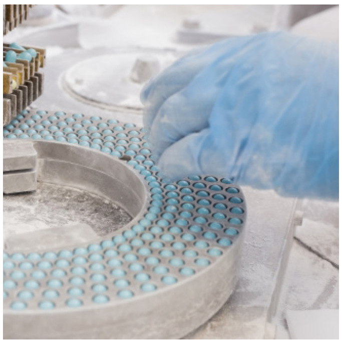



adcock ingram

GROUP ANNUAL RESULTS
for the year ended 30 June **2017**
AND CASH DIVIDEND DECLARATION

Salient features

Continuing Operations
Increase of 7% in Turnover to R5,936 million
Increase of 10% in Gross Profit to R2,242 million
Increase of 20% in Trading Profit to R724 million
Increase of 37% in HEPS from continuing operations
Increase of 34% in total dividends declared to 139 cents per share
Net cash position of R335 million

Introduction

The Board of Directors (Board) has pleasure in presenting Adcock Ingram shareholders with commentary on the Group's excellent results for the year ended 30 June 2017.

It was only three years ago that a newly constituted leadership team at Adcock Ingram was grappling with crucial legacy matters, simultaneously planning the implementation of a decentralised organisational structure and operating control system, to better manage each of the various business units within the Group. This was a material and challenging undertaking, not only in its planning and implementation, but against a backdrop of economic uncertainty, volatile currency conversion rates, production issues, customer relationship matters, including a loss of market share.

It is now common cause, that the restructured management team diligently responded to the call and Adcock Ingram's business has over the past three years been competently re-engineered, not only in its progressing profitability, but once again, the Group enjoys the respect of its national customer and consumer base, more particularly, having restored Adcock Ingram's decades long, trusted reputation in the general pharmaceutical, health and personal care markets of South Africa.

Although the 2017 financial year has been somewhat challenging, aggravated by a poor economic and often unstable socio-political environment, a lack of growth in consumer disposable income and rising unemployment, the Group has nevertheless achieved satisfactory growth in turnover, which through efficiencies and cost control, has yielded an exceptional increase in trading profits.

This is a reflection of management's commitment and continued focus on customer service, an investment in sales, marketing and brand innovation, all coupled with proper production planning, disciplined overhead management and improved economics in factory output.

Adcock Ingram once again proudly takes its place as one of the leading pharmaceutical, consumer and health product manufacturers and distributors in South Africa.

Financial performance – continuing operations

TURNOVER AND PROFITS

Turnover increased by 7% to R5,936 million compared to the previous year and all business units recorded improvements in turnover. Price adjustments contributed approximately 5.7% of the annual increase through two single exit price (SEP) increases, whereas the improved sales mix and a marginal volume increase, contributed the balance of approximately 1.3%.

Gross profit margins improved from 36.6% in 2016 to 37.8% in the current year substantially arising from the improved product sales mix, good inventory management and factory efficiencies.

Operating expenses were well controlled and increased by only 6.6%, resulting in a 20% improvement in trading profit to R724 million (2016: R606 million).

NON-TRADING EXPENSES

Non-trading expenses of R47.1 million include share-based expenses of R40.7 million and corporate activity costs of R6.3 million.

NET FINANCE COSTS AND HEADLINE EARNINGS

Good cash flow management and the proceeds on the disposal of the Indian selling and marketing business, contributed to a material reduction in the Group's net debt. Accordingly, net finance costs decreased from R71.8 million in the prior year to R22.6 million in the current year, a saving of R49.2 million.

Headline earnings from continuing operations for the year increased to R513.7 million (2016: R376.4 million). This translates into headline earnings per share from continuing operations of 308.9 cents (2016: 226.1 cents), an improvement of 36.6%.

Cash flows

Cash generated from operations amounted to R767.9 million (2016: R941.1 million) impacted in the main by an increased working capital demand of R233.9 million (June 2016: decrease of R113.8 million). Notwithstanding the aforesaid, the Group had net cash resources of R335 million at year-end, compared to net debt of R311 million at the end of the prior year, an improvement of R646 million.

Dividend distribution

The Board has declared a final dividend of 76 cents per share for the year ended 30 June 2017 out of income reserves. Total dividend distributions for the year will therefore be 139 cents per share an increase of 34% compared to 2016.

Business overview

SOUTHERN AFRICA

This segment encompasses all of the business units in the southern African region (excluding Datlabs in Zimbabwe), namely, OTC, Prescription, Consumer and Hospital.

OTC turnover improved by 10.8% to R1,849 million, substantially triggered by greater volume demand in most of the top brands, particularly Allergex, Citro-Soda, Napamol and Alcophyllex, supported by increased demand in the tender and export markets, the new products acquired during the year (Brolene, Stop-Allerg and Asic) and innovation on established brands. This business unit, which focuses on products for pain, colds and flu and anti-histamine therapeutic areas, primarily marketed through the pharmacy channel, posted resilient growth, as measured by IMS. The gross margin is marginally lower than the prior year, impacted by greater demand in lower margin tender business and consumer buying patterns, choosing smaller pack sizes. Trading profit, however, increased by 10.4% to R342.3 million (June 2016: R310.0 million).

Prescription turnover improved by 5.9% to R1,938 million (June 2016: R1,831 million) substantially aided by the SEP increases. The division nevertheless achieved double digit growth in the private market segment on a "moving-annual-turnover" (MAT) basis as measured by IMS. Volume growth was evident through increased private-sector demand for Trivenz, the Group's largest anti-retroviral (ARV) product, and numerous other generic products. This was partially offset by lower demand from the public sector for certain ARVs. A gross margin improvement was nevertheless realised, driven by the increased private sector sales mix. Trading profit of R207.8 million is 21.2% ahead of the trading profit in the prior year of R171.5 million.

Consumer turnover of R689 million is marginally ahead of the comparable period, which typically reflected muted consumer spending patterns, particularly amongst the lower LSM groups. According to Nielsen's research, Panado and Compral continue to outperform the product segments in which they compete. Good cost control in this business unit, enabled trading profit to increase by 21.6% to R110.0 million (June 2016: R 90.5 million).

Hospital turnover increased by 2.4% to R1,257 million (June 2016: R1,227 million) with the Medicine Delivery product category not achieving any growth over the prior year. This was affected by a 4% decline in Tender sales. This decline was compensated by growth of 10% by a somewhat better Renal portfolio demand. A gross margin improvement was realised in the year, driven by the variation in the sales mix. Trading profits increased to R58.5 million (June 2016: R35.1 million). The hospital division commenced the marketing of the Pharma-Q range of products, after securing the commercial rights for South Africa during the year.

REST OF AFRICA

The Group's non-South African enterprises comprise of operations in Zimbabwe and Kenya. The OTC Division has assumed management responsibility for the Kenyan operation, the purpose being to exercise better control over operations in that region. These foreign entities collectively posted a trading profit of R2.7 million, compared to a trading loss of R3.5 million in the prior year.

Changes to the Board

On 24 May 2017, Ms Lulama Boyce and Ms Jenitha John were appointed as independent non-executive directors and members of the Audit Committee. Ms Boyce is also a member of the Human Resources, Remuneration and Nominations Committee and Ms John a member of the Risk and Sustainability Committee. Mr Andrew Hall and Ms Dorette Neethling, in their respective capacities as Chief Executive Officer (CEO) and Chief Financial Officer (CFO), were appointed members of the Risk and Sustainability Committee in accordance with the recommendations of the King IV Report on Corporate Governance.

On 21 August 2017, Dr Brian Joffe resigned as non-executive director and Chairman of the Acquisitions Committee.

Prospects

The Adcock Ingram Group, like other corporates in South Africa, enters a new financial year presently characterised by a range of challenges which include, *inter alia*, low economic growth, volatile currency conversion rates, rising unemployment, political uncertainty and several other local and global spheres of instability.

Notwithstanding these national and international realities, the Board takes comfort from the fact that today, the Adcock Ingram Group is a well-managed, well capitalised and profitable group enterprise, with inspired and motivated teams throughout the organisation, operating in a relatively defensive sector of the economy.

The strategy of the Group remains the pursuit of additional sector opportunities, by acquisition or partnership, to expand the Group's product portfolio and to leverage and rationalise the Group capacity for further growth, particularly in less regulated product classes, preferably without the immediate need for material capital expenditure and infrastructure.

The experience gained over the past three years of focused remedial activity, is not materially different from the protective nature of conducting business in today's economic circumstances and the Board remains assured by the Group's capable management and is cautiously confident in the prospects for sustainability for the year ahead, subject always to there being no unexpected material economic and/or political disruptions arising.

CD Raphiri
Chairman

AG Hall
Chief Executive Officer

D Neethling
Chief Financial Officer

24 August 2017

Dividend distribution

The Board has declared a final gross dividend out of income reserves of 76 cents per share in respect of the year ended 30 June 2017. The South African dividend tax ("DT") rate is 20% and the net dividend payable to shareholders who are not exempt from DT is 60.8 cents per share. Adcock Ingram currently has 175 748 048 ordinary shares in issue of which 149 905 089 qualify 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, 12 September 2017
Shares trade *ex* distribution	Wednesday, 13 September 2017
Record date	Friday, 15 September 2017
Payment date	Monday, 18 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both dates inclusive.

By order of the Board

NE Simelane
Company Secretary

24 August 2017

Consolidated statements of comprehensive income

Continuing operations	Notes	Audited 2017 R'000	% Change	Audited 2016 R'000
Revenue	2	**5 957 700**	7	5 559 896
Turnover	2	**5 936 056**	7	5 545 610
Cost of sales		**(3 693 773)**		(3 516 089)
Gross profit		**2 242 283**	10	2 029 521
Selling, distribution and marketing expenses		**(1 068 585)**	6	(1 004 534)
Fixed and administrative expenses		**(449 275)**	7	(419 293)
Trading profit		**724 423**	20	605 694
Non-trading expenses	3	**(47 128)**		(52 449)
Operating profit		**677 295**	22	553 245
Finance income	2	**15 665**		5 107
Finance costs		**(38 239)**		(76 888)
Dividend income	2	**5 979**		9 179
Equity-accounted earnings		**64 144**		59 288
Profit before taxation		**724 844**	32	549 931
Taxation		**(204 856)**		(170 547)
Profit for the year from continuing operations		**519 988**	37	379 384
Profit/(Loss) after taxation for the period/year from discontinued operations	5	**41 132**		(200 242)
Profit for the year		**561 120**		179 142
Other comprehensive income which will subsequently be recycled to profit or loss		**(24 832)**		107 129
Exchange differences on translation of foreign operations:				
– Continuing operations		**(5 732)**		8 121
– Joint venture and associate		**(17 486)**		23 372
– Discontinued operations		**(21 353)**		89 071
Fair value profit/(loss) on available-for-sale asset, net of tax		**7**		(588)
Profit on sale of shares		**–**		1 067
Movement in cash flow hedge accounting reserve, net of tax		**19 732**		(13 914)
Other comprehensive income recycled to profit or loss		**(125 784)**		–
Other comprehensive income which will not be recycled to profit or loss				
Actuarial profit on post-retirement medical liability		**511**		6 079
Total comprehensive income for the year, net of tax		**411 015**		292 350
Profit attributable to:				
Owners of the parent		**553 534**		168 801
Non-controlling interests		**7 586**		10 341
		561 120		179 142
Total comprehensive income attributable to:				
Owners of the parent		**405 568**		279 736
Non-controlling interests		**5 447**		12 614
		411 015		292 350
Continuing operations:				
Basic earnings per ordinary share (cents)		**308,9**	38	223,6
Diluted basic earnings per ordinary share (cents)		**308,9**	38	223,6
Headline earnings per ordinary share (cents)		**308,9**	37	226,1
Diluted headline earnings per ordinary share (cents)		**308,9**	37	226,1
Discontinued operations:				
Basic earnings/(loss) per ordinary share (cents)		**24,0**	120	(122,2)
Diluted earnings/(loss) per ordinary share (cents)		**24,0**	120	(122,2)
Headline earnings per ordinary share (cents)		**3,7**	42	2,6
Diluted headline earnings per ordinary share (cents)		**3,7**	42	2,6
Total operations:				
Basic earnings per ordinary share (cents)		**332,9**	228	101,4
Diluted basic earnings per ordinary share (cents)		**332,9**	228	101,4
Headline earnings per ordinary share (cents)		**312,6**	37	228,7
Diluted headline earnings per ordinary share (cents)		**312,6**	37	228,7

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 2015 (audited)	16 888	512 938	505 000		1 982 589	3 017 415	99 509	3 116 924
Share issue	1	189				190		190
Movement in share-based payment reserve			12 578			12 578		12 578
Transfer to discontinued operations			(58 200)	58 200				
Implementation of BEE scheme	258	153 746			(44 587)	109 417	(79 883)	29 534
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited					(1)	(1)	(1)	(2)
Total comprehensive income			24 137	86 798	168 801	279 736	12 614	292 350
Profit for the year					168 801	168 801	10 341	179 142
Other comprehensive income			24 137	86 798		110 935	2 273	113 208
Dividends					(190 762)	(190 762)	(6 215)	(196 977)
Balance at 30 June 2016 (audited)	17 147	666 873	483 515	144 998	1 916 040	3 228 573	26 024	3 254 597
Movement in share-based payment reserve			**23 710**			**23 710**		**23 710**
Disposal of business							**(18 465)**	**(18 465)**
Share-based expenses transferred from non-distributable reserves			**(303 885)**		**303 885**			
Total comprehensive income			**(2 968)**	**(144 998)**	**553 534**	**405 568**	**5 447**	**411 015**
Profit for the year					**553 534**	**553 534**	**7 586**	**561 120**
Other comprehensive income			**(2 968)**	**(144 998)**		**(147 966)**	**(2 139)**	**(150 105)**
Dividends					**(170 369)**	**(170 369)**	**(5 484)**	**(175 853)**
Balance at 30 June 2017 (audited)	**17 147**	**666 873**	**200 372**		**2 603 090**	**3 487 482**	**7 522**	**3 495 004**

* *Non-distributable reserves.*

Consolidated statements of financial position

	2017 R'000	2016 R'000
ASSETS		
Property, plant and equipment	**1 445 095**	1 423 173
Intangible assets	**349 997**	276 070
Deferred tax	**1 588**	8 129
Other financial assets	**41 746**	74 310
Investment in joint ventures	**392 013**	354 139
Investment in associate	**6 071**	–
Non-current assets	**2 236 510**	2 135 821
Inventories	**1 156 949**	1 167 005
Trade and other receivables	**1 567 802**	1 398 501
Cash and cash equivalents	**592 070**	200 555
Taxation receivable	**9 642**	84 087
Current assets	**3 326 463**	2 850 148
Assets classified as held-for-sale	**–**	610 638
Total current assets	**3 326 463**	3 460 786
Total assets	**5 562 973**	5 596 607
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	**17 147**	17 147
Share premium	**666 873**	666 873
Non-distributable reserves: Continuing operations	**200 372**	483 515
Discontinued operations held-for-sale	**–**	144 998
Retained income	**2 603 090**	1 916 040
Total shareholders' funds	**3 487 482**	3 228 573
Non-controlling interests	**7 522**	26 024
Total equity	**3 495 004**	3 254 597
Long-term borrowings	**251 492**	500 000
Post-retirement medical liability	**16 793**	16 994
Deferred tax	**73 138**	75 868
Non-current liabilities	**341 423**	592 862
Trade and other payables	**1 637 197**	1 564 265
Bank overdraft	**5 619**	11 755
Short-term borrowings	**416**	–
Cash-settled options	**7 384**	3 117
Provisions	**75 930**	69 906
Current liabilities	**1 726 546**	1 649 043
Liabilities classified as held-for-sale	**–**	100 105
Total current liabilities	**1 726 546**	1 749 148
Total equity and liabilities	**5 562 973**	5 596 607

Consolidated statement of cash flows

	Audited 2017 R'000	Audited 2016 R'000
Cash flows from operating activities		
Operating profit from continuing operations	**677 295**	553 245
Operating profit/(loss) from discontinued operations (note 5.1)	**8 416**	(198 712)
Operating profit	**685 711**	354 533
Other adjustments and non-cash items	**316 097**	472 839
Operating profit before working capital changes	**1 001 808**	827 372
Working capital changes	**(233 935)**	113 752
Cash generated from operations	**767 873**	941 124
Finance income received	**16 938**	17 249
Finance costs paid	**(41 612)**	(86 689)
Dividend income received	**21 368**	23 835
Dividends paid	**(175 853)**	(196 977)
Taxation paid	**(133 281)**	(176 421)
Net cash inflow from operating activities	**455 433**	522 121
Cash flows from investing activities		
Decrease in other financial assets	**32 356**	11 961
Acquisition of business	**(9 875)**	–
Disposal of businesses	**291 096**	–
Purchase of property, plant and equipment – Expansion	**(75 930)**	(34 650)
– Replacement	**(87 308)**	(60 792)
Purchase of intangible assets	**(70 821)**	–
Proceeds on disposal of property, plant and equipment	**2 298**	486
Proceeds on disposal of intangibles	**–**	2 009
Disposal of non-controlling interest in Blue Falcon Trading Proprietary Limited	**–**	(11 616)
Net cash inflow/(outflow) from investing activities	**81 816**	(92 602)
Cash flows from financing activities		
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**–**	(2)
Proceeds from issue of share capital	**–**	190
Proceeds from sale of shares	**–**	30 410
Increase in borrowings	**9 917**	–
Repayment of borrowings	**(252 223)**	(19 816)
Net cash (outflow)/inflow from financing activities	**(242 306)**	10 782
Net increase in cash and cash equivalents	**294 943**	440 301
Net foreign exchange difference on cash and cash equivalents	**(2 954)**	10 992
Cash and cash equivalents at beginning of year	**294 462**	(156 831)
Cash and cash equivalents at end of year	**586 451**	294 462
Split as follows:		
Cash and cash equivalents	**592 070**	200 555
Bank overdraft	**(5 619)**	(11 755)
Net cash position per statement of financial position	**586 451**	188 800
Cash at banks attributable to discontinued operations	**–**	105 662
Cash and cash equivalents at end of year	**586 451**	294 462

Notes to the consolidated financial statements

1. Basis of preparation

1.1 INTRODUCTION

The audited consolidated annual financial statements for the year ended 30 June 2017 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 summarised results for the year ended 30 June 2017, 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 opinion 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 amended IFRS standards and interpretations during the year which did not have any effect on the financial performance or position of the Group:

- IFRS 11: *Joint Arrangements – Accounting for acquisition of interests in Joint Operations*
- IAS 1: *Presentation of Financial Statements – Disclosure initiative amendments*

	Audited 2017 R'000	Audited 2016 R'000
2. Revenue		
Turnover	**5 936 056**	5 545 610
Finance income	**15 665**	5 107
Dividend income – Black Managers Share Trust	**5 979**	9 179
	5 957 700	5 559 896
3. Non-trading expenses		
Impairments	**217**	8 638
Transaction costs	**6 251**	3 892
Share-based payment expenses	**40 660**	39 919
	47 128	52 449

Notes to the consolidated financial statements (continued)

4. Acquisition of business

On 1 April 2017, Adcock Ingram Healthcare Proprietary Limited acquired 100% of the shareholding of Virtual Logistics Proprietary Limited (Virtual), a national fine distribution company. The Group acquired Virtual as it complements the Company's reach and capacity, allowing for improved service levels to customers.

The fair value of the identifiable assets as at the date of acquisition was:

	Audited 2017 R'000
Assets	
Trade and other receivables	16 485
Property, plant and equipment	5 288
Intangible assets	2 880
Taxation receivable	462
Deferred tax	204
Inventories	94
	25 413
Liabilities	
Trade and other payables	11 015
Bank overdraft	2 275
Short-term borrowings	1 198
Long-term borrowings	920
	15 408
Total identifiable net assets at fair value	10 005
Goodwill arising on acquisition	5 595
Purchase consideration	15 600
Deferred consideration	(8 000)
Net bank overdraft acquired with the business	2 275
Net cash consideration	9 875

The fair value of the trade receivables equals the gross amount of trade receivables and amounts to R16.1 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

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 fine distribution network, expanding the Group's national footprint.

From the date of acquisition, Virtual contributed R21.7 million towards revenue and reported a profit before income tax of R0.9 million.

If the Virtual acquisition had taken place at the beginning of the reporting period, the revenue would have been R84.9 million and profit before income tax would have been R3.1 million.

	Audited 2017 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	(1 467)
Net bank overdraft acquired with the business (included in cash flows from investing activities)	(2 275)
Net cash flows from acquisition	(3 742)

Transaction costs of R1.5 million have been expensed and are included in non-trading expenses.

A payment of R8.0 million of the purchase price, which is fully provided for, has been deferred. The deferred payment is subject to the achievement of profit targets.

5. Discontinued operations

During the year ended 30 June 2016, the Board had resolved to dispose of:

– Adcock Ingram Private Limited (India); and
– Ayrton Drug Manufacturing Limited (Ayrton) in Ghana.

This resulted in the above businesses being classified and accounted for as a disposal group held-for-sale during the previous financial year. India was disposed of on 14 October 2016 and 53.47% of Ayrton on 7 December 2016, with the Group retaining a 25.1% minority share in Ayrton. The loss of control on disposal resulted in the foreign currency translation reserve relating to both entities being recycled to profit and loss.

5.1 STATEMENT OF COMPREHENSIVE INCOME

	Audited 2017 R'000	Audited 2016 R'000
Revenue	**120 174**	412 289
Turnover	**118 901**	403 892
Cost of sales	**(47 191)**	(175 204)
Gross profit	**71 710**	228 688
Selling, distribution and marketing expenses	**(39 077)**	(143 210)
Fixed and administrative expenses	**(17 384)**	(53 883)
Trading profit	**15 249**	31 595
Non-trading expenses	**(6 833)**	(230 307)
Operating profit/(loss)	**8 416**	(198 712)
Finance income	**1 273**	8 397
Finance costs	**(2 014)**	(8 574)
Profit/(Loss) before taxation	**7 675**	(198 889)
Taxation	**(1 301)**	(1 353)
Profit/(Loss) for the period/year from discontinued operations	**6 374**	(200 242)
Profit on disposal of the discontinued operations	**34 758**	–
Profit/(Loss) for the period/year from discontinued operations	**41 132**	(200 242)
Profit/(Loss) attributable to:		
India	**46 638**	(139 583)
Ayrton	**(5 506)**	(60 659)
	41 132	(200 242)
Profit/(Loss) attributable to:		
Owners of the parent	**39 903**	(203 403)
Non-controlling interests	**1 229**	3 161
	41 132	(200 242)

a) **Non-trading expenses**

	Audited 2017 R'000	Audited 2016 R'000
Impairment of assets transferred to held-for-sale	**–**	207 971
India	**–**	135 012
Ayrton	**–**	72 959
Transaction costs	**6 833**	22 656
Profit on sale of intangible asset	**–**	(320)
	6 833	230 307

Notes to the consolidated financial statements (continued)

5. Discontinued operations continued

5.2 STATEMENT OF FINANCIAL POSITION

Details of assets and liabilities transferred to held-for-sale:

	Audited 2017 R'000	Audited 2016 R'000
Assets		
Property, plant and equipment		19 234
Intangible assets		381 109
Inventories		32 757
Trade and other receivables		56 660
Taxation receivable		2 114
Cash and cash equivalents		118 764
Total assets		610 638
Liabilities		
Long-term borrowings		5 464
Short-term borrowings		5 971
Bank overdraft		13 102
Trade and other payables		71 733
Provisions		3 835
Total liabilities		100 105
Net assets/(liabilities) classified as held-for-sale		
India		527 174
Ayrton		(16 641)
Net assets		510 533
Foreign currency translation reserve related to assets classified as held-for-sale:		(148 667)
India		(203 991)
Ayrton		55 324
Share issue expenses related to assets classified as held-for-sale (India)		3 669
Net assets		365 535

5.3 CASH INFLOW ON DISPOSAL

	Audited 2017 R'000	Audited 2016 R'000
Consideration received	**338 601**	
India	**327 565**	
Ayrton	**11 036**	
Net cash disposed of with the discontinued operations	**(47 505)**	
India	**(48 807)**	
Ayrton	**1 302**	
Net cash inflow	**291 096**	

5.4 CASH FLOW STATEMENT

Included in the Group's consolidated statement of cash flows are cash flows from the Indian and Ayrton discontinued operations. These cash flows are included in operating, investing and financing activities as follows:

	Audited 2017 R'000	Audited 2016 R'000
Cash inflow/(outflow) from operating activities	**19 487**	(6 061)
Cash inflow/(outflow) from investing activities	**744**	(1 962)
Cash outflow from financing activities	**(78 388)**	(8 419)
Net cash outflow	**(58 157)**	(16 442)

6. Segment reporting

	Audited 2017 R'000	Audited 2016 R'000
Turnover		
Continuing operations:		
Southern Africa	**5 754 241**	5 388 857
Consumer	**688 807**	662 981
OTC	**1 849 038**	1 668 438
Prescription	**1 937 925**	1 830 669
Hospital	**1 256 753**	1 226 769
Other – shared services	**21 718**	–
Rest of Africa	**207 052**	178 594
Research and development services in India	**18 396**	15 099
	5 979 689	5 582 550
Less: Intercompany sales	**(43 633)**	(36 940)
	5 936 056	5 545 610
Discontinued operations:		
India	**67 206**	258 936
Rest of Africa (Ghana)	**51 695**	144 956
	118 901	403 892
Trading and operating profit		
Continuing operations:		
Southern Africa	**719 103**	607 043
Consumer	**110 038**	90 476
OTC	**342 322**	310 022
Prescription	**207 787**	171 453
Hospital	**58 475**	35 092
Other – shared services	**481**	–
Rest of Africa	**2 712**	(3 522)
Research and development services in India	**2 608**	2 173
Trading profit	**724 423**	605 694
Less: Non-trading expenses	**(47 128)**	(52 449)
Operating profit	**677 295**	553 245
Discontinued operations:		
India	**6 300**	7 269
Rest of Africa (Ghana)	**8 949**	24 326
Trading profit	**15 249**	31 595
Less: Non-trading expenses	**(6 833)**	(230 307)
Operating profit/(loss)	**8 416**	(198 712)
Total assets		
Continuing operations:		
Southern Africa	**5 161 098**	4 611 160
Consumer	**354 965**	325 800
OTC	**1 667 220**	1 556 402
Prescription	**1 239 248**	1 216 989
Hospital	**1 125 158**	1 099 499
Other – shared services	**774 507**	412 470
Rest of Africa	**146 661**	143 854
India	**255 214**	230 955
	5 562 973	4 985 969
Discontinued operations:		
India	**–**	584 844
Rest of Africa (Ghana)	**–**	25 794
	5 562 973	5 596 607

Notes to the consolidated financial statements (continued)

	Audited 2017 R'000	Audited 2016 R'000
7. Inventory		
Inventories written down and recognised as an expense in profit or loss:		
Continuing operations:		
Cost of sales	**66 215**	63 986
Discontinued operations:		
Cost of sales	**–**	4 616
	66 215	68 602
8. Capital commitments		
– Contracted for	**72 202**	11 362
– Approved but not contracted	**128 281**	38 577
	200 483	49 939
9. Headline earnings		
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**553 534**	168 801
Adjusted for:		
(Profit)/Loss attributable to Adcock Ingram from discontinued operations (note 5.1)	**(39 903)**	203 403
Earnings attributable to owners of Adcock Ingram from continuing operations	**513 631**	372 204
Adjusted for:		
Impairment of intangible assets	**–**	3 149
(Profit)/Loss on disposal/scrapping of property, plant and equipment	**(194)**	888
Tax effect on (profit)/loss on disposal of property, plant and equipment	**76**	(23)
Adjustments relating to equity accounted joint ventures		
Loss on disposal of property, plant and equipment	**199**	211
Headline earnings from continuing operations	**513 712**	376 429
Discontinued operations		
Profit/(Loss) attributable to owners of Adcock Ingram from discontinued operations	**39 903**	(203 403)
Adjusted for:		
Impairment of held-for sale assets (note 5.1)	**–**	207 971
Profit on sale of discontinued operations (note 5.1)	**(34 758)**	–
Profit on sale of intangible asset	**–**	(320)
Loss on disposal/scrapping of property, plant and equipment	**975**	70
Headline earnings from discontinued operations	**6 120**	4 318
	'000	'000
10. Share capital		
Number of shares in issue	**175 748**	175 748
Number of ordinary shares held by the Group company	**(4 285)**	(4 285)
Net shares in issue	**171 463**	171 463
Headline earnings and basic earnings per share are based on:		
Weighted average number of ordinary shares outstanding	**166 294**	166 485
Diluted weighted average number of shares outstanding	**166 295**	166 485

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)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Ms J John (Independent Non-executive Director)
Dr T Lesoli (Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Mr M Makwana (Independent 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)
Mr C Raphiri (Independent Non-executive Chairman)
Mr M Sacks (Independent Non-executive Director)
Dr R Stewart (Independent Non-executive Director)

Company secretary

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 Bierman 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.