adcock ingram

GROUP ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE **2016**
AND CASH DIVIDEND DECLARATION

SALIENT FEATURES – CONTINUING OPERATIONS

Turnover increase of 7.5% to R5,546 million
Trading profit increase of 16.9% to R606 million
Normalised headline earnings per share up by 20.1%
Dividend declared: 54 cents per share
Net debt reduced by R466 million

INTRODUCTION

It is common cause that Adcock Ingram has been in remedial mode for at least the past two years. It is therefore with a sense of pride and pleasure, that the Board of Directors (Board) can advise shareholders of the Group's satisfying progress this past year, not only on economic and operational matters, but more especially on customer service levels and customer relationship management. The Group audited results for the year ended 30 June 2016 which follow, will reveal the continuing positive trend of performance since the reorganisation of the business was commenced during June 2014. This progress is further evidenced by the cash generation over the two-year period which resulted in net debt for total operations reducing from R1,082 million to R217 million. In addition, the Group has posted impressive market share gains in many of its premier products, these statistics continually being measured in IMS and Nielsen rating analyses.

Notwithstanding the more aggressive marketing effort during the year, the business, like others, has had to endure an unstable economy, often punctuated by discordant politics and volatile currency conversion rates. These dynamics tend to introduce additional costs into the business and given the restrictive regulatory pricing regimes to which the Company is bound, such disruptive circumstances generally prevent the Company from adjusting product prices to recoup the unplanned costs incurred. In the circumstances, each of the Company's business units has performed extremely well.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

TURNOVER AND PROFITS

Turnover increased by R387 million to R5,546 million, compared to the previous year and all business units recorded improvements in turnover. Volume increases were also encouraging, but the benefits of these increased volumes were partly offset by the discontinuation of certain uneconomic product lines in the Consumer Division, and the repatriation of some MNC business in the Prescription Division.

The impact of a beneficial sales mix, combined with increased production throughput and generally improved factory efficiencies, also partly mitigated the cost impact arising through adverse currency conversion rates. The gross profit percentage maintained a satisfactory level, marginally improving from 36.3% in 2015 to 36.6% in the year under review.

Operating expenses were well controlled and increased by only 5%, resulting in a 16.9% improvement in trading profit to R606 million (2015: R518 million).

NON-TRADING EXPENSES

Non-trading expenses totalling R52.4 million during the year, include share-based payments of R39.9 million of which R20.8 million relates to a once-off IFRS 2 charge, arising through the introduction of the July 2015 B-BBEE scheme.

TAX AND HEADLINE EARNINGS

The high effective tax rate for the year under review is a consequence of certain expenditure being non-deductible for tax purposes and various audits of prior years' being finalised.

Headline earnings from continuing operations for the year increased to R376.4 million (2015: R335.5 million). This translates into headline earnings per share from continuing operations of 226.1 cents (2015: 198.7 cents). Normalised headline earnings per share from continuing operations increased by 20.1% to 238.6 cents, this after adding back the non-recurring IFRS 2 charge referred to above.

CASH FLOWS

Cash generated from operations was R941.1 million (2015: R598.1 million), supported by a decrease in working capital of R113.8 million (June 2015: increase of R126.4 million). This important indicator starts to convey the positive outcomes of the Group restructure and the advantages of restored management control. The cash flow improvement has enabled the Group to reduce net debt in continuing operations from R777 million to R311 million at the end of the financial year.

DIVIDEND DISTRIBUTION

We are pleased to report that the Board has declared a final dividend of 54 cents per share for the year ended 30 June 2016 out of income reserves. Total dividend distributions for the year will therefore be 104 cents per share, an increase of 28% compared to 2015. This distribution is in line with the Company's policy of covering dividends 2 – 3 times by headline earnings.

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 14.7% ahead of the prior year, substantially triggered by greater volume demand in Adco-Dol, Corenza C, Allergex, and Citro-Soda, each of which generated revenues in excess of R100 million. This business unit, which focuses on products for pain, colds and flu, and anti-histamine therapeutic areas through the "pharmacy" channel, posted growth well ahead of the market as measured by IMS. The gross margin deteriorated due to the exchange rate. Operating expenses were well controlled resulting in a trading profit increase of 18.9%.

Trading profit in the Prescription division increased by 15.8% to R171 million. A strong performance was recorded by the ARV portfolio into the private sector, partly aided by an increase in the SEP. This advantage was partly affected by the repatriation of certain products to multinational partners and a slight reduction in Generic sales. Leadership and certain structural changes were effected in the generics business during the year to optimise operations and the recent IMS view confirms that the division's generic products are tending to outgrow the market, with good availability of inventory. The gross margin in Prescription improved marginally in the current year largely through lower inventory impairments and an improved sales mix. Despite inflationary increases and salary adjustments, operating expenses were well controlled, resulting in the increased trading profit as aforesaid.

Compared to 2015, Consumer turnover increased during the year by R34 million to R663 million. Notwithstanding a challenging economic environment, where discretionary spend was under pressure, the division's top brands, including Panado, Bioplus, Compral, Cepacol and Gynaguard, all posted satisfactory growth. Certain marginal product lines in this Division were discontinued, and this, together with better controls and lower inventory impairments, contributed to a reasonable expansion in the gross margin in this year. Operating expenses increased by 12.2%, as more aggressive marketing costs were incurred as well as increased regulatory and compliance costs. Trading profit improved by 14% to R90.5 million (2015: R79.3 million).

In an increasingly competitive environment, Hospital turnover nevertheless increased by 8.9% to R1,227 million. This was partly due to the SEP increase and welcome volume improvement. Medicine delivery sales, more specifically, large-volume parenterals were the biggest contributor to this improvement. The gross margin however, dropped in 2016, mainly the result of adverse currency exchange rates. Trading profit increased by 7.1% to R35.1 million.

REST OF AFRICA AND INDIA

The Group's controlling interests in both the Ghanaian and Indian operating businesses are reflected as assets held-for-sale at 30 June 2016. The sale processes in each case have progressed substantially and shareholders will be timeously advised should these transactions be concluded. These operations are reflected in the financial statements as discontinued operations. Both of these assets are carried at fair value, resulting in impairment provisions of R208 million.

The Group's enterprises in Zimbabwe and Kenya individually and collectively have for some time underperformed in challenging and/or declining markets. Both entities constitute a very small percentage of Group assets and incurred combined trading losses of R3.5 million during the year under review (2015: R4.3 million loss).

CHANGES TO THE BOARD

On 15 June 2016 David Cleasby resigned as a non-executive director of the Board and member of the Board Risk and Sustainability Committee.

PROSPECTS

The successful restructuring of the business over the past two years has resulted in a substantially cleansed, well controlled commercial platform, with a broad product range, in most cases, enjoying growing market support, but more importantly, having a re-energised, incentivised and informed management team.

Stakeholders will nevertheless be aware of the potential economic challenges that could lie ahead and the general consequences arising therefrom. Such circumstances could well have an effect on future sales volumes and profitability. Continued effort will however be invested, not only to enhance the quality and efficacy of our products, but to build and enhance our customer relationships and sustain our service levels within each of the operating divisions.

Given the healthy cash generation in this and in prior periods, the Group now has significant resources available for further growth and development. Management and the Board will maintain its focus on expanding the Group's product portfolio, particularly in non-regulated areas through acquisitions and/or partnerships.

CD Raphiri
Chairman

AG Hall
Chief Executive Officer

D Neethling
Chief Financial Officer

25 August 2016

DIVIDEND DISTRIBUTION

The Board has declared a final gross dividend out of income reserves of 54 cents per share in respect of the year ended 30 June 2016. The South African dividend tax ("DT") rate is 15% and the net dividend payable to shareholders who are not exempt from DT is 45.90 cents per share. Adcock Ingram currently has 175 748 048 ordinary shares in issue of which 149 905 089 qualify for 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, 13 September 2016
Shares trade ex distribution	Wednesday, 14 September 2016
Record date	Friday, 16 September 2016
Payment date	Monday, 19 September 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, both dates inclusive.

By order of the Board

NE Simelane
Company Secretary

Johannesburg
25 August 2016

SENS release date: 26 August 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June *Continuing operations*	Note	Audited 2016 R'000	Change %	Audited 2015 R'000
REVENUE	2	**5 559 896**	7	5 182 715
TURNOVER	2	**5 545 610**	7	5 158 901
Cost of sales		**(3 516 089)**		(3 284 696)
Gross profit		**2 029 521**	8	1 874 205
Selling, distribution and marketing expenses		**(1 004 534)**	6	(951 169)
Fixed and administrative expenses		**(419 293)**	4	(405 010)
Trading profit		**605 694**	17	518 026
Non-trading expenses	3	**(52 449)**		(18 960)
Operating profit		**553 245**	11	499 066
Finance income	2	**5 107**		13 144
Finance costs		**(76 888)**		(96 683)
Dividend income	2	**9 179**		10 670
Equity-accounted earnings		**59 288**		65 608
Profit before taxation		**549 931**	12	491 805
Taxation		**(170 547)**		(141 873)
Profit for the year from continuing operations		**379 384**	8	349 932
Loss after taxation for the year from discontinued operations	4.1	**(200 242)**		(151 123)
Profit for the year		**179 142**	(10)	198 809
Other comprehensive income which will subsequently be recycled to profit or loss		**107 129**		61 722
Exchange differences on translation of foreign operations:				
– Continuing operations		**31 493**		16 121
– Discontinued operations		**89 071**		45 121
Fair value (loss)/gain on available-for-sale asset, net of tax		**(588)**		403
Profit on sale of shares		**1 067**		–
Movement in cash flow hedge accounting reserve, net of tax		**(13 914)**		77
Other comprehensive income which will not subsequently be recycled to profit or loss				
Actuarial profit/(loss) on post-retirement medical liability		**6 079**		(442)
Total comprehensive income for the year, net of tax		**292 350**		260 089
Profit attributable to:				
Owners of the parent		**168 801**		197 932
Non-controlling interests		**10 341**		877
		179 142		198 809
Total comprehensive income attributable to:				
Owners of the parent		**279 736**		260 419
Non-controlling interests		**12 614**		(330)
		292 350		260 089
Total operations:				
Basic earnings per ordinary share (cents)		**101.4**	(14)	117.2
Diluted basic earnings per ordinary share (cents)		**101.4**	(14)	117.2
Headline earnings per ordinary share (cents)		**228.7**	43	160.1
Diluted headline earnings per ordinary share (cents)		**228.7**	43	160.1
Continuing operations:				
Basic earnings per ordinary share (cents)		**223.6**	9	204.2
Diluted basic earnings per ordinary share (cents)		**223.6**	9	204.2
Headline earnings per ordinary share (cents)		**226.1**	14	198.7
Diluted headline earnings per ordinary share (cents)		**226.1**	14	198.7
Discontinued operations:				
Basic loss per ordinary share (cents)		**(122.2)**	(40)	(87.0)
Diluted basic loss per ordinary share (cents)		**(122.2)**	(40)	(87.0)
Headline earnings/(loss) per ordinary share (cents)		**2.6**	107	(38.6)
Diluted headline earnings/(loss) per ordinary share (cents)		**2.6**	107	(38.6)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Attributable to holders of the parent							
	Issued share capital R'000	**Share premium R'000**	***NDR-Continuing operations R'000**	***NDR-Discontinued operations held-for-sale 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 2014	16 878	510 920	426 415		1 784 688	2 738 901	118 578	2 857 479
Share issue	10	2 018				2 028		2 028
Movement in share-based payment reserve			16 098			16 098		16 098
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited					(31)	(31)	(101)	(132)
Total comprehensive income			62 487		197 932	260 419	(330)	260 089
Profit for the year					197 932	197 932	877	198 809
Other comprehensive income			62 487			62 487	(1 207)	61 280
Disposal of non-controlling interest in Bioswiss Proprietary Limited							(14 101)	(14 101)
Dividends							(4 537)	(4 537)
Balance at 30 June 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**

**NDR = Non-distributable reserves.*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the year ended 30 June

	Audited 2016 R'000	Audited 2015 R'000
ASSETS		
Property, plant and equipment	**1 423 173**	1 490 828
Intangible assets	**276 070**	743 156
Deferred tax	**8 129**	12 091
Other financial assets	**74 310**	91 106
Investment in joint ventures	**354 139**	279 135
Non-current assets	**2 135 821**	2 616 316
Inventories	**1 167 005**	1 207 581
Trade and other receivables	**1 398 501**	1 408 728
Cash and cash equivalents	**200 555**	147 379
Taxation receivable	**84 087**	77 948
Current assets	**2 850 148**	2 841 636
Assets classified as held-for-sale	**610 638**	–
Total current assets	**3 460 786**	2 841 636
Total assets	**5 596 607**	5 457 952
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	**17 147**	16 888
Share premium	**666 873**	512 938
Non-distributable reserves: Continuing operations	**483 515**	505 000
Discontinued operations held-for-sale	**144 998**	–
Retained income	**1 916 040**	1 982 589
Total shareholders' funds	**3 228 573**	3 017 415
Non-controlling interests	**26 024**	99 509
Total equity	**3 254 597**	3 116 924
Long-term borrowings	**500 000**	513 753
Post-retirement medical liability	**16 994**	22 796
Deferred tax	**75 868**	81 854
Non-current liabilities	**592 862**	618 403
Trade and other payables	**1 564 265**	1 328 431
Bank overdraft	**11 755**	304 210
Short-term borrowings	**–**	13 273
Cash-settled options	**3 117**	6 519
Provisions	**69 906**	70 192
Current liabilities	**1 649 043**	1 722 625
Liabilities classified as held-for-sale	**100 105**	–
Total current liabilities	**1 749 148**	1 722 625
Total equity and liabilities	**5 596 607**	5 457 952

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June

	Audited 2016 R'000	Audited 2015 R'000
Cash flows from operating activities		
Operating profit from continuing operations	**553 245**	499 066
Operating loss from discontinued operations	**(198 712)**	(154 408)
Operating profit	**354 533**	344 658
Other adjustments and non-cash items	**472 839**	379 892
Operating profit before working capital changes	**827 372**	724 550
Working capital changes	**113 752**	(126 423)
Cash generated from operations	**941 124**	598 127
Finance income received	**17 249**	14 409
Finance costs paid	**(86 689)**	(103 871)
Dividend income received	**23 835**	10 670
Dividends paid	**(196 977)**	(4 537)
Taxation paid	**(176 421)**	(87 312)
Net cash inflow from operating activities	**522 121**	427 486
Cash flows from investing activities		
Decrease in other financial assets	**11 961**	37 962
Disposal of business	**–**	(2 663)
Purchase of property, plant and equipment – Expansion	**(34 650)**	(23 560)
– Replacement	**(60 792)**	(56 304)
Proceeds on disposal of property, plant and equipment	**486**	2 243
Proceeds on disposal of intangibles	**2 009**	–
Disposal of non-controlling interest in Blue Falcon Trading Proprietary Limited	**(11 616)**	–
Net cash outflow from investing activities	**(92 602)**	(42 322)
Cash flows from financing activities		
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited	**(2)**	(132)
Proceeds from issue of share capital	**190**	2 028
Proceeds from sale of shares	**30 410**	–
Increase in borrowings	**–**	23 915
Repayment of borrowings	**(19 816)**	(506 031)
Net cash inflow/(outflow) from financing activities	**10 782**	(480 220)
Net increase/(decrease) in cash and cash equivalents	**440 301**	(95 056)
Net foreign exchange difference on cash and cash equivalents	**10 992**	9 986
Cash and cash equivalents at beginning of year	**(156 831)**	(71 761)
Cash and cash equivalents at end of year	**294 462**	(156 831)
Split as follows:		
Cash and cash equivalents	**200 555**	147 379
Bank overdraft	**(11 755)**	(304 210)
Net cash position per statement of financial position	**188 800**	(156 831)
Cash at banks and short-term deposits attributable to the discontinued operations	**105 662**	–
Cash and cash equivalents at end of year	**294 462**	(156 831)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

1 BASIS OF PREPARATION

1.1 INTRODUCTION

The audited consolidated annual financial statements for the year ended 30 June 2016 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 2016, 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 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. The carrying amount of all financial instruments approximate fair value. The estimated net fair values as at the reporting date, have been determined using available market information and appropriate valuation methodologies.

	Audited 2016 R'000	Audited 2015 R'000
2 REVENUE		
Turnover	**5 545 610**	5 158 901
Finance income	**5 107**	13 144
Dividend income – Black Managers Share Trust	**9 179**	10 670
	5 559 896	5 182 715
3 NON-TRADING EXPENSES		
Impairments/(Reversal of impairments)	**8 638**	(2 039)
Transaction costs	**3 892**	13 678
Share-based payment expenses	**39 919**	15 081
Lease cancellation expenses	**–**	500
Profit on disposal of business	**–**	(8 260)
	52 449	18 960

4 DISCONTINUED OPERATIONS

The Board has resolved to dispose of:

– Adcock Ingram Private Limited (India); and

– Ayrton Drug Manufacturing Limited (Ayrton)

The results of these businesses are presented below and the net assets were classified as held-for-sale as completion of the disposals are expected subsequent to year-end.

4.1 STATEMENT OF COMPREHENSIVE INCOME

	Audited 2016 R'000	Audited 2015 R'000
REVENUE	**412 289**	376 211
TURNOVER	**403 892**	369 468
Cost of sales	**(175 204)**	(162 018)
Gross profit	**228 688**	207 450
Selling, distribution and marketing expenses	**(143 210)**	(164 062)
Fixed and administrative expenses	**(53 883)**	(110 431)
Trading profit/(loss)	**31 595**	(67 043)
Non-trading expenses (refer (a))	**(230 307)**	(87 365)
Operating loss	**(198 712)**	(154 408)
Finance income	**8 397**	6 743
Finance costs	**(8 574)**	(4 300)
Loss before taxation	**(198 889)**	(151 965)
Taxation	**(1 353)**	842
Loss for the year from discontinued operations	**(200 242)**	(151 123)
Loss attributable to:		
India	**(139 583)**	(131 833)
Ayrton	**(60 659)**	(19 290)
	(200 242)	(151 123)
(Loss)/profit attributable to:		
Owners of the parent	**(203 403)**	(146 868)
Non-controlling interests	**3 161**	(4 255)
	(200 242)	(151 123)

a) **Non-trading expenses**

	Audited 2016 R'000	Audited 2015 R'000
Impairment of assets transferred to held-for-sale	**207 971**	–
India	**135 012**	–
Ayrton	**72 959**	–
Transaction costs	**22 656**	–
Profit on sale of intangible asset	**(320)**	–
Impairment of intangible assets	**–**	74 432
Impairment of property, plant and equipment	**–**	7 390
Retrenchment costs	**–**	770
Scrapping of property, plant and equipment	**–**	2 241
Lease cancellation expenses	**–**	316
Write-off of India rental deposit	**–**	2 216
	230 307	87 365

4 DISCONTINUED OPERATIONS (CONTINUED)

		Audited 2016 R'000	Audited 2015 R'000
4.2	**STATEMENT OF FINANCIAL POSITION**		
	Details of assets and liabilities transferred to held-for-sale:		
	ASSETS		
	Property, plant and equipment	**19 234**	
	Cost	**72 313**	
	Accumulated depreciation	**(53 079)**	
	Intangible assets	**381 109**	
	Cost	**756 753**	
	Accumulated amortisation	**(375 644)**	
	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:	**(148 663)**	
	India	**(203 987)**	
	Ayrton	**55 324**	
	Share issue expenses related to assets classified as held-for-sale – India	**3 665**	
	Net assets	**365 535**	
4.3	**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:		
	• Cash outflow from operating activities	**(6 061)**	(15 804)
	• Cash outflow) from financing activities	**(1 962)**	(7 522)
	• Cash (outflow)/inflow from financing activities	**(8 419)**	12 516
	Net cash outflow	**(16 442)**	(10 810)

5 SEGMENT REPORTING

	Audited 2016 R'000	Audited 2015 R'000
Turnover		
Continuing operations:		
Southern Africa	**5 388 857**	5 022 770
OTC	**1 668 438**	1 454 224
Consumer	**662 981**	628 991
Prescription	**1 830 669**	1 812 735
Hospital	**1 226 769**	1 126 820
Rest of Africa	**178 594**	147 400
Research and development services in India	**15 099**	11 565
	5 582 550	5 181 735
Less: Inter-company sales	**(36 940)**	(22 834)
	5 545 610	5 158 901
Discontinued operations:		
India	**258 936**	257 672
Rest of Africa (Ghana)	**144 956**	111 796
	403 892	369 468
TRADING AND OPERATING PROFIT		
Continuing operations:		
Southern Africa	**607 043**	520 894
OTC	**310 022**	260 717
Consumer	**90 476**	79 301
Prescription	**171 453**	148 099
Hospital	**35 092**	32 777
Rest of Africa	**(3 522)**	(4 261)
Research and development services in India	**2 173**	1 393
Trading profit	**605 694**	518 026
Less: Non-trading expenses	**(52 449)**	(18 960)
Operating profit	**553 245**	499 066
TOTAL ASSETS		
Continuing operations:		
Southern Africa	**4 198 690**	4 064 031
OTC	**1 556 402**	1 419 863
Consumer	**325 800**	393 820
Prescription	**1 216 989**	1 209 513
Hospital	**1 099 499**	1 040 835
Rest of Africa	**143 854**	193 171
India	**230 955**	852 153
Other – shared services	**412 470**	348 597
	4 985 969	5 457 952
Discontinued operations:		
India	**584 844**	–
Rest of Africa (Ghana)	**25 794**	–
	610 638	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

	Audited 2016 R'000	Audited 2015 R'000
6 INVENTORY		
Inventories written down/(reversed) and recognised as an expense/(income) in profit or loss:		
Continuing operations:		
Cost of sales	**63 986**	92 045
Non-trading expenses	**–**	(8 375)
	63 986	83 670
Discontinued operations:		
Cost of sales	**4 616**	5 755
	68 602	89 425
7 CAPITAL COMMITMENTS		
– Contracted	**11 362**	7 000
– Approved, but not contracted	**38 577**	33 026
	49 939	40 026
8 HEADLINE EARNINGS		
Headline earnings is determined as follows:		
Continuing operations:		
Earnings attributable to owners of Adcock Ingram from total operations	**168 801**	197 932
Adjusted for:		
Loss attributable to owners of Adcock Ingram from discontinued operations (refer note 4.1)	**203 403**	146 868
Earnings attributable to owners of Adcock Ingram from continuing operations	**372 204**	344 800
Adjusted for:		
Impairment of intangible assets	**3 149**	–
Loss/(profit) on disposal/scrapping of property, plant and equipment	**888**	(1 244)
Tax effect on loss/(profit) on disposal of property, plant and equipment	**(23)**	(227)
Profit on disposal of business	**–**	(8 260)
Adjustments relating to equity accounted joint ventures	**211**	412
Headline earnings from continuing operations	**376 429**	335 481
Discontinued operations:		
Loss attributable to owners of Adcock Ingram from discontinued operations	**(203 403)**	(146 868)
Adjusted for:		
Impairment of held-for-sale assets	**207 971**	–
Impairment of property, plant and equipment	**–**	7 390
Share of non-controlling interest in the impairment of property, plant and equipment	**–**	(1 819)
Impairment of intangible assets	**–**	74 432
Profit on sale of intangible asset	**(320)**	–
Loss on disposal/scrapping of property, plant and equipment	**70**	1 735
Headline earnings/(loss) from discontinued operations	**4 318**	(65 130)

9 SHARE CAPITAL

	'000	'000
Number of shares in issue	**175 748**	201 685
Number of treasury shares held	**(4 285)**	(32 800)
Net shares in issue	**171 463**	168 885
Headline earnings and basic earnings per share are based on:		
Weighted average number of shares	**166 485**	168 834
Diluted weighted average number of shares	**166 485**	168 841

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")

DIRECTORS

Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Dr B Joffe (Deputy Chairman)
Dr T Lesoli (Independent Non-executive Director)
Mr M Makwana (Independent Non-executive Director)
Dr A Mokgokong (Non-executive Director)
Mr R Morar (Non-executive Director)
Ms D Neething (Chief Financial Officer)
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
70 Marshall Street, Johannesburg, 2001
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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