290 700**	(432 947)
Net foreign exchange difference on cash and cash equivalents	**1 800**	2 248
Cash and cash equivalents at beginning of year	**155 752**	586 451
Cash and cash equivalents at end of year	**448 252**	155 752

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

1.1 INTRODUCTION

The summarised audited consolidated annual financial statements for the year ended 30 June 2019 have been prepared in compliance with the Listings Requirements of the JSE Limited, International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards (IAS) 34: Interim financial reporting, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008. These condensed results for the year ended 30 June 2019, extracted from the audited consolidated financial statements, which the Board of directors take full responsibility for, have been prepared by Ms Dorette Neethling, Chief Financial Officer. Both these summarised results and the consolidated financial statements were audited by the independent external auditors, Ernst & Young Inc. and copies of their unqualified audit opinions are available for inspection at the Company's registered office.

1.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended IFRS standards and interpretations during the year, which did not have a significant impact on the financial performance or position of the Group:

IFRS 9: *Financial instruments – recognition and measurement*

IFRS 9 is the new financial instrument accounting standard and includes the requirements for classification and measurement of financial assets, the impairment and derecognition of financial assets, as well as general hedge accounting.

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

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

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

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

IFRS 15: *Revenue from contracts with customers*

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

The Group adopted IFRS 15 using the retrospective approach, with the following impact on the Group's financial statements:

- disaggregated revenue disclosure; and
- liabilities for the non-performance on customer contracts will be recognised against revenue.

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

2. REVENUE (CONTINUED)

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

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

	Audited 2019 R'000	Audited 2018 R'000
3. NON-TRADING EXPENSES		
Impairments	8 568	5 235
Fair value adjustment of long-term receivable	1 763	–
Transaction costs	5 843	7 315
Retrenchment costs	12 347	–
Share-based payment expenses	41 756	34 345
Release of foreign currency translation reserve on disposal of investment in associate	1 607	–
	71 884	46 895

4. DISCONTINUED OPERATION

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

4.1 STATEMENT OF COMPREHENSIVE INCOME

	Audited 2019 6 months R'000	Audited 2018 12 months R'000
Revenue	86 261	157 549
Contracts with customers	86 261	157 549
Cost of sales	(61 165)	(102 838)
Gross profit	25 096	54 711
Selling, distribution and marketing expenses	(11 374)	(21 799)
Fixed and administrative expenses	(8 803)	(16 479)
Trading profit	4 919	16 433
Non-trading expenses (note 4.2)	(1 821)	–
Operating profit	3 098	16 433
Finance costs	–	(786)
Profit before taxation	3 098	15 647
Taxation	(1 115)	(4 939)
Profit for the period/year from discontinued operation	1 983	10 708
Loss on disposal of the discontinued operation	(3 592)	–
(Loss)/Profit for the period/year from discontinued operation attributable to owners of the parent	(1 609)	10 708

		Audited 2019 6 months R'000	Audited 2018 12 months R'000
4.2	NON-TRADING EXPENSES		
	Transaction costs	**1 821**	–
4.3	CASH INFLOW ON DISPOSAL		
	Consideration received	**36 185**	
	Net cash disposed of with the discontinued operation	**(20 245)**	
	Net cash inflow	**15 940**	
4.4	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 in the statements of cash flows as follows:		
	Cash (outflow)/inflow from operating activities	**(3 631)**	40 165
	Cash outflow from investing activities	**(7 264)**	(7 964)
	Cash outflow from financing activities	**–**	(1 881)
	Net cash (outflow)/inflow	**(10 895)**	30 320

		Audited 2019 R'000	Audited 2018 R'000
5.	**SEGMENT REPORTING**		
	Revenue from contracts with customers		
	Continuing operations		
	Southern Africa	**7 030 034**	6 338 389
	OTC	**1 982 886**	1 989 225
	Prescription	**2 739 649**	2 237 620
	Consumer	**786 896**	686 699
	Hospital	**1 454 604**	1 347 698
	Other – shared services	**65 999**	77 147
	Rest of Africa	**68 524**	65 075
	Research and development services in India	**21 114**	19 494
		7 119 672	6 422 958
	Less: Intercompany sales	**(41 234)**	(40 252)
		7 078 438	6 382 706
	Discontinued operation		
	Rest of Africa	**86 261**	157 549

Notes to the consolidated financial statements *continued*

		Audited 2019 R'000	Audited 2018 R'000
5.	**SEGMENT REPORTING (CONTINUED)**		
	Trading and operating profit		
	Continuing operations		
	Southern Africa	**944 752**	845 540
	OTC	**388 361**	399 640
	Prescription	**309 989**	239 435
	Consumer	**134 177**	112 181
	Hospital	**112 225**	95 312
	Other – shared services	**–**	(1 028)
	Rest of Africa	**8 609**	1 897
	Research and development services in India	**2 060**	2 507
	Trading profit	**955 421**	849 944
	Less: Non-trading expenses	**(71 884)**	(46 895)
	Operating profit	**883 537**	803 049
	Discontinued operation – Rest of Africa		
	Trading profit	**4 919**	16 433
	Less: Non-trading expenses	**(1 821)**	–
	Operating profit	**3 098**	16 433
	Total assets		
	Southern Africa	**5 922 443**	5 844 806
	OTC	**1 771 142**	1 761 603
	Prescription	**2 020 144**	1 987 006
	Consumer	**342 209**	315 425
	Hospital	**1 189 750**	1 236 482
	Other – shared services	**599 198**	544 290
	Rest of Africa	**40 502**	163 141
	India	**287 848**	262 778
		6 250 793	6 270 725
6.	**INVENTORY**		
	Inventories written down and recognised as an expense in cost of sales in profit or loss:		
	Continuing operations	**99 944**	91 466
	Discontinued operation	**290**	3 388
		100 234	94 854
7.	**CAPITAL COMMITMENTS**		
	– Contracted for	**21 772**	32 932
	– Approved but not contracted	**90 100**	63 258
		111 872	96 190

	Audited 2019 R'000	Audited 2018 R'000
8. HEADLINE EARNINGS		
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**687 986**	637 943
Adjusted for:		
Loss/(Profit) attributable to Adcock Ingram from discontinued operation (note 4.1)	**1 609**	(10 708)
Earnings attributable to owners of Adcock Ingram from continuing operations	**689 595**	627 235
Adjusted for:		
Impairment of intangible assets	**5 595**	2 700
Impairment of investment in associate	**2 973**	–
Release of foreign currency translation reserve on disposal of investment in associate	**1 607**	–
Loss/(Profit) on disposal/scrapping of property, plant and equipment	**677**	(1 968)
Tax effect on loss/(profit) on disposal of property, plant and equipment	**(257)**	(42)
Adjustments relating to equity accounted joint ventures and associate		
Impairment of goodwill	**–**	5 312
Loss on disposal of long-term receivable	**–**	828
Loss/(Profit) on disposal of property, plant and equipment	**1 290**	(24)
Tax effect on loss on disposal of property, plant and equipment	**(445)**	–
Headline earnings from continuing operations	**701 035**	634 041
Discontinued operation		
(Loss)/Profit attributable to owners of Adcock Ingram from discontinued operation	**(1 609)**	10 708
Adjusted for:		
Loss on sale of discontinued operation (note 4.1)	**3 592**	–
Headline earnings from discontinued operation	**1 983**	10 708

	'000	'000
9. SHARE CAPITAL		
Number of shares in issue	**175 748**	175 748
Number of ordinary shares held by Group companies	**(4 324)**	(4 292)
Net shares in issue	**171 424**	171 456
Headline earnings and basic earnings per share are based on:		
Weighted average number of ordinary shares outstanding	**166 260**	166 293
Diluted weighted average number of shares outstanding	**166 262**	166 295

10. SUBSEQUENT EVENTS

ADCOCK INGRAM BROAD-BASED BLACK EMPOWERMENT SCHEME

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

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

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

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

11. FAIR VALUE HIERARCHY

Financial instruments	Classification per IFRS 9	Classification per IAS 39	Statement of financial position	Year end balance 2019 R'000	Year end balance 2018 R'000	Net gains/(losses) 2019 R'000
Investment[1]	Fair value through OCI	Available-for-sale	Other financial assets	**1 649**	1 937	**35**
Black Managers Share Trust[1]	Fair value through profit and loss	Loans and receivables	Other financial assets	**27 978**	32 073	**(1 763)**
Trade and sundry receivables[3]	At amortised cost	Loans and receivables	Trade and other receivables	**1 679 475**	1 535 369	**–**
Foreign exchange contracts – derivative asset[2]	Fair value through OCI	Cash flow hedge	Trade and other payables	**–**	21 838	**–**
Cash and cash equivalents[3]	At amortised cost	Loans and receivables	Cash and cash equivlents	**448 252**	404 629	**–**
Trade and other payables [3]	At amortised cost	Loans and borrowings	Trade and other payables	**1 605 575**	1 830 652	**–**
Foreign exchange contracts – derivative liability[2]	Fair value through OCI	Cash flow hedge	Trade and other payables	**16 799**	–	**(5 026)**
Bank overdraft[2]	At amortised cost	Loans and borrowings	Bank overdraft	**–**	248 877	**–**

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

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

(3) The carrying value approximates fair value.

Corporate information

ADCOCK INGRAM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/016236/06)
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

DIRECTORS

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

Ernst & Young Inc.
102 Rivonia Road, Sandton, 2146

SPONSOR

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

BANKERS

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

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

FORWARD-LOOKING STATEMENTS

Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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