ADCOCK INGRAM HOLDINGS LIMITED
(Registration number 2007/016236/06)
(Incorporated in the Republic of South Africa)
Share code: AIP   ISIN: ZAE000123436
("Adcock" or "the company" or "the group")

Abridged Audited Group Results
for the year ended 30 September 2010

Foreword

2010 has been a challenging yet satisfying year for Adcock Ingram. Despite a tough economic environment, the group – which celebrated its 120th birthday this year – has achieved pleasing results, reporting double-digit revenue growth, improved normalised headline earnings per share and strong cash generation"
CEO, Jonathan Louw

Adcock Ingram provides an extensive portfolio of branded and generic medicines, has a strong presence in over-the-counter (OTC) brands, is South Africa's largest supplier of hospital and critical-care products and supplies established brand name consumables and equipment to medical, research and servicing pathology laboratories.

Highlights

- Turnover up 11% to R4,4 billion
- Gross profit improved 15% to R2,3 billion
- Normalised* headline earnings up 15,5% to R900 million (518,2 cents per share)
- Cash on hand R1,4 billion
- Final dividend up 27,5% to 102 cents per share

* Refer to note 7.

Consolidated statements of comprehensive income
for the years ended 30 September

	Note	2010 R'000 Audited	% change	2009 R'000 Audited
REVENUE	2	4 510 589		4 053 452
TURNOVER	2	4 440 654	10,9	4 005 153
Cost of sales		(2 105 827)		(1 968 238)
Gross profit		2 334 827	14,6	2 036 915
Selling and distribution expenses		(499 931)		(421 969)
Marketing expenses		(163 708)		(130 026)
Research and development expenses		(65 287)		(64 472)
Fixed and administrative expenses		(405 599)		(375 619)
Operating profit		1 200 302	14,9	1 044 829
Finance income		59 288		38 680
Finance costs		(40 473)		(56 411)
Dividend income	2	10 647		9 619
Profit before taxation and abnormal items		1 229 764	18,6	1 036 717
Abnormal item	3	(269 000)		-

Profit before taxation		960 764		1 036 717
Taxation		(317 536)		(246 835)
Profit for the year		643 228		789 882
Other comprehensive income		(528)		(12 910)
Exchange differences on translation of foreign operations		(4 156)		(5 045)
Movement in cash flow hedge accounting reserve, net of tax		3 628		(7 865)
Total comprehensive income for the year, net of tax		642 700		776 972
Profit attributable to:				
Owners of the parent		631 459		782 396
Non-controlling interests		11 769		7 486
		643 228		789 882
Total comprehensive income attributable to:				
Owners of the parent		630 931		769 486
Non-controlling interests		11 769		7 486
		642 700		776 972
Basic earnings per ordinary share (cents)	7	363,5	(19,5)	451,7
Diluted basic earnings per ordinary share (cents)	7	362,7	(19,4)	450,1
Headline earnings per ordinary share (cents)	7	363,4	(19,2)	450,0
Diluted headline earnings per ordinary share (cents)	7	362,6	(19,1)	448,4
Normalised basic earnings per ordinary share (cents)	7	518,4	14,8	451,7
Normalised diluted basic earnings per ordinary share (cents)	7	517,2	14,9	450,1
Normalised headline earnings per ordinary share (cents)	7	518,2	15,2	450,0
Normalised diluted headline earnings per ordinary share (cents)	7	517,1	14,9	448,4

Consolidated group statement of changes in equity

	Attributable to holders of the parent				
	Issued share capital R'000	Share premium R'000	Retained income R'000	Non-distributable reserves R'000	Total attributable to ordinary shareholders R'000
As at 1 October 2008	17 306	1 193 662	340 117	77 306	1 628 391
Share issue	57	10 192			10 249
Share-based payment expense				13 098	13 098
Total comprehensive income			782 396	(12 910)	769 486
Profit for the year			782 396		782 396
				(12 910)	(12 910)

Other comprehensive income					
Dividends			(120 571)		(120 571)
Balance at 30 September 2009	17 363	1 203 854	1 001 942	77 494	2 300 653
Share issue	33	4 364			4 397
Movement in treasury shares	(31)	(17 928)			(17 959)
Share-based payment expense				272 095	272 095
Acquisition of A ordinary shares by Blue Falcon Trading 69 (Pty) Limited – non-controlling interest					
Acquisition through business combination: Ayrton Drug Manufacturing Limited					
Subsequent acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited			(922)		(922)
Total comprehensive income			631 459	(528)	630 931
Profit for the year			631 459		631 459
Other comprehensive income				(528)	(528)
Dividends			(274 540)		(274 540)
Balance at 30 September 2010	17 365	1 190 290	1 357 939	349 061	2 914 655

	Non-controll-ing interest R’000	Total R’000
As at 1 October 2008	22 612	1 651 003
Share issue		10 249
Share-based payment expense		13 098
Total comprehensive income	7 486	776 972
Profit for the year	7 486	789 882
Other comprehensive		(12 910)

income		
Dividends	(5 155)	(125 726)
Balance at 30 September 2009	24 943	2 325 596
Share issue		4 397
Movement in treasury shares		(17 959)
Share-based payment expense		272 095
Acquisition of A ordinary shares by Blue Falcon Trading 69 (Pty) Limited – non-controlling interest	93 750	93 750
Acquisition through business combination: Ayrton Drug Manufacturing Limited	33 636	33 636
Subsequent acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	(69)	(991)
Total comprehensive income	11 769	642 700
Profit for the year	11 769	643 228
Other comprehensive income		(528)
Dividends	(5 344)	(279 884)
Balance at 30 September 2010	158 685	3 073 340

Consolidated statements of financial position at 30 September

	2010 R'000 Audited	2009 R'000 Audited
ASSETS		
Property, plant and equipment	857 471	599 746
Deferred tax	23 967	20 030
Investments	139 012	138 037
Investment in associate	12 200	12 200
Intangible assets	424 149	304 240
Non-current assets	1 456 799	1 074 253
Inventories	719 236	583 704
Trade and other receivables	1 150 393	1 036 605
Cash and cash equivalents	1 430 917	692 938
Current assets	3 300 546	2 313 247
Total assets	4 757 345	3 387 500

EQUITY AND LIABILITIES

Capital and reserves		
Issued share capital	17 365	17 363
Share premium	1 190 290	1 203 854
Non-distributable reserves	349 061	77 494
Retained income	1 357 939	1 001 942
Total shareholders' funds	2 914 655	2 300 653
Non-controlling interests	158 685	24 943
Total equity	3 073 340	2 325 596
Long-term borrowings	453 830	117 076
Post-retirement medical liability	15 808	14 298
Deferred tax	23 961	6 683
Non-current liabilities	493 599	138 057
Bank overdraft	-	221
Trade and other payables	957 922	630 743
Short-term borrowings	126 787	194 405
Provisions	84 464	68 752
Taxation payable	21 233	29 726
Current liabilities	1 190 406	923 847
Total equity and liabilities	4 757 345	3 387 500

Consolidated abridged statements of cash flows
for the years ended 30 September

	2010 R'000 Audited	2009 R'000 Audited
Cash flows from operating activities		
Operating profit before working capital changes	1 321 990	1 176 280
Working capital changes	115 364	(46 120)
Cash generated from operations	1 437 354	1 130 160
Finance income	59 288	38 680
Finance costs	(40 473)	(56 411)
Dividend income	10 647	9 619
Dividends paid	(279 884)	(125 726)
Taxation paid	(324 832)	(242 635
Net cash inflow from operating activities	862 100	753 687
Cash flows from investing activities		
Increase in investments	(975)	-
Purchase of intangible assets	-	(11 025)
Cost of businesses acquired	(139 502)	(79 049)
Purchase of property, plant and equipment – Expansion	(107 723)	(169 439)
Purchase of property, plant and equipment – Replacement	(225 339)	(59 170)
Proceeds on disposal of property, plant and equipment	2 819	4 163
Increase in Investment in Associate	-	(12 200)
Net cash outflow from investing activities	(470 720)	(326 720)
Cash flows from financing activities		
Acquisition of non-controlling interest(*)	(989)	-
Proceeds from issue of share capital	4 398	10 249
Purchase of treasury shares	(17 960)	-
Subscription for "A" shares	93 750	-
Increase in/(repayment of) borrowings	269 033	(138 966)
Net cash inflow/(outflow) from financing	348 232	(128 717)

activities		
Net increase in cash and cash equivalents	739 612	298 250
Net foreign exchange difference on cash and cash equivalents	(1 412)	(831)
Cash and cash equivalents at beginning of year	692 717	395 298
Cash and cash equivalents at end of year	1 430 917	692 717

* Refer to note 5.3

Notes to the consolidated financial statements

1 BASIS OF PREPARATION

1.1 Introduction

The abridged audited results have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 International Financial Reporting, the South African Companies Act, the Listings Requirements of the JSE Limited as well as the AC500 standards as issued by the Accounting Practices Board or it successor. The condensed financial information has been audited by Ernst & Young Inc. The unqualified opinion is available for inspection at the company's registered office.

1.2 Changes in accounting policies

The accounting policies and the methods of computation are in terms of IFRS and consistent with those of the previous annual financial statements except for the adoption of the following new and amended IFRS interpretations during the year which had an impact on the business:

IFRS 3 Business Combinations

The group has adopted IFRS 3 Business Combinations, which introduces significant changes in the accounting for business combinations occurring after 1 October 2009. Changes affect the valuation of non-controlling interest, the accounting of transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 23 Borrowing Costs

The group has adopted IAS 23 Borrowing Costs, which requires capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. During the 12 months ended 30 September 2010, R9,3 million of borrowing costs have been capitalised on qualifying assets.

	2010 R'000 Audited	2009 R'000 Audited
2 REVENUE		
Revenue comprises		
- Turnover	4 440 654	4 005 153
- Finance income	59 288	38 680
- Dividend income		
- Black Managers Trust distribution	10 647	9 619
	4 510 589	4 053 452
3 ABNORMAL ITEM		
Share based payment expense	269 000	-

Abnormal items are items of income and expenditure which are not directly attributable to normal operations or where their size or nature are such that additional disclosure is considered appropriate. The abnormal item is the once-off share-based payment charge relating to the shares issued to the Strategic Partners in the Black Economic Empowerment (BEE) transaction.

	2010 R'000 Audited	2009 R'000 Audited
4 SEGMENTAL REPORTING		
Turnover		
Over the Counter	1 427 291	1 288 966
Prescription	1 666 373	1 466 736
Pharmaceuticals	3 093 664	2 755 702
Hospital Products	1 346 990	1 249 451
	4 440 654	4 005 153
Operating profit		
Over the Counter	407 082	402 448
Prescription	540 440	421 788
Pharmaceuticals	947 522	824 236
Hospital Products	252 780	220 593
	1 200 302	1 044 829
Total assets		
Pharmaceuticals	3 653 871	2 465 121
Hospital Products	1 103 474	922 379
	4 757 345	3 387 500
Current liabilities (excluding bank overdrafts)		
Pharmaceuticals	880 026	726 831
Hospital Products	310 380	196 795
	1 190 406	923 626
Capital expenditure1		
Pharmaceuticals	192 796	156 605
Hospital Products	140 266	72 004
	333 062	228 609
Dereciation and amortisation		
Pharmaceuticals	51 410	37 367
Hospital Products	50 182	45 403
	101 592	82 770

1 Capital expenditure consists of additions to property, plant and equipment, but excludes additions to intangible assets.

	2010 R'000 Audited
5 BUSINESS COMBINATIONS	
5.1 Unique Formulations	
On 17 November 2009, the group acquired 100% of the assets of Unique Formulations, a vitamin and mineral supplement company based in Cape Town, as a going concern.	
The fair value of the identifiable assets as at the date of acquisition was:	
Property, plant and equipment	196

Marketing-related intangible assets	24 204
Inventories	2 024
Accounts receivable	2 669
Fair value of net assets	29 093
Goodwill	8 448
Net purchase price	37 541

Of the total purchase price, a payment of R17,5 million has been deferred. The deferred portion of the purchase price, which has been fully provided for, is subject to the achievement of certain performance criteria.

From the date of acquisition, the Unique business contributed R23,1 million towards revenue. Should the Unique business have been included from 1 October 2009, the contribution is estimated to have been R24,8 million to revenue.

As the business was fully integrated into the OTC segment, it is difficult to determine the exact contribution towards operating profit.

The significant factors that contributed to the recognition of goodwill include, but are not limited to, the acquisition of trade listings of an established product portfolio within the FMCG channel.

A total of R0,3 million of costs relating to this business combination were incurred and expensed during the year.

5.2 Indigenous Systems (Pty) Limited
On 1 April 2010, The Scientific Group (Pty) Limited acquired the net assets of Indigenous Systems (Pty) Limited ("Indigenous"), an unlisted company in South Africa, as a going concern.

Property, plant and equipment	1 925
Inventories	7 642
Accounts receivable	7 018
Accounts payable	(3 585)
Net purchase price	13 000

Of the total purchase price, a payment of R3,2 million has been deferred. The deferred portion of the purchase price, which has been fully provided for, is subject to the achievement of certain revenue targets.

From the date of acquisition, the Indigenous business contributed R20,5 million towards revenue and R3,2 million towards profit before income tax.

Should the Indigenous business have been included from 1 October 2009, the contribution is estimated to have been R39 million to revenue and R5,9 million towards profit before income tax.

5.3 Ayrton Drug Manufacturing Limited (Ayrton)

On 1 April 2010, Adcock Ingram International (Pty) Limited, a wholly owned subsidiary of Adcock Ingram Holdings Limited, acquired a 65,59% stake in a leading listed Ghanaian pharmaceutical company, Ayrton Drug Manufacturing Limited ("Ayrton") for R121 million.

5.3 Ayrton Drug Manufacturing Limited (Ayrton) (continued)
The fair value of the identifiable assets as at the date of acquisition was:

Property, plant and equipment	20 355
Marketing-related intangible assets	28 295
Customer-related intangible assets	9 141
Other intangible assets	1 211
Cash and cash equivalents	14 417
Inventories	20 299
Accounts receivable	23 778
Accounts payable	(10 028)
Receiver of Revenue	(1 465)
Deferred tax	(9 359)
Non-controlling interests	(33 636)
Fair value of net assets	63 008
Cash and cash equivalents	(14 417)
Goodwill	57 869
Net purchase price	106 460

Following the initial transaction, Adcock Ingram International (Pty) Limited acquired an additional 0,59% of the shares of Ayrton for R1 million, increasing its ownership to 66,18% at 30 September 2010. Adcock has placed an order on the Ghanaian stock exchange to purchase additional shares at GH¢0,16.

From the date of acquisition, the Ayrton business contributed R43,5 million towards revenue and R9,7 million towards profit before income tax.

Should the Ayrton business have been included from 1 October 2009, the contribution is estimated to have been R85,7 million to revenue and R19,4 million towards profit before income tax.

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 factors that contributed to the recognition of goodwill include, but are not limited to, the establishment of a presence within the Western African markets, with local management and distribution capabilities to drive the group's product sales into the various channels and customers that exist within those markets.

A total of R1,9 million of costs relating to this business combination were incurred and expensed during the year.

	2010 R'000	2009 R'000
6 CAPITAL COMMITMENTS		
Capital commitments	658 354	932 784
- contracted	503 362	143 693
- approved	154 992	789 091

7 EARNINGS PER SHARE

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

	Number of shares 2010	2009
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
- Issued shares at the beginning of the year	173 625 578	173 055 168
- Effect of ordinary shares issued during the year	164 254	151 127
- Effect of ordinary treasury shares acquired during the year	(77 367)	-
Weighted average number of ordinary shares outstanding	173 712 465	173 206 295
Potential dilutive effect of outstanding share options	388 835	603 703
Diluted weighted average number of shares outstanding	174 101 300	173 809 998

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

	R'000	R'000
Headline earnings is determined as follows:		
Earnings attributable to owners of Adcock Ingram	631 459	782 396
Adjusted for:		
Profit on disposal of property, plant and equipment	(221)	(3 050)
Headline earnings	631 238	779 346

NORMALISED EARNINGS PER SHARE

Normalised earnings per share and normalised headline earnings per share are derived by adjusting earnings and headline earnings disclosed above for the abnormal item as detailed in note 3 to derive a comparable number, divided by the weighted average number of shares in issue.

Normalised earnings per share		
Earnings attributable to owners of Adcock Ingram	631 459	782 396
Adjusted for:		
Abnormal item	269 000	-
Normalised earnings before abnormal item	900 459	782 396
Normalised headline earnings per share		
Headline earnings as reported	631 238	779 346
Adjusted for:		
Abnormal item	269 000	-
Normalised headline earnings before abnormal item	900 238	779 346

8 SUBSEQUENT EVENTS

8.1 Call option process by Baxter Healthcare SA (Baxter) in respect of Adcock Ingram Critical Care (Pty) Limited (AICC)

For strategic reasons unrelated to the business of AICC, Baxter elected not to proceed with the exercise of its Call Option over 50% plus 1 share of the AICC business. The Option Agreement has been cancelled by mutual agreement of the parties. The business of AICC will continue under the control of Adcock Ingram and will continue to benefit from the existing 15-year licence, distribution and raw materials supply agreements with Baxter.

8.2 The Scientific Group (Pty) Limited (TSG)

On 5 November 2010, the group entered into a formal sale agreement in respect of its 74% holding in The Scientific Group (Pty) Limited (TSG). The sale agreement is subject to various conditions including Competition Commission approval.

8.3 Roche Products (Pty) Limited (Roche)

On 18 November 2010, Adcock Ingram and Roche, the world's largest biotechnology company, established a 5-year strategic partnership whereby Adcock Ingram will sell, promote and distribute two well established Roche products in South Africa.

For and on behalf of the board

JJ Louw
Chief Executive Officer

KDK Mokhele
Chairman

22 November 2010

Highlights

- Turnover up 11% to R4,4 billion
- Gross profit improved 15% to R2,3 billion
- Normalised* headline earnings up 15,5% to R900 million (518,2 cents per share)
- Cash on hand R1,4 billion
- Final dividend up 27,5% to 102 cents per share

* Refer to note 7.

FINANCIAL REVIEW

Headline earnings

Adcock Ingram is pleased to have achieved normalised headline earnings for the year ended 30 September 2010 of R900,2 million (518,2 cents per share). This represents a 15,5% increase over the comparable figure for 2009 of R779,3 million and translates into an improvement of 15,2% in normalised headline earnings per share and 14,8% improvement in normalised earnings per share.

Turnover

The impact of our acquisitions of Unique Formulations, Ayrton Drug Manufacturing Limited and Indigenous Systems, as well as the conclusion of co-promotion agreements, supported turnover growth of almost 11% to R4,4 billion (2009: R4,0 billion). The above mentioned acquisitions and new multi-national partnerships contributed R187,2 million to revenue.
Price decreases averaged 1% across the business. Government granted a 7,4% Single Exit Price (SEP) increase in June 2010. In the Prescription segment the SEP increase was implemented where market conditions allowed. The Pharmaceutical division experienced price decreases in a significant portion of its generics portfolio, the greatest impact being on Adco Simvastatin and Adco Efavirenz.

Continued volume growth in prescription generics, including anti-retrovirals (ARVs) and the Hospital Products division was dampened by declining volumes in the over-the-counter (OTC) segment as a result of continued consumer down-trading.

Profits

Gross profit for the 12 months increased by 14,6% to R2,3 billion (2009: R2,0 billion) with overall margins improving from 50,9% to 52,6% (March 2010: 51,8%).

The gross margin percentages in Prescription and OTC improved to 58,2% (2009: 53,9%) and 58,5% (2009: 58,1%) respectively, while in the Hospital Products division it reduced slightly to 39,3% (2009: 39,8%). Gross margins across all businesses benefited from the strong Rand, which favourably affected imports of raw materials and finished products, but this was partially offset by a higher proportion of lower margin ARVs in the sales mix and continued pricing pressure in the rest of the generic portfolio. In the Hospital Products division the benefit of the strong Rand was outweighed by additional overheads and overtime costs, consequent to the factory upgrade and a higher proportion of tender sales compared to the prior year.

Factory upgrades at Clayville and Aeroton adversely affected production with periods of significant downtime to ensure product quality and safety, and overtime costs to make up production levels. In addition, implementation of new processes and hiring of additional human resources to implement new regulatory and quality standards has caused some on-cost to the business. The costs of these disruptions totalled R49 million in the year under review.

Operating profit improved by 14,9% to R1,2 billion (2009: R1,0 billion) with the percentage on sales improving from 26,1% to 27,0%. Operating expenses increased by 14,4% to R1,1 billion (2009: R992 million), the primary drivers being increased distribution and staff costs at the additional sortation facility in Midrand, higher marketing spend and operating expenditure of R42,6 million in newly acquired businesses which is not in the base 2009 figure. IFRS2 expenses increased from R32,7 million in the comparable period to R45,8 million in the current year. This excludes the IFRS2 expense of R269 million relating to the issue of shares to the strategic partners in the BEE transaction which is reflected as an abnormal item.

After net finance income and dividends received, profit before tax and abnormal items grew 18,6% to R1,2 billion (2009: R1,0 billion). The effective tax rate for the year was 33,1% (2009: 23,8%).

Cash flows and financial position

Cash generated from operations was a healthy R1,4 billion (2009: R1,1 billion). This is reflective of sound working capital management in the period under review, with overall levels of working capital reducing by R115 million.

Trade and other accounts receivable increased by just R113 million from September 2009 with trade debtors' days at the end of the period at approximately 58 days, an improvement over the 62 days reported in September 2009.

Inventory increased by R135 million in the twelve-month period, now representing 120 days of cost of sales compared with 105 days at September 2009. This increase resulted from the large stock holding for the distribution and co-promotion agreements entered into with MSD, Lilly and Novartis.

After net finance income, dividends and taxation, cash generated was R862 million (2009: R754 million). This improvement was achieved despite dividend payments having increased by R154 million compared with the previous financial year.

The group paid R140 million to acquire businesses in support of its growth strategy and total capital expenditure across the various sites during the twelve months was R333 million. Of the R800 million secured facilities for the factory upgrades programme, R430 million was drawn down to fund the extensive regulatory upgrade at the Aeroton operation and the construction of the high-volume liquids facility at Clayville.

During the year, cash equivalents increased by R740 million, leaving the business with a gross cash position of R1,4 billion (2009: R693 million) and net cash of R850 million (2009: R381 million).

Dividends

In recognition of the strong cash position, we are pleased to announce a final cash dividend of 102 cents per share (September 2009: 80 cents) representing an increase of 27,5%. This results in the total dividend for the year being 2,5 times covered by normalised headline earnings.

BUSINESS OVERVIEW

Pharmaceutical Division

The Pharmaceutical Division has regained its position as number 1 measured against 44 OTC/self medication companies in the Campbell Bellman confidence survey, assessing level of performance on a number of defined attributes. In addition, the company has maintained the number 1 confidence ranking with General Practitioners amongst local and generic companies.

For the year under review, as measured by IMS, Adcock Ingram increased share in the private market, in both volume and value terms. This was driven by a strong volume performance by generics and continued growth from its bigger branded prescription products, particularly Synap Forte.

Important strategic developments during the year were the conclusion of the acquisition of Ayrton Drug Manufacturing Limited in Ghana and the collaboration agreement with MSD - the 2nd largest global pharmaceutical company. Attractive marketing synergies for both parties are anticipated from this agreement for the distribution and co-promotion of several MSD products.

Upgrades to the Wadeville factory have been completed during the year while the construction of the high-volume liquid plant in Clayville is on track to meet the target completion date in 2012. Supply from the Midrand distribution centre improved significantly with 96% of stock delivered on time to customers.

Sales during the period rose by 12,3% to R3,1 billion with anti-retrovirals performing well via the South African government tender. Overall, the continued financial pressure on consumers was evident in a shift to economy brands from premium brands. Operating profits grew by 15,0% to R948 million assisted by the strong Rand during the year which had a positive impact on input costs.

Adcock Ingram's Kenyan operation is showing good growth, particularly from its strong pharmaceutical brands. Dawanol sales are increasing in Kenya and the product is now available in Uganda and other East African markets via local distribution partners. Good growth is expected in the new financial year as new Prescription and OTC products are registered and new distribution agreements begin to bear fruit.

Hospital Products Division
This division is comprised of Adcock Ingram Critical Care and The Scientific Group.

Adcock Ingram Critical Care (AICC)
The financial performance for the twelve months ended 30 September 2010 reflects a pleasing 11% volume growth and significant public sector wins. Long term partnerships were secured in the renal and blood arenas, with National Renal Care and South African National Blood Services (SANBS). AICC has actively endorsed various drives undertaken by the SANBS and has successfully secured a three year agreement with that organisation effected from 1 April 2010.

The 9,5% increase in turnover was achieved despite the late start to the RT299 fluids public sector tender and registration delays for new plasma expanders and the oncology range.

The period under review saw major public sector tender wins for AICC. AICC was awarded in excess of 80% of the tender for intravenous fluids and over 95% of the tender for renal products. These tenders are set to run for 24 months, and commenced on 1 March 2010.

At year end, the R290 million factory upgrade was 65% complete and proceeding according to schedule.

Shortly after the year end, the option agreement under which Baxter could procure a controlling share in AICC was cancelled by mutual agreement. AICC will continue to benefit from the existing 15-year licence, distribution and raw materials supply agreements with Baxter.

The Scientific Group (TSG)
Turnover increased by 2,7% but improved margins and well controlled expenses have resulted in strong operating profit growth over the comparative period. The disappointing increase in revenue was a result of reduced sales in the biosciences and export divisions, delayed funding for local research projects and reduced donor funding into sub-Saharan Africa. The strengthening of the Rand saw price decreases passed on to customers. On the positive side, medical equipment sales into hospitals showed double digit growth. TSG's market presence improved with the successful acquisition and integration of Indigenous Systems during the second half of the financial year, bringing to the business a reputable product portfolio and a team with strong relationships within private hospital groups.

Growing demand for improved and cost effective healthcare to large populations within sub-Saharan Africa provides good growth opportunities. TSG has directly employed its own staff in Zambia and Mozambique. In other territories, where the business is still building critical mass, it will continue to utilise local distributors.

REGULATORY ENVIRONMENT
The Department of Health's SEP increase of 7,4% on scheduled pharmaceutical products was implemented in June 2010.

The South African government reiterated its commitment to implementing National Health Insurance (NHI), with National Treasury working on understanding the full cost implications of such a scheme, which seeks to provide free or low cost health cover for all South Africans. It is premature to speculate on the impact of the proposed NHI on the business of Adcock Ingram. The group is monitoring developments and will engage where necessary.

TRANSFORMATION
In support of the Broad-Based Black Economic Empowerment (BEE) Codes of Good Practice, Adcock Ingram entered into a BEE equity transaction on 9 April 2010. The total value of the transaction was R1,3 billion, based on the VWAP of R50,91 per ordinary share on the JSE at the close of trade on Thursday, 19 November 2009, the date when the Memorandum of Understanding was signed. The total economic cost of implementing the transaction has been calculated at approximately R370 million, with reference to the requirements of IFRS2 and including transaction costs as well as the grant to the Mpho ea Bophelo Trust. The cost of R269 million recognised in the current year is related to the shareholding of the strategic partners in the transaction. No expense was recognised for share allocations to employees as they will take place in the next financial year.

PROSPECTS

With the mutually agreed cancellation of the Baxter option agreement, AICC will be wholly integrated into the Adcock Ingram group to streamline the business, improve efficiencies and reduce costs.

Adcock Ingram will continue to seek opportunities and new multinational collaborations to service sub-Saharan Africa after the successful acquisition of Ayrton in Ghana, which gives it a platform to grow sales in that country and in other West African markets. Several new launches and line extensions are planned for 2011.

Acquisition opportunities in the personal care and well-being categories have been identified. Also, investment will continue in brands, people and customers from our existing platform. However, the slow pace of the economic recovery is likely to affect organic growth in this category.

Price increases in the SEP portion of the portfolio are unlikely to be granted in 2011, and given low inflation, we also expect challenges in being allowed price increases in the non-SEP product portfolio.

Adcock Ingram remains committed to supporting the South African government in its rollout of ARVs and has tendered with a range of new generation ARV-molecules and combination ARVs in the next government tender. Whilst volumes in the new tender are higher than in previous years, tough competition on pricing is expected to drive margins significantly lower.

The recent pipeline innovations obtained through partnerships with multinational partners including MSD, Celltrion, Lilly, Novartis, Roche and Norgine are already bearing fruit and have greater revenue potential in the coming year. Volume growth in AICC, driven in part by the national tender business, is set to continue.

The manufacturing facility upgrades, which enabled international accreditation of facilities, as well as improvements in the distribution network, are yielding positive results in efficiencies and customer service levels and attracting further multinational partnerships.

Adcock Ingram continues to seek opportunities to enter adjacent categories in the South African market and to seek acquisitions in other emerging markets to leverage the current Adcock Ingram pipeline.

For and on behalf of the board

KDK Mokhele	JJ Louw
Chairman	Chief Executive Officer

Declaration of ordinary dividend
Notice is hereby given that a final cash dividend of 102 cents per share has been declared in respect of the year ended 30 September 2010.

The salient dates for the payment of the final dividend are detailed below:

Last date to trade cum dividend	Friday, 7 January 2011
Shares trade ex dividend	Monday, 10 January 2011
Record date	Friday, 14 January 2011
Payment date	Monday, 17 January 2011

Share certificates may not be dematerialised or rematerialised between Monday, 10 January 2011 and Friday, 14 January 2011, both dates inclusive.

By order of the board

22 November 2010
Midrand

Executive directors:
JJ Louw (Chief Executive Officer)
AG Hall (Chief Financial Officer)

Non-executive directors:
KDK Mokhele (Chairman)
EK Diack
T Lesoli
CD Raphiri
LE Schönknecht
RI Stewart
AM Thompson

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NE Simelane

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