

Notes to the Group annual financial statements continued

7 TAXATION (continued)

	2018 %	2017 %
Reconciliation of the taxation rate:		
Effective rate	28.0	28.3
Adjusted for:		
Exempt income (dividend income)	0.1	0.2
Non-deductible expenses*	(2.8)	(2.7)
Prior year under/(over) provision**	0.2	(0.3)
Equity accounted earnings	2.5	2.5
South African normal tax rate	28.0	28.0
	R'000	R'000
The Group has tax losses of R3.8 million (2017: R26.7 million) for offsetting against future taxable profits of the company in which the loss arose. All unutilised assessed losses from continuing operations were recognised as a deferred tax asset in the current year and the prior year.		
South Africa (indefinite expiry)	3 871	26 734

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

** Current tax and deferred tax

8 EARNINGS PER SHARE

Headline earnings is determined as follows:

Continuing operations

Earnings attributable to owners of Adcock Ingram from total operations	637 943	553 534
Adjusted for:		
Profit attributable to Adcock Ingram from discontinued operations (note 2.1)	–	(39 903)
Earnings attributable to owners of Adcock Ingram from continuing operations	637 943	513 631
Adjusted for:		
Impairment of intangible assets	2 700	–
Profit on disposal/scraping of property, plant and equipment	(1 968)	(194)
Tax effect on profit on disposal of property, plant and equipment	(42)	76
Adjustments relating to equity accounted joint ventures		
Impairment of goodwill	5 312	–
Loss on disposal of long term receivable	828	–
(Profit)/Loss on disposal of property, plant and equipment	(24)	199
Headline earnings from continuing operations	644 749	513 712
Discontinued operations		
Profit attributable to owners of Adcock Ingram from discontinued operations		39 903
Adjusted for:		
Profit on sale of discontinued operations (note 2.1)		(34 758)
Loss on disposal/scraping of property, plant and equipment		975
Headline earnings from discontinued operations		6 120
Headline earnings from total operations	644 749	519 832

Notes to the Group annual financial statements continued

8 EARNINGS PER SHARE (continued)

	Number of shares	
	2018	2017
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	175 748 048	175 748 048
– Effect of ordinary treasury shares held within the Group	(9 455 491)	(9 453 755)
Weighted average number of ordinary shares outstanding	166 292 557	166 294 293
Potential dilutive effect of outstanding share options	2 681	641
Diluted weighted average number of shares outstanding	166 295 238	166 294 934

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

Diluted earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur after taking into account all of the Group's outstanding options which are potentially exercisable and the effects of all dilutive potential shares resulting from the empowerment share transaction are accounted for.

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

	2018 cents	2017 cents
8.1 CONTINUING OPERATIONS		
Earnings		
Basic earnings per share	383.6	308.9
Diluted basic earnings per share	383.6	308.9
Headline earnings		
Headline earnings per share	387.7	308.9
Diluted headline earnings per share	387.7	308.9
8.2 DISCONTINUED OPERATIONS		
Earnings		
Basic earnings per share	–	24.0
Diluted basic earnings per share	–	24.0
Headline earnings		
Headline earnings per share	–	3.7
Diluted headline earnings per share	–	3.7
8.3 TOTAL OPERATIONS		
Earnings		
Basic earnings per share	383.6	332.9
Diluted basic earnings per share	383.6	332.9
Headline earnings		
Headline earnings per share	387.7	312.6
Diluted headline earnings per share	387.7	312.6
8.4 DISTRIBUTION PER SHARE		
Interim	86.0	63.0
Final ⁽¹⁾	86.0	76.0

⁽¹⁾ Declared subsequent to 30 June and has been presented for information purposes only. No liability regarding the final distribution has thus been recognised at 30 June.