aspen
HOLDINGS

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

Revenue	Net profit before tax	Headline earnings per share
+21%	**+20%**	**+10%**
2008: R4,9 billion	**2008: R1,2 billion**	**2008: 231,3 cents**
2007: R4,0 billion	2007: R1,0 billion	2007: 210,1 cents

Internationalisation of the Group
Ten years of growth

Reviewed preliminary Group financial results for the year ended 30 June 2008

Group income statement

		Change %	Reviewed 30 June 2008 Rm	Audited 30 June 2007 Rm
Revenue		21	**4 881,3**	4 025,9
Cost of sales			**(2 658,5)**	(2 084,2)
Gross profit		14	**2 222,8**	1 941,7
Selling and distribution expenses			**(668,3)**	(536,9)
Administrative expenses			**(276,0)**	(208,3)
Other operating expenses			**(136,3)**	(133,3)
Other operating income	C #		**90,3**	13,4
Operating profit		14	**1 232,5**	1 076,6
Investment income	D #		**263,4**	139,8
Financing costs	E #		**(287,1)**	(207,0)
			1 208,8	1 009,4
Share of after-tax net losses of associates			**(1,1)**	–
Net profit before tax		20	**1 207,7**	1 009,4
Tax			**(343,2)**	(291,7)
Profit after tax		20	**864,5**	717,7
Attributable to:				
Equity holders of the parent			**862,9**	717,4
Minority interest			**1,6**	0,3
		20	**864,5**	717,7
Weighted average number of shares in issue ('000)			**351 792**	348 850
Earnings per share – basic (cents)		19	**245,3**	205,7
Earnings per share – diluted (cents)		19	**240,1**	201,8

#See notes on supplementary information.

Headline earnings

	Change %	Reviewed 30 June 2008 Rm	Audited 30 June 2007 Rm
Reconciliation of headline earnings			
Net profit attributable to equity holders of the parent		**862,9**	717,4
Adjusted for:			
– Loss on disposal of property, plant and equipment (net of tax)		**0,5**	0,4
– Profit on disposal of intangible assets (net of tax)		**(37,0)**	(3,4)
– Impairment of intangible assets (net of tax)		**8,2**	8,2
– Profit on sale of 51% of Co-pharma Ltd		**(16,6)**	–
– Adjustment to write down on disposal of 50% of FCC		**–**	10,5
– Profit on sale of Shimoda shares (net of tax)		**(4,3)**	–
Headline earnings	11	**813,7**	733,1
Headline earnings per share (cents)	10	**231,3**	210,1
Headline earnings per share – diluted (cents)	10	**227,0**	206,1

Capital distribution

	Change %	Reviewed 30 June 2008	Audited 30 June 2007
Capital distribution per share (cents)	13	**70,0**	62,0

The capital distribution of 70,0 cents per share paid in the year ended 30 June 2008 relates to profits earned in the 2007 financial year. No capital distribution is proposed in respect of the earnings for the year ended 30 June 2008.

Group balance sheet

		Reviewed 30 June 2008 Rm	Audited 30 June 2007 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**1 744,6**	855,1
Investment in associates		**25,8**	–
Goodwill		**589,9**	295,0
Intangible assets	F#	**3 723,1**	844,7
Preference share investment		**–**	376,8
Non-current financial assets		**4,8**	6,0
Deferred tax assets		**1,0**	15,1
Total non-current assets		**6 089,2**	2 392,7
Current assets			
Inventories		**1 447,0**	936,8
Receivables and prepayments		**1 331,1**	871,2
Deferred receivable		**459,2**	–
Cash and cash equivalents		**1 522,2**	3 331,2
Total current assets		**4 759,5**	5 139,2
Total assets		**10 848,7**	7 531,9
SHAREHOLDERS' EQUITY			
Share capital and share premium		**493,8**	746,4
Treasury shares		**(571,6)**	(598,9)
Share-based compensation reserve		**62,4**	47,5
Non-distributable reserves		**462,0**	267,8
Retained income		**2 649,2**	1 757,6
Ordinary shareholders' equity		**3 095,8**	2 220,4
Equity component of preference shares		**162,0**	162,0
		3 257,8	2 382,4
Minority interest		**61,1**	7,0
Total shareholders' equity		**3 318,9**	2 389,4
LIABILITIES			
Non-current liabilities			
Preference shares – liability component		**402,1**	403,5
Borrowings		**75,9**	25,9
Deferred-payables and other non-current financial liabilities		**2,5**	10,6
Deferred tax liabilities		**155,1**	65,3
Retirement benefit obligations		**9,4**	7,2
Total non-current liabilities		**645,0**	512,5
Current liabilities			
Trade and other payables		**1 004,8**	648,1
Financial liability for products acquired		**2 653,0**	–
Borrowings		**3 103,5**	3 801,8
Deferred-payables and other current financial liabilities		**12,2**	65,3
Current tax liabilities		**111,3**	114,8
Total current liabilities		**6 884,8**	4 630,0
Total liabilities		**7 529,8**	5 142,5
Total equity and liabilities		**10 848,7**	7 531,9
Number of shares in issue (net of treasury shares) ('000)		**352 411**	350 634
Net asset value per share (cents)		**878,5**	633,3

Group cash flow statement

		Reviewed year ended 30 June 2008 Rm	Audited year ended 30 June 2007 Rm
Cash flows from operating activities			
Cash operating profit		**1 492,7**	1 322,0
Changes in working capital		**(434,9)**	(353,0)
Cash generated from operations		**1 057,8**	969,0
Net financing costs paid		**(347,5)**	(193,8)
Investment income received		**263,4**	139,8
Tax paid		**(321,6)**	(206,4)
Net cash generated from operating activities		**652,1**	708,6
Cash flows from investing activities			
Replacement capital expenditure – property, plant and equipment		**(79,3)**	(67,2)
Expansion capital expenditure – property, plant and equipment		**(300,0)**	(220,5)
Proceeds on disposal of tangible assets		**3,2**	0,8
Replacement capital expenditure – intangible assets		**(5,2)**	(2,8)
Expansion capital expenditure – intangible assets		**(160,8)**	(144,3)
Proceeds on disposal of intangible assets		**55,2**	8,5
Acquisition of subsidiary and joint ventures, net of cash acquired	G#	**(1 357,5)**	(0,1)
Disposal of 51% of Co-pharma Ltd, net of cash		**10,1**	–
Increase/(decrease) in non-current financial assets		**1,2**	(6,0)
Redemption of investment in preference shares		**376,8**	–
Net cash used in investing activities		**(1 456,3)**	(431,6)
Cash flows from financing activities			
Proceeds from borrowings		**5 004,3**	2 477,3
Repayment of borrowings		**(3 506,5)**	(2 351,1)
Repayment of deferred-payables		**(64,5)**	(12,3)
Proceeds from deferred-payables		**9,5**	24,3
Dividend paid		**(1,5)**	–
Net capital distribution paid		**(246,0)**	(216,0)
Proceeds from issue of ordinary shares		**15,4**	27,0
Net cash generated from/(used in) financing activities		**1 210,7**	(50,8)
Movement in cash and cash equivalents before exchange rate changes		**406,5**	226,2
Effects of exchange rate changes		**40,8**	9,0
Cash and cash equivalents			
Movement in cash and cash equivalents		**447,3**	235,2
Cash and cash equivalents at the beginning of the year		**497,5**	262,3
Cash and cash equivalents at the end of the year		**944,8**	497,5
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per the balance sheet		**1 522,2**	3 331,2
Less: Bank overdrafts		**(577,4)***	(2 833,7)*
Cash and cash equivalents per the cash flow statements		**944,8**	497,5

**Bank overdrafts are included within borrowings under the current liabilities on the balance sheet.*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts which form an integral part of Aspen's cash management.

Segmental analysis

	SOUTH AFRICA				AUSTRALIA			
	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total
Primary segments: Geographical								
Gross revenue	**3 759,7**	**73,3**	3 275,4	77,4	**709,0**	**13,8**	508,5	12,0
Less: Intersegment sales	**(1,3)**		(9,1)		**–**		–	
Revenue	**3 758,4**	**77,0**	3 266,3	81,1	**709,0**	**14,5**	508,5	12,6
Operating profit before amortisation and disposals	**1 059,1**	**81,6**	1 049,2	87,9	**95,7**	**7,4**	71,2	6,0
Profit on sale of Natural products	**40,8**		–		**–**		–	
Profit on sale of Shimoda shares	**5,0**		–		**–**		–	
Profit on sale of 51% of Co-pharma Ltd	**–**		–		**–**		–	
Profit on sale of Avid Brands	**–**		3,4		**–**			
Operating profit before amortisation	**1 104,9**	**81,2**	1 052,6	87,9	**95,7**	**7,0**	71,2	5,9
Amortisation – intangible assets	**(68,3)**	**53,5**	(71,4)	59,0	**(14,2)**	**11,1**	(11,5)	9,5
Operating profit	**1 036,6**	**84,1**	981,2	91,1	**81,5**	**6,6**	59,7	5,5

	INDIA				LATIN AMERICA			
	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total
Primary segments: Geographical								
Gross revenue	**281,0**	**5,5**	189,8	4,5	**82,9**	**1,6**	–	–
Less: Intersegment sales	**(82,2)**		(90,3)		**–**		–	
Revenue	**198,8**	**4,1**	99,5	2,5	**82,9**	**1,7**	–	–
Operating profit before amortisation and disposals	**47,3**	**3,6**	21,0	1,8	**2,4**	**0,2**	–	–
Profit on sale of Natural products	**–**		–		**–**		–	
Profit on sale of Shimoda shares	**–**		–		**–**		–	
Profit on sale of 51% of Co-pharma Ltd	**–**		–		**–**		–	
Profit on sale of Avid Brands	**–**				**–**			
Operating profit before amortisation	**47,3**	**3,5**	21,0	1,8	**2,4**	**0,2**	–	–
Amortisation – intangible assets	**(9,8)**	**7,7**	(8,7)	7,2	**(1,4)**	**1,1**	–	–
Operating profit	**37,5**	**3,0**	12,3	1,1	**1,1**	**0,1**	–	–

	EAST AFRICA				REST OF THE WORLD			
	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total
Primary segments: Geographical								
Gross revenue	**46,7**	**0,9**	–	–	**250,4**	**4,9**	256,8	6,1
Less: Intersegment sales	**–**		–		**(164,9)**		(105,2)	
Revenue	**46,7**	**1,0**	–	–	**85,5**	**1,8**	151,6	3,8
Operating profit before amortisation and disposals	**10,6**	**0,8**	–	–	**82,7**	**6,4**	52,9	4,4
Profit on sale of Natural products	**–**		–		**–**		–	
Profit on sale of Shimoda shares	**–**		–		**–**		–	
Profit on sale of 51% of Co-pharma Ltd	**–**		–		**16,6**		–	
Profit on sale of Avid Brands	**–**				**–**			
Operating profit before amortisation	**10,6**	**0,8**	–	–	**99,3**	**7,3**	52,9	4,4
Amortisation – intangible assets	**(0,6)**	**0,5**	–	–	**(33,5)**	**26,2**	(29,5)	24,4
Operating profit	**10,0**	**0,8**	–	–	**65,8**	**5,3**	23,4	2,2

	TOTAL			
	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total
Primary segments: Geographical				
Gross revenue	**5 129,7**	**100,0**	4 230,4	100,0
Less: Intersegment sales	**(248,4)**		(204,6)	
Revenue	**4 881,3**	**100,0**	4 025,9	100,0
Operating profit before amortisation and disposals	**1 297,8**	**100,0**	1 194,3	100,0
Profit on sale of Natural products	**40,8**		–	
Profit on sale of Shimoda shares	**5,0**		–	
Profit on sale of 51% of Co-pharma Ltd	**16,6**		–	
Profit on sale of Avid Brands	**–**		3,4	
Operating profit before amortisation	**1 360,2**	**100,0**	1 197,7	100,0
Amortisation – intangible assets	**(127,8)**	**100,0**	(121,1)	100,0
Operating profit	**1 232,5**	**100,0**	1 076,6	100,0

	PHARMACEUTICAL				CONSUMER				TOTAL			
	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total	Reviewed 30 June 2008 Rm	% of total	Audited 30 June 2007 Rm	% of total
Secondary segments: Business												
Revenue	**3 785,9**	**77,6**	3 031,7	75,3	**1 095,4**	**22,4**	994,2	24,7	**4 881,3**	**100,0**	4 025,9	100,0
South Africa	**2 807,5**		2 397,3		**950,9**		869,0		**3 758,4**		3 266,3	
Australia	**585,1**		393,3		**123,9**		115,2		**709,0**		508,5	
India	**198,8**		99,5		**–**		–		**198,8**		99,5	
Latin America	**77,8**		–		**5,1**		–		**82,9**		–	
East Africa	**46,7**		–		**–**		–		**46,7**		–	
Rest of the world	**70,0**		141,6		**15,5**		10,0		**85,5**		151,6	
Operating profit before amortisation and disposals	**1 053,1**	**81,1**	948,9	79,5	**244,7**	**18,9**	245,4	20,5	**1 297,8**	**100,0**	1 194,3	100,0
South Africa	**853,0**		838,8		**206,1**		210,4		**1 059,1**		1 049,2	
Australia	**70,9**		39,0		**24,8**		32,2		**95,7**		71,2	
India	**47,3**		21,0		**–**		–		**47,3**		21,0	
Latin America	**2,1**		–		**0,3**		–		**2,4**		–	
East Africa	**10,6**		–		**–**		–		**10,6**		–	
Rest of the world	**69,2**		50,1		**13,5**		2,8		**82,7**		52,9	
Operating profit before amortisation	**1 074,7**	**79,0**	948,9	79,2	**285,5**	**21,0**	248,8	20,8	**1 360,2**	**100,0**	1 197,7	100,0
South Africa	**858,0**		838,8		**246,9**		213,8		**1 104,9**		1 052,6	
Australia	**70,9**		39,0		**24,8**		32,2		**95,7**		71,2	
India	**47,3**		21,0		**–**		–		**47,3**		21,0	
Latin America	**2,1**		–		**0,3**		–		**2,4**		–	
East Africa	**10,6**		–		**–**		–		**10,6**		–	
Rest of the world	**85,8**		50,1		**13,5**		2,8		**99,3**		52,9	
Operating profit	**964,4**	**78,2**	842,5	78,3	**268,1**	**21,8**	234,1	21,7	**1 232,5**	**100,0**	1 076,6	100,0
South Africa	**798,7**		780,8		**237,9**		200,9		**1 036,6**		981,2	
Australia	**56,7**		27,9		**24,8**		31,8		**81,5**		59,7	
India	**37,5**		12,3		**–**		–		**37,5**		12,3	
Latin America	**0,9**		–		**0,2**		–		**1,1**		–	
East Africa	**10,0**		–		**–**		–		**10,0**		–	
Rest of the world	**60,6**		21,5		**5,2**		1,9		**65,8**		23,4	

Ten years of growth

Supplementary information

	Reviewed 30 June 2008 Rm	Audited 30 June 2007 Rm
A. Capital expenditure		
Incurred	**545,3**	434,8
– tangible assets	**379,3**	287,7
– intangible assets	**166,0**	147,1
Contracted		
– tangible assets	**62,6**	96,3
– intangible assets	**—**	4,3
Authorised but not contracted for		
– tangible assets	**457,5**	330,9
– intangible assets	**0,8**	—
B. Operating profit has been arrived at after charging		
Depreciation of property, plant and equipment	**74,6**	60,3
Amortisation of intangible assets	**127,7**	121,1
Share-based payment expenses – employees	**32,9**	29,4
C. Other operating income		
Profit on sale of Natural products	**40,8**	—
Profit on sale of Shimodo shares	**5,0**	—
Profit on sale of 51% of Co-pharma Ltd	**16,6**	—
Profit on sale of Avid Brands	**—**	3,4
Other	**27,9**	10,0
Total other operating income	**90,3**	13,4
D. Investment income		
Preference share dividends received	**33,3**	29,3
Interest received	**230,1**	110,5
Total investment income	**263,4**	139,8
E. Financing costs		
Interest paid	**(322,8)**	(174,0)
Net foreign exchange gains	**60,4**	22,7
Fair value gains/(losses) on financial instruments	**3,5**	(19,4)
Notional interest on financial instruments	**9,9**	(3,8)
Preference share dividends paid	**(38,1)**	(32,5)
Financing costs	**(287,1)**	(207,0)
F. Intangible assets movement		
Opening balance	**844,7**	803,4
Acquisition of subsidiary and joint ventures	**153,3**	—
Additions – GSK	**2 655,8**	—
Additions – other	**176,3**	146,7
Disposals	**(14,2)**	(5,1)
Amortisation	**(127,7)**	(121,1)
Effects of exchange rate changes	**43,3**	31,5
Net impairment of intangible assets	**(8,2)**	(10,8)
Closing balance	**3 723,1**	844,7
G. Acquisition of subsidiary and joint ventures, net of cash acquired		
Shelys – East Africa	**231,5**	—
Powercliff Ltd – Oncology franchise	**124,4**	—
Onco Therapies Ltd – Oncology franchise	**69,1**	—
Lakerose Ltd – Latin American businesses	**1 065,5**	—
Total purchase consideration	**1 490,5**	—
Cash and cash equivalents in acquirees	**(133,0)**	—
Cash outflow on acquisition	**1 357,5**	—
H. Other commitments		
During the 2003 financial year Aspen entered into a 12-year agreement with GlaxoSmithKline South Africa (Pty) Ltd to distribute and market a range of their products. In terms of this agreement Aspen is committed to pay the following amounts to GlaxoSmithKline South Africa (Pty) Ltd:		
– payable within one year	**15,1**	17,7
– payable thereafter	**47,5**	62,6
	62,6	80,3
During the 2005 financial year Aspen Australia Pty Ltd entered into a 10-year agreement with Novartis Pharmaceuticals Australia Pty Ltd to distribute and market a range of their products. In terms of this agreement Aspen is committed to spend the following amounts on promotion of the products:		
– payable within one year	**10,5**	9,0
– payable thereafter	**46,8**	45,6
	57,3	54,6
I. Contingent liabilities		
There are contingent liabilities in respect of:		
Additional payments in respect of the Quit worldwide intellectual property rights	**7,8**	7,1
Guarantee covering potential rental default relating to sale of discontinued operations	**—**	1,1
Guarantees covering loan and other obligations to third parties	**23,2**	20,4

Statement of changes in Group equity

	Share capital and premium Rm	Treasury shares Rm	Share-based compensation reserve Rm	Non-distributable reserves Rm	Retained income Rm	Equity component of preference shares Rm	Minority interest Rm	Total Rm
Balance as at 30 June 2006	954,4	(623,0)	31,2	191,2	997,2	162,0	6,7	1 719,7
Fair value movement on available-for-sale financial assets	—	—	—	0,7	—	—	—	0,7
Currency translation differences	—	—	—	69,2	—	—	—	69,2
Profit for the year	—	—	—	—	717,4	—	0,3	717,7
Capital distribution	(240,1)	24,1	—	—	—	—	—	(216,0)
Cash flow hedges realised	—	—	—	(5,2)	—	—	—	(5,2)
Cash flow hedges recognised	—	—	—	(0,1)	—	—	—	(0,1)
Issue of ordinary share capital	32,1	—	—	—	—	—	—	32,1
Share options and appreciation rights awarded	—	—	24,2	—	—	—	—	24,2
Transfer from share-based compensation reserve	—	—	(7,9)	—	7,9	—	—	—
Non-distributable portion of earnings	—	—	—	12,0	(12,0)	—	—	—
Equity portion of tax claims in respect of share schemes	—	—	—	—	47,1	—	—	47,1
Balance as at 30 June 2007	746,4	(598,9)	47,5	267,8	1 757,6	162,0	7,0	2 389,4
Currency translation differences	—	—	—	112,8	—	—	—	112,8
Amounts retained in equity due to hedge accounting of acquisitions	—	—	—	92,1	—	—	—	92,1
Profit for the year	—	—	—	—	862,9	—	1,6	864,5
Dividend paid	—	—	—	—	(1,5)	—	—	(1,5)
Capital distribution	(273,3)	27,3	—	—	—	—	—	(246,0)
Acquisition of subsidiary	—	—	—	—	—	—	52,5	52,5
Disposal of 51% of shares in Co-pharma Ltd	—	—	—	(10,8)	21,7	—	—	10,9
Cash flow hedges realised	—	—	—	0,1	—	—	—	0,1
Issue of ordinary share capital	20,7	—	—	—	—	—	—	20,7
Share options and appreciation rights awarded	—	—	27,6	—	—	—	—	27,6
Transfer from share-based compensation reserve	—	—	(12,7)	—	12,7	—	—	—
Equity portion of tax claims in respect of share schemes	—	—	—	—	(4,2)	—	—	(4,2)
Balance as at 30 June 2008	**493,8**	**(571,6)**	**62,4**	**462,0**	**2 649,2**	**162,0**	**61,1**	**3 318,9**

Basis of accounting

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

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 2007. The acquisitions of Shelys, Lakerose Ltd, Onco Therapies Ltd and Powercliff Ltd were accounted for on a provisional basis and will only be finalised in the year ending 30 June 2009.

Commentary

Internationalisation of the Group

The group has evolved into an international pharmaceutical business through considerable corporate activity during the past twelve months. The following major transactions were concluded by Aspen:

- Effective 28 December 2007, the acquisition of a 50% stake in a global oncology franchise ("Onco/Powercliff") which Strides Arcolab ("Strides") had initiated as a greenfield venture. Specialist manufacturing capabilities in oncological injectables, semi solids and solids have been established in India. Onco/Powercliff have the rights to 32 oncology products in development. The total investment in this joint venture is USD 43 million.
- Effective 1 March 2008, the acquisition of a 50% interest in Strides' Latin American business comprising operations in Brazil, Mexico and Venezuela for USD 152,5 million. As announced today, Aspen has acquired a further 1% in the Latin American business and now has a controlling interest.
- Effective 1 May 2008, the acquisition of a 60% shareholding in Shelys Africa Ltd ("Shelys") for of USD 39 million. Shelys operates in Tanzania, Kenya and Uganda.
- Effective 30 June 2008, the acquisition from GlaxoSmithKline ("GSK") of the international rights to four established, branded pharmaceutical products, Eltroxin, Imuran, Lanoxin and Zyloric ("the GSK brands") for GBP 170 million. The products are distributed in more than 100 countries.
- On 23 July 2008, the finalisation of a licensing and supply agreement with GSK in terms of which Aspen will license intellectual property and supply finished dosage form pharmaceuticals to GSK.
- The disposal of a 51% interest in its UK subsidiary, Co-pharma Ltd, and 80% of its South African natural products business, both to Strides. A profit before tax of R57 million was realised from these two transactions.

Further to its leadership position in the South African market, the Group now has an increased presence in emerging markets and a particular strength in the southern hemisphere. In addition, Aspen's worldwide product portfolio has been expanded by the addition of the GSK brands and the investment in the oncology franchise.

Group performance

The Group recorded a 21% increase in revenue to R4,881 billion whilst operating profit improved by 14% to R1,233 billion and profit after tax increased 20% to R865 million. Earnings per share was up 19% to 245 cents and headline earnings per share ("HEPS"), was up 10% to 231 cents.

South African operations

The South African business grew revenue by 15% to R3,758 billion. The pharmaceutical division, in spite of a decline in the active pharmaceutical ingredient ("API") business, achieved satisfactory revenue growth of 17% at R2,808 billion. The consumer division did well to increase revenue by 9% given the unfavourable retail environment. Revenue performance was also inhibited by an unacceptable level of out of stocks which arose as the public sector placed orders substantially ahead of its forecasts. This was compounded by the inability to procure many APIs because of a worldwide chemical shortage caused by the closure of facilities in response to an environment clamp down in China in advance of the Beijing Olympics.

Earnings before interest, tax and amortisation ("EBITA") increased by 5% to R1,105 billion. After excluding the gains made from disposals, normalised EBITA increased by 1% to R1,059 billion. The significant factor influencing operating profit was a contraction in operating margins. The major causes were:

- the delay by the Department of Health ("DoH") in granting a price increase under the single exit pricing legislation despite rising costs and a weakening currency. The price increase expected in January 2008 was only granted in May 2008. The 6.5% increase granted was less than the rise in costs of goods;
- the worldwide shortage in APIs resulted in extraordinary price increases. The DoH has consented to an increase in prices in the public sector to compensate for the surge in API costs, but this only became effective after the year end. Application for an extraordinary price increase in the private sector is still under consideration by the DoH. Aspen has continued to make loss making products available in the public interest, but this is clearly not sustainable;
- the re-scheduling of products containing ephedrine from schedule 2 (over-the-counter) to schedule 6 (the highest schedule, prescription only) by the DoH without any phasing provisions. This has necessitated a substantial stock write off as the restricted access arising from the re-scheduling has resulted in a significant reduction in demand; and
- a decline in the profits of Fine Chemicals Corporation ("FCC").

The Group's investment in manufacturing capabilities in South Africa continued during the year with capital expenditure of R334 million. The primary projects are the upgrade of the heritage General Facility, the completion of the Sterile Facility and the addition of packing capacity to the Oral Solid Dose Facility. The adoption of the Pharmaceutical Inspection Convention ("PIC") standards by the South African Medicines Control Council ("MCC") has resulted in an elevation of standards which has seen other domestic producers suspended from manufacture. Aspen is committed to maintaining and improving standards of production at its South African sites in line with the PIC standards and its other international accreditations. This will entail an ongoing programme of investment.

Despite the challenging environment, Aspen retained its position as the leading supplier of pharmaceuticals in the private and public sectors. The excellent results achieved in the South African government's anti-retroviral ("ARV") tender awarded in June provided further evidence of Aspen's international competitiveness. Aspen was awarded 72% by forecast volume of the entire ARV tender.

International operations

The international businesses performed extremely well with revenue increasing 48% to R1,123 billion and normalised EBITA rising 65% to R239 million. Whilst acquisitions have contributed to the results, strong growth was achieved from existing operations. The international business made up 23% of the Group's revenue and 19% of the Group's EBITA.

Aspen Australia continued its impressive record of growth with revenue up 39% to R709 million and EBITA up 34% to R96 million. The growth was driven by the pharmaceutical division which expanded its product offering over the course of the year. The consumer business was negatively impacted by supply issues with its deodorant brands which have since been resolved.

Aspen Resources also reported solid growth, raising EBITA by 35% to R75 million. In an internal restructuring exercise with effect from 30 June 2008, the Aspen Resources business was sold to Aspen Global which has been established in Mauritius as the Group's international holding company and trading business. Aspen Global is the acquirer of the GSK brands and is in the process of establishing an extensive worldwide distribution platform that will allow the Group to effectively leverage its international intellectual property.

Astrix reported a strong improvement in performance despite a small decline in sales to Aspen. The Group's 50% share in this joint venture recorded a doubling in revenue at R199 million with EBITA growing even more strongly to R47 million.

The first four months of Aspen's 50% holding in the Latin American businesses contributed revenue of R83 million and EBITA of R2 million. Improved operating margins should be forthcoming with the opening of the Campos production facility before the end of the calendar year.

Shelys was part of the Group for the final two months of the year during which time revenue of R47 million and EBITA of R11 million was generated.

Funding

During the course of the year the Group invested R1,5 billion in the investments in the oncology franchise, in Latin America and in East Africa. These investments were funded by the Group's cash resources. Available cash at year end was augmented by the redemption of an investment in preference shares which realised R377 million. At year end the Group carried a liability to GSK of R2,7 billion in respect of the acquisition of the GSK brands. This has since been settled by means of a bridging loan. Negotiations are substantially complete for the replacement of this bridging loan with 5 year US Dollar denominated funding.

Net Group debt, inclusive of the GSK liability, was R4,3 billion at year end. Although Aspen is substantially more geared than it has been for a number of years, the strong cash flow capabilities of the South African business and the GSK brands acquired by Aspen Global provide the Group with sufficient capacity to service and reduce this level of debt.

In view of the higher gearing levels of the Group and the ongoing capital expenditure programme, the Board has resolved that no capital distribution will be paid to shareholders in respect of the current year. In terms of the proposed new banking arrangements to fund the acquisition of the GSK brands, payment of future cash distributions to shareholders may not be declared without the prior consent of the banks providing this funding.

Prospects

The transformation of the Group which has taken place during the past year will change the balance of contributions to future operating performance. In the forthcoming year it is expected that earnings from outside of South Africa will be approximately 40% of the Group's total.

Notwithstanding the disappointing performance from the South African business in 2008 the fundamental drivers to growth remain strong. The pharmaceutical division is favourably positioned as the market leader in both the private sector and the public sector. An outstanding product pipeline has the potential to accelerate performance once a consistent flow of product registrations is forthcoming from the MCC. In a market with a growing demand for quality generics Aspen provides the most extensive product offering, manufactured at proven and trusted standards. Aspen is pro-actively confronting the margin contraction experienced in the past year by inter alia intensifying efforts to lower costs by more effective procurement and more efficient production methods. Aspen also continues to engage constructively with the South African government on pricing and on a number of regulatory issues. Statements from government and the identification of the pharmaceutical sector as a strategic industry have been encouraging. The award of the ARV tender almost exclusively to local manufacturers augurs well for future support of the sector. Steps have been taken to sharpen the focus of the consumer division and improved profitability is expected despite the down turn in retail sentiment. Performance in the opening months of the new year suggests that the South African business is responding well to the measures taken to improve profitability.

Aspen Australia has consistently out-performed the market. The Australian industry is confronting newly implemented legislation which has reduced the prices of many products. This will provide a challenge to the excellent Australian management team in the forthcoming year.

Astrix succeeded in expanding its customer base over the past year and the continued demand for ARV APIs from these customers will dictate the success of this business.

Aspen's investments in Latin America and East Africa bring to the Group established businesses with regional management expertise in emerging markets with exciting growth potential. These businesses have established development plans which should see improvement in performance in the year ahead. The addition of a pipeline of products leveraging off the Group's intellectual property portfolio is planned to add growth once these products complete the regulatory process and start coming to market in two to three years' time.

The Group's investments in the GSK brands and in the oncology franchise were undertaken to build Aspen's portfolio of differentiated products with global demand. Aspen Global is in the process of developing an international distribution network which will ensure the GSK brands continue to be made available to patients in over 100 countries. This distribution capability provides Aspen Global with extensive reach into world markets which can be utilised as new products are added to its range. The oncology franchise has a substantial pipeline of specialist products, the first of which are expected to be launched into multiple global markets in 2010. The above product range will also supplement the balance of Aspen's intellectual property offering in the licensing and supply arrangement with GSK. There is considerable focus within Aspen on a successful introduction of the licensed products into the GSK marketing network. This roll out has the potential to materially enhance Aspen's revenue and profit streams for the next decade. The first products to market under this deal are also expected in 2010.

Since 1999, the year in which Aspen was transformed by means of the acquisition of the South African Druggists pharmaceutical business, it has delivered an unbroken growth trajectory in both revenue and HEPS at a compound annual growth of 34% each. The Group has been set on a path of internationalisation by the completion of a number of carefully selected transactions over the past year. The acquired businesses and products add immediate value to Aspen's earnings and provide enhanced capabilities to allow a continuation of growth into the next decade. Together with an improved performance from the South African business this should enable the Group to sustain the compound annual growth rate in earnings achieved since 1999 until the end of this decade.

Capitalisation issue

The Board has resolved to issue fully paid ordinary shares in the company as a capitalisation issue to ordinary shareholders. The number of capitalisation shares to which shareholders are entitled will be determined as follows:

1,75 ordinary shares for every 100 ordinary shares held

The capitalisation issue ratio is based on the 5-day volume weighted average price for Aspen shares for the week ended 12 September 2008.

Fractions and fractional entitlements

Trading in the Strate environment does not permit fractions and fractional entitlements. Accordingly where a shareholder's entitlement to new ordinary shares calculated in accordance with the ratio mentioned above gives rise to a fraction of a new ordinary share, such fraction will be rounded up to the nearest whole number where the fraction is greater than or equal to 0.5 and rounded down to the nearest whole number where the fraction is less than 0.5.

Tax implications

Participation in the capitalisation issue may have tax implications for resident as well as non-resident shareholders. Shareholders are therefore encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

For purposes of the South African Capital Gains Tax ("CGT") regime, the base cost for CGT purposes of any capitalisation shares issued is zero. This may result in a taxable capital gain rising on the future disposal by a shareholder of capitalisation shares issued.

Capitalisation of share premium

The capitalisation issue will be made by way of application from Aspen's share premium account.

Salient dates and times

In compliance with Strate, the company has determined the following salient dates for the capitalisation issue:

Friday, 3 October 2008	Last day to trade to participate in the capitalisation issue
Monday, 6 October 2008	Shares commence trading *ex* the capitalisation issue
Monday, 6 October 2008	Listing of the maximum number of new ordinary shares to be issued in terms of the capitalisation issue
Friday, 10 October 2008	Record date to participate in the capitalisation issue
Monday, 13 October 2008	New shares issued and posted or CSDP or broker accounts credited
Wednesday, 15 October 2008	Number of shares in issue to be adjusted

Shares may not be dematerialised or rematerialised between Monday, 6 October 2008 and Friday, 10 October 2008, both days inclusive.

Changes to the Board

Since the annual general meeting held in November 2007, the following Board changes have taken place:

19 February 2008	Resignation of non-executive director, Maxim Krok
27 March 2008	Passing of non-executive director, Leslie Boyd
26 August 2008	Appointment of Roy Andersen as an independent non-executive director

By order of the board

SB Saad *(Group Chief Executive)* **MG Attridge** *(Deputy Group Chief Executive)* **HA Shapiro** *(Company Secretary)*

Woodmead: 16 September 2008

Directors

NJ Dlamini* (Chairman), AJ Aaron*, RJ Andersen*, MG Attridge, MR Bagus*, JF Buchanan*, P Dyani*, CN Mortimer*, DM Nurek*, SB Saad, D Thomas* (alternate to P Dyani), S Zilwa*.

*Non-executive directors

Company secretary

HA Shapiro

Transfer secretaries

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