aspen

HOLDINGS

Aspen Pharmacare Holdings Ltd ("Aspen")
(Registration number 1985/002935/06)
Share code: APN ISIN: ZAE000066692

Headline earnings
↑ 39%
R1,9 billion

Headline earnings per share
↑ 24%
482,9 cents

Operating cash flow per share
↑ 40%
505,7 cents

Capital distribution per share recommenced
70 cents

Reviewed preliminary Group financial results for the year ended 30 June 2010

Group statement of comprehensive income

		% change	Reviewed year ended 30 June 2010 Rm	Audited restated year ended 30 June 2009 Rm
CONTINUING OPERATIONS				
Revenue		20	**10 146,6**	8 441,4
Cost of sales			**(5 542,3)**	(4 564,1)
Gross profit		19	**4 604,3**	3 877,3
Selling and distribution expenses			**(1 189,4)**	(997,7)
Administrative expenses			**(736,0)**	(587,5)
Other operating income			**179,9**	3,6
Other operating expenses			**(243,9)**	(121,0)
Operating profit	B#	20	**2 614,9**	2 174,7
Investment income	C#		**187,9**	224,2
Financing costs	D#		**(558,3)**	(699,2)
			2 244,5	1 699,7
Share of after-tax net losses from associates			**(1,7)**	(3,3)
Profit before tax		32	**2 242,8**	1 696,4
Tax			**(467,5)**	(358,9)
Profit after tax from continuing operations		33	**1 775,3**	1 337,5
DISCONTINUED OPERATIONS				
Profit for the year from discontinued operations	E#		**203,2**	16,1
Profit for the year		46	**1 978,5**	1 353,6
OTHER COMPREHENSIVE INCOME				
Amounts recognised in equity due to hedge accounting of interest rate swaps			**—**	(126,5)
Cash flow hedges realised			**(4,8)**	6,5
Currency translation differences			**(25,1)**	(399,9)
Acquisition of additional 1% shareholding in PharmaLatina Holdings Ltd			**—**	4,8
Disposal of Onco Therapies Ltd			**0,8**	—
Total comprehensive income			**1 949,4**	838,5
Profit for the year attributable to:				
Equity holders of the parent		48	**1 989,6**	1 340,4
Non-controlling interest			**(11,1)**	13,2
		46	**1 978,5**	1 353,6
Total comprehensive income for the year attributable to:				
Equity holders of the parent			**1 969,3**	824,1
Non-controlling interest			**(19,9)**	14,4
			1 949,4	838,5
Weighted average number of shares in issue ('000)			**401 987**	357 860
BASIC EARNINGS PER SHARE (CENTS)				
From continuing operations		20	**444,4**	370,1
From discontinued operations			**50,5**	4,5
		32	**494,9**	374,6
DILUTED EARNINGS PER SHARE (CENTS)				
From continuing operations		19	**427,0**	358,7
From discontinued operations			**47,7**	4,2
		31	**474,7**	362,9

#See notes on Supplementary information,

Headline earnings

	% change	Reviewed year ended 30 June 2010 Rm	Audited restated year ended 30 June 2009 Rm
RECONCILIATION OF HEADLINE EARNINGS			
Profit attributable to equity holders of the parent		**1 989,6**	1 340,4
Adjusted for:			
Continuing operations			
– Loss on disposal of tangible and intangible assets (net of tax)		**2,5**	3,8
– Net impairment of intangible assets (net of tax)		**68,4**	24,9
– Impairment of property, plant and equipment (net of tax)		**25,3**	—
– Impairment of deferred receivable (net of tax)		**17,1**	—
– Insurance compensation – capital component		**(27,7)**	—
– Capital gains tax on transfer of intellectual property rights		**20,7**	—
Discontinued operations			
– Profit on the sale of Onco Therapies Ltd (net of tax)		**(154,7)**	—
– Loss on the sale of Astrix Laboratories Ltd (net of tax)		**—**	24,1
– Loss on disposal of property, plant and equipment (net of tax)		**—**	0,3
Headline earnings	39	**1 941,2**	1 393,5
HEADLINE EARNINGS			
From continuing operations	40	**1 892,7**	1 353,0
From discontinued operations		**48,5**	40,5
	39	**1 941,2**	1 393,5
HEADLINE EARNINGS PER SHARE (CENTS)			
From continuing operations	25	**470,8**	378,1
From discontinued operations		**12,1**	11,3
	24	**482,9**	389,4
HEADLINE EARNINGS PER SHARE – DILUTED (CENTS)			
From continuing operations	23	**452,0**	366,1
From discontinued operations		**11,4**	10,6
	23	**463,4**	376,7
CAPITAL DISTRIBUTION			
Capital distribution per share (cents)		**70,0**	—

The capital distribution relates to the distribution declared after year-end. In compliance with IAS 10, *Events After Balance Sheet date*, the annual financial statements do not reflect this distribution. The capital distribution will only be accounted for in the financial statements for the year ending 30 June 2011.

Group statement of changes in equity

	Share capital and premium (including treasury shares) Rm	Reserves Rm	Equity component of preference shares Rm	Total attributable to equity holders of the parent Rm	Non-controlling interest Rm	Total Rm
BALANCE AT 30 JUNE 2008	(77,8)	3 173,5	162,0	3 257,7	61,1	**3 318,8**
Total comprehensive income	—	824,1	—	824,1	14,4	**838,5**
Profit for the year	—	1 340,4	—	1 340,4	13,2	**1 353,6**
Other comprehensive income	—	(516,3)	—	(516,3)	1,2	**(515,1)**
Dividend paid	—	—	—	—	(0,8)	**(0,8)**
Issue of ordinary share capital	21,4	—	—	21,4	—	**21,4**
Treasury shares cancelled	566,2	(566,2)	—	—	—	**—**
Share options and appreciation rights expensed	—	28,5	—	28,5	—	**28,5**
Equity portion of tax claims in respect of share schemes	—	55,4	—	55,4	—	**55,4**
Contribution by non-controlling interest	—	—	—	—	1,2	**1,2**
BALANCE AT 30 JUNE 2009	509,8	3 515,3	162,0	4 187,1	75,9	**4 263,0**
Total comprehensive income	—	1 969,3	—	1 969,3	(19,9)	**1 949,4**
Profit for the year	—	1 989,6	—	1 989,6	(11,1)	**1 978,5**
Other comprehensive income	—	(20,3)	—	(20,3)	(8,8)	**(29,1)**
Dividend paid	—	—	—	—	(0,8)	**(0,8)**
Issue of ordinary share capital	4 592,8	—	—	4 592,8	—	**4 592,8**
Shares issued – share schemes	17,0	—	—	17,0	—	**17,0**
Shares issued – GSK transactions	4 575,8	—	—	4 575,8	—	**4 575,8**
Treasury shares purchased	(13,5)	—	—	(13,5)	—	**(13,5)**
Treasury shares cancelled	(0,1)	0,1	—	—	—	**—**
Share options and appreciation rights expensed (including deferred incentive bonus)	—	25,4	—	25,4	—	**25,4**
Equity portion of tax claims in respect of share schemes	—	56,2	—	56,2	—	**56,2**
Hyperinflationary adjustment – Venezuela	—	13,7	—	13,7	—	**13,7**
BALANCE AT 30 JUNE 2010	**5 089,0**	**5 580,0**	**162,0**	**10 831,0**	**55,2**	**10 886,2**

Group statement of financial position

		Reviewed year ended 30 June 2010 Rm	Audited restated year ended 30 June 2009 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**3 012,4**	2 373,5
Goodwill		**456,1**	398,4
Intangible assets	F#	**8 609,9**	4 103,6
Non-current financial receivables		**34,4**	27,7
Deferred tax assets		**65,5**	17,8
Total non-current assets		**12 178,3**	6 921,0
Current assets			
Inventories		**2 041,4**	1 434,6
Receivables, prepayments and other current assets		**2 359,5**	2 100,9
Assets classified as held for sale		**260,1**	—
Cash restricted for use		**21,8**	—
Cash and cash equivalents		**2 939,8**	2 065,3
Total current assets		**7 622,6**	5 600,8
Total assets		**19 800,9**	12 521,8
SHAREHOLDERS' EQUITY			
Share capital and premium (including treasury shares)		**5 089,0**	509,8
Reserves		**5 580,0**	3 515,3
Ordinary shareholders' equity		**10 669,0**	4 025,1
Equity component of preference shares		**162,0**	162,0
Non-controlling interest		**55,2**	75,9
Total shareholders' equity		**10 886,2**	4 263,0
LIABILITIES			
Non-current liabilities			
Preference shares – liability component		**386,6**	392,2
Borrowings		**2 260,2**	3 433,8
Retirement benefit obligations		**15,4**	9,4
Deferred revenue		**159,4**	—
Deferred tax liabilities		**263,2**	203,0
Total non-current liabilities		**3 084,8**	4 038,4
Current liabilities			
Trade and other payables		**1 913,9**	1 300,2
Borrowings		**3 720,8**	2 670,3*
Derivative financial instruments		**143,2**	178,4
Other current liabilities		**52,0**	71,5
Total current liabilities		**5 829,9**	4 220,4
Total liabilities		**8 914,7**	8 258,8
Total equity and liabilities		**19 800,9**	12 521,8
Number of shares in issue (net of treasury shares) ('000)		**431 407**	360 666
Net asset value per share (cents)		**2 473,1**	1 116,0

Bank overdrafts are included within borrowings under current liabilities.

Segmental analysis

	Reviewed year ended 30 June 2010 Rm	% of total	Audited restated year ended 30 June 2009 Rm	% of total	% change
REVENUE FROM CONTINUING OPERATIONS					
South Africa	**5 652,1**	**53**	4 309,1	51	31
Sub-Saharan Africa#	**910,0**	**9**	931,2	11	(2)
International	**4 053,3**	**38**	3 201,1	38	27
Total gross revenue	**10 615,4**	**100**	8 441,4	100	26
Adjustment*	**(468,8)**		—		
Total revenue	**10 146,6**		8 441,4		20
OPERATING PROFIT BEFORE AMORTISATION, DISPOSALS AND IMPAIRMENT OF ASSETS FROM CONTINUING OPERATIONS					
South Africa	**1 632,2**	**58**	1 102,0	48	48
Operating profit	**1 587,9**		1 045,1		52
Amortisation of intangible assets	**45,3**		37,8		
Insurance compensation – capital component	**(38,5)**		—		
Impairment of assets	**37,5**		19,1		
Sub-Saharan Africa	**72,3**	**3**	178,4	8	(59)
Operating profit	**66,4**		173,2		(62)
Amortisation of intangible assets	**4,2**		5,2		
Impairment of assets	**1,7**		—		
International	**1 114,0**	**39**	1 014,1	44	10
Operating profit	**960,6**		956,4		
Amortisation of intangible assets	**52,4**		52,0		
Impairment of assets	**101,0**		5,7		
	2 818,5	**100**	2 294,5	100	23
ENTITY WIDE DISCLOSURE – REVENUE					
Analysis of revenue in accordance with customer geography					
Domestic Brands					
South Africa – pharmaceutical	**4 391,2**	**43**	3 136,3	37	40
South Africa – consumer	**1 160,8**	**12**	1 100,8	13	5
Sub-Saharan Africa#	**910,0**	**9**	931,2	11	(2)
Asia Pacific	**1 015,6**	**10**	915,4	11	11
Latin America	**813,3**	**8**	841,3	10	(3)
Rest of the world	**316,9**	**3**	6,4	—	
Total gross revenue from domestic brands	**8 607,8**	**85**	6 931,4	82	24
Adjustment*	**(468,8)**		—		
Total revenue from domestic brands	**8 139,0**	**80**	6 931,4	82	17
Global brands					
Asia Pacific	**452,6**	**5**	318,9	4	42
Latin America	**336,7**	**3**	302,8	4	11
EMENAC^	**1 036,4**	**10**	771,7	9	34
Rest of the world	**181,9**	**2**	116,6	1	56
Total revenue from global brands	**2 007,6**	**20**	1 510,0	18	33
Total revenue	**10 146,6**	**100**	8 441,4	100	20

#In anticipation of the future materiality of the sub-Saharan Africa region, Aspen has established a separate management and reporting structure for this region and the segmental analysis has been amended and restated to reflect the additional segment.

**The profit share from the GSK Aspen Healthcare for Africa collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the collaboration has been included to provide enhanced revenue visibility in this territory.*

^Europe, Middle East, North African and Canadian territories.

Group statement of cash flows

	% change	Reviewed year ended 30 June 2010 Rm	Audited restated year ended 30 June 2009 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash operating profit		**3 269,5**	2 668,3
Changes in working capital		**(344,4)**	(507,7)
Cash generated from operations		**2 925,1**	2 160,6
Net financing costs paid		**(427,1)**	(535,1)
Tax paid		**(465,0)**	(333,4)
Net cash generated from operating activities#		**2 033,0**	1 292,1
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(632,0)**	(626,7)
Proceeds on disposal property, plant and equipment		**9,8**	9,1
Capital expenditure – intangible assets		**(660,5)**	(3 279,9)
Proceeds on disposal of intangible assets		**0,3**	15,5
Acquisition and disposal of subsidiaries, businesses and joint ventures		**307,5**	429,2
Increase in non-current financial receivables		**(27,1)**	(0,4)
Payment of outstanding Oncology business purchase consideration		**(18,7)**	(103,5)
Net cash used in investing activities		**(1 020,7)**	(3 556,7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment)/proceeds from borrowings		**(478,0)**	3 121,6
Repayment of deferred-payables		**(0,7)**	(12,2)
Dividend paid		**(0,8)**	(0,8)
Proceeds from issue of ordinary share capital		**16,1**	20,4
Acquisition of treasury shares		**(13,5)**	—
Increase in cash restricted for use as security for borrowings		**(21,8)**	—
Net cash (used in)/generated from financing activities		**(498,7)**	3 129,0
MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE EXCHANGE RATE CHANGES		**513,6**	864,4
Effects of exchange rate changes		**(23,8)**	(486,4)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**489,8**	378,0
Cash and cash equivalents at the beginning of the year		**1 322,9**	944,9
Cash and cash equivalents at the end of the year		**1 812,7**	1 322,9
#Operating cash flow per share (cents)			
From continuing operations	35	**490,3**	363,6
From discontinued operations		**15,4**	(2,5)
	40	**505,7**	361,1
THE ABOVE INCLUDES DISCONTINUED OPERATIONS OF:			
Net cash generated from/(used in) operating activities		**61,8**	(8,8)
Net cash used in investing activities		**(62,3)**	(43,0)
Net cash generated from financing activities		**—**	54,8
Effects of exchange rate changes		**0,2**	7,4
Movement in cash and cash equivalents		**(0,3)**	10,4
Cash and cash equivalents at the beginning of the year		**0,3**	(10,4)
Cash and cash equivalents per the statement of cash flows		**—**	—
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per the statement of financial position		**2 939,8**	2 065,3
Less: bank overdrafts		**(1 127,1)**	(742,4)
Cash and cash equivalents per the statement of cash flows		**1 812,7**	1 322,9

For the purposes of the statement of cash flows and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts.

Acquisitions and disposals

ACQUISITIONS

The Group concluded a series of interdependent transactions with GSK in the reporting period to promote its' strategic objectives in South Africa, sub-Saharan Africa and internationally. These transactions will be accounted for as a business combination in terms of IFRS 3 revised.

The effective date of the transactions was 1 December 2009.

The acquisitions being:

- the acquisition of the rights by Pharmacare Ltd to distribute GSK's pharmaceutical products in South Africa;
- the formation of a collaboration between Pharmacare Ltd and GSK in relation to the marketing and selling of prescription pharmaceuticals in sub-Saharan Africa;
- the acquisition by Aspen Global of eight specialist branded products (Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate) for worldwide distribution; and
- the acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany.

The acquisitions were funded by the issue of 68,5 million Aspen shares to GSK at a value of R66,80 per share.

Cost of the acquisition:		Reviewed year ended 30 June 2010 Rm
Shares issued		**4 575,8**
Fair value of assets acquired		**(4 514,2)**
Goodwill		**61,6**
Fair values recognised for the acquisitions were:		
Property, plant and equipment		**402,9**
Intangible assets	F#	**4 054,9**
Deferred tax asset		**7,4**
Current assets		**268,2**
Non-current liabilities		**(174,7)**
Current liabilities		**(44,5)**
Fair value of assets acquired		**4 514,2**
Goodwill acquired		**61,6**
Purchase consideration		**4 575,8**
Shares issued to GSK		**(4 575,8)**
Cash and cash equivalents in acquired companies		**33,4**
Total cash inflow on acquisition		**33,4**

The book values of the tangible assets (excluding deferred revenue which arises on the acquisition) does not differ materially from the fair values stated above. The values of intangible assets (including deferred revenue) has arisen as a result of the transaction and has no book values on acquisition.

The initial accounting for the business combination has been reported on a provisional basis in respect of intangible assets and goodwill and will only be finalised in the year ending 30 June 2011, as the effective date of the transaction was 1 December 2009.

Goodwill

The goodwill arising on the transaction has been allocated to Pharmacare Ltd as this is where the Group expects to realise synergistic benefits from the transactions. These synergies include cost savings, building Pharmacare Ltd's ethical brand credibility with specialists and optimising process efficiencies. The total amount of goodwill recognised is not tax deductible.

DISPOSALS

During the year, the Group entered into conditional agreements for the disposal of its' 50% shareholding in the Oncology business (Onco Therapies Ltd and Onco Laboratories Ltd). From 1 January 2010 the results for these joint ventures were not consolidated and net asset values of the companies were transferred to assets held for sale. The conditions precedent were fulfilled on 10 May 2010 for the sale of Onco Therapies Ltd and the profit on the sale of this joint venture has been recognised as set out below. Various conditions precedent remain to be fulfilled in respect of the sale of Onco Laboratories Ltd at year-end. These conditions are expected to be fulfilled during the year ahead.

	Reviewed year ended 30 June 2010 Rm
Property, plant and equipment	**130,7**
Deferred tax liability	**(2,6)**
Current assets	**11,8**
Current liabilities	**(16,5)**
Fair value of assets disposed	**123,4**
Profit on sale	**154,7**
Goodwill disposed	**4,8**
Purchase consideration received	**282,9**
Cash and cash equivalents in disposed company	**(8,8)**
Cash inflow on disposal	**274,1**

Commentary

Group performance

Aspen achieved a 39% increase in headline earnings to R1,941 billion for the year ended 30 June 2010. Headline earnings per share increased by 24% to 482,9 cents after taking into account the increased weighted number of shares in issue over the year. A capital profit on the sale of Onco Therapies contributed in raising earnings per share to 494,9 cents, up 32%. From continuing operations, both revenue and operating profit grew by 20%, to R10,147 billion and to R2,615 billion respectively. The South African business was the leading driver of the growth achieved.

Completion of the Glaxosmithkline ("GSK") transactions

With effect from 1 December 2009, Aspen completed a series of strategic, interdependent transactions with GSK ("the GSK transactions") which had been announced on 12 May 2009.

The GSK transactions comprise:

- The acquisition of the rights to distribute GSK's pharmaceutical products in South Africa;
- The formation of a collaboration agreement between Aspen and GSK in relation to the marketing and selling of prescription pharmaceuticals in sub-Saharan Africa;
- The acquisition by Aspen Global of eight specialist branded products (Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate) for worldwide distribution;
- The acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany; and
- The issue by Aspen of 68,5 million ordinary shares to GSK at R66,80 per share amounting to a total value of R4,576 billion.

South African business

Revenue in the South African business was 31% higher, at R5,652 billion. The pharmaceutical division raised revenue from domestic brands by 40% to R4,391 billion and the consumer division increased revenue by 5% to R1,161 billion. Operating profit increased from R1,045 billion to R1,588 billion. Profit margins recovered after the contractions of the previous two years as improved production efficiencies and procurement savings were supported by a stronger Rand, which lowered the cost of imported materials.

Ongoing organic growth was instrumental in the Aspen maintaining its position as the leading supplier of pharmaceuticals to both the private and public sectors. The integration of GSK's South African pharmaceutical business was successfully executed and has immediately yielded positive results reflected in an increase in share of the branded products sector.

Growth in consumer revenue was achieved in a sluggish retail sector battling to emerge from recession. Performance was also negatively affected by an interruption in supply of infant milk formula due to the explosion at the Nutritionals manufacturing facility last year. Insurance compensation of R162 million was received during the year, covering the consequent loss of profits and the restoration of the facility and has been reported under "other operating income".

The Group's capital investment programme which has resulted in extensive upgrade and addition to the South African manufacturing facilities over several years, continued to yield positive returns with meaningful further gains in production efficiency. Further tabletting capacity came on line with the commissioning of Unit 2 in Port Elizabeth whilst the new areas for production of suppositories and dutch medicines were completed in East London. The hormonal suite of the Sterile Facility will commence production in the year ahead. The Nutritionals facility will be back in full production shortly following replacement of the drying tower damaged in the explosion. Capital projects in progress will significantly add to oral solid dose capacity in Unit 1 and enhance packing capabilities.

Sub-Saharan Africa business

Aspen has established a separate management and reporting structure for the sub-Saharan Africa business. Included in this business segment are exports into sub-Saharan Africa from South Africa, the Shelys Africa business based in East Africa and the GSK Aspen Healthcare for Africa collaboration.

Revenue for the sub-Saharan African business declined 2% to R910 million and operating profits decreased from R173 million to R66 million. The GSK Aspen Healthcare for Africa collaboration commenced on 1 December 2009 and met all performance expectations.

The loss of export business resulting from the genericisation of patented anti-retroviral molecules marketed by Aspen gave rise to substantial reversals in revenue and profits. Ineffective implementation of the business strategy at Shelys Africa, stock write offs and the recognition of a contingent liability in respect of a contested tariff charge led to losses in the second half of the year. This precipitated a complete change in management of this business, an intervention which has already yielded favourable results.

International business

The international business increased revenue by 27% to R4,053 billion whilst operating profit before amortisation and impairments was 10% higher at R1,114 billion. Operating profit was diluted by the reduced contribution from the Latin American ("Latam") operations and the reduction in profits resulting from the transition of the global brands to the Aspen distribution network.

Revenue from global brands grew by 33% to R2,008 billion. Eltroxin, Lanoxin, Imuran and Zyloric, the four global brands acquired from GSK with effect from 30 June 2008, comprise the greatest portion of this revenue. These four global brands were largely transitioned to the Aspen distribution network during the course of the year and achieved double digit revenue growth in US dollars. The balance of the growth in the global brands came from the products added to this portfolio during the year.

The Asia Pacific domestic brands increased revenue by 11% to R1,016 billion. This was achieved despite regulated price reductions in Australia, the most material territory in this region.

Revenue from domestic brands in Latam declined by 3% over the year to R813 million. However, performance in the second half of the year was much improved, achieving revenue growth of 8%. This turnaround in performance was stimulated by the successful implementation of a restructuring plan in the Brazilian business. This has aligned the business model with Group strategy and returned the business to profitability. As part of the reshaping of the Brazilian operation, agreement was reached to sell the Campos manufacturing facility and related products to Strides Arcolab ("Strides").

The Group also restructured its oncology arrangements with Strides. Aspen has entered into agreements to sell its interest in the Onco Therapies and Onco Laboratories joint ventures to Strides for USD 117 million. Aspen has in turn secured a license for existing and future oncology products from Strides in specified territories. The sale of Onco Therapies was completed prior to 30 June 2010, giving rise to a profit on disposal of R155 million. Conditions precedent relating to the sale of Onco Laboratories remain to be fulfilled, completion being expected during the year ahead. The Onco Laboratories assets have been classified as "held for sale".

Funding

Borrowings, net of cash, were reduced by R1 billion to R3,019 billion through strong operating cash flows. The reduction in debt and the additional share capital raised in undertaking the GSK transactions has resulted in the gearing of the Group improving from 51% at 30 June 2009 to 24%. Operating cash flow per share increased by 40% to 505,7 cents.

Interest paid, net of interest received, of R365 million was covered eight times by earnings before financing costs, taxes and amortisation.

Proposed acquisition of the Sigma Pharmaceutical business

On 16 August 2010, Aspen announced that the board of directors of Sigma Pharmaceuticals Limited ("Sigma") had agreed to support an offer by Aspen to acquire the pharmaceutical business conducted by Sigma ("Sigma pharmaceutical business") for a cash consideration of AUD 900 million. Completion of this transaction is conditional upon, inter alia, requisite regulatory approval and the approval of Sigma shareholders. Work is ongoing on the fulfilment of these conditions.

The Sigma pharmaceutical business manufactures and markets an extensive product portfolio of well-known and trusted Australian brands which recorded revenue of over AUD 600 million in the year to 31 January 2010. The Group sees the following opportunities from the alignment of the Sigma pharmaceutical business with Aspen's highly successful subsidiary in Australia:

- Synergies out of the consolidation of the two businesses;
- The Sigma pharmaceutical business provides an established point of entry to the Australian generics and OTC sectors for the introduction of Aspen's pipeline of generic and OTC products;
- It will provide a strong foundation for further development of Aspen's business in the Asia Pacific region; and
- The Australian manufacturing presence will supplement Aspen's global manufacturing capabilities.

Prospects

The addition to Aspen's business in South Africa of the GSK brands and the people who promote and support these brands has served to strengthen the Group's national leadership in pharmaceuticals. Aspen has the most extensive product offering, the greatest representation and is the biggest supplier of pharmaceuticals in the private and public sectors. The business is supported by a substantial product pipeline and manufacturing facilities which are the most advanced, as well as offering the largest capacity in the southern hemisphere. The fundamental dynamics of South Africa indicate a sustained increase in demand for medicines. Aspen's South African pharmaceutical business is well set to continue to thrive, assisted by the recent period of regulatory stability and government's stated intention to support the local pharmaceutical industry.

The difficult trading environment in South Africa for consumer products has necessitated a focus on efficiency of structures which should stand Aspen in good stead when the retail cycle improves.

Initiatives being undertaken in the sub-Saharan African region should result in an increased contribution to Group profits in the year ahead. An upswing in results in Latam, continued organic growth in Asia Pacific and the benefit of a full year of contribution from the global brands acquired over the last year will be growth drivers for the international business in the year ahead. Completion of the acquisition of the Sigma pharmaceutical business will add further growth momentum.

The Group has the fundamentals in place to enjoy a 13th consecutive year of uninterrupted real growth in 2011.

Capital distribution

Taking into account the earnings and cash flow performance for the year ended 30 June 2010, existing debt service commitments and future proposed investments, notice is hereby given that, in terms of a general authority to distribute the company's capital granted by shareholders at the annual general meeting held on 4 December 2009, a capital distribution of 70 cents per ordinary share (2009: zero) by way of a capital reduction has been declared, payable out of share premium to shareholders recorded in the share register of the company at the close of business on Friday, 8 October 2010. Future distributions will be decided on a year-to-year basis.

In compliance with IAS 10: *Events after the Balance Sheet Date*, the capital distribution will only be accounted for in the financial statements in the year ending 30 June 2011.

In compliance with the requirements of Strate, the company has determined the following salient dates for the payment of the capital distribution:

Last day to trade *cum* capital distribution	Friday, 1 October 2010
Shares commence trading *ex* capital distribution	Monday, 4 October 2010
Record date	Friday, 8 October 2010
Payment date	Monday, 11 October 2010

Share certificates may not be dematerialised or rematerialised between Monday, 4 October 2010 and Friday, 8 October 2010.

By order of the Board

NJ Dlamini	SB Saad
(Chairman)	*(Group Chief Executive)*

Woodmead
15 September 2010

Basis of accounting

The consolidated preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC interpretations, the Listings Requirements of the JSE Ltd, Schedule 4 of the South African Companies Act (Act 61 of 1973, as amended) and the presentation and disclosure requirements of IAS 34 – Interim Reporting.

These results have been reviewed by Aspen's auditors, PricewaterhouseCoopers Inc. Their unqualified review report is available for inspection at the company's registered office.

The accounting policies used in the preparation of these preliminary results are consistent with those used in the annual financial statements for the year ended 30 June 2009.

The 2009 statement of comprehensive income has been restated to classify the Oncology business as a discontinued operation.

Supplementary information

	Reviewed year ended 30 June 2010 Rm	Audited restated year ended 30 June 2009 Rm
A. CAPITAL EXPENDITURE		
Incurred	**5 750,3**	3 906,6
– tangible assets	**632,0**	626,7
– GSK transactions (tangible and intangible assets)	**4 457,8**	2 653,0
– intangible assets	**660,5**	626,9
Contracted		
– tangible assets	**61,4**	87,3
– intangible assets	**20,9**	5,8
Authorised but not contracted for		
– tangible assets	**502,8**	226,9
– intangible assets	**33,6**	12,1
B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING)		
Depreciation of property, plant and equipment	**167,8**	115,7
Amortisation of intangible assets	**101,9**	95,0
Share-based payment expenses – employees (including deferred incentive bonus)	**29,8**	29,5
Impairment of property, plant and equipment	**37,6**	—
Impairment of intangible assets	**85,5**	24,8
Insurance compensation	**(162,4)**	—
C. INVESTMENT INCOME		
Interest received	**187,9**	224,2
D. FINANCING COSTS		
Interest paid	**(553,0)**	(614,9)
Net foreign exchange losses	**(19,1)**	(0,9)
Fair value gains/(losses) on financial instruments	**37,9**	(52,4)
Notional interest income on financial instruments	**3,8**	7,3
Preference share dividends paid	**(27,9)**	(38,3)
Financing costs	**(558,3)**	(699,2)
E. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations	**48,5**	40,2
Profit on sale of Onco Therapies Ltd	**154,7**	—
Loss on sale of Astrix Laboratories Ltd	**—**	(19,9)
Capital gains tax on sale of Astrix Laboratories Ltd	**—**	(4,2)
Profit for the year from discontinued operations	**203,2**	16,1
F. INTANGIBLE ASSETS MOVEMENT		
Opening balance	**4 103,6**	3 705,7
Net acquisitions of businesses, subsidiaries and joint ventures	**—**	19,5
Additions – GSK transactions	**4 054,9**	—
Additions – other	**660,5**	626,7
Disposals	**(0,1)**	(16,4)
Amortisation	**(101,9)**	(104,4)
Effects of exchange rate changes	**14,6**	(106,2)
Impairment of intangible assets	**(85,5)**	(24,8)
Transferred to assets classified as held for sale	**(51,8)**	—
Other movements	**15,6**	3,5
Closing balance	**8 609,9**	4 103,6
G. CONTINGENT LIABILITIES		
Additional payments in respect of the Quit worldwide intellectual property rights	**7,6**	7,7
Guarantees covering loan and other obligations to third parties	**3,4**	23,8
Tax duty contingencies	**8,3**	17,0
H. GUARANTEES TO FINANCIAL INSTITUTIONS		
Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions	**2 874,9**	3 098,0

aspen
HOLDINGS

www.aspenpharma.com

Directors

NJ Dlamini* (Chairman), AJ Aaron*, RC Andersen*, MG Attridge, MR Bagus*, JF Buchanan*, SA Hussain*, CN Mortimer*, DM Nurek*, SB Saad, SV Zilwa*

*Non-executive directors

Company secretary

HA Shapiro

Transfer secretaries

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