

*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 Ayrtan 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 <i>cum</i> distribution	Tuesday, 17 September 2019
Share trade <i>ex</i> 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

27 August 2019

AG Hall

Chief Executive Officer

Consolidated statements of comprehensive income

	Notes	Audited 2019 R'000	Change %	Restated* Audited 2018 R'000
Continuing operations				
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					Total attributable to ordinary shareholders	Non- controlling interests	Total
	Issued share capital	Share premium	*NDR- Continuing operations	*NDR- Discontinued operations	Retained income			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	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.

2. REVENUE

	Audited 2019 R'000	Audited 2018 R'000
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

Notes to the consolidated financial statements *continued*

2. REVENUE (CONTINUED)

Contracts with customers by channel	Private	Public	Export and foreign	Total
30 June 2019				
<i>Continuing operations:</i>				
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 Pharmed Labs (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		
<i>Continuing operations</i>		
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
<i>Discontinued operation</i>		
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		
<i>Continuing operations</i>		
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
<i>Discontinued operation – Rest of Africa</i>		
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.

Notes to the consolidated financial statements *continued*

11. FAIR VALUE HIERARCHY

Financial instruments	Classification per IFRS 9	Classification per IAS 39	Statement of financial position	Year end balance		Net gains/ (losses) 2019 R'000
				2019 R'000	2018 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 equivalents	448 252	404 629	–
Trade and other payables ⁽³⁾	At amortised cost	Loans and borrowings	Trade and other payables	1 605 575	1 830 652	–
Foreign exchange contracts – derivative liability ⁽²⁾	Fair value through OCI	Cash flow hedge	Trade and other payables	16 799	–	(5 026)
Bank overdraft ⁽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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