Annual Report 2006

aspen
HOLDINGS

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Aspen has businesses in Australia, India, South Africa, the United Kingdom and the United States of America.

Aspen is ***Africa's largest pharmaceutical*** manufacturer and a major supplier of branded pharmaceutical, healthcare and nutritional products to the Southern African and selected international markets.

Aspen is acknowledged as the ***largest generics manufacturer*** in the southern hemisphere. Aspen is also the leading supplier of generic medicines to both the private and the public sectors in South Africa.

Aspen is one of the top twenty generic manufacturers worldwide and ***South Africa's number one generic brand.***

Aspen has ***five pharmaceutical manufacturing sites.*** Four are located in South Africa and one in India. These sites provide for eight manufacturing facilities with a ninth becoming operational in South Africa in the near future.

Aspen produces a ***vast range of products*** including tablets, capsules, liquids, creams and others.

Aspen is one of the ***leading global players*** in generic anti-retrovirals ("ARVs").

Aspen's products are renowned for their ***quality, efficacy and affordability.*** The Group's extensive basket includes branded, generic, over-the-counter ("OTC"), fast moving consumer goods ("FMCG"), personal care, nutritional and nutriceutical products.

Aspen produces approximately ***four billion*** tablets and capsules per annum.

Aspen has an ***outstanding generic pipeline.*** These products are developed at Aspen's pharmaceutical research laboratories and in collaboration with other global pharmaceutical companies and research facilities.

Aspen Australia is one of the ***fastest growing pharmaceutical companies*** in that market.

Aspen is ***listed*** on JSE Ltd ("JSE").

Non-Financial Definitions

Term	Definition
API	Active pharmaceutical ingredient
ARV	Anti-retroviral
Aspen	Aspen Pharmacare Holdings Ltd or Aspen Pharmacare Holdings Ltd and its subsidiaries as set out in note 38 to the financial statements, as the context demands
Aspen Australia	Aspen Pharmacare Australia Pty Ltd
Aspen Nutritionals	Aspen Nutritionals (Pty) Ltd
Aspen Resources	Aspen Pharmacare Resources Ltd
Aspen USA	Aspen USA Inc.
AstraZeneca	AstraZeneca Pharmaceuticals (Pty) Ltd
Astrix	Astrix Laboratories Ltd
AUD	Australian Dollar
BBBEE	Broad Based Black Economic Empowerment
BBSY	Bank Bills Swap Yield
BEE	Black Economic Empowerment
CEPPWAWU	Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union
the Codes	The Department of Trade and Industry's Code of Good Practice on BBBEEE
Co-pharma	Co-pharma Ltd
CSI	Corporate Social Investment
FCC	Fine Chemicals Corporation (Pty) Ltd
FDA	United States Food & Drug Administration
FMCG	Fast Moving Consumer Goods
GAAP	Generally Accepted Accounting Practice

GBP	Pound Sterling
Generix	Generix International (Pty) Ltd
Gilead	Gilead Sciences Inc.
Group	Aspen Pharmacare Holdings Ltd and its subsidiaries as set out in note 38 to the financial statements
GSK Australia	GlaxoSmithKline Australia Pty Ltd
GSK South Africa	GlaxoSmithKline South Africa (Pty) Ltd
IMS	IMS Health (Pty) Ltd
INR	Indian Rupee
IFRS	International Financial Reporting Standards
JSE	JSE Ltd
Lupin	Lupin Ltd
LIBOR	London Inter Bank Offered Rate
Matrix	Matrix Laboratories Ltd
MCC	South African Medicines Control Council
MHRA	United Kingdom Medicine and Healthcare Products Regulatory Authority
Novartis South Africa	Novartis South Africa (Pty) Ltd
Novartis Australia	Novartis Pharmaceuticals Australia Pty Ltd
OSD	Oral Solid Dose
OTC	Over-The-Counter
SENS	Stock Exchange News Service
SEP	Single Exit Pricing
SHE	Safety, Health and Environment
STC	Secondary Tax on Companies
USD	United States Dollar
WHO	World Health Organisation

Aspen has established an impressive footprint across the Southern African market. The Group's globally renowned manufacturing competencies, its expertise, intellectual property, quality products and people are its cornerstones.

Exploring new frontiers and unlocking their potential are key drivers for Aspen's future. Opportunities beckon both locally and internationally. New manufacturing technologies, specialised development capabilities and additional markets will spearhead these opportunities. Swift adaptability and alertness to changes in market conditions are essential to success. Aspen is able to take up this challenge.

FINANCIAL Highlights 2006

Revenue

+23%

2006: R3,449 billion
2005: R2,815 billion

Normalised earnings per share

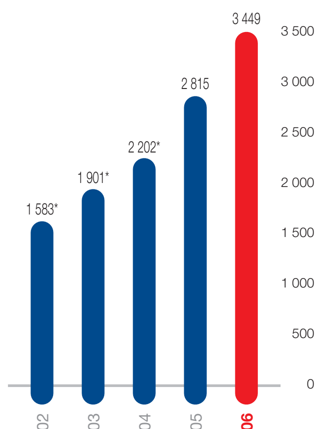
+32%

2006: 182 cents
2005: 138 cents

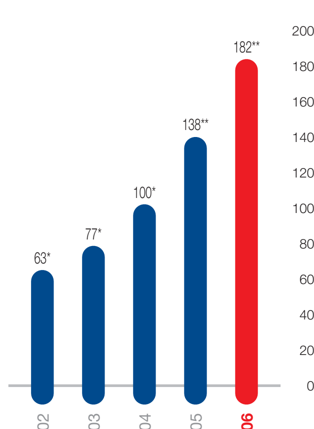
Distribution per share

+29%

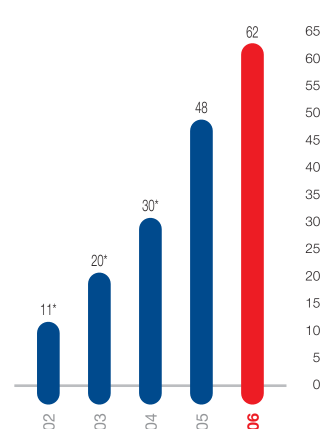
2006: 62 cents
2005: 48 cents



Revenue
(R'million)
* SA GAAP



Earnings per share (cents)
* SA GAAP
** Normalised



Distribution
per share (cents)
* SA GAAP

Group summary	**30 June 2006 R'million**	30 June 2005 R'million	Change %	Compound growth* %
Revenue	**3 449,3**	2 814,6	23	22
Normalised operating profit	**1 004,1**	782,9	28	26
Normalised profit after tax	**626,6**	468,9	34	29
Net cash from operating activities	**402,4**	652,8	(38)	15
Ordinary share performance				
Earnings per share – basic (cents)	**185,4**	54,7	239	31
Headline earnings per share (cents)	**185,5**	55,4	235	31
Normalised earnings per share (cents)	**182,1**	137,6	32	31
Distribution per share (cents)	**62,0**	48,0	29	54
Operating cash flow per share (cents)	**116,9**	191,7	(39)	15

** Compound growth represents five-year compound annual growth, calculated for the period 2002 to 2006.*

GROUP at a Glance

ASPEN PHARMACARE HOLDINGS LIMITED
Aspen is a holding company that owns certain intellectual property

Aspen Sales and Marketing

South Africa

Australia
Supplies pharmaceutical and consumer brands to the Australian market and selected export territories in this region.

United Kingdom

United States
Start-up operation exploring strategic opportunities.

Aspen Pharmacare
Supplies an extensive basket of branded, generic, OTC, FMCG and nutriceutical products to the South African market and African export markets.

Aspen Nutritionals
Supplies a variety of value-added milk powders, including infant milk formulas, to the South African market and African export markets.

Co-pharma
Distributes commodity generics into the United Kingdom market.

Aspen Resources
Intellectual property-owning and product-sourcing company.

ASPEN GROUP OPERATIONS
Manufacturing sites located in South Africa

Oral Solid Dose Facility, Port Elizabeth
High volume manufacturer of tablets and capsules.

Accredited by the FDA, MCC, MHRA, WHO and others.

General Facility, Port Elizabeth
Manufacturer of tablets, capsules, liquids, ointments, creams, suppositories and powders.

Accredited by the MCC.

East London Manufacturing Site
Manufacturer of various categories inter alia tablets, capsules, ointments, lotions, liquids, tinctures and FMCG products, including aerosols and toothpastes. Specialist facilities for manufacture of penicillins and oral contraceptives.

Accredited by the MCC.

Aspen Nutritionals Site, Clayville
Specialist manufacturer of value-added milk powders.

ASPEN API JOINT VENTURES
All owned 50/50 by Aspen and Matrix of India

FCC Cape Town, South Africa
Manufacturer of narcotic and specialist fine APIs. Supplies APIs to the South African market and numerous export territories, the largest of which is the USA.

Accredited by the FDA and the MCC.

Astrix Hyderabad, India
Manufacturer of ARV APIs. Supplier of ARV APIs to Aspen and other ARV manufacturers.

Accredited by the FDA and the MCC.

FINANCIAL Definitions

Average
Arithmetic average between consecutive year-ends.

Capital distribution/dividend cover
Earnings per share divided by capital distribution/dividend per share.

Capital distribution/dividend per share
Capital distribution/dividend declared divided by the number of shares in issue.

Compound annual growth percentage
Compound annualised year-on-year growth since 2002.

Dividend yield
Dividend per share as a percentage of year-end market price per share.

Earnings per share – basic
Earnings attributable to equity holders of the holding company divided by the weighted average number of shares in issue during the year.

Earnings per share – diluted
The diluted earnings per share is calculated as described in note 31.

Earnings yield
Headline earnings per share as a percentage of year-end market price per share.

EBITA
Earnings before interest, tax and amortisation.

Effective tax rate
South African tax, foreign tax, deferred tax, secondary tax on companies ("STC") and capital gains tax as a percentage of net profit before tax.

Employee statistics
Statistics related to employees are determined on the number of employees at the end of the year.

Financing cost cover
Operating profit before amortisation of intangible assets and investment income divided by net financing costs.

Financing cost cover, excluding notional interest
Operating profit before amortisation of intangible assets and investment income divided by net financing costs, adjusted for notional interest.

Headline earnings per share
Headline earnings per share is calculated as described in note 31.

Headline earnings per share from continuing operations
Headline earnings per share, adjusted for the income statement effect of discontinued operations.

Long-term debt: total equity ratio
Interest-bearing long-term borrowings and interest-bearing long-term deferred-payables expressed as a percentage of total shareholders' equity.

Market capitalisation
Market capitalisation is determined with reference to the closing market price per share and the total number of shares in issue at year-end, including treasury shares.

Net asset value per share
Ordinary shareholders' interest divided by number of shares in issue at year-end.

Operating cash flow per share
Net cash from operating activities divided by the weighted average number of shares in issue during the year.

Operating profit margin
Operating profit as a percentage of revenue.

Price : earnings ratio
The year-end share price on the JSE divided by headline earnings per share.

Return on ordinary shareholders' equity
Net profit attributable to shareholders, expressed as a percentage of average ordinary shareholders' equity.

Return on total assets
Operating profit as a percentage of total assets at year-end.

Total debt, excluding deferred-payables: total equity ratio
Total interest-bearing borrowings and the liability component of the preference shares expressed as a percentage of total shareholders' equity.

Total debt: total equity ratio
Total interest-bearing borrowings, total interest-bearing deferred-payables and the liability component of the preference shares expressed as a percentage of total shareholders' equity.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the net profit of the Group. Shares which were subject to a specific share buy-back and which are held by a subsidiary company, have been adjusted for on a time basis in determining the weighted average number of shares in issue.

NORMALISATION of Earnings

Aspen's results for the year ended 30 June 2006 reflect a 235% increase in headline earnings per share, to 185,5 cents. This increase is affected by a number of material once-off transactions in both the current and the prior year. Aspen believes that presenting a normalised income statement, excluding these items, represents a better indicator of the Group's performance.

	GROUP			**ADJUSTMENTS**				**GROUP**
	IFRS R'000	1 R'000	2 R'000	3 R'000	4 R'000	5 R'000	6 R'000	**NORMALISED R'000**
2006								
Revenue	**3 449 340**							**3 449 340**
Cost of sales	**(1 789 047)**							**(1 789 047)**
Gross profit	**1 660 293**							**1 660 293**
Other operating income	**2 187**							**2 187**
Selling and distribution expenses	**(462 335)**							**(462 335)**
Administrative expenses	**(195 752)**	21 334						**(174 418)**
Other operating expenses	**(17 045)**					546	13 913	**(2 586)**
Earnings before interest, tax and amortisation ("EBITA")	**987 348**							**1 023 141**
Amortisation	**(91 845)**							**(91 845)**
Investment income	**72 853**							**72 853**
Operating profit	**968 356**							**1 004 149**
Net financing costs	**(113 681)**							**(113 681)**
Net profit before tax	**854 675**							**890 468**
Tax	**(216 582)**		(31 900)		(15 645)		237	**(263 890)**
Profit for the year	**638 093**							**626 578**
2005								
Revenue	**2 814 597**							**2 814 597**
Cost of sales	**(1 423 978)**							**(1 423 978)**
Gross profit	**1 390 619**							**1 390 619**
Other operating income	**4 744**							**4 744**
Selling and distribution expenses	**(374 760)**							**(374 760)**
Administrative expenses	**(176 040)**							**(176 040)**
Other operating expenses	**(293 903)**			282 441		7 018		**(4 444)**
EBITA	**550 660**							**840 119**
Amortisation	**(94 811)**							**(94 811)**
Investment income	**37 575**							**37 575**
Operating profit	**493 424**							**782 883**
Net financing costs	**(99 438)**							**(99 438)**
Net profit before tax	**393 986**							**683 445**
Tax	**(207 565)**				(7 018)			**(214 583)**
Profit for the year	**186 421**							**468 862**

1. Costs relating to Aspen's unsuccessful bid to acquire PLIVA dd, a Croatia-based generic pharmaceutical company.
2. The Strategic Industrial Project tax allowance claimed under section 12G of the Income Tax Act relating to the investment by Aspen in the Oral Solid Dose ("OSD") Facility.
3. A charge in respect of the Black Economic Empowerment ("BEE") transaction concluded by Aspen in June 2005.
4. Deferred tax asset raised in respect of an assessed loss in Aspen Nutritionals (Pty) Ltd ("Aspen Nutritionals") (previously Nutricia (Pty) Ltd). A deferred tax asset has now been raised in respect of the total remaining assessed loss.
5. Goodwill in respect of Aspen Nutritionals written down. This write-down corresponds with the assessed loss raised referred to in 4 above. The goodwill balance has now been written down to zero. Refer to the accounting policy in respect of goodwill on page 75.
6. Investment in Fine Chemicals Corporation (Pty) Ltd ("FCC") written down. The write-down is a consequence of the strengthening of the Rand after setting off the USD purchase consideration paid by Matrix Laboratories Ltd ("Matrix") for 50% of FCC in terms of the joint ventures established.

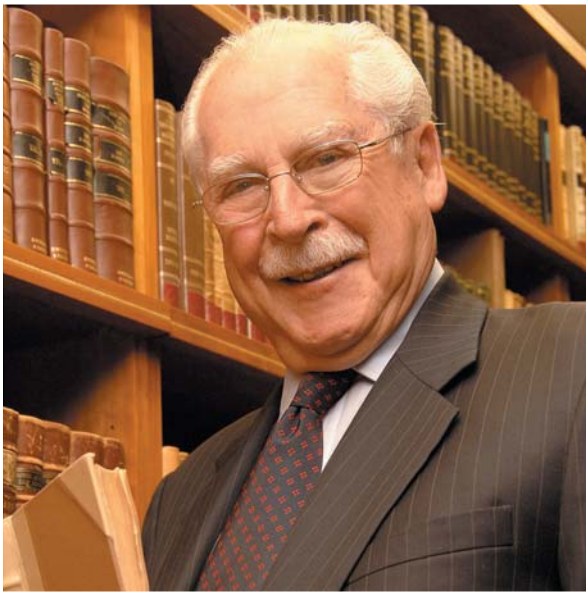
FIVE YEAR Review

Group income statement	5 Year compound annual growth %	**IFRS Year ended 2006 R'million**	IFRS Year ended 2005 R'million	SA GAAP Year ended 2004 R'million	SA GAAP Year ended 2003 R'million	SA GAAP Year ended 2002 R'million
Revenue		**3 449,3**	2 814,6	2 201,7	1 900,8	1 582,9
Continuing operations	21,9	**3 449,3**	2 814,6	2 201,7	1 890,2	1 561,2
Discontinued operations		**—**	—	—	10,6	21,7
Operating profit before amortisation of intangible assets and investment income		**987,3**	550,6	631,8	504,7	418,8
Continuing operations	23,8	**987,3**	550,6	631,8	505,1	420,0
Discontinued operations		**—**	—	—	(0,4)	(1,2)
Amortisation of goodwill		**—**	—	(13,8)	(8,1)	(8,4)
Amortisation of intangible assets		**(91,8)**	(94,8)	(64,2)	(49,8)	(29,9)
Investment income		**72,9**	37,6	27,3	39,2	19,7
(Loss)/profit on sale of discontinued operations		**—**	—	—	(1,1)	2,3
Operating profit	24,5	**968,4**	493,4	581,1	484,9	402,5
Net financing costs		**(113,7)**	(99,4)	(52,6)	(96,1)	(67,9)
Net profit before tax		**854,7**	394,0	528,5	388,8	334,6
Tax		**(216,6)**	(207,6)	(172,9)	(115,5)	(109,4)
Profit for the year	29,7	**638,1**	186,4	355,6	273,3	225,2
Attributable to:						
Equity holders of the parent	30,6	**638,0**	186,4	355,6	270,5	219,0
Minority interest		**0,1**	—	—	2,8	6,2

Group balance sheet as at		**IFRS 2006 R'million**	IFRS 2005 R'million	SA GAAP 2004 R'million	SA GAAP 2003 R'million	SA GAAP 2002 R'million
Assets						
Non-current assets						
Tangible assets		**613,1**	481,7	312,8	180,1	145,6
Intangible assets		**1 082,6**	861,4	528,1	504,5	289,9
Preference share investment		**376,8**	376,8	—	—	—
Financial assets		**12,9**	0,1	7,5	19,4	5,1
Deferred tax asset		**34,4**	57,6	124,5	149,7	185,6
Total non-current assets	35,6	**2 119,8**	1 777,6	972,9	853,7	626,2
Current assets						
Inventories		**798,3**	428,2	245,6	213,5	287,0
Trade and other receivables		**721,9**	509,7	425,6	414,1	341,0
Current tax asset		**3,0**	2,0	—	—	—
Current financial assets		**1,3**	1,0	—	—	—
Cash and cash equivalents		**625,2**	439,6	465,5	200,4	184,1
Total current assets	27,6	**2 149,7**	1 380,5	1 136,7	828,0	812,1
Total assets	31,3	**4 269,5**	3 158,1	2 109,6	1 681,7	1 438,3
Equity and liabilities						
Capital and reserves						
Ordinary shareholders' equity		**1 551,3**	954,3	1 066,5	787,6	599,4
Preference shares – equity component		**162,0**	162,0	—	—	—
Minority interest		**12,5**	—	—	7,4	17,1
Total shareholders' equity	29,3	**1 725,8**	1 116,3	1 066,5	795,0	616,5
Non-current liabilities						
Preference shares – liability component		**403,3**	406,6	—	—	—
Interest-bearing non-current liabilities		**49,0**	62,7	156,2	144,7	54,0
Interest-bearing deferred-payables		**23,7**	23,2	39,7	81,2	94,0
Deferred revenue		**2,1**	—	—	—	—
Non-current financial liabilities		**—**	3,6	—	—	—
Deferred tax liabilities		**103,9**	71,6	61,6	42,3	29,1
Retirement benefit obligations		**7,3**	10,6	10,8	11,2	9,3
Total non-current liabilities	33,3	**589,3**	578,3	268,3	279,4	186,4
Current liabilities						
Trade, other payables and provisions		**713,6**	571,9	353,4	338,6	383,8
Interest-bearing current liabilities		**1 173,8**	761,7	290,0	151,5	160,9
Interest-bearing deferred-payables		**4,8**	48,6	55,2	66,1	60,5
Tax		**62,2**	81,3	76,2	51,1	30,2
Total current liabilities	32,4	**1 954,4**	1 463,5	774,8	607,3	635,4
Total equity and liabilities	31,3	**4 269,5**	3 158,1	2 109,6	1 681,7	1 438,3

Group cash flow statement		5 Year compound annual growth %	IFRS Year ended 2006 R'million	IFRS Year ended 2005 R'million	SA GAAP Year ended 2004 R'million	SA GAAP Year ended 2003 R'million	SA GAAP Year ended 2002 R'million
Cash operating profit			**1 127,5**	929,3	670,5	508,6	424,1
Movement in working capital			**(487,5)**	(52,9)	(44,2)	(11,6)	(94,4)
Cash generated from operations		18,0	**640,0**	876,4	626,3	497,0	329,7
Net financing costs			**(128,3)**	(84,6)	(52,6)	(96,1)	(67,9)
Investment income			**72,9**	37,6	27,3	39,2	19,7
Tax paid			**(182,2)**	(176,6)	(102,3)	(54,1)	(50,7)
Net cash from operating activities		14,9	**402,4**	652,8	498,7	386,0	230,8
Net cash outflow from investing activities			**(447,8)**	(799,8)	(282,6)	(351,3)	(40,6)
Net cash (outflow)/inflow from financing activities			**(146,7)**	115,6	54,3	20,9	(193,9)
Effects of exchange rate changes			**14,8**	5,5	(5,2)	(39,4)	52,6
Movement in cash and cash equivalents			**(177,3)**	(25,9)	265,2	16,2	48,9
Cash and cash equivalents at the beginning of the year			**439,6**	465,5	200,3	184,1	135,2
Cash and cash equivalents at the end of the year			**262,3**	439,6	465,5	200,3	184,1
Number of full-time employees			**2,144**	1,950	1,484	1,588	1,583
Share performance							
Earnings per share – basic	cents	31,2	**185,4**	54,7	99,8	76,7	62,5
Normalised earnings per share – basic	cents		**182,1**	137,6			
Earnings per share – diluted	cents	31,1	**179,2**	53,2	97,2	74,8	60,6
Normalised earnings per share – diluted	cents		**176,1**	133,9			
Headline earnings per share	cents	31,2	**185,5**	55,4	103,7	79,1	62,7
Headline earnings per share diluted	cents	31,1	**179,3**	53,9	101,0	77,1	60,8
Headline earnings per share from continuing operations	cents	30,9	**185,5**	53,9	103,7	79,1	63,1
Capital distribution/dividend per share*	cents	54,1	**62,0**	48,0	30,0	20,0	11,0
Capital distribution/dividend cover*	times		**3,0**	1,1	3,3	3,8	5,7
Net asset value per share	cents	27,2	**446,5**	281,1	297,7	222,1	170,5
Operating cash flow per share	cents	15,4	**116,9**	191,7	140,0	109,3	65,9
Stock exchange performance							
Market price per share							
• year-end	cents		**3 650**	2 380	1 270	775	745
• highest	cents		**4 450**	2 500	1 410	800	790
• lowest	cents		**2 365**	1270	775	640	565
Number of shares traded	millions		**268,8**	103,4	82,7	128,9	132,1
Number of shares in issue – at the end of the year	millions		**386,4**	378,4	377,0	373,5	370,3
Number of shares in issue (net of treasury shares) – at the end of the year	millions		**347,4**	339,4	358,2	354,6	351,5
Weighted number of shares in issue	millions		**344,1**	340,6	356,2	353,1	350,4
Number of shares traded as % of weighted average number of shares	%		**78,1**	30,3	23,2	36,5	37,7
Market capitalisation at year-end	R'million		**14 102,9**	9 005,3	4 788,1	2 894,3	2 759,0
Earnings yield	%		**5,1**	2,3	8,2	10,2	8,4
Price : earnings ratio	%		**19,7**	42,9	12,3	9,8	11,9
Dividend yield**	%		**—**	—	2,4	2,6	1,5
Business performance							
Returns							
Return on ordinary shareholders' equity	%		**50,9**	18,5	38,4	39,0	46,9
Return on total assets	%		**22,7**	15,6	26,2	26,5	26,6
Productivity							
Revenue growth from continuing operations	%		**22,6**	27,8	16,5	21,1	41,4
Operating profit margin	%		**28,1**	17,5	26,4	25,5	25,4
Effective tax rate	%		**25,3**	52,7	32,7	29,7	32,7
Revenue per employee	R'million		**1,6**	1,4	1,5	1,2	1,0
Solvency and liquidity							
Total debt : total equity ratio	%		**95,9**	116,7	50,7	55,8	59,9
Total debt, excluding deferred-payables : total equity ratio	%		**94,2**	110,3	41,8	37,3	34,9
Long-term debt : total equity ratio	%		**4,2**	7,7	18,4	28,4	24,0
Financing cost cover	times		**8,7**	5,5	12,0	5,3	6,2
Financing cost cover, excluding notional interest	times		**8,7**	6,0	15,6	6,4	6,2

**Relates to capital distribution (prior years – dividend) declared after the year-end (refer directors' report).*
***No dividend yield is presented for 2005 and 2006, as capital distributions of 48 cents and 62 cents were approved in respect of these years.*



Chairman's Message

GROWTH IN A COMPETITIVE MARKET

Aspen added to its impressive record of growth, which stretches back eight years, with an excellent performance for the year to 30 June 2006. Achieving success over an extended period in today's global business environment is particularly challenging given the pace of change and the intensity of competition.

AJ Aaron (74)

BCom, LLB

Appointed to the Board in 1994 and as Chairman in 1999

Aspen has delivered another excellent set of results, increasing normalised earnings per share by 32%.

Global pressures

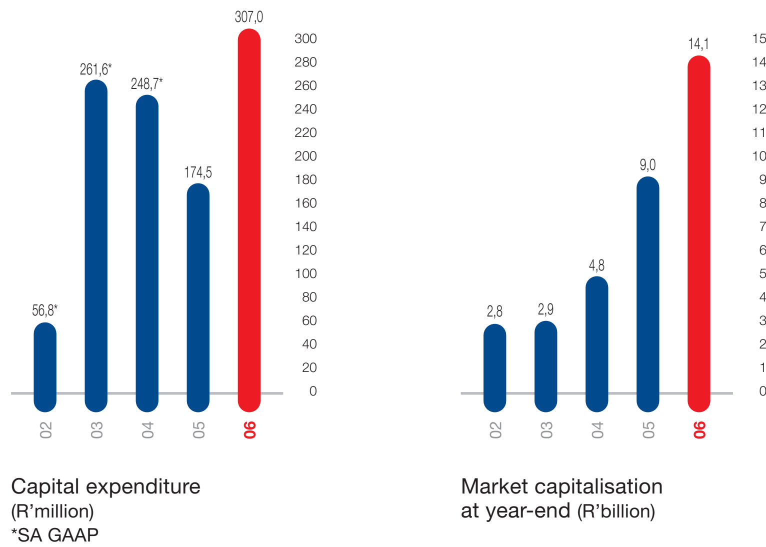
The pharmaceutical industry has been fully exposed to these forces. The high number of patents for originator products which are expiring, many of those blockbusters, has stimulated the growth of the generic pharmaceutical producers to a level where competition is fierce for most new generic product launches. Market forces are creating downward pressure on generic prices. Further price pressure is coming from the interventions by regulators the world over, anxious to stretch limited healthcare budgets, confronted with ageing populations in some parts of the world and vulnerable to infectious diseases elsewhere. Many pharmaceutical companies have sought a competitive advantage in greater critical mass. Consolidation in the industry has been widespread. Acquisition prices have been driven higher as the race for market share escalates with deals being concluded at amounts which Aspen is unable to justify.

Seeking new growth opportunities

Notwithstanding these testing conditions Aspen has delivered another excellent set of results, increasing normalised earnings per share by 32%. However, it is recognised that the Group requires to explore new frontiers in order to source additional revenue streams. This it is doing in the areas of manufacturing, product development and sales territories.

The construction of the Sterile Facility in Port Elizabeth takes Aspen into a specialist area of production with stringent regulatory requirements for the operating environment. The bar is set at the highest level with the world's most regulated markets amongst the targets.

Product development capabilities in Port Elizabeth have been expanded and additional development capacity is being harnessed in arrangements with specialist contract development houses. The potential to reach new markets is a consideration in both the manufacturing and the product development strategies. As an example, the significant product development undertaken by the Group in ARVs is allowing Aspen to access new markets across much of Africa. The Group's expansion objectives would clearly



Capital expenditure
(R'million)
*SA GAAP

Market capitalisation
at year-end (R'billion)

also be served by acquisitions. Aspen is always alert to opportunities of this nature. Consideration is also given to start-ups to avoid having to pay unjustifiable goodwill. The Group's successful Australian operation is a good example of a start-up.

Workers become shareholders

At the annual general meeting in October 2005 shareholders approved the Aspen South African Workers' Share Plan. Under the plan share ownership has been extended to all of Aspen's South African employees who do not participate in the Aspen share incentive schemes. Aspen's unionised employees also benefit from the material shareholding in the Group by Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU") Investments, the investment arm of the trade union representing Aspen. Aspen's substantial achievement in diversifying its ownership to include all its employees was greatly assisted by the efforts of the late Muzi Buthelezi. Muzi joined the Board in 2002 following Aspen's first BEE deal, having been integral to both the structuring and execution of the transaction. Muzi served as a model director and his wisdom and guidance were a positive influence during a period when the Group enjoyed significant growth. His premature passing in December 2005 is a loss to both the workers he represented so selflessly and to Aspen.

Board strength

Two recent appointments will further strengthen the Board which provides the critical oversight function for the Group with such effectiveness. Pasco Dyani, the National President of CEPPWAWU, was welcomed to the Board in February 2006 as a non-executive. In September 2006 Sindi Zilwa joined the Board as an independent non-executive. Sindi, a chartered accountant and chief executive of the accounting firm Nkonki, fills an identified requirement for greater independent technical accounting expertise on the Board and on the Audit & Risk Committee.

Our people

Group Chief Executive, Stephen Saad and his deputy, Gus Attridge, are to be thanked and congratulated by all stakeholders for once again leading the Group in exemplary

fashion. They are well supported by excellent managers and committed employees, all of whom we also thank and congratulate. They have been critical in delivering Aspen's exceptional record of growth. Strong scientific and technical capabilities have allowed Aspen to evolve from the confines of the South African domestic market to a level of international recognition. Broadening and strengthening skill levels to equip the Group in its quest to expand its boundaries is being undertaken by a combination of internal skills development programmes and by accessing international experts in specialist fields.

The Group has evolved substantially as it has grown whilst competition has escalated and the environment has become more complex.

Sound business fundamentals

The past year has again witnessed Aspen add to its exceptional record of growth. The Group has evolved substantially as it has grown whilst competition has escalated and the environment has become more complex. Strong management and sound business fundamentals have served Aspen well over this period of sustained growth. These strong foundations remain in place as Aspen explores new opportunities for growth into the future.

Thanks

I thank my colleagues on the Board for their wisdom and guidance. It is of inestimable value to Aspen to have a team of such experienced and skilled individuals on its Board.

AJ Aaron
CHAIRMAN

TACKLING INFECTIOUS DISEASES

Aspen is committed to playing a meaningful role in tackling infectious diseases. Aspen is an established leader in the provision of generic ARVs to HIV/AIDS patients throughout Africa, covering some 300 000 lives. Aspen is set to add to its already extensive ARV product offering with a range of new products currently in development.

The Group is pursuing new initiatives which will allow it to offer treatment for tuberculosis as well as multi-drug resistant tuberculosis. Each year more than eight million new tuberculosis cases are diagnosed globally.

Group Chief Executive's Report

A REWARDING YEAR

The excellent performance by Aspen over the past year was reward for past strategies implemented. Future performance will be influenced by the initiatives presently being introduced.

SB Saad (42)
CA(SA)

Appointed to the Board and as Group Chief Executive in 1999

Principal growth drivers were new product launches, increasing generic volumes in the South African market and a strong showing from the consumer businesses.

Another excellent set of results

Aspen's results for the year ended 30 June 2006 were most pleasing. Stripping away the effects of once-off transactions, normalised earnings per share increased 32% to 182,1 cents. Principal growth drivers were new product launches, increasing generic volumes in the South African market and a strong showing from the consumer businesses. Worthy of individual mention are the contributions from the infant milk products and the improved performance from the fine chemicals business, both of which are recent additions to the Group.

Deflationary pricing pressure

The strong growth of the past year was achieved despite the deflationary pricing environment in Aspen's most material business segment, South African pharmaceuticals. With the introduction of single exit pricing ("SEP") by the regulator in 2004, pharmaceutical prices were frozen at 2003 average levels. In addition, robust competition amongst generic players has resulted in downward pricing pressure. The SEP legislation caters for an annual review of prices based upon the influences of inflation and currency fluctuations. South African pharmaceutical companies are currently in discussion with the Department of Health regarding a price increase to provide relief from the cumulative effect of three years of cost inflation.

Shadow of legislative uncertainty

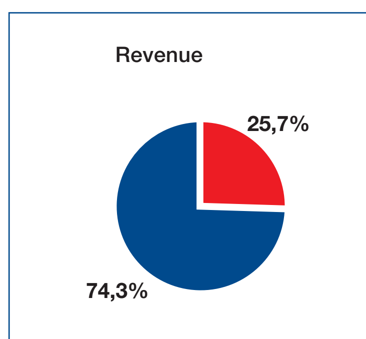
Legislative uncertainty continues to afflict the South African pharmaceutical market. The quantum of the dispensing fee to be paid to pharmacists and doctors remains unsettled. The finalisation of this matter should strengthen the momentum of generic substitution. The possibility of international benchmarking and the capping of wholesalers' fees are other issues within the legislative framework which may yet come into play.

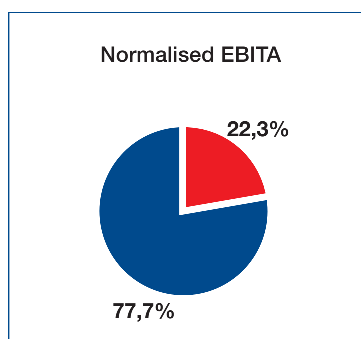
Increased development capabilities

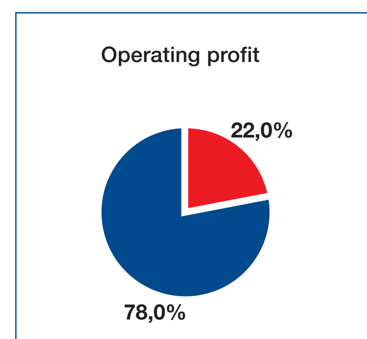
Aspen has launched a record number of new products into the South African market over the past two years.

Aspen's share of the total private pharmaceutical market is 11%. In continuing to build the future product pipeline for the Group, capacity has been increased by adding to the capabilities of the Pharmaceutical Research Laboratories at the Port Elizabeth site and by engaging with international development partners with specialist capabilities.

SECONDARY Segments: Business







Pharmaceutical Consumer

The table set out below records the anticipated launches of Aspen's new products in the South African market by therapeutic class as at 30 June 2006.

	0 – 2 years		3 – 5 years		Total	
Therapeutic class	Number of dossiers	IMS value R'million	Number of dossiers	IMS value R'million	Number of dossiers	IMS value R'million
Central nervous system	16	167	25	178	41	345
Alimentary and metabolism	8	84	13	114	21	198
Anti-infectives	14	64	38	412	52	476
Cardiovascular	18	152	35	570	53	722
Respiratory	17	64	8	102	25	166
Musculo-skeletal	2	15	8	89	10	104
Endocrine	8	106	22	182	30	288
Dermatologicals	1	12	13	93	14	105
Systemic hormones	—	—	7	70	7	70
Antineoplastics and immunomodule	—	—	7	62	7	62
Various others	8	12	3	24	11	36
TOTAL	**92**	**676**	**179**	**1 896**	**271**	**2 572**

Notes

1. Values stated in the table have been derived from IMS Health (Pty) Ltd ("IMS"). IMS is an independent measure of the private pharmaceutical market of South Africa. The IMS value, as set out in the table above, records the value of sales of the originator's products. In assessing the potential value to Aspen of the dossiers to be launched, the following needs to be taken into consideration:

i) The generic product of an original trades at a discount to the original product.

ii) The entry of generic products to the market will result in greater competition.

2. The table relates to the South African private market only. The South African tender (public sector) market has been omitted entirely.

3. Products which are already registered are not included.

4. Not all of the dossiers have been submitted to the South African Medicines Control Council ("MCC").

Development priority for ARVs

ARV products have enjoyed priority in pharmaceutical research laboratories as the Group continues its commitment to being a leader in the provision of medicines for the treatment of patients suffering with HIV and AIDS. At least 14 new ARV products should be submitted by Aspen for registration with the MCC, the World Health Organisation ("WHO") and the United States Food and Drug Administration ("FDA") over the next year. It is expected that the contribution from this activity will commence during the 2009 financial year.

Aspen's credibility in the ARV field was endorsed again during the year by some of the world's leading research companies in this field. The roll out plan for the supply of Gilead Sciences Inc.'s ("Gilead") originator products, Viread® and Truvada®, to developing world markets continues.

Aspen ARV products are currently contributing to the treatment of approximately 300 000 lives in sub-Saharan Africa.

Gilead has validated the OSD Facility for the manufacture of the products following a technology transfer. Bristol-Myers Squibb chose Aspen as one of the only two generic manufacturers worldwide for a technology transfer and distribution arrangement in respect of a generic version of the new generation ARV, Atazanavir. The Group has also secured the only voluntary licence awarded thus far by Merck Sharp and Dohme for the generic ARV Efavirenz, an important product under the South African ARV tender.

Leading supplier of ARVs to sub-Saharan Africa

Aspen ARV products are currently contributing to the treatment of approximately 300 000 lives in sub-Saharan Africa. The UNAIDS/WHO initiative seeks to provide universal access to ARVs by 2010. It is estimated that this would increase the number of lives covered in Africa to more than 5 million. Presently less than 1 million lives are covered in Africa. Aspen is well placed to play a leading role in this initiative.

The joint venture with Matrix in terms of which Aspen and Matrix each own 50% of an ARV active pharmaceutical ingredient ("API") manufacturing facility, Astrix Laboratories Ltd ("Astrix"), is strategically of great importance to Aspen's ability to provide competitive pricing in the cost sensitive ARV market. The backward integration provided by Astrix provides certainty of supply and cost to Aspen in respect of the APIs which comprise the greatest portion of the ARV finished dose cost.

Partnership with Lupin for tuberculosis

Aspen has widened its coverage of infectious diseases with the arrangement reached with Lupin Ltd ("Lupin") of India to provide tuberculosis medication to the Southern African market. Lupin is the world leader in generic tuberculosis drugs. In addition to this

arrangement, Aspen and Lupin are in the process of finalising a proposed joint venture to manufacture and distribute tuberculosis products globally with the exception of Southern Africa (exclusively Aspen), India and the USA (exclusively Lupin). There are an estimated 8,6 million new tuberculosis cases diagnosed each year of which 500 000 are in South Africa, many of them also suffering from HIV and AIDS. Costs of treating tuberculosis are in excess of USD 500 million annually. The Aspen/Lupin joint venture is capable of becoming the global leader in supplying generic tuberculosis treatment from a business backward integrated into the API source. Aspen's distribution network for ARV supply will be an important advantage in reaching tuberculosis patients.

Production is a core competency

Significant progress was made in the latter part of the year in achieving improved matching of production output to market demand. Consequently, stock supply pressures have been reduced and service levels enhanced. Production has long been a core competence of the Group and this has been recognised in Aspen's exchanges with international partners. Opportunities exist for the Group to provide low cost manufacturing alternatives to leading multinational companies. The potential represented by business of this nature has given rise to an expansion in the footprint and the technical specification of the Sterile Facility presently under construction in Port Elizabeth. After year-end Aspen has entered into an agreement with a subsidiary of Prestige Brands Inc. for supply from the Sterile Facility which is expected to commence commercial production in the 2009 financial year.

Business partners share success

The strength of Aspen's offering is reinforced by its many business partnerships reaching all corners of the world. In the global market a network of capable specialists to support the Group's own competencies is imperative.

Much time is spent nurturing these relationships and realising value from this investment. I extend my appreciation to all of Aspen's business partners, large and small, near and distant. Our success is your success.

Skills acknowledged

Aspen's sustained success has been achieved by the endeavours of skilled and committed employees. All stakeholders should be appreciative of their considerable efforts. It has been gratifying to see the capabilities of Aspen's people recognised by acknowledged international experts. The willingness and ardour with which Aspen people tackle the challenges with which they are faced has been a hallmark of the Group's achievements. I thank you all personally for your contribution.

Group Chief Executive's Report continued

My appreciation is also extended to the Board of Directors for their ongoing support and guidance.

In the year ahead Aspen expects to retain its position as the leading supplier of generic medicines to the public and private sectors in South Africa with the support of its robust product pipeline.

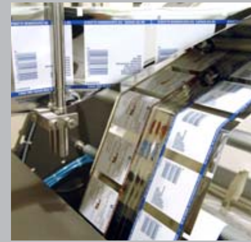
Consolidating for future growth

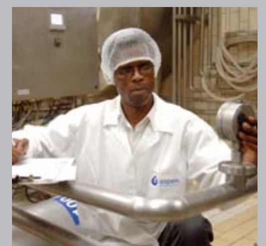
Aspen has an exceptional record of growth stretching back eight years. In the year ahead these gains will be consolidated as the platform for the implementation of growth strategies through to the end of the decade is established. This entails investment in specialist manufacturing and product development capabilities which will give the Group access to new markets. Aspen will also seek opportunities to leverage the business which has been established in sub-Saharan Africa. As evidenced by the recent unsuccessful bid for PLIVA dd, Aspen is prepared to explore acquisitive prospects in new geographies provided these are expected to be value enhancing for shareholders in the medium to long-term.

In the year ahead Aspen expects to retain its position as the leading supplier of generic medicines to the public and private sectors in South Africa with the support of its robust product pipeline. Growth prospects are likely to be most strongly influenced by the extent of additional generic substitution which takes place in the South African market, market penetration achieved by new product launches, the level at which price increases are accepted in the South African pharmaceutical market and demand patterns for ARVs.

SB Saad
GROUP CHIEF EXECUTIVE

MANUFACTURING FOR NEW MARKETS





A core Aspen strength is its manufacturing capability. It has eight facilities with a ninth becoming operational in the near future. The Group produces approximately 4 billion quality, affordable tablets and capsules annually. Securing manufacturing endorsement from international regulatory authorities such as the FDA and the WHO creates global prospects, opening the way to new frontiers. This provides the Group with access to export markets and positions it for strategic geographic expansion.

Financial Review

STRONG ORGANIC GROWTH DRIVES EARNINGS

Organic growth stimulated by volume gains and new product launches was the primary driver in boosting Group profits.

MG Attridge (45)

CA(SA)

Appointed to the Board as Chief Financial Officer in 1999 and as Deputy Group Chief Executive in 2001

Revenue growth was led by the South African businesses, 24% up at R2,849 billion.

Normalised earnings increase 34%

Aspen's published results for the year ended 30 June 2006 and the prior year comparatives have been affected by a number of material once-off transactions. In order to allow the reader of the annual report the opportunity to better assess the performance reflected by these results Aspen has adjusted for these once-off transactions, referring to the adjusted results as "normalised". The most significant adjustments which have been made to earnings in arriving at normalised earnings are:

- the write back to other operating expenses of the charge of R282,4 million in the prior year in respect of the BEE transaction concluded by Aspen in June 2005;
- the increase of the tax charge for the current year by R31,9 million in respect of the claiming of the Strategic Industrial Programme tax allowance under section 12G of the Income Tax Act relating to the investment by Aspen in its OSD Facility; and
- the write back to administration expenses of R21,3 million being the costs relating to Aspen's unsuccessful bid to acquire PLIVA dd, a Croatia-based generic pharmaceutical company, during the latter part of the year under review.

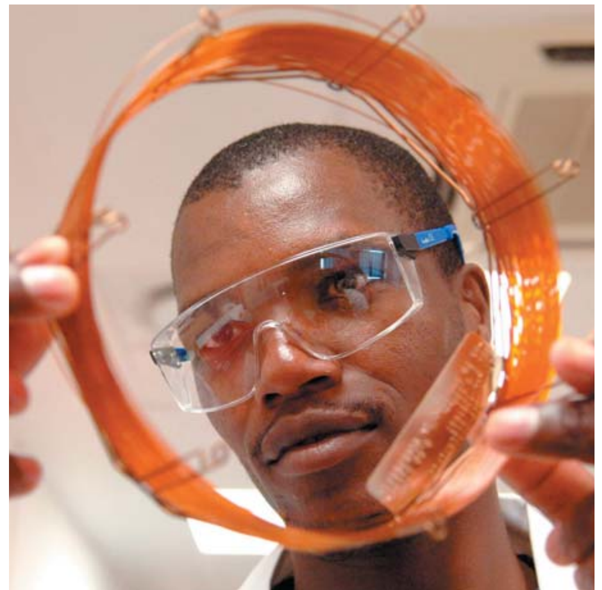
The key elements of the normalised income statement are the following:

	Change	2006 R'million
Revenue	+23%	3 449
Normalised EBITA	+22%	1 023
Normalised operating profit	+28%	1 004
Normalised earnings	+34%	627

Revenue growth was led by the South African businesses, 24% up at R2,849 billion. This growth was entirely organic, with volume growth in generics, the influence of new product launches, an acceleration in sales of ARVs and a strong performance in infant nutritionals being the main contributors.

Gross profit margin declines

Gross profit margins narrowed from 49,4% to 48,1% as pricing pressures in the South African generic market, increasing imported raw material costs and narrow margins on ARV products all came to bear. The increase in selling and distribution costs of 23% indicated the high level of variable expense in this category. Administration costs, after excluding the PLIVA dd bid costs, remained flat as set up costs in the infant nutritional business incurred in the prior year were not repeated.



Amortisation of intangibles remained virtually unchanged at R92 million (prior year R95 million). Aspen considers the intellectual property on its balance sheet to have a finite useful life and thus be subject to amortisation. This is contrary to the more aggressive approach taken by some of Aspen's competitors which classify most, if not all intellectual property as having indefinite period lives and by so doing avoid a charge for amortisation.

Investment income and net finance costs should be considered in aggregate as these two disclosure categories together reflect the overall cost of Aspen's external funding. This cost reduced from R62 million to R41 million, primarily as a consequence of the reversal of fair value losses on financial instruments in the prior year of R7,7 million into fair value gains of R14,8 million in the current year.

South African business leads growth

Normalised earnings per share increased from 137,6 cents to 182,1 cents, a growth of 32% which was contributed as follows:

	%
South African pharmaceutical division	16
South African consumer division	9
Australasia/Asia businesses	3
Funding costs	3
Amortisation	1
Effective tax rate	1
Dilution from shares issued	(1)
Growth in normalised earnings per share	32

Normalised earnings showed expected seasonality with the weighting towards the second half of the year which delivered 53% of the year's normalised earnings. Year-on-year growth in normalised earnings however slowed to 25% in the second half of the year from 45% in the first half of the year. Exceptional performances in the first half of the year by FCC and Aspen Nutritionals provided additional impetus to growth in the six months to 31 December 2005.

International Financial Reporting Standards ("IFRS") successfully implemented

This is the first set of results reported by Aspen under IFRS. A meticulously planned and most thorough process of conversion to accounting under IFRS was implemented very successfully. The most material adjustments to operating profit as a consequence of the adoption of IFRS were:

- the recognition of share-based payment expenses in respect of employees of R27,6 million (prior year R11,6 million);
- the recognition of a charge in respect of the prior year BEE transaction of R282,4 million; and
- additional amortisation arising from the reinstatement of intangible assets previously written off of R16,6 million (prior year R21,1 million).

Maintenance of prudent levels of ARV stock is essential given the life-critical dependence of patients on constant availability of the medication.

Capital expenditure improves capacity

Expansion capital expenditure of R119 million was incurred in respect of tangible assets. This was largely in capacity enhancing projects in the OSD and General Facilities in Port Elizabeth. Tangible asset replacement capital amounted to R56 million, ahead of depreciation of R48 million. The acquisition of deodorant brands by Aspen Pharmacare Resources Ltd ("Aspen Resources") was the largest single investment in intangible assets. Development costs of R19 million were capitalised. Replacement of computer software amounted to R9 million.

Investment in stock build

The net cash inflow from operating activities of R402 million was less than earnings of R638 million. This was as a consequence of an investment in working capital of R488 million. An additional R409 million in stock was carried at year-end. Of the additional stock, R240 million is in additional ARV materials and finished products necessary to service the anticipated increase in ARV off-take, R52 million is in stockholding relating to new product launches and R117 million is in increased safety stock levels to optimise customer service and higher levels of trade. Maintenance of prudent levels of ARV stock is essential given the life-critical dependence of patients on constant availability of the medication. As a more established pattern of ARV off-take emerges the opportunity exists to contain further investments in ARV stock in the year ahead. The increase in debtors and creditors was in line with increased trading activity.

Distribution to shareholders increased 29%

The distribution policy of Aspen is re-evaluated at least annually by the Board based upon prevailing business fundamentals. A distribution of 62 cents per share (prior year 48 cents per share) has been approved. This distribution is covered three times by normalised earnings.

MG Attridge
DEPUTY GROUP CHIEF EXECUTIVE

ASPEN'S ACTIVE PIPELINE

Aspen's vast range of products makes it the leading supplier of generic medicines to the South African private and public sectors. The Group's robust product pipeline supports this leadership position. Aspen has secured the greatest market share from new product launches in the South African private pharmaceutical market when measured over the past 12-month and 24-month periods.

Business Unit Review

SOUTH AFRICAN BUSINESS: Pharmaceutical Division

The pharmaceutical division provides a basket of quality, affordable, effective branded and generic products to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, general and dispensing practitioners, and managed healthcare funders across the private and public sectors as well as selected export markets. APIs are sold into the South African and export markets.

	2006 R'million	2005 R'million
Revenue	2 054	1 655
Operating profit before amortisation and investment income	682	395
Adjusted for:		
• Share of PLIVA dd bid costs	16	–
• Investment in FCC written down	14	–
• Share of BEE transaction	–	212
Normalised EBITA	712	607

Aspen retained its position as the continent's leading generics manufacturer and the largest supplier of generic medicines to the private and public sectors in South Africa.

Leadership position retained

The pharmaceutical division achieved significant growth with revenue rising by 24%. Finished dose-form pharmaceuticals increased revenue by 26%. The performance was achieved through organic volume growth, new product launches and ARV sales to the South African private and public sectors as well as significant exports of ARVs into Africa. Price growth has been eliminated since the introduction of SEP in May 2004. The SEP was based upon the average net prices during the 2003 calendar year.

Aspen retained its position as the continent's leading generics manufacturer and the largest supplier of generic medicines to the private and public sectors in South Africa. Aspen is also the leading supplier of ARVs to the private and public sectors in South Africa. The unresolved legislative issue around pharmacist's dispensing fees has delayed the full implementation of mandatory generic substitution and diluted potential generic growth in the short-term. There has nevertheless been a shift towards generic usage with generic medicines currently comprising 50,8% of South African private market volumes (June 2006), compared to 46,5% a year previously.

Market share gained by product launches

Aspen retained its position as industry leader in product launches. IMS data shows that Aspen captured 18,5% of the total private market share from new launches in the 12 month period to June 2006. This is a positive return against Aspen's total private market share of 11,2%. This during a period when there has been a proliferation of new product launches in the private market. Aspen's rich generic pipeline has 160 products awaiting registration at the MCC.

Most notable products launched are Aspen Azithromycin, Diclo-flam, Mybulen capsules and Terbicil.

Aspen Azithromycin, a generic of Zithromax, is a novel macrolide used for upper and lower respiratory tract infections. The product offers the unique benefit of short-term therapy (three days) and has captured 10% of the macrolide market. Diclo-flam, a generic of Cataflam, was the first generic to market of a non-steroidal dispersible anti-inflammatory agent. Within a 10-month period, Aspen has captured over 30% of this market. Mybulen capsules, although being the third generic to market, has exceeded expectations and has outgrown the originator's own generic. Terbicil tablets, a generic of Lamisil, is an agent for the treatment of fungal infections. The product is an affordable alternative to existing generics in the market and has, as a result, superseded their performance.

Additional new products include: Aspen Bromocriptine, Aspen Cetirizine, Aspen Lamotrigine, Aspen Pravastatin, Aspen Rampil, Aspen Lanzaprazole, Butobloc, Deparoc, Mybulen suspension and Ondansetron.

The entry of Asian and European competitors and patent expiration of many key molecules has created intense generic competition. Despite these changes in the market environment and the challenges imposed by uncertainties in the regulatory environment, all key brands have shown satisfactory growth.

Leading brands in the pharmaceutical division include:

Product	Description
Aspen Lamzid	ARV
Eltroxin	For the treatment of patients with under-active thyroid
Mybulen	For the treatment of mild to moderate pain
Pharmapress	For the treatment of hypertension
Thinz	An appetite suppressant
Stilpane	For the treatment of general pain and tension pain
Flixonase	Used prophylactically and for treatment of allergic rhinitis
Other leading brands include the ARV range, Cilift, Minerva, Augmentin, Pharmacare Ceftriaxone, Panamor and Flusin.	

SOUTH AFRICAN BUSINESS: Pharmaceutical Division – continued

Marketing and distribution contracts with multi-national pharmaceutical companies, GlaxoSmithKline South Africa (Pty) Ltd ("GSK South Africa") and Novartis South Africa (Pty) Ltd ("Novartis South Africa") have continued to perform to expectation despite significant competition. Generic substitution has however impacted negatively on the products included in the AstraZeneca Pharmaceuticals (Pty) Ltd ("AstraZeneca") contract, reducing both profitability and volumes.

Leader in public sector supply

Aspen increased volumes on award of the most recent South African public sector tenders for pharmaceutical supply (excluding ARVs) which commenced in October 2005. Aspen remains the leading supplier of generic medicines to the public sector. Business was however gained at reduced margins and the overall contribution from the public sector declined slightly for the year.

ARV exports into Africa contributed over R100 million to revenue. ARVs supplied to the public sector recorded revenues of R83 million, a four-fold increase on the prior year.

Placed first in OTC ranking

For the third consecutive year, Aspen OTC was placed first in the nationwide Campbell Belman Confidence Standing Survey, an independent survey of retail pharmacies and buying groups published in December 2005.

Significant volume growth over the previous year was recorded by OTC products assisted by a successful winter campaign incorporating the Bear Care™ concept. New OTC product launches include Clarinese, Endcol effervescent tablets, Flusin sinus tablets, Flutex effervescent tablets, Ibumol suspension and Somnil drops.

Aspen's performance in the managed healthcare arena was once again independently acknowledged in the 2006 Campbell Belman Confidence Standing Survey which rated Aspen second amongst managed healthcare providers and third amongst funders. Aspen was the only generics company to feature in the top 10. This is a significant achievement as it represents a move from seventh place amongst funders in the prior year.

ARV revenue growth

Aspen continues its commitment to fighting HIV/AIDS. Aspen's penetration of the ARV market has yielded pleasing results. ARV revenue contribution to the Group has increased to R266 million. This represents a rise from 2% of total revenue in the prior year to 8% of total revenue in the current year. ARV exports into Africa contributed over R100 million to revenue. ARVs supplied to the public sector recorded revenues of R83 million, a four-fold increase on the prior year. Private sector sales of ARVs were R79 million. Aspen's ARVs presently cover the lives of an estimated 300 000 patients. Aspen's ARV basket is comprised of Aspen Stavudine, Aspen Didanosine, Aspen

Nevirapine, Aspen Lamivudine, Aspen Zidovudine, Aspen Lamzid (combination Lamivudine/Zidovudine) and the Aspen Lamzid/Nevirapine combo pack. New products launched during the year include Aspen Stavudine 15mg, Nevirapine suspension and the combo pack.

Aspen's representation in the ARV market was further enhanced by a deal signed with Merck Sharp and Dohme in September 2005 for a voluntary licence in respect of the generic, Efavirenz. This product is currently under technical development. An agreement has also been concluded with Bristol-Myers Squibb for the technology transfer and manufacture of a generic version of the new generation ARV, Atazanavir.

Aspen has also been active in the ARV related infectious disease category and has concluded a deal with Lupin in India to collaborate in the tuberculosis market in South Africa. The deal provides Aspen with access to first line tuberculosis drugs for the South African market.

Exports up at FCC

FCC posted a strong volume driven performance for the year despite the Rand strength which endured for most of the period. Results were boosted by the launch of a new API, Fentanyl, which is in the process of being registered by several finished dose-form formulators across Europe (80 market authorisations in 27 European Union countries) and is showing good potential for the 2007 financial year. Other core APIs including Paracetamol, Codeine and Azathioprine continued to grow in volume.

Exports (primarily USA and Europe) made up 51% of turnover as opposed to 41% in the prior year. Customer service levels have improved as a result of increased safety stock levels. Continued investment in building a new API pipeline is scheduled to deliver benefits from 2009 onwards.

The joint venture with Matrix (in terms of which 50% of the FCC business was sold to Matrix) took effect from 1 January 2006 and benefits ranging from shared technologies, expanded product development capabilities and increased customer and territory coverage are expected. After eliminating intra-Group transactions and based upon 50% ownership for the second 6 months, FCC contributed R38 million to Group EBITA.

Business Unit Review

SOUTH AFRICAN BUSINESS: Consumer Division

The consumer division comprises an extensive range of products categorised in the self-medication, FMCG, personal care, nutriceutical, complementary and nutritional sectors of the market.

	2006 R'million	2005 R'million
Revenue	795	642
Operating profit before amortisation and investment income	195	67
Adjusted for:		
• Goodwill in respect of acquisition of Aspen Nutritionals written down	1	7
• Share of PLIVA dd bid costs	5	–
• Share of BEE transaction	–	71
Normalised EBITA	201	145

Nutritionals and product launches drive growth

The consumer division achieved revenue growth of 24% over the prior period. Growth was augmented by volume growth in nutritionals and the contribution from new products.

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The continued focus on innovation in this division has yielded positive results with the successful launch of the Playgirl range of deodorants and the addition of an extensive range (11 variants) of male grooming products to the existing range of Playboy deodorants. The Playboy deodorant range was successfully relaunched this year after a face lift with positioning as a premium fashion brand. Self-medication products such as Moducare anti-oxidant capsules and Terbicil cream were introduced to the market. Other new products launched include Lennon Heel Balm and an additional 25 variants to the Vinolia soap range including bath products and gift packs. The coming year will see a consolidation of the aforementioned with a focus on realigning resources to maximise revenue with a view to building brands.

Toothpastes refreshed

The toothpaste acquisition has now been fully integrated into the Aspen business with full production at the East London Facility. The Mentadent P brand packaging has been updated and has enjoyed significant advertising exposure on television. An exciting new

couple search has been launched for the Close-up brand which will be concluded with the final selection of the "Close-up couple" to be featured on new packaging. Exciting new toothpaste variants are in the pipeline for the coming year.

Leading brands in the consumer division include:

Product	Description
Infant nutritionals	Infant milk formulations sold under the Wyeth and Infacare brand names
Lennon Dutch medicines	An Aspen heritage brand growing from strength to strength and a general range of remedies found in most South African homes
Mentadent P	Toothpastes
Playboy	Deodorants and grooming
Other leading brands include Safyr Bleu, Woodwards Gripewater, Formule Naturelle, Prep, Guronsan C and Moducare.	

Wider coverage for infant milk formulations

Aspen Nutritionals has exceeded growth expectations during the year and has continued to gain market share. The profitability has increased significantly due to the optimisation of production efficiencies. The focus on quality will ensure that a solid foundation is laid to take advantage of future market opportunities. Aspen has also invested in a detail team which will ensure coverage of hospitals, paediatricians, baby clinics, midwives and antenatal instructors.

The consumer division has responded to increased focus and the implementation of a product diversification strategy with an increase to Aspen's market share in the retail sector. The new year will see Aspen introducing category management at a retail store level.

Business Unit Review

SOUTH AFRICAN BUSINESS: Group Operations

Record production levels to service increased demand, new products and new markets. Increased investment in inventories to build ARV stocks and safety stock levels. Improved service delivery and customer satisfaction.

The combined OSD and General Facility tablet volumes exceeded three billion for the year.

OSD set to specialise in ARVs

The OSD Facility has enjoyed increased ARV output and successfully implemented technical product transfers both from the General Facility and external customers such as Gilead. The Gilead products Viread® and Truvada® were validated and technically approved for manufacture in OSD by Gilead technical personnel in March 2006. The technical transfer and manufacture of a generic version of Atazanavir in terms of an agreement concluded with Bristol-Myers Squibb is scheduled for late 2006 adding further impetus to the ARV technical capabilities of OSD and increasing ARV export potential. Development on Efavirenz and several fixed-dose combination ARVs is well under way and OSD is poised for a significant increase in future ARV output (export and domestic markets). In anticipation of this increase in volume, capacity levels have been increased both in manufacturing and packing. A second integrated granulation suite has been successfully installed and commissioned. Capacity has been increased for bottling, the preferred medium for ARV exports. Blister packing capacities have also been expanded. In terms of the strategic allocation of manufacturing capabilities the OSD Facility is set to become predominantly an ARV specialist manufacturer.

Inventory build improves customer service

The combined OSD and General Facility tablet volumes exceeded three billion for the year. The General Facility ran close to maximum production capacity for most of the year as inventory of core stock items was built to improve customer service levels. Investment in releasing areas of constraint and in necessary replacement capital expenditure is ongoing. A leading production logistics and scheduling system for all facilities, including General Facility, will further enhance process optimisation and customer service levels is in the process of implementation.

Record year in East London

The East London Facility achieved record production volumes and more than doubled the number of batches produced (compared to the prior year) with the main areas of growth being in penicillins, aerosols, toothpaste and tablet manufacture.

The manufacture of toothpastes was fully integrated during the year and the new look Aspen packaging has been well received by the market. Realigned volumes from Port Elizabeth General Facility are ongoing. Aerosol volumes have been boosted by the recent successful new launches of Playgirl and Playboy deodorants. The acquisition by Aspen Resources of the Sprayfresh and Cool Charm deodorant ranges will provide East London with additional aerosol and roll-on volumes for the export market.

Record infant milk volumes

Full integration of Wyeth local production and significant growth in demand for both the Wyeth and Infacare brands shifted Aspen's infant milk formula facility in Clayville to record volumes of 6 500 tons which is 75% up on the prior year. Export volumes are expected to grow in the new year and production volumes are expected to exceed 6 500 tons.

Production efficiencies have improved significantly since operating at the higher output levels resulting in increased infant milk formula profitability on a sustainable basis. Increased investment in replacing outdated equipment such as the can filling machine and improving laboratory testing methods will help towards ensuring consistent high quality infant milk products.

Sterile Facility on schedule

Construction of the Sterile Facility in Port Elizabeth commenced in March 2006 with expected completion and initial validation due to commence in early 2008. The Sterile Facility has been designed to meet all major international regulatory standards in order to service lucrative export markets. The facility will be capable of manufacturing eye drops, hormonal and general vials (including freeze dried vials) and hormonal and general ampoules. The barriers to entry are high which will ensure niche access to profitable markets. The estimated project cost is R360 million and is running on schedule.

At FCC, capital expenditure is modest and is mainly directed towards replacement of critical plant and utilities including an investment in back-up electrical supply to cover the risk of potential power losses in Cape Town.

Increased investment in product development

Pharmaceutical research laboratories, Aspen's product development facility in Port Elizabeth, has increased its capacity by converting to a two shift operation and through an investment in more equipment. Aspen has also signed a number of product co-development contracts with reputable offshore partners which has increased both product development capacity and capabilities. The focus in 2006 has been on the development of global generic ARVs which will move into registration during 2007.

Regulatory affairs increases new product registrations

Aspen's regulatory affairs department increased the number of approved new product registrations received in the year three-fold. An intense resource focus on ARVs ensured that in excess of 100 registrations were submitted in Africa. WHO pre-qualification was also received for certain key ARV formulations. Regulatory affairs played a critical role in securing current revenues by maintaining in excess of 1 000 dossiers comprising Aspen's current product portfolio.

Business Unit Review

INTERNATIONAL BUSINESS:

The Group extended its international footprint with the investment in a 50% shareholding of an ARV API facility in India and by establishing a presence in the United States.

Australasia and Asia Region

	2006 R'million	2005 R'million
Revenue	437	309
• Pharmaceuticals	351	234
• Consumer	86	75
EBITA	66	43
• Pharmaceuticals	40	22
• Consumer	26	21

3,5 million Aspen scripts were generated in the past year, the seventh highest number by any pharmaceutical company in Australia.

ASPEN AUSTRALIA

Performance driven by excellent service delivery

Aspen Pharmacare Australia Pty Ltd ("Aspen Australia") recorded a 28% increase in revenue to R396 million whilst improving EBITA by 22% to R53 million. The decline in operating margin percentage is a consequence of the full-year effect of a long-term distribution contract with Novartis Pharmaceuticals Australia Pty Ltd ("Novartis Australia") which is only expected to become profit generating in the 2008 financial year.

Aspen Australia's sales representatives focus strongly on doctor relationships and personal service levels. This approach resulted in 3,5 million Aspen scripts being generated in the past year, the seventh highest number by any pharmaceutical company. New regulations introduced into the Australian market during the course of the year seek to make generic medicines more attractive by lowering generic prices relative to the originator product. The impact of these new regulations is likely to create downward pricing pressure in areas of strong generic competition, to which Aspen Australia is not heavily exposed.

The strong offering in the consumer sector was boosted in the second half of the year when Aspen Australia commenced the distribution of the Spray Fresh, Cool Charm and Cossack deodorant brands.

In addition to servicing the Australian market, Aspen Australia also serves regional export territories, the largest of which is New Zealand.

ASTRIX

Strategically important backward integration

Based in Hyderabad, India, the company is jointly owned by Matrix (a pharmaceutical group listed in India) and Aspen, and was incorporated in January 2006. Prior to incorporation, Astrix was a division of Matrix. Having joint control over Astrix gives Aspen access to quality cost effective ARV APIs on a long-term sustainable basis and provides Aspen with a comprehensive vertically integrated ARV supply chain. Performance for the 6 months was in line with expectations and turnover and operating profit growth is expected to follow the high growth path of finished dose form ARVs. After eliminating intra-Group transactions, Astrix contributed R14 million to Aspen's EBITA in the 6 months it was operational.

Business Unit Review

INTERNATIONAL BUSINESS continued

United Kingdom and United States Region

	2006 R'million	2005 R'million
Revenue	163	209
• Pharmaceuticals	157	204
• Consumer	6	5
EBITA	44	45
• Pharmaceuticals	43	45
• Consumer	1	–

ASPEN RESOURCES

Consumer products added to the portfolio

UK-based Aspen Resources, an intellectual property-owning and product-procurement company, raised EBITA by 12% to R41 million. In January 2006 the intellectual property portfolio was increased by the acquisition of a range of aerosol and roll-on deodorants from Reckitt Benckiser (Australia) Pty Ltd.

CO-PHARMA LTD

A tough year in a difficult market

The UK commodity generic market remained intensely competitive and Co-pharma Ltd ("Co-pharma") reported a decline in revenue of 23% to R162 million and a reduction of 64% in EBITA to R3 million. Regrettably, little relief from the pricing pressure in this market is anticipated.

ASPEN USA

Small beginnings

Aspen USA Inc. ("Aspen USA") was incorporated during the year. This operation is very much in its formative stage and is presently focused on exploring strategic opportunities in the USA market. No material trade took place during the year.

IMPROVING THE QUALITY OF LIVES

Aspen believes in giving back to the community. Its track record speaks for itself. The Group's Corporate Social Investment ("CSI") initiatives focus strongly on HIV/AIDS and primary healthcare. People from all walks of life benefit from specific programmes. Contributions have been made to enhance lives by providing HIV/AIDS training, counselling and treatment at grassroots levels. Financial assistance has been granted, basic healthcare facilities have been established and maintained, various forms of education are provided for and the needs of certain children suffering from cancer are attended to. Aspen has also embraced the Integrated Community Home Care model established by the Department of Health and the Hospice Palliative Care Association. It's evident that when it comes to healthcare, Aspen cares.

Employment equity

All of the Group's South African businesses comply fully with the requirements for the submission of information to the Department of Labour.

Employment equity statistics for Pharmacare Ltd:			
	1 July 2006	1 July 2005	Target August 2006
Category/level	%*	%*	%*
Top management	**25**	25	33
Senior management	**51**	49	58
Professionally qualified	**62**	63	65
Skilled	**80**	77	78
Semi-skilled	**98**	98	97
Unskilled	**99**	99	99
Disabled	**0,3**	0,3	0,6

**Percentage of workforce which are historically disadvantaged as defined by the Employment Equity Act.*

Aspen focuses on the recruitment and retention of suitable historically disadvantaged candidates on merit. Aspen seeks to develop historically disadvantaged employees who demonstrate potential as a part of the Group's overall succession planning. Particular emphasis is placed on the Group's Leadership Academy, where suitable candidates are identified through a tailor-made selection and interview process.

Skills development and training

Skills development and training are of key importance to the Group's strategy, and a necessity in the drive to maintain and enhance Aspen's competitive position.

Aspen recognises that it is essential to continue to grow and maintain the skills base of our workforce as well as to ensure that our manufacturing processes and people are capable of producing world-class products.

The human resource function assists individual employees to perform current and future jobs by identifying, assessing and helping to develop learning activities needed for their careers. Specific training initiatives such as management development, training of pharmacists, training of artisans, in-service training, learnerships and business schools are used to develop competencies regarding skills, knowledge and attitude.

In partnerships with universities, technikons, colleges and private learning institutions, Aspen is continuously developing strategies to enhance skills. Aspen recognises that people and competency are the foundations on which our business is built.

Training at the Group's API manufacturing facility near Hyderabad in India, which forms a part of the joint venture with Matrix, covered subjects such as the following:

- Induction training;
- Good manufacturing practice; and
- Safety procedures.

Succession planning

Succession planning is managed by the Remuneration & Nomination Committee to ensure that, wherever appropriate, a pipeline of high calibre talent for key organisational roles and professional disciplines is available. In certain instances external recruitment is necessary to supplement succession plans. In conjunction with the human resources department, individuals are identified, development plans for the individuals are put in place and then implemented. Care is taken to support the delivery of Aspen's business results through focused development and deployment of identified personnel so as to optimally drive organisational efficiencies.

Health and safety

The Group ensures strict compliance with the South African Occupational Health and Safety Act as well as the relevant legislation in the other countries where Aspen has established operations. Aspen has codified its commitment to health and safety in a formal policy. Its management systems and standard operating procedures at all manufacturing facilities are designed to prevent activities that pose a potential threat to health and safety. These systems and procedures are reviewed and updated annually.

During the year Aspen's Port Elizabeth manufacturing facilities refined their safe operating procedures by reviewing and enhancing the procedures below:

Procedure	Description
Personal protective equipment	Step-by-step training for employees on correct use as well as cleaning and maintenance of equipment
Site hygiene	Ensuring effective cleaning of the factory site and surrounding areas
Emergency response and evacuation	Safety procedures in the event of a man-made or natural disaster
	Includes responses required by employees in an emergency situation
Safe work permits	Guidelines for the management of safety of repair and maintenance workers and contractors

All of Aspen's facilities have safety officers and/or designated senior employees responsible for implementing the health and safety policy and monitoring adherence.

All new employees must attend Safety, Health and Environment ("SHE") induction training on employment. The programmes generally seek to educate employees on the correct procedures for ensuring safe work methods and avoiding accidents.

The SHE induction programme at FCC consists of 7 key elements:

- Operational SHE policy;
- SHE management guidelines and duties of responsible staff;
- Emergency response and control;
- Hazard mitigation and emergency response for chlorine gas;
- Escape mask use;
- Security guidelines during an emergency; and
- General SHE rules for contractors.

SHE audits

Aspen conducts regular SHE audits to ensure that all procedures comply with legislation, regulations and the Group's formal policy.

During the year International Risk Consulting Africa Ltd was commissioned to conduct SHE quality and legal compliance gap audits to assess legal compliance with safety, health and environment legislation and with quality management systems, where applicable, at the Port Elizabeth, East London and Clayville manufacturing facilities, the Port Elizabeth centralised warehouse and the Durban and Johannesburg-based offices.

These audits included testing of electrical installations, servicing of generators, inspection of lifting gear, risk assessment by the local fire department, inspection of smoke detectors and surveys of noise, lighting, chemical and heat stressors. Where incidents of non-compliance were found, corrective actions have been and are being put in place in line with the audit reports, within a 12-18 month framework.

The SHE management department ensures that any necessary corrective and preventative measures are put in place.

Workplace injuries

Workplace hazards at the manufacturing facilities may range from physical and psychological to mechanical, chemical and biological. While the primary aim is to completely eliminate the hazard, this may not be feasible and successive steps are then put in place to ensure that the threat to employees is nonetheless minimised.

The Group's safety procedures ensured that disabling injuries were kept to a minimum with 11 reported for the entire Group during the year. In order to prevent the recurrence of reported injuries or accidents, the Group's operations maintain ongoing interaction between the SHE management department and all other departments. The SHE management department ensures that any necessary corrective and preventative measures are put in place to prevent similar incidents from recurring. To this end safety talks covering past incidents are conducted while the relevant employees are further re-trained in safe working habits.

The Group has further implemented reporting systems encouraging employees to highlight unsafe acts or conditions.

Employee health services

All of Aspen's permanent South African employees appointed since 2001 are members of a compulsory medical aid scheme.

On-site clinics with full-time nursing staff and weekly visits by a doctor are operational at the Group's Port Elizabeth and East London manufacturing facilities. The free-of-charge clinics provide a range of health monitoring services including vision screening, family planning, HIV/AIDS counselling, employee assistance programmes, audiometry and lung-function testing.

The Astrix plant has an occupational health centre on site, with round the clock medical attendant availability. A medical practitioner is also available at the centre on a daily basis.

HIV/AIDS

During the year the Group's South African operations appointed health risk management company QualSA to assist with the implementation of its formal HIV/AIDS policy, which complies with the requirements of the International Labour Organisation and South African legislation. QualSA assists the Group on a continuous basis in the interpretation and implementation of the policy.

Voluntary counselling and testing is provided at all of the Group's South African operations through an independent service provider. Any employees who are identified as being HIV-positive have access to additional information and clinical assistance provided confidentially by QualSA. Employees identified as HIV-negative are encouraged to maintain their status through continued preventative education programmes.

In order to ensure that its HIV/AIDS policy is in line with the latest developments, trends and best practice, the Group appoints field specialists to stringently review the policy on an annual basis, incorporating changes and improvements where necessary. To this end Naledi Development was appointed during the year to conduct its Knowledge, Attitude, Practice and Behavioural study across Aspen's operations and guide the Group on further necessary preventative and educational interventions related to its HIV/AIDS programme.

Independent actuarial service provider TOTH Resources was also appointed during the year to conduct an HIV/AIDS impact study. The results provided the Group with information to help manage the potential risk posed to the business by the impact of the disease.

Aspen continued to extend its HIV/AIDS awareness and education campaigns through methods including educational posters and information material from the Khomonani Campaign (Caring together for life), the Government's HIV/AIDS communication programme, and the installation of the Red Ribbon website on the intranet. This website provides information on the disease ranging from prevention to living positively with the virus. Condoms are also made freely available from dispensers in accessible areas at all of the Group's sites. Voluntary counselling and testing under the banner of "know your status" is further promoted throughout the Group.

An AIDS awareness programme has also been completed at the Astrix manufacturing facility in India. An HIV test is conducted at the time of an employee's joining the company.

Environment

Aspen's formal environmental policy is aligned with the Best Practicable Environmental Option. In line with its policy the Group is committed to implementing procedures to ensure the safe use and disposal of hazardous chemicals and pharmaceuticals, minimising air pollution and disposing of toxic waste in a responsible manner.

Recycling, waste management and resource conservation

Conserving energy and resources remains a priority and waste is recycled and minimised wherever possible.

The Group's manufacturing facilities employ professional waste management contractors to ensure waste disposal is conducted within legislative and best-practice guidelines. Waste is separated into separate classes and hazardous waste is properly disposed of and issued with the requisite safe disposal certificates.

The Group has implemented further conservation initiatives that include a water saving programme at the Port Elizabeth Facilities – recycling equipment, eliminating water leaks and monitoring sewerage and storm-water drainage systems.

Recycled waste at the Port Elizabeth Facilities was increased by approximately 9 500 kg per month during the year.

At the Aspen Nutritionals site, 7% of the total capital expenditure budget was allocated to environmental systems. Over R750 000 was spent during the year on an industrial effluent management system. This system improves the quality of industrial waste water.

Group environmental evaluation

The Group conducted its bi-annual environmental policy audit during the year and identified the following areas for improvement in the current year:

- Minimising waste disposal to landfill sites;
- Improving waste separation activities into recyclable materials;
- Separating storage facilities for recyclable and disposable materials;
- Providing larger facilities for glass products marked for recycling; and
- Improving recycling of wooden pallets.

It identified the main environmental risks facing Aspen and set mitigating measures in place as below:

Environmental risks	Controls in place to manage risks
Uncontrolled emissions from boilers or extraction systems	• Operating procedures to minimise impact on environment • Industrial effluent analysis

Uncontrolled discharges to sewerage and storm water systems of spillages	• Obtaining and maintaining permits:
	  • to discharge trade effluent
	  • to discharge emissions
	• Reviewing factory layout to identify storm water and sewerage systems for monitoring
	• Industrial effluent analysis

Environmental risks	Controls in place to manage risks
Inefficient management of waste streams – toxic/ harmful materials and disposal at landfill sites	• Continuous reviews of relevant SHE management standards and codes that impact on business activities
Irresponsible usage of resources – steam, water, electricity and raw materials	• Regular physical and visual inspections • 2-weekly management departmental SHE audits • Monthly SHE representative departmental inspection • Regular SHE awareness training • New employees/contractor SHE induction training
Non-compliance with environmental legislation and its directives	• Enforcing legally-required directives
Explosion (propane gas)	• Regular inspections • Safety valves • Sprinklers • Fire teams • Warnings and notices • Access control
Fire	• Regular inspections • Fire alarm • Fire teams • Evacuation drills • Smoke detectors

Code of Ethics

As part of its zero tolerance approach to unethical behaviour Aspen is committed to ensuring all employees and business practices of the Group remain beyond reproach. As such all employees are required to adhere to the code of ethics which is based on the principles of honesty, integrity and fairness.

The code of ethics prohibits corruption and requires employees to uphold the integrity of financial information, and to be conversant with and to implement the Group's SHE policies. It further protects the Group's intellectual and physical property.

The code of ethics further prohibits insider trading and upholds "Best Corporate Governance Practice" at all times while promoting fair, ethical and statutorily compliant business practices.

New employees are introduced to the code of ethics at induction and it is posted on the intranet and on public notice boards throughout the Group.

Aspen Australia complies with the Medicines Australia Code of Conduct, and is also a member of the Australian Self Medication Industry.

Whistle blowing

To enforce the code of ethics, Aspen has a whistle-blowing policy that makes all employees responsible for reporting any unethical, improper or unlawful conduct. The policy provides a framework whereby employees can anonymously report such conduct to their line-manager, the senior executive of their division, the group risk management division or "Tip-Offs Anonymous", an independently operated whistle blowing hotline. Improper conduct is defined to include any criminal behaviour, fraud, financial misstatement, money laundering, unfair discriminatory practices, actions threatening health and safety, harassment and corruption.

In the Board's annual self-evaluation exercise it identified the need for a more stringent system whereby violations of the code of ethics are reported to and followed up on by the Audit & Risk Committee.

Stakeholder communication

Employees

Aspen is committed to transparent and timely communication with all of the Group's stakeholders. Internal communication with employees is achieved through the intranet and notice boards and at National and Workplace Stakeholder Forums.

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The Group maintains a strong, open relationship with CEPPWAWU which represents Aspen's workers. Management holds regular meetings with union representatives to facilitate labour relations and ensure mutually beneficial outcomes to matters of debate. Pasco Dyani, the National President of CEPPWAWU, was appointed to the Board as a non-executive director during the year.

Investors

Aspen regularly engages with major shareholders, institutional investors and analysts. Where permissible, the Group also communicates with the financial press to ensure accurate reporting. Company announcements are published on SENS and posted on the Group's website. Financial results announcements are also published in the mainstream business press and sent directly to shareholders, who are encouraged to attend the annual general meetings.

Public

Aspen uses a broad spectrum of media to communicate with the mass market including radio, television and print advertising, billboards, pamphlets and brochures. The Group ensures that all of these communications comply with industry and legislative guidelines as well as fall within the ethos of the code of ethics, in line with its advertising policy based on the Medicines and Related Substances Control Act, Act 101 of 1965 and industry norms.

The Group further communicates with stakeholders through its membership and affiliation to industry associations and organisations. Aspen is a member of:

- The National Association of Pharmaceutical Manufacturers;
- The executive forum of the Private Healthcare Forum;
- The Healthcare Charter negotiation team;
- Business Unity South Africa;
- The Business Unity South Africa economic advisory committee;
- The Pharmaceutical Industry Forum developing positions in respect of the Healthcare Charter;
- The Australian Self Medication Industry; and
- The Pharmaceutical Export Promotion Council set up by the Indian Ministry of Commerce.

In line with the Group's commitment to transparent communication, Aspen ensures compliance with all relevant legislation in terms of information disclosure and marketing.

Legislative compliance in South Africa includes:

- **Pharmacy Act, Act 53 of 1974;**
- **Medicines and Related Substances Control Act, Act 101 of 1965; and**
- **Foodstuffs, Cosmetics and Disinfectants Act, Act 54 of 1972.**

Aspen discloses all required information to the MCC in line with its guidelines. In addition quality standards are aligned with MCC regulations and requirements.

Aspen's CSI programme is guided by the Group's tenet of **'Healthcare. We care'**. The Group has aligned its CSI projects with its business focus and hence the CSI projects are concentrated primarily on the healthcare sector. In addition, as a leading international manufacturer of generic ARVs, Aspen's CSI projects place particular emphasis on HIV/AIDS and primary healthcare.

HIV/AIDS

A number of institutions and non-profit organisations benefited from the Group's commitment to HIV/AIDS projects during the year:

Total Control of Epidemics, which aims to tackle the HIV/AIDS pandemic at grassroots level, provides door-to-door education in the Braam Fischerville area in Gauteng on prevention, care and treatment with significant focus on knowing one's status.

Aspen sponsored the **Hope Centre** in Durban, which provides training for home-based HIV/AIDS caregivers as well as on-site testing, counselling and treatment, for the second consecutive year. It also made an unconditional grant to **SA HIV Clinicians** for HIV/AIDS research and education. SA HIV Clinicians is an independent association of medical professionals devoted to the prevention and treatment of the disease.

The Group continued to support a number of institutions during the year, in line with the Integrated Community Home Care model established by the Department of Health and the Hospice Palliative Care Association.

The Group further continued to participate in the **South African Business Coalition on HIV/AIDS,** which encourages corporates to implement best practice procedures with regards to HIV/AIDS prevention, treatment and care. Aspen's participation takes the form of ongoing annual financial assistance and dispensing of advice through an Aspen representative on the board of governors.

Aspen provided financial assistance and information on cost-effective procurement of pharmaceuticals, particularly for the treatment of opportunistic infections in HIV/AIDS patients, to the **Ikhwezi Lokusa Wellness Centre** in East London. The centre is a non-profit organisation offering medical management and holistic healthcare to HIV positive individuals. Recently the centre started providing ARVs to the local community and now fully supports 300 patients in managing their ARV therapy.

Primary healthcare

Aspen opened the **Wells Estate Wellness Centre** in co-operation with the Nelson Mandela Metropole Municipality in November 2005. This formed part of Aspen's efforts to enhance, and where necessary to establish, basic healthcare facilities for underprivileged communities. The medical clinic offers primary healthcare including psycho-social services and treatment for chronic diseases. Once accreditation is secured, the centre will serve as an HIV/AIDS clinic providing treatment, counselling, education, and the administration of ARVs. The centre is further equipped with a dental clinic.

During the year Aspen continued to provide assistance to **Engcobo Clinic** in the Chris Hani Municipal District, Eastern Cape, in the form of financial contributions for repairs and maintenance. The clinic was established by Aspen 5 years ago. The clinic provides primary healthcare services to the Masonwabenathi community. Similar financial support was provided to the **Emthonjeni Clinic** in the informal Zandspruit settlement on the outskirts of Johannesburg, to purchase consumables including hypodermic needles and pregnancy tests.

Healthcare

The Group continued to support a number of institutions during the year, in line with the Integrated Community Home Care model established by the Department of Health and the Hospice Palliative Care Association. Aspen's assistance took varied forms such as financial aid, advice on cost-effective procurement of pharmaceuticals, skills development and computer literacy programmes, youth leadership training, care for HIV/AIDS orphans and home-based care.

Beneficiaries across the country included the **Childhood Cancer Foundation** and the **Starfish AIDS Foundation,** while regional beneficiaries included:

Gauteng
- Pretoria Sungardens
- Total Control of the Epidemic
- Tshepo Hope Care Centre in Ekurhuleni
- Tumelong Hospice

Eastern Cape
- Amatola HIV/AIDS Intervention Project
- Eastern Cape Community Chest – "Give as you earn" initiative
- Port Elizabeth-based Empilweni Hospital
- East London's House on the Rocks
- St Bernard's Hospice in East London
- St Francis Hospice in Port Elizabeth
- The Haven in Port Elizabeth

Free State
- Naledi Hospice in Bloemfontein

KwaZulu-Natal
- Hope Centre

Mpumalanga
- Topsy Sanctuary

Western Cape
- MaAfrika Tikkun

Education

Aspen continues to support **The Dr Manto Tshabalala-Msimang Health Professionals Bursary** and the **Foundation for Pharmaceutical Education,** thereby assisting historically disadvantaged individuals to study medicine, pharmacy and related professions. This is in line with Aspen's efforts to highlight the importance of healthcare education and leadership. Aspen further continued to sponsor the **Friends of Mosvold Trust** which offers bursaries to students committed to practising medicine and related professions in the resource-challenged Umkhanyakude District in KwaZulu-Natal. The Group also continued to offer industry internships to 15 pharmacy students to complete the Post-Basic Pharmacist Assistant Course.

Supporting the furtherance of general education, Aspen again arranged for the children of employees at the Port Elizabeth manufacturing facility to be tutored ahead of exams for Grades 10 – 12. In addition, for the third consecutive year Aspen participated in Cell C's "Take a girl child to work" day, providing a career guidance workshop at its Port Elizabeth offices for 20 scholars from Masibambane High School. Girls attending the workshop said it taught them that they could be anything they aspired to be and not to give up on their dreams. An aspiring scientist among them was particularly pleased to see that "as a girl I can become what I want to be, as there are already girls doing it".

Healthcare. We care.

In addition to support through the formal CSI programme, Aspen donated in-house laundry equipment to **Empilweni Hospital** to alleviate the recurring loss of linen when laundry services had been outsourced, as well as bedside screens, bedspreads, fridges and microwaves. The Group also donated television sets for the children's orthopaedic ward at **Livingstone Hospital** in Port Elizabeth where a number of the young patients are immobile and in need of additional stimulation.

Aspen's CSI programme is not restricted to Group-level assistance as employees across the country generously participated in clothing, toy, and blanket drives during the year.

Transformation Committee

On 17 November 2005 the Group established a formal Transformation Committee inter alia to monitor Aspen's compliance with the industry scorecard in respect of BEE and to liaise with the relevant authorities on the Healthcare Charter. The committee Charter was adopted by the Board on 21 February 2006.

The Board is responsible for appointing members to the committee for two-year terms, and the Charter stipulates that at least two of the committee members' terms of office must terminate each year.

The committee is tasked primarily with assisting the Board in Broad Based Black Economic Empowerment ("BBBEE") compliance and adherence to best-practice transformation principles. In order to effect its responsibilities, the committee:

- Reviews the Group's transformation policies;
- Delegates authority to executive management within framework parameters to approve affirmative procurement guidelines;
- Considers areas of risk in relation to the Group's transformation initiatives;
- Develops an evaluation and monitoring system to measure Aspen's progress in achieving its transformation objectives;
- Makes recommendations on, and identifies external consultants to facilitate the achievement of the Group's transformation goals; and
- Ensures effective communication on transformation issues between the Board and management.

The committee Charter grants the committee the authority to seek any information required to meet its obligations from the Group's employees, internal audit department and external auditors.

The Transformation Committee is chaired by Group Chief Executive, SB Saad, and comprises one independent non-executive director, two non-executive directors and a further executive director. In terms of the committee Charter the committee meets a minimum of twice a year. Attendance at committee meetings during the year is set out below.

Directors	Transformation Committee meetings
MG Attridge	2
MR Bagus	2
M Buthelezi *deceased December 2005*	0
NJ Dlamini	2
P Dyani *appointed 14 February 2006*	0
SB Saad (Chairman)	2

Ownership

At present 40,1 million ordinary shares in Aspen are owned by BBBEE shareholders whose ownership has been facilitated by Aspen. BBBEE shareholders control a further 17,6 million preference shares which have rights of conversion into Aspen ordinary shares on a one-for-one basis in June 2012. The preference shares enjoy full voting rights on a parri passu basis with ordinary shares in Aspen. One of the BBBEE shareholders, Imithi Investments (Pty) Ltd, has a call option over a further 6,1 million ordinary shares currently held by the Industrial Development Corporation of South Africa Ltd. Aspen's current effective BBBEE holding in the Group's South African business at year-end (the shareholding measured under the Department of Trade and Industry's Code of Good Practice on BBBEE ("the Codes")) amounts to 17%. Upon exercise of the call option, the effective shareholding in the South African business as measured under the Codes could increase to 19%.

The main shareholder under the BBBEE ownership facilitated by Aspen is CEPPWAWU Development Trust and its subsidiaries. The CEPPWAWU Development Trust benefits the 70 000 CEPPWAWU members who include Aspen unionised employees. Other BBBEE shareholders include black women and healthcare professionals.

In addition an estimated 6% of Aspen's shares are indirectly held by BEE investors.

Affirmative procurement

The need for procurement of specialised raw materials not locally available, means that Aspen's affirmative procurement opportunities are largely restricted to non-production spend. Aspen supports procurement from empowered entities and historically disadvantaged or affirmative suppliers. In order to effectively measure progress in this regard Aspen has implemented specific procedures and introduced new software during the year.

Board representation

Pasco Dyani was appointed on 14 February 2006. Pasco is the National President of CEPPWAWU, as well as a COSATU Central Executive Committee Member. He is also serving as a labour representative for the NEDLAC Trade and Industry Chamber and as the South African delegate to the International Federation of Chemical, Energy, Mine and General Workers' Union. Pasco is the Chairperson of CEPPWAWU Investments (Pty) Ltd and of CEPPWAWU Development Trust.

On 1 September 2006 Sindi Zilwa was appointed to the Board. Sindi became the second black woman chartered accountant in South Africa in 1990. Her qualifications include an Advanced Taxation Certificate (UNISA), an Advanced Diploma in Financial Planning (UOFS) and an Advanced Diploma in Banking (RAU). Sindi is the Chief Executive of Nkonki Chartered Accountants, and has also been a member of the GAAP Monitoring Panel. She holds non-executive directorships with Woolworths Ltd, Primedia Ltd, Discovery Ltd and Strate Ltd. Sindi is also the Chairperson of the BUSA Standing Committee on Transformation.

Regrettably Muzi Buthelezi, the initiator of Aspen's original BBBEE ownership transaction and valued contributor to the Aspen Board, passed away in December 2005. Aspen's Board is one third comprised of directors from previously disadvantaged backgrounds.

Employment Equity

Refer to the section on Employment Equity included in the Sustainability Report on page 34.

Skills Development

Refer to the section on Skills Development included in the Sustainability Report on page 34.

Corporate Social Investment

Refer to the CSI Report on page 42.

Transformation Regulation

Aspen has actively engaged in constructive consultation with the Department of Health in respect of the Healthcare Charter and with the Department of Trade and Industry in respect of the Codes. Furthermore Aspen has been a leading participant in the Private Healthcare Forum, an industry representative body which has conducted research and made detailed written submissions to the Department of Health and the Department of Trade and Industry to assist in the development of the Healthcare Charter and the Codes. Aspen has also played a leading role in the National Association of Pharmaceutical Manufacturers, a representative organisation which is one of the five elected pharmaceutical representatives on the Healthcare Charter negotiating team, established by the Minister of Health. It is Aspen's view that the Healthcare Charter and the Codes should be aligned in their objectives and their measures.

As the leading manufacturer of affordable generic ARVs in Africa, Aspen is able to play a key role in realising the Healthcare Charter's aim of broader access by historically disadvantaged communities to affordable, equitable and effective healthcare.

DIRECTORATE Executive Directors

1

2

1. STEPHEN BRADLEY SAAD
(42) CA(SA)

Group Chief Executive

Chairman Transformation Committee

Appointed 1999

2. MICHAEL GUY (GUS) ATTRIDGE
(45) CA(SA)

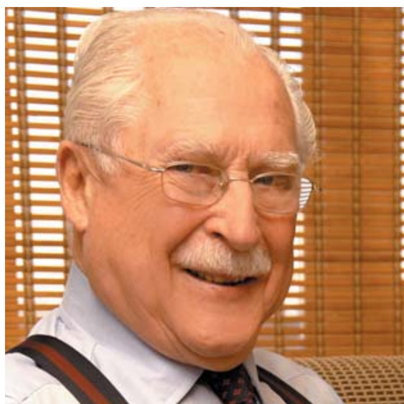
Deputy Group Chief Executive

Transformation Committee Member

Appointed 1999

DIRECTORATE Non-Executive Directors

1



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1. ARTHUR (ARCHIE) JACOB AARON
(74) BCom, LLB

A senior director of Werksmans Inc. Attorneys and Director of Companies.
Audit & Risk Committee Member.

Appointed to the Board in 1994 and as Chairman in 1999

2. MOGAMMED RAFIQUE BAGUS
(43) BA, BA (Hons) (Economics), MA (Economics and Econometrics)

Past Chief Executive Officer of Trade and Investment South Africa, a division of the Department of Trade and Industry. Director of Companies.

Transformation Committee Member

Appointed 2003

3. LESLIE BOYD
(69) Chartered Engineer: Fellow of Institute of Metallurgists UK, Companion, British Institute of Management

Past Deputy Chairman of Anglo American Corporation of South Africa Ltd; Past Chairman of Anglo American Platinum Corporation Ltd and Director of Companies.
Chairman Remuneration & Nomination Committee

Appointed 2003

4. JOHN FREDERICK BUCHANAN
(62) CA(SA), BTh

Past Group Finance Director of Cadbury Schweppes SA Ltd, Director of Companies.
Chairman Audit & Risk Committee and Remuneration & Nomination Committee Member.

Appointed 2002

DIRECTORATE Non-Executive Directors

5. NOBUHLE JUDITH DLAMINI
(47) MBChB, DOH, MBA

Director of Companies. Shareholder and Director of Imithi Investments (Pty) Ltd.

Transformation Committee Member

Appointed 2005

6. PASCO DYANI
(44)

Non-executive Chairperson of CEPPWAWU Investments (Pty) Ltd, COSATU Executive Committee Member, South African delegate to International Federation of Chemical, Energy, Mine and General Workers' Union.

Transformation Committee Member

Appointed 2006

7. MAXIM KROK
(50) BProc, LLB

Director of Companies.

Appointed 1994

8. CHRISTOPHER NATTLE MORTIMER
(46) BA, LLB

Full-time practising attorney.

Audit & Risk Committee Member and Remuneration & Nomination Committee Member

Appointed 1999

9. DAVID MORRIS NUREK
(56) DipLaw, Grad Dip Company Law

Executive of Investec Bank Ltd and Director of Companies.

Appointed 2001

10. SINDI ZILWA
(39) CA(SA)

Chief Executive of Nkonki Chartered Accountants, Director of Companies.

Audit & Risk Committee Member

Appointed 2006

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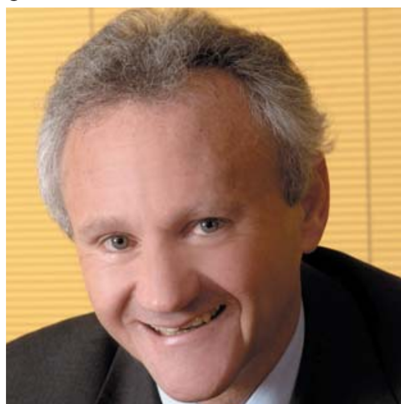


10

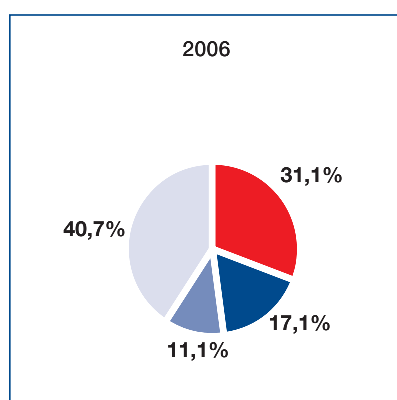
Company Secretary
HYMIE AARON SHAPIRO
(51) CA(SA), HDip Tax Law

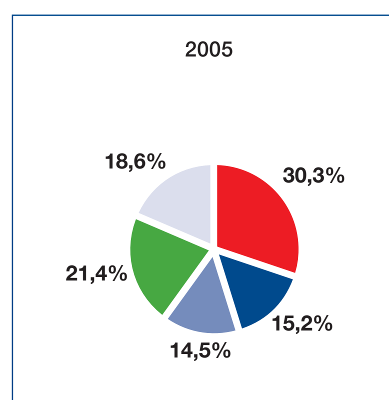
Appointed 1999

VALUE Added Statement – for the year ended 30 June 2006

		2006 R'million	%	2005 R'million	%
Net revenue		**3 449**		2 815	
Other operating income		**2**		5	
Less purchased materials and services		**(1 890)**		(1 540)	
Value added from operations		**1 561**	**95,5**	1 280	97,2
Investment income		**73**	**4,5**	38	2,8
Total value added		**1 634**	**100,0**	1 318	100,0
Value distribution					
Employees		**508**	**31,1**	399	30,3
Providers of capital		**280**	**17,1**	200	15,2
Finance costs		**114**	**6,9**	99	7,5
Capital distribution/dividend paid to shareholders		**166**	**10,2**	101	7,7
Governments		**182**	**11,1**	191	14,5
BEE partners		**–**	**–**	282	21,4
Reinvested in the Group		**664**	**40,7**	246	18,6
Depreciation and amortisation		**139**	**8,5**	130	9,8
Deferred tax		**53**	**3,3**	30	2,3
Income retained in the business		**472**	**28,9**	86	6,5
Total value distribution		**1 634**	**100,0**	1 318	100,0
Value added statistics					
Number of full-time employees		**2 144**		1 950	
Revenue per employee	R'000	**1 609**		1 443	
Value added per employee	R'000	**728**		512	
Wealth created per employee	R'000	**762**		532	
Monetary exchanges with government					
Current taxes (including STC)		**164**		177	
Customs and excise duty		**11**		8	
RSC levies		**5**		4	
Rates and similar levies		**2**		2	
Gross contribution to central and local governments		**182**		191	
Additional collections on behalf of government					
Employees' taxes		**94**		74	
Net VAT paid		**94**		147	
		188		221	

DISTRIBUTION of Value Added





Employees Providers of capital Government BEE Partners Reinvested in the Group

Key corporate governance developments during the 2006 financial year:

- **Transformation Committee established and fully operational;**
- **Strengthening of the Audit & Risk Committee by the appointment of an independent non-executive director with specialist financial skills;**
- **Improvement of Board self-assessment processes;**
- **Introduction of formal, separate Board strategic planning sessions;**
- **Increased focus on succession planning;**
- **Enhancement of directors' induction programme; and**
- **Rotation of audit partner.**

A commitment to sound corporate governance principles is entrenched in Aspen's strategic and operational policy and procedures. The directors of Aspen ensure ongoing improvement of operational and corporate practices to consistently develop and enhance compliance with the Code of Corporate Practices and Conduct set out in King II.

The Board

Of the twelve directors on Aspen's Board, ten are non-executive directors in accordance with sound corporate governance principles. Four of the ten non-executive directors are further considered to be independent. Directors are considered to be independent when they do not have any relationship, other than holding a directorship, with the company. As per King II the ownership of shares which is not material to either the director or the Company and is not sufficient to enable the director in question to significantly influence or control management, is not viewed as an impediment to classification as an independent director. Attendance by all directors at the Board meetings held during the year is recorded below:

Directors	Regular board meetings	Special board meetings
AJ Aaron* *(Chairman)*	4	4
MG Attridge	4	4
MR Bagus*†	4	0
L Boyd*†	4	1
JF Buchanan*†	4	4
M Buthelezi* *deceased December 2005*	1	2
NJ Dlamini* *appointed 1 July 2005*	4	0
P Dyani* *appointed 14 February 2006*	2	2
M Krok*	4	4
CN Mortimer*	4	4
DM Nurek*	3	4
SB Saad	4	4
W van Rensburg *resigned 8 May 2006*	3	2

**non-executive*
†*independent*

The table on page 49 reflects the new appointments to the Board made during the year. NJ Dlamini was appointed as a non-executive director on 1 July 2005 while P Dyani was appointed as a non-executive director on 14 February 2006. S Zilwa was appointed as an independent non-executive director on 1 September 2006.

The directors mourn the passing of Muzi Buthelezi in December 2005. He had been a director of Aspen since February 2002 following the completion of the BBBEE deal with CEPPWAWU Investments (Pty) Ltd and had been instrumental in negotiating the BBBEE deal with Imithi Investments (Pty) Ltd in 2005. The Board is grateful for Muzi's valuable contribution.

The directors who retire by rotation and being eligible offer themselves for re-election at the upcoming annual general meeting are MR Bagus, JF Buchanan, P Dyani, CN Mortimer and S Zilwa.

The Board is governed by a formal Board Charter setting out its duties and responsibilities. These include evaluating performance, determining key performance criteria, evaluating legal and regulatory compliance, assessing risk and reviewing the strategic direction of the Group. The Charter is reviewed annually in accordance with global best practice in terms of the Global Reporting Initiative and if necessary, is amended to ensure compliance with developments in corporate governance.

In line with King II recommendations and the Board Charter, the roles and offices of the Group Chief Executive and non-executive Chairman are strictly separated. The clear division of responsibilities is echoed across the Board to ensure an appropriate balance of powers where no one director can dominate the Board's decision-making. Non-executive directors contribute a wide range of skills and experience and provide objectivity and independence in Board deliberations and internal decision-making processes.

While non-executive directors are not involved in the day-to-day operations of the Company, they have unfettered access to management at any time subject to advising the Group Chief Executive or Deputy Group Chief Executive of such contact. All directors have unrestricted access to the advice and services of the Company Secretary and to company records, information, documents and property.

The Company Secretary is responsible for ensuring compliance with statutory and regulatory requirements as well as advising on directors' fiduciary duties, matters of ethics and corporate governance. The Company Secretary is also responsible for preparing a comprehensive agenda and Board pack in advance of Board and Committee meetings.

In addition all directors are entitled, at the Company's expense, to seek independent professional advice on any matters pertaining to the Group where they deem this to be necessary.

New appointments

The Company Secretary is responsible for implementing Aspen's formal induction programme for new Board appointees. The programme was evaluated and expanded during the year and now includes a formal

induction pack as well as site visits to Aspen's manufacturing facilities. The Company Secretary meets with new appointees to present the induction pack, which includes information on directors' fiduciary duties and responsibilities, a copy of Aspen's Board Charter, Code of Ethics and the Terms of Reference for the Board Committees as well as guidelines on closed periods and directors' share dealings. The induction pack further offers copies of the most recent annual and interim reports, circulars to shareholders and Board minutes as well as details of any major transactions entered into during the year. In addition new appointees are provided with details on the current budget, Group structure, current Board and Committee composition, a timetable of upcoming Board meetings and an agenda and board pack for the next Board meeting.

Succession planning

During the year the Group placed an increased emphasis on succession planning, when it tasked the Remuneration & Nomination Committee with reviewing the Group's succession strategy. Executive level succession planning was identified as a key area of focus, while the continuity of management over the long-term to see major projects to completion was acknowledged to be of strategic importance.

Manufacturing strategy and new business/product development were identified as key areas for future growth which require specialist skills.

Self-evaluation

The Board conducts an annual self-evaluation exercise. During the year this exercise was expanded to include an evaluation of the Audit & Risk and Remuneration & Nomination Committees. As part of the expanded self-evaluation exercise all of the directors completed individual self-assessments during the year in addition to a review of the performance of the Board. An exception report was compiled by the Company Secretary for tabling at the following Board meeting. The overall result of the evaluation confirmed adherence by the Board and the Group to corporate governance principles. Areas marked for improvement in the exception report, and respective recommendations to achieve this, are set out below:

Area for improvement	Action
Board composition: • Need for an additional independent non-executive with financial expertise • Need for more demographically representative Board	• Appointment of black, female independent non-executive director with financial expertise in September 2006
• More formalised strategic plans and goals for the Group	• Formal strategic planning meeting to be held annually focusing solely on strategic issues. First meeting held in June 2006 • Conducting of separate strategic forums with management in the various territories covered by the Group
• Succession planning	• Continued dedicated focus on comprehensive succession strategy at Remuneration & Nomination Committee meetings
• Violations of the Code of Ethics not reported to Board	• Reporting procedure to be put in place

Conflicts of interest and share dealings

The Board Charter stipulates that directors must disclose any potential conflict of interest and any other directorships held by them, which are then recorded in the minutes of the Board meetings. Directors are also required to disclose shareholdings in Aspen. Other than in "closed periods" as defined by the JSE, when trading by directors and officers in Aspen shares is prohibited, directors and officers are required to obtain prior written approval from the Chairman, and in his absence the Chairman of the Audit & Risk Committee, before trading in Aspen shares. The Company Secretary, together with Aspen's sponsor, will then ensure that the necessary announcement is published on SENS.

As a further measure to safeguard directors' dealings, the annual grant of share options which previously took place in July of each year has now been deferred to September to ensure that it falls outside of the "closed period" in respect of annual results.

Directors' interests and shareholdings are disclosed on pages 61 and 62 of this report.

Board Committees

The Audit & Risk, Remuneration & Nomination and Transformation Committees are governed by formal charters which are reviewed and updated annually to reflect ongoing regulatory and corporate governance developments. The Chairmen of the Committees or a duly authorised representative, who is also a member of the relevant Committee, attend the annual general meeting in line with King II and as mandated by all Committee Charters.

Audit & Risk Committee

The Audit & Risk Committee is chaired by independent non-executive director JF Buchanan and comprises a further two non-executive directors. The Committee holds a minimum of four meetings a year in accordance with recommendations. Attendance at meetings held during the financial year is set out below:

Directors	Audit & Risk Committee meetings
AJ Aaron	3
JF Buchanan (Chairman)	4
CN Mortimer	4

As stipulated in the Committee Charter, the Committee assists the Board in matters concerning internal audit and risk management. The Committee's responsibilities include:

- Ensuring that management institute appropriate internal controls and manage risk effectively;
- Reviewing the performance of the external auditors;
- Reviewing the activities of the internal audit department; and
- Reviewing the Group's compliance with laws and regulations.

In order to assist in this process the Group Chief Risk Officer reports to the Committee on internal control matters and the Committee has unhindered access to the internal audit department and to the external auditors.

The Board's annual evaluation of the Committee identified the following area for improvement:

- The need for a majority of independent non-executive directors on the Committee, which has been partly addressed with the appointment of S Zilwa as an independent director in September 2006.

The Committee's self-evaluation identified for consideration that:

- The activities of the external and internal audit functions are not currently fully integrated; and
- Two of the three Committee members do not have technical financial expertise. The appointment of S Zilwa has brought additional financial expertise to the Committee.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is chaired by independent non-executive director L Boyd and comprises a further two non-executive directors, one of whom is independent. Attendance at meetings during the year is set out below:

Directors	Remuneration & Nomination Committee meetings
L Boyd (Chairman)	2
JF Buchanan	2
CN Mortimer	2

The Committee is responsible for reviewing and amending the Group's remuneration policy (set out below) and regularly reviewing the Board's composition. The Committee annually reviews executive directors' and senior management's remuneration based on an evaluation of performance, and makes recommendations to the Board on the remuneration of non-executive directors.

Areas highlighted by the Board's annual evaluation included the need for the Committee to further address succession planning with regard to the Group Chief Executive, Deputy Group Chief Executive and senior executive management; that fees payable to non-executive directors must be approved by shareholders and that the annual report disclose whether the Remuneration & Nomination Committee has satisfied its responsibilities under its written terms of reference. The Committee's role in respect of senior level succession planning has been amplified through its increased mandate which now includes succession in respect of Board members and key executives.

The directors of Aspen have satisfied themselves that the Committee has discharged its responsibilities under its written terms of reference.

Remuneration philosophy

Aspen's formal remuneration policy provides the guideline to the Group's reward philosophy, which is aimed primarily at attracting and retaining optimum human resources.

Basic salary is market- and industry-related, confirmed by annual surveys conducted by independent consultants. Premiums to market levels are offered where necessary to attract and retain scarce skills or skills critical to meeting the appropriate Employment Equity targets. Annual increases take the employee's performance as well as market conditions into consideration, while bonuses are awarded for achieving pre-determined financial targets and/or in recognition of exceptional performance. In considering bonuses, performance is measured against set

key performance indicators within the framework of a pre-determined maximum cap on bonuses for both employees and executive directors. Annual bonuses and basic pay are complemented by participation in share-based schemes.

Transformation Committee

See Transformation Report on page 44.

Regulatory and legislative compliance

A checklist detailing compliance with the JSE Listings Requirements is completed annually by each of the directors and the Company Secretary. Areas of non-compliance, if any, are highlighted and steps put in place to ensure compliance going forward. The checklist completed for the year reflected full compliance by Aspen.

During the year the Group assessed its legislative compliance with the applicable South African acts. The Aspen legal department was tasked with reviewing compliance going forward by:

- Confirming which department heads are custodians of relevant acts;
- Consulting with and offering interpretation to the custodian of the relevant act;
- Reviewing measures taken by the custodian to achieve compliance;
- Reporting shortcomings or non-compliance to the Group Chief Risk Officer who in turn will present such findings to the Audit & Risk Committee;
- Discussing shortcomings at management meetings; and
- Monitoring the introduction of new legislation.

The legal department will in future be required to present an annual evaluation of legislative compliance and any shortcomings to the Group Chief Risk Officer who, in turn, will present such findings to the Audit & Risk Committee.

The Group has a formal intellectual property forum which manages Aspen's intellectual property and compliance with legislation in this regard. Each relevant manufacturing facility completes a summary report on compliance which is submitted to the forum, which completes a summary report of risks and strategic issues to be reviewed. The forum then tables these reports at the appropriate management meetings for resolution.

Accounting and auditing

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in compliance with IFRS. Their audit includes an assessment of selected internal controls. The preparation of the financial statements and the adequacy of the system of internal control remain the responsibility of the directors.

Where appropriate, independent external consultants are appointed for non-audit purposes. Non-audit services are disclosed in note 25 to the annual financial statements. During the year non-audit services primarily involved the due diligence exercise performed in respect of the bid for PLIVA dd, assistance with the IFRS conversion process and some tax advice.

The Group's policy is to use its auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense. However the auditors are not used as the Group's primary tax consultants.

Internal audit and internal control

The internal audit function assists the Board in assessing the Group's risk management and governance processes and is governed by an Internal Audit Charter, which is updated annually. The Group Chief Risk Officer is responsible for implementing the internal audit strategy and reports directly to the Audit and Risk Committee, which in turn reports on internal audit matters to the Board. The Board is ultimately responsible for the Group's systems of internal control as set out in the approval of the annual financial statements on page 58.

With the assistance of the Audit & Risk Committee the directors have satisfied themselves that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level, and that nothing has come to their attention to indicate that a material breakdown in the functioning of these systems within the Group has occurred during the year.

Risk management

Risk management is central to the Group's operational strategy. The Audit & Risk Committee, to which the Group Chief Risk Officer reports, ensures that management adhere to a formal responsibility framework in this area.

Aspen considers its people as key contributors to risk mitigation and ensures that competent and adequate resources are employed as part of the Group's strategy to reduce risk exposure. New employees are fully informed on induction of the responsibility framework to ensure continuity of risk control.

The significant risks facing the Group fall into three main categories, namely business, operational and financial. The financial risks are detailed in the financial risk management section on page 86. Set out below are the key business and operational risks facing the Group:

Business and operational risks	Initiatives/success factors
Sustaining growth	• Increasing investment in new product development • Continually commercialising new pharmaceutical products • Diversifying manufacturing capability • Expansion into new markets • Pioneering the manufacture of generic ARVs in Africa • Supplying cost-effective product to the growing generic pharmaceutical market • Differentiating Aspen from competitors through niche products and markets • Acquisitive growth
Exports into Africa (varied unfamiliar markets and regulations)	• Accessing the US President's Emergency Plan for AIDS Relief/WHO funding • Ensuring registration of products with the regulatory agencies of all the relevant export countries • Establishing distribution channels • Sales forecasting and demand management

Business and operational risks	Initiatives/success factors
Demand for constant innovation	• Skills and technology transfer in business alliances e.g. Gilead Sciences Inc. • Pioneering voluntary licence programmes with multi-national ARV manufacturers e.g. GlaxoSmithKline Inc., Boehringer Ingelheim GmbH, Bristol-Myers Squibb, Merck & Co. Inc. • Leveraging Aspen's strong South African and Australian sales representation to co-market pharmaceuticals with leading multinationals
Diversification into new areas of manufacturing	• Extensive research into new markets and product viability • Expert independent advice • Leveraging existing market presence and profile to provide "throughput"
Maintaining and developing employee skill levels	• Management training • Succession planning • Development for organisational growth
Meeting production demand	• OSD Facility in Port Elizabeth successfully commissioned • Greater utilisation of East London Facility • Enhanced forecasting methods • Additional advancements in capacity expansion
Reliance on third-party suppliers	• Vertical integration through the acquisition of raw material suppliers e.g. FCC which manufactures APIs • Joint venture established with Matrix for manufacture of ARV APIs • Identifying alternative sources of supply where possible
Complex regulatory compliance	• Ongoing review of legislation and regulations • Constructive lobbying of regulators where appropriate • Training of personnel in new regulatory regimes • OSD Facility in Port Elizabeth accredited by the FDA, the United Kingdom Medicine and Healthcare Products Regulatory Authority ("MHRA"), WHO and others
High degree of regulation and product liability risk	• Strict quality control at Group manufacturing facilities • Enhancement of facilities by capital investment when necessary • Ongoing review of regulatory requirements • Monitoring of developments and engagement with regulators regarding the Healthcare Charter and SEP legislation • Appropriate product liability cover
Physical protection of assets	• Annual insurance assessments • Independent insurance assessor and adviser • Assets insured at current replacement cost and operational risks covered
Information technology	• Ongoing assessments and upgrades • Integration of operational and business systems for maximum efficiency and control • Disaster recovery programme
SHE	• See detailed risks in the Sustainability Report on page 34

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aspen HOLDINGS

STATEMENT of Responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Aspen Pharmacare Holdings Ltd and its subsidiaries.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

Aspen Pharmacare Holdings Ltd and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group.

The Code of Corporate Practices and Conduct has been adhered to.

The Group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their report is presented on page 59.

The financial statements were approved by the Board of directors on 28 September 2006 and are signed on its behalf:

AJ Aaron
Chairman

MG Attridge
Deputy Group Chief Executive

Johannesburg
28 September 2006

INDEPENDENT Auditors' Report

TO THE MEMBERS OF
ASPEN PHARMACARE HOLDINGS LIMITED

We have audited the annual financial statements and Group annual financial statements of Aspen Pharmacare Holdings Limited set out on pages 60 to 131 for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group at 30 June 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: ER MacKeown
Registered Auditor

Johannesburg
28 September 2006

CERTIFICATE of the Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 30 June 2006, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

HA Shapiro
Company Secretary

Johannesburg
28 September 2006

The directors have pleasure in presenting their report, which forms part of the audited financial statements of the Company and the Group for the year ended 30 June 2006.

Nature of business

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of pharmaceutical, branded consumer, personal care and infant milk products, operating primarily in the healthcare industry. It is the leading producer of generic medicines in South Africa.

Aspen has extended its activities through establishing joint venture arrangements (comprising FCC and Astrix) to include the manufacture and supply of off-patent APIs.

Financial results and review of operations

The financial results of the Company and of the Group are set out on pages 64 to 131 of this report. The segmental analysis is included in note 40.

The consolidated earnings attributable to equity holders of the parent amounted to R638,0 million for the year, compared with R186,4 million for the previous year, an increase of 242%. Headline earnings per share increased by 235% from 55,4 cents to 185,5 cents. The results for the year as well as the prior year results have been affected by a number of material once-off transactions. Amongst these are:

- The charge of R282,4 million in the prior year in respect of the BEE transaction concluded by Aspen in June 2005;
- The decrease of R31,9 million in the tax charge for the current year, relating to the claiming of the Strategic Industrial Programme tax allowance under section 12G of the Income Tax Act relating to the investment by Aspen in its OSD Facility; and
- The inclusion of costs of R21,3 million relating to the unsuccessful bid to acquire PLIVA dd in the current year.

The financial results are more fully described in the financial statements.

Capital distribution

Taking into account the earnings performance for the year ended 30 June 2006, 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 26 October 2005, a capital distribution of 62 cents per ordinary share has been approved on 21 August 2006, payable to shareholders recorded in the share register of the Company at the close of business on Friday, 10 November 2006.

This represents an increase of 29% over the previous year's capital distribution and is covered 3 times by headline earnings per share.

Aspen's anticipated cash flow will enable it to fund the capital distribution and further growth.

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 2007. It remains the policy of Aspen to determine a final distribution to shareholders when the preliminary results for each financial year are released.

The Company has determined the following salient dates for the payment of the capital distribution:

Last day to trade cum – capital distribution	Friday, 3 November 2006
Shares commence trading ex – capital distribution	Monday, 6 November 2006
Record date	Friday, 10 November 2006
Payment date	Monday, 13 November 2006

Share certificates may not be dematerialised or rematerialised between Monday, 6 November 2006 and Friday, 10 November 2006, both days inclusive.

Share capital

There were no changes to the authorised share capital of Aspen during the year under review.

Subject to the passing and registration of special resolutions numbers 3, 4 and 5, referred to in the Notice of Annual General Meeting, the authorised ordinary and preference share capital of Aspen will be as follows:

Authorised ordinary share capital

700 000 000 ordinary shares with a par value of 13,90607 cents each.

Authorised preference share capital

17 600 000 cumulative, variable rate A preference shares with a par value of 13,90607 cents each.

20 000 000 non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each.

The following changes to the issued share capital and share premium were effected during the year:

Ordinary shares	Number of shares '000	Share capital R'000	Share premium R'000
Opening balance	378 372	52 617	1 048 196
Capital distribution	—	—	(184 664)
Share options exercised	7 862	1 093	32 506
Shares issued – Workers' Share Plan	146	20	4 595
	386 380	53 730	900 633

Further details of the authorised and issued share capital of the Company are given in notes 14 and 17 to the financial statements.

The unissued ordinary shares are under the control of the directors of the Company until the next annual general meeting of shareholders.

Acquisition of businesses

The material acquisitions entered into by Aspen during the year are set out below:

- With effect from 1 January 2006, Aspen entered into joint venture transactions with Matrix in terms of which:
  - Matrix acquired 50% of FCC from Aspen for USD 20 million.
  - Aspen acquired 50% of Astrix, a specialist ARV API producer in India for USD 36,5 million.
- With effect from 1 May 2006, Aspen acquired 50% of Generix International (Pty) Ltd ("Generix"), and Brimchem SA (Pty) Ltd, for a purchase consideration of R40 million, as well as a contingent consideration which has not yet been quantified. This will be based on an agreed formula.

These transactions have been funded out of existing cash resources.

Directorate and secretary

The following changes in the directorate occurred during the year under review and to the date of this report:

Appointments:

Pasco Dyani appointed 14 February 2006

Sindi Zilwa appointed 1 September 2006

Death:

Muzi Buthelezi deceased December 2005

Resignation:

Werner van Rensburg resigned 8 May 2006

The names of the directors in office at the date of this report are set out on pages 46 and 47. The name and address of the Secretary of the Company is set out on page 143.

In terms of the company's Articles of Association, MR Bagus, JF Buchanan, P Dyani, CN Mortimer and S Zilwa retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Group Chief Executive and the Deputy Group Chief Executive are employed on indefinite term service contracts, subject to 6-month notice by either party.

Directors' interests in Aspen shares

Shares under option offered to and accepted by executive directors in terms of the Aspen Pharmacare Share Incentive Scheme and the Medhold Share Incentive Scheme totalled 1 700 000 (2005: 7 500 000) as follows:

	Exercise price (R)	Expiry date	Options outstanding on 30 June 2005 ('000)	Options granted during the year ('000)	Options lapsed/ cancelled during the year ('000)	Options exercised during the year ('000)	Options outstanding on 30 June 2006 ('000)	Vested ('000)	Non-vested ('000)
SB Saad	3,58	Oct 2007	2 500	–	–	(2 500)	–	–	–
MG Attridge	3,58	Oct 2007	2 500	–	–	(2 500)	–	–	–
SB Saad	9,20	Aug 2011	1 000	–	–	(200)	800	–	800
MG Attridge	9,20	Aug 2011	1 000	–	–	(200)	800	–	800
W van Rensburg*	13,55	Aug 2012	500	–	(400)	–	100	–	100
			7 500	–	(400)	(5 400)	1 700	–	1 700

** Resigned May 2006.*

As at 30 June 2006, the direct and indirect interests of the directors in the shares of the company were:

	Beneficial – number of shares ('000)				Non-beneficial – number of shares ('000)	
	Direct		Indirect		Indirect	
Director	**2006**	2005	**2006**	2005	**2006**	**2005**
AJ Aaron	**46**	46	**–**	–	**16 733**	16 733
SB Saad	**2 700**	–	**50 420**	50 420	**–**	–
MG Attridge	**2 700**	–	**14 908**	17 608	**–**	–
CN Mortimer	**47**	47	**–**	–	**–**	–
M Krok	**3 317**	3 317	**5 759**	5 759	**11 249#**	11 249#
DM Nurek	**–**	19	**19**	–	**–**	–
JF Buchanan	**–**	–	**6**	–	**–**	–
NJ Dlamini	**–**	–	**1 316**	1 316	**–**	–
P Dyani	**–**	–	**–**	–	**–**	–
MR Bagus	**–**	–	**–**	–	**–**	–
L Boyd	**7**	7	**–**	–	**–**	–
	8 817	3 436	**72 428**	75 103	**16 733**	16 733

 # Included in shareholding held non-beneficially by AJ Aaron.

The register of interests of directors and others in the shares of the Company is available to members on request.

No changes have taken place in interests of directors in the shares of the Company since 30 June 2006 up to the date of this report, save for the purchase of 3 000 shares by L Boyd on 29 August 2006.

It is Group policy that employees who have access to price sensitive information should not deal in shares or exercise share options of the Company for the periods from half year-end and year-end to 24 hours after publication of the half-year and year-end results.

Post-balance sheet events

Capital distribution

A capital distribution of 62 cents per share has been recommended in terms of the general authority granted to directors at the annual general meeting held on 26 October 2005. Details of the capital distribution are set out in note 32 to the financial statements.

Manufacturing agreement with a subsidiary of Prestige Brands Inc.

Aspen has concluded a long-term agreement with a subsidiary of Prestige Brands Inc., a leading supplier of eye drops into the USA and Canadian markets, for the exclusive manufacture of its Clear Eyes and Murine brands in these territories. Supply will be from Aspen's Sterile Facility.

Special resolutions

At the annual general meeting of Aspen shareholders convened on 26 October 2005, the following special resolution was passed by the Company:

- A general authority was granted to Aspen and its subsidiaries to acquire up to 20% of the Company's issued share capital from time-to-time in terms of Section 85 (2) and 85 (3) of the Companies Act No. 61 of 1973, as amended, and the JSE Listings Requirements; and
- this general authority is valid until Aspen's next annual general meeting, provided that it shall not extend beyond 15 months from the date of approval.

This special resolution has been registered with the Registrar of Companies.

No subsidiary companies have passed any special resolutions during the year under review.

Revocation of special resolutions

Background and rationale

- At general meetings of shareholders of Aspen held on 15 January 1999 and 23 June 1999, special resolutions were passed by shareholders in terms of which the share premium account of the Company was reduced by writing off intangible assets and goodwill against it;
- At that point in time, no Generally Accepted Accounting Practice ("GAAP") in relation to the treatment of intangible assets and goodwill existed in South Africa. Consequently, there were a number of methods of accounting for such assets. Aspen, as well as a number of listed companies at the time, effected write-offs of intangible assets and goodwill as a reduction of capital, utilising the share premium account.
- For the year ended 30 June 1999, Aspen's share premium account was reduced as follows:
  - By an amount of R109 893 000 in terms of a special resolution passed in January 1999 and a court order granted in December 1998 under Section 84 of the Companies Act; and
  - By an amount of R591 979 465,88 in terms of a special resolution passed in June 1999 under Section 83 of the Companies Act;
- The reduction in the share premium was brought about by a debit to the share premium account and a credit to the carrying value of intangible assets and goodwill. No benefit was distributed to any shareholder as a result of the reduction in share premium;

- Both special resolutions passed were registered shortly after the meeting at which they were proposed and authorised by shareholders. Implementation thereof took place in Aspen's 1999 financial year;
- These intangible assets and goodwill were not recognised as assets on Aspen's balance sheet for the June 1999 to June 2005 financial years;
- Specific requirements now exist in respect of the way in which intangible assets should be dealt with. IFRS 1, *First-time adoption of International Financial Reporting Standards*, requires that IAS 38, *Intangible Assets*, should be applied retrospectively. In compliance herewith, Aspen has reinstated these assets, which were previously written off against share premium and retained income in its balance sheet. No adjustment has been made to goodwill;
- The accounting treatment effected to comply with IFRS 1 comprised the passing of journal entries in the financial records of Aspen. This has been done by debiting intangible assets and crediting the share premium account and retained income with similar amounts;
- The directors now wish to ensure that the legal treatment of the share premium account is brought into line as far as possible with the accounting position as described above;
- To achieve legal reinstatement of share premium, the directors of Aspen now wish to seek the revocation of the two special resolutions passed in January 1999 and June 1999. The directors believe that these revocations will in no way affect the rights, obligations, interests or entitlements of any stakeholder of the Company or of any third party;
- Approval by the requisite majority of shareholders at Aspen's annual general meeting by way of a new special resolution is necessary for the implementation of such revocation. Notice of such revocation is contained in special resolution 2 in the Notice of Annual General Meeting on page 137;
- Approval will be sought for a court order from the High Court for the revocation of the former special resolutions as soon as possible; and
- The Registrar of Companies has indicated that it will act on a Court order and the requisite approval by a majority of Aspen's shareholders in registering the special resolution.

Financial effects of the revocation of the special resolutions

As the adjustments required in terms of IFRS 1 have already been effected in the financial records of Aspen, the revocation of the special resolutions will have no effect on the earnings, headline earnings, net asset value or tangible net asset value of Aspen as reported for the financial years ended 30 June 2005 and 30 June 2006.

Auditors

The auditors of the Company, PricewaterhouseCoopers Inc., will continue in office in accordance with Section 270 (2) of the Companies Act, 1973.

Investments in subsidiaries

The financial information in respect of the Company's interest in its subsidiaries is set out in notes 5 and 38 to the annual financial statements.

Contracts

None of the directors and officers of the Company had an interest in any contract of significance during the financial year, save as disclosed in note 37.

BALANCE Sheets – at 30 June 2006

COMPANY 2005 R'000	COMPANY 2006 R'000		Notes	GROUP 2006 R'000	GROUP 2005 R'000
		Assets			
		Non-current assets			
2 647	**2 168**	Property, plant and equipment	1	**613 071**	477 728
–	**–**	Investment property	2	**–**	4 000
–	**–**	Goodwill	3	**262 093**	195 595
517 824	**438 903**	Intangible assets	4	**820 507**	665 792
894 941	**845 496**	Investments in subsidiaries and joint ventures	5	**–**	–
–	**11 841**	Available-for-sale financial assets	6	**11 922**	55
–	**–**	Financial assets at fair value through profit and loss	7	**1 021**	–
376 800	**376 800**	Preference share investment	8	**376 800**	376 800
–	**–**	Deferred tax assets	9	**34 381**	57 630
1 792 212	**1 675 208**	Total non-current assets		**2 119 795**	1 777 600
		Current assets			
–	**–**	Inventories	11	**798 303**	428 171
1 269	**2 704**	Trade and other receivables	12	**721 934**	509 689
–	**–**	Current tax assets		**2 965**	2 038
–	**–**	Financial assets at fair value through profit and loss	7	**1 263**	956
11 954	**236**	Cash and cash equivalents	13	**625 161**	439 604
13 223	**2 940**	Total current assets		**2 149 626**	1 380 458
1 805 435	**1 678 148**	**Total assets**		**4 269 421**	3 158 058
		Shareholders' equity			
1 100 813	**954 363**	Share capital and share premium	14	**954 363**	1 100 813
–	**–**	Treasury shares	15	**(622 983)**	(641 672)
–	**(667)**	Non-distributable reserves		**191 178**	52 544
16 334	**31 228**	Share-based compensation reserve	16	**31 228**	16 334
(162 596)	**(144 178)**	Retained income		**997 529**	426 243
954 551	**840 746**	Ordinary shareholders' equity		**1 551 315**	954 262
161 980	**161 980**	Preference shares – equity component	17	**161 980**	161 980
1 116 531	**1 002 726**			**1 713 295**	1 116 242
–	**–**	Minority interest	18	**12 481**	–
1 116 531	**1 002 726**	Total shareholders' equity		**1 725 776**	1 116 242
		Liabilities			
		Non-current liabilities			
406 582	**403 304**	Preference shares – liability component	17	**403 304**	406 582
–	**–**	Interest-bearing borrowings	19	**48 968**	62 670
23 194	**23 681**	Interest-bearing deferred-payables	20	**23 681**	23 194
–	**–**	Deferred revenue	21	**2 082**	–
5 939	**9 245**	Deferred tax liabilities	9	**103 882**	71 579
–	**–**	Retirement benefit obligations	22	**7 332**	10 613
–	**–**	Financial liabilities at fair value through profit and loss	7	**–**	3 614
435 715	**436 230**	Total non-current liabilities		**589 249**	578 252
		Current liabilities			
97 605	**118 949**	Trade and other payables	23	**713 104**	571 900
147 493	**117 842**	Interest-bearing borrowings	19	**1 173 778**	761 663
–	**–**	Interest-bearing deferred-payables	20	**4 811**	48 654
–	**–**	Deferred revenue	21	**521**	–
8 091	**2 401**	Current tax liabilities		**62 182**	81 347
253 189	**239 192**	Total current liabilities		**1 954 396**	1 463 564
688 904	**675 422**	Total liabilities		**2 543 645**	2 041 816
1 805 435	**1 678 148**	**Total equity and liabilities**		**4 269 421**	3 158 058

COMPANY				GROUP	
2005 R'000	**2006 R'000**		Notes	**2006 R'000**	2005 R'000
129 314	**152 184**	**Revenue**	24	**3 449 340**	2 814 597
—	**—**	Cost of sales		**(1 789 047)**	(1 423 978)
129 314	**152 184**	**Gross profit**		**1 660 293**	1 390 619
17 951	**21 025**	Other operating income		**2 187**	4 744
—	**—**	Selling and distribution expenses		**(462 335)**	(374 760)
(30 071)	**(52 642)**	Administrative expenses		**(195 752)**	(176 040)
(350 065)	**(80 079)**	Other operating expenses		**(108 890)**	(388 714)
364 892	**27 908**	Investment income	28	**72 853**	37 575
132 021	**68 396**	**Operating profit**	25	**968 356**	493 424
(6 584)	**(36 713)**	Net financing costs	29	**(113 681)**	(99 438)
125 437	**31 683**	**Net profit before tax**		**854 675**	393 986
(48 213)	**(21 260)**	Tax	30	**(216 582)**	(207 565)
77 224	**10 423**	**Profit for the year**		**638 093**	186 421
		Attributable to:			
		Equity holders of the parent		**637 977**	186 421
		Minority interest		**116**	—
				638 093	186 421
		Earnings per share	31		
		Earnings per share – basic (cents)		**185,4**	54,7
		– diluted (cents)		**179,2**	53,2
		Capital distribution per share (cents)*	32	**62,0**	48,0

**Relates to capital distribution recommended after year-end. The policy of Aspen is to recommend a final distribution to shareholders when the preliminary results for each financial year are released.*

STATEMENTS of Changes in Equity – for the year ended June 2006

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non–distributable reserves: Hedging reserve R'000	Foreign currency translation reserve R'000	Revaluation surplus R'000	Other non-distributable reserves R'000	Share-based compensation reserve R'000	Retained income R'000	Equity component of preference shares R'000	Minority interest R'000	Total R'000
Group												
Balance at 1 July 2004	52 429	711 610	(75 807)	(3 183)	–	10	–	5 457	434 794	–	–	1 125 310
Negative goodwill adjustment in terms of IFRS 3	–	–	–	–	–	–	–	–	4 358	–	–	4 358
Restated opening balance	52 429	711 610	(75 807)	(3 183)	–	10	–	5 457	439 152	–	–	1 129 668
Fair value movement on available-for-sale financial assets	–	–	–	–	–	10	–	–	–	–	–	10
Currency translation differences	–	–	–	–	22 249	–	–	–	–	–	–	22 249
Net profit for the year	–	–	–	–	–	–	–	–	186 421	–	–	186 421
Dividend paid	–	–	–	–	–	–	–	–	(101 232)	–	–	(101 232)
Cash flow hedges realised	–	–	–	3 183	–	–	–	–	–	–	–	3 183
Cash flow hedges recognised	–	–	–	4 687	–	–	–	–	–	–	–	4 687
Issue of ordinary share capital	464	12 617	–	–	–	–	–	–	–	–	–	13 081
Cancellation of treasury shares	(2 988)	(29 080)	75 807	–	–	–	–	–	(73 191)	–	–	(29 452)
Share repurchase – acquisition of treasury shares	–	–	(641 672)	–	–	–	–	–	–	–	–	(641 672)
Preference shares issued	–	–	–	–	–	–	–	–	–	161 980	–	161 980
Share options awarded	–	–	–	–	–	–	–	11 558	–	–	–	11 558
Transfer from share-based compensation reserve	–	–	–	–	–	–	–	(681)	681	–	–	–
Issue of ordinary share capital (BEE) – net of transaction costs	2 712	353 049	–	–	–	–	–	–	–	–	–	355 761
Non-distributable portion of earnings	–	–	–	–	–	–	25 588	–	(25 588)	–	–	–
Balance at 30 June 2005	52 617	1 048 196	(641 672)	4 687	22 249	20	25 588	16 334	426 243	161 980	–	1 116 242
Fair value movement on available-for-sale financial assets	–	–	–	–	–	(641)	–	–	–	–	–	(641)
Currency translation differences	–	–	–	–	63 942	–	–	–	–	–	–	63 942
Net profit for the year	–	–	–	–	–	–	–	–	637 977	–	116	638 093
Capital distribution	–	(184 664)	18 689	–	–	–	–	–	–	–	–	(165 975)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	12 365	12 365
Cash flow hedges realised	–	–	–	(4 687)	–	–	–	–	–	–	–	(4 687)
Cash flow hedges recognised	–	–	–	5 170	–	–	–	–	–	–	–	5 170
Issue of ordinary share capital	1 113	37 101	–	–	–	–	–	–	–	–	–	38 214
Share options and appreciation rights awarded	–	–	–	–	–	–	–	23 053	–	–	–	23 053
Transfer from share-based compensation reserve	–	–	–	–	–	–	–	(8 159)	8 159	–	–	–
Non-distributable portion of earnings	–	–	–	–	–	–	74 850	–	(74 850)	–	–	–
Balance at 30 June 2006	53 730	900 633	(622 983)	5 170	86 191	(621)	100 438	31 228	997 529	161 980	12 481	1 725 776
Company												
Balance at 1 July 2004	52 429	711 610	–	–	–	–	–	5 453	319 585	–	–	1 089 077
Net profit for the year	–	–	–	–	–	–	–	–	77 224	–	–	77 224
Dividend paid	–	–	–	–	–	–	–	–	(112 455)	–	–	(112 455)
Issue of ordinary share capital	464	12 617	–	–	–	–	–	–	–	–	–	13 081
Cancellation of treasury shares	(2 988)	(29 080)	–	–	–	–	–	–	(446 982)	–	–	(479 050)
Share options awarded	–	–	–	–	–	–	–	10 913	–	–	–	10 913
Transfer from share-based compensation reserve	–	–	–	–	–	–	–	(32)	32	–	–	–
Issue of ordinary share capital (BEE) – net of transaction costs	2 712	353 049	–	–	–	–	–	–	–	–	–	355 761
Preference shares issued	–	–	–	–	–	–	–	–	–	161 980	–	161 980
Balance at 30 June 2005	52 617	1 048 196	–	–	–	–	–	16 334	(162 596)	161 980	–	1 116 531
Fair value movement on available-for-sale financial assets	–	–	–	–	–	(667)	–	–	–	–	–	(667)
Net profit for the year	–	–	–	–	–	–	–	–	10 423	–	–	10 423
Capital distribution	–	(184 664)	–	–	–	–	–	–	–	–	–	(184 664)
Issue of ordinary share capital	1 113	37 101	–	–	–	–	–	–	–	–	–	38 214
Share options and appreciation rights awarded	–	–	–	–	–	–	–	22 889	–	–	–	22 889
Transfer from share-based compensation reserve	–	–	–	–	–	–	–	(7 995)	7 995	–	–	–
Balance at 30 June 2006	53 730	900 633	–	–	–	(667)	–	31 228	(144 178)	161 980	–	1 002 726

CASH Flow Statements – for the year ended June 2006

COMPANY				GROUP	
2005 R'000	2006 R'000		Notes	2006 R'000	2005 R'000
		Cash flows from operating activities			
130 864	**142 263**	**Cash generated from operations**	A	**639 940**	876 458
(5 170)	**(38 635)**	Net financing costs paid	B	**(128 352)**	(84 548)
364 892	**27 908**	Investment income received	C	**72 853**	37 575
(33 449)	**(23 644)**	Tax paid	D	**(182 228)**	(176 609)
457 137	**107 892**	**Net cash from operating activities**		**402 213**	652 876
		Cash flows from investing activities			
(798)	**(71)**	Replacement capital expenditure – property, plant and equipment		**(55 587)**	(23 089)
–	**(39)**	Expansion capital expenditure – property, plant and equipment		**(119 057)**	(57 995)
–	**–**	Proceeds on disposal of property, plant and equipment		**367**	410
–	**–**	Proceeds on disposal of investment property		**4 698**	–
(156 359)	**(1 158)**	Expansion capital expenditure – intangible assets		**(123 154)**	(93 419)
–	**–**	Replacement capital expenditure – intangible assets		**(9 221)**	(17)
–	**–**	Proceeds on disposal of intangible assets		**955**	4 000
–	**–**	Acquisition of subsidiaries and joint ventures	E	**(267 555)**	(262 114)
–	**–**	Disposal of 50% of FCC	F	**120 822**	–
–	**–**	Net movement in non-current financial assets		**–**	9 189
(363 377)	**62 340**	Decrease/(increase) in loans to/investments in subsidiaries		**–**	–
(376 800)	**–**	Investment in preference shares		**–**	(376 800)
(897 334)	**61 072**	**Net cash (used in)/from investing activities**		**(447 732)**	(799 835)
		Cash flows from financing activities			
147 493	**105 376**	Proceeds from interest-bearing borrowings		**1 767 531**	734 690
–	**(147 493)**	Repayment of interest-bearing borrowings		**(1 736 441)**	(433 950)
–	**–**	Repayment of interest-bearing deferred-payables		**(49 654)**	(59 317)
–	**–**	Proceeds from interest-bearing deferred-payables		**4 167**	2 667
(112 455)	**(184 664)**	Capital distribution/dividend paid		**(165 964)**	(101 232)
13 081	**33 664**	Proceeds from issue of ordinary shares		**33 664**	13 081
256 561	**–**	Proceeds from issue of ordinary shares (BEE)		**–**	256 561
(479 047)	**–**	Share repurchase – cancellation of shares		**–**	(32 068)
–	**–**	Share repurchase – acquisition of treasury shares		**–**	(641 672)
(5 272)	**(31)**	Movement in loans owing to Group companies		**–**	–
376 816	**–**	Proceeds from issue of preference shares (BEE)		**–**	376 816
197 177	**(193 148)**	**Net cash (used in)/from financing activities**		**(146 697)**	115 576
(243 020)	**(24 184)**	**Movement in cash and cash equivalents before exchange rate changes**		**(192 216)**	(31 383)
–	**–**	Effects of exchange rate changes		**14 797**	5 460
		Cash and cash equivalents			
(243 020)	**(24 184)**	Movement in cash and cash equivalents		**(177 419)**	(25 923)
254 974	**11 954**	Cash and cash equivalents at the beginning of the year		**439 575**	465 498
11 954	**(12 230)**	**Cash and cash equivalents at the end of the year**	G	**262 156**	439 575

COMPANY			GROUP	
2005 R'000	2006 R'000		2006 R'000	2005 R'000
		A. Cash generated from operations		
132 021	68 396	Operating profit	968 356	493 424
67 624	80 079	Amortisation of intangible assets	91 845	94 811
555	589	Depreciation	47 525	35 385
–	–	Impairment charge	60 484	34 960
–	–	Reversal of impairment losses	(776)	(31)
–	–	Loss on disposal of property, plant and equipment	35	89
–	–	Profit on disposal of investment property	(698)	–
–	–	Loss/(profit) on disposal of intangible assets	73	(1 911)
–	(1 630)	Profit on sale of FCC	–	–
–	–	Fair value gains on investment property	–	(500)
–	–	Fair value gains on financial liabilities not included in finance costs	3 056	(16)
(364 892)	(27 908)	Investment income	(72 853)	(37 575)
2 950	2 828	Share-based payment expense – employees	27 630	11 558
282 441	–	Share-based payment expense – BEE	–	282 441
–	–	Cash flow hedges recognised in equity	–	9 669
–	–	Deferred revenue – amounts received in advance	2 241	–
–	–	Goodwill in respect of acquisition of Aspen Nutritionals written down	546	7 018
120 699	122 354	Cash operating profit	1 127 464	929 322
10 165	19 909	Changes in working capital	(487 524)	(52 864)
–	–	Increase in inventories	(408 560)	(149 199)
(890)	(1 435)	Increase in trade and other receivables	(193 068)	(47 546)
11 055	21 344	Increase in trade and other payables	116 727	145 478
–	–	Decrease in provisions and retirement benefit obligations	(2 623)	(1 597)
130 864	142 263		639 940	876 458
		B. Net financing costs paid		
(3 631)	(10 476)	Interest paid	(93 202)	(76 275)
–	(28 092)	Dividend paid to preference shareholders	(28 092)	–
(1 539)	(67)	Net foreign exchange losses	(7 058)	(8 273)
		Fair value gains/(losses) on financial instruments		
–	–	– Cross-currency swaps	4 334	(10 010)
–	–	– Forward exchange contracts	10 459	2 318
(1 414)	1 922	Notional interest on financial instruments	(122)	(7 198)
		Deduct: non-cash financing costs		
		Fair value (gains)/losses on financial instruments:		
–	–	– Cross-currency swaps	(4 334)	10 010
–	–	– Forward exchange contracts	(10 459)	(2 318)
1 414	(1 922)	Notional interest on financial instruments	122	7 198
(5 170)	(38 635)		(128 352)	(84 548)
		C. Investment income received		
361 759	–	Dividends from subsidiaries	–	–
–	–	Dividends received	24	–
1 041	25 321	Preference share dividend received	25 321	1 041
2 092	2 587	Interest received	47 508	36 534
364 892	27 908		72 853	37 575

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		D. Tax paid		
(13 266)	**(8 091)**	Amounts unpaid at the beginning of the year	**(79 309)**	(74 804)
(28 274)	**(17 954)**	Charge per income statement (excluding deferred tax)	**(163 424)**	(177 470)
—	**—**	Effects of exchange rate changes	**(319)**	(733)
—	**—**	Acquisition of subsidiaries and joint ventures	**(850)**	(2 911)
—	**—**	Disposal of 50% of FCC	**2 457**	—
8 091	**2 401**	Amounts unpaid at the end of the year	**62 182**	81 347
—	**—**	Amounts overpaid at the end of the year	**(2 965)**	(2 038)
(33 449)	**(23 644)**		**(182 228)**	(176 609)

GROUP

E. Acquisition of subsidiary companies and joint ventures

2006	Astrix R'000	Generix* R'000	**Total R'000**
Property, plant and equipment	38 648	—	**38 648**
Intangible assets	76 204	31 606	**107 810**
Inventories	23 828	—	**23 828**
Trade and other receivables	2 147	2 884	**5 031**
Cash and cash equivalents	3 100	2 646	**5 746**
Deferred tax liabilities	—	(8 700)	**(8 700)**
Trade and other payables	(26 584)	(2 855)	**(29 439)**
Current tax liabilities	—	(850)	**(850)**
	117 343	24 731	**142 074**
Minority interest	—	(12 365)	**(12 365)**
Fair value of assets acquired	117 343	12 366	**129 709**
Goodwill acquired	115 587	28 005	**143 592**
Purchase consideration	232 930	40 371	**273 301**
Cash and cash equivalents in acquiree	(3 100)	(2 646)	**(5 746)**
Cash outflow on acquisition	229 830	37 725	**267 555**

**The initial accounting has not yet been finalised in terms of IFRS 3.*

2005	Aspen Nutritionals R'000	FCC R'000	Total R'000
Property, plant and equipment	31 620	69 064	100 684
Intangible assets	34	54 615	54 649
Deferred tax asset	7 164	—	7 164
Inventories	13 338	47 577	60 915
Trade and other receivables	21 934	12 990	34 924
Cash and cash equivalents	1 394	7 090	8 484
Long-term interest-bearing borrowings	—	(25 693)	(25 693)
Deferred tax liabilities	—	(13 238)	(13 238)
Long-term retirement benefit obligations	—	(1 310)	(1 310)
Trade and other payables	(29 384)	(38 679)	(68 063)
Short-term interest-bearing borrowings	(36 381)	(9 625)	(46 006)
Current tax liabilities	—	(2 911)	(2 911)
Fair value of assets acquired	9 719	99 880	109 599
Goodwill acquired	7 563	171 483	179 046
Purchase consideration	17 282	271 363	288 645
Contingent consideration	—	(18 047)	(18 047)
Cash and cash equivalents in acquiree	(1 394)	(7 090)	(8 484)
Cash outflow on acquisition	15 888	246 226	262 114

F. Disposal of 50% of FCC

2006	GROUP Total R'000
Property, plant and equipment	**69 528**
Intangible assets	**45 159**
Inventories	**42 079**
Goodwill	**161 122**
Trade and other receivables	**19 147**
Cash and cash equivalents	**13 157**
Deferred tax liabilities	**(12 232)**
Non-current retirement benefit obligations	**(1 480)**
Trade and other payables	**(33 764)**
Short-term borrowings	**(5 000)**
Current tax liability	**(4 914)**
Net carrying value of assets	**292 802**
Goodwill disposed of	**(73 605)**
Less net share of assets held after sale	**(79 751)**
Total consideration received	**139 446**
Less: – contingent consideration	**(12 045)**
– cash in company	**(6 579)**
Cash inflow on disposal	**120 822**

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		G. Cash and cash equivalents		
466	**213**	Bank balances	**556 514**	360 680
11 488	**23**	Short-term bank deposits	**560**	13 136
–	**–**	Cash in transit	**67 981**	65 762
–	**(12 466)**	Bank overdrafts	**(363 005)**	(29)
–	**–**	Cash on hand	**106**	26
11 954	**(12 230)**		**262 156**	439 575

The principal accounting policies adopted in the preparation of these financial statements are set out below. These financial statements are covered by IFRS 1, *First-time Adoption of IFRS.* Aspen's financial statements were prepared under South African statements of GAAP until 30 June 2005. Reconciliations and descriptions of the effect of transition from SA GAAP to IFRS on the Group's equity and its net income and cash flows are provided on pages 87 to 90.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

In addition to changes in accounting policies due to the adoption of IFRS, the Group early-adopted IFRIC 8, *Scope of IFRS 2.* This interpretation requires equity instruments issued at a discount in BEE transactions to be accounted for under IFRS 2, *Share-based Payment*. The Group early-adopted AC 503, *Accounting for Black Economic Empowerment (BEE) Transactions* at the same time.

The Group also early adopted the amendment to IAS 39, *Financial Instruments: Recognition and Measurement* relating to cash flow hedge accounting of forecast intra-Group transactions. This amendment allows the foreign currency risk of a highly probable forecast intra-Group transaction to qualify as a hedged item in consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and the foreign currency risk will affect consolidated profit or loss.

The following accounting standards, amendments and interpretations, that are not mandatory for the year to June 2006, have been published prior to the date of signature of this report and not early-adopted:

IFRS 6, Exploration for and Evaluation of Mineral Resources and a complementary amendment to IFRS 1:
IFRS 6 is not relevant to the Group's operations.

The amendment is effective for financial years beginning on or after 1 January 2006.

IFRS 7, Financial Instruments: Disclosures:
IFRS 7 provides for additional disclosures on financial instruments, and replaces IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions,* and the disclosure requirements in IAS 32, *Financial Instruments: Disclosure and Presentation.*

The Group has assessed the disclosure requirements, and has determined that the main additional disclosures will be a sensitivity analysis to market risk, a reconciliation of movements in the allowance account for credit losses and certain additional disclosures related to hedging.

The Group will apply IFRS 7 for annual periods beginning on or after 1 January 2007, which is the standard's effective date.

IAS 1, Presentation of Financial Statements (Amendment):
The amendment effective for financial years beginning on or after 1 January 2006 requires additional disclosures in the statement of changes in equity regarding items recognised directly in equity.

The amendment effective for financial years beginning after 1 January 2007 requires additional disclosures regarding the level of an entity's capital and how it manages capital. The Group will apply both these amendments from their effective dates.

IAS 19, Employee Benefits (Amendment), and a complementary amendment to IFRS 1:
The amendment to IAS 19 introduces an alternative approach for the recognition of actuarial gains and losses, new disclosure requirements and additional recognition requirements for multi-employer plans. The Group should only be affected by the additional disclosure requirements.

The amendment is effective for financial years beginning on or after 1 January 2006.

IAS 21, The Effects of Changes in Foreign Exchange Rates (Amendment):
The amendment clarifies that exchange rate differences on a monetary item that forms part of an entity's net investment in a foreign operation are accounted for in a separate component of equity, regardless of the currency of the monetary item. This should not affect the Group.

The amendment is effective for financial years beginning on or after 1 January 2006.

IAS 39, Financial Instruments: Recognition and measurement and IFRS 4, Insurance contracts (Amendment): Financial guarantee contracts:
The amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently at the higher of the unamortised balance of the related fees received and deferred, and the expenditure required to settle the commitment at balance sheet date. This should not affect the Group.

The amendment is effective for financial years beginning on or after 1 January 2006.

IAS 39, Financial Instruments: Recognition and measurement (Amendment): The fair value option:
The amendment limits the circumstances in which financial instruments can be classified as at fair value through profit and loss. This should not affect the Group at this stage, as the Group will not be required to reclassify any items currently classified as financial instruments at fair value through profit and loss.

The amendment is effective for financial years beginning on or after 1 January 2006.

IFRIC 4, Determining whether an Arrangement contains a Lease:
IFRIC 4 requires an entity to determine if an arrangement contains a lease based on the substance of the arrangement. It requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. The Group has not identified any additional arrangements required to be accounted for as leases due to the issue of the interpretation.

The interpretation is effective for financial years beginning on or after 1 January 2006.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds:
IFRIC 5 is not relevant to the Group's operations.

The interpretation is effective for financial years beginning or or after 1 January 2006.

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronical Equipment:
IFRIC 6 is not relevant to the Group's operations.

The interpretation is effective for financial years beginning on or after 1 December 2005.

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies:
IFRIC 7 is not relevant to the Group's operations.

The interpretation is effective for financial years beginning on or after 1 March 2006.

IFRIC 9, Reassessment of Embedded Derivatives:
IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the time of entering into the contract. This assessment is not updated unless there is a significant change in the terms of the contract that significantly changes the cash flows associated with the contract.

The interpretation is effective for financial years beginning on or after 1 June 2006.

IFRIC 10, Interim Financial Reporting and Impairment:
IFRIC 10 states that an entity should not reverse at year-end an impairment loss recognised during a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The interpretation is effective for financial years beginning on or after 1 November 2006.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS. The comparative figures have been restated to comply with IFRS. Please refer to the section on IFRS conversion on pages 87 to 90 for more information on this. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted at the time of preparation. The financial statements have been prepared under the historical cost convention, modified by the revaluation to fair value of investment property, available-for-sale investments, and financial assets and financial liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of financial statements in conformity with IFRS also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 85.

GROUP ACCOUNTING

The annual financial statements include those of the holding company and all of its subsidiaries. A listing of the Group's principal subsidiaries is set out in note 38.

Subsidiaries

Subsidiaries, which are those entities (including Special Purpose Entities, at this stage limited to the employee share trusts) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued, or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Minority interest at acquisition date is determined as the minority shareholders' proportionate share of the net assets of the subsidiary acquired.

Intra-Group transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with policies adopted by the Group. The reporting dates of subsidiaries are aligned with the reporting date of the Group.

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the stand-alone financial statements of Aspen Pharmacare Holdings Ltd.

Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transactions provide evidence of impairment. The Group's investment in associates includes goodwill identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. Associates' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group.

The Group did not have any associates during the year under review.

Joint ventures

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party, except where unrealised losses provide evidence of an impairment of the asset transferred. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of joint ventures are aligned with the reporting date of the Group.

Investments in joint ventures are accounted for at cost less any accumulated impairment losses in the stand-alone financial statements of Aspen Pharmacare Holdings Ltd.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand, which is the functional and presentation currency of the parent.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted to functional currency at rates of exchange ruling at year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale equities are included in the revaluation reserve in equity.

Group companies

The results and financial position of all Group operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency on the following basis:

- Income statements and cash flows of foreign operations are translated into the Group's presentation currency at the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions.
- Assets and liabilities are translated at the closing rate at the balance sheet date.
- Exchange differences arising from the translation of the net investment in foreign operations, as well as borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as a part of the gain or loss on sale.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

ACCOUNTING FOR BEE TRANSACTIONS

Financial instruments issued by the Group as a part of BEE transactions are, on initial recognition, classified as a liability or as equity in accordance with the substance of the contractual arrangements. BEE transactions are accounted for under IFRS 2, IAS 32 and 39. The effect of this is that the difference between the issue price of the ordinary and preference shares issued and the market value at the date of the transaction is charged to profit or loss.

The policy used to account for equity financial instruments issued is disclosed on page 80 (share capital and share premium). The policy used to account for compound financial instruments is disclosed on page 80 (convertible, cumulative, variable rate preference shares).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the period in which they are incurred. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation is calculated to write-off the cost of assets to their residual values on the straight-line basis over the estimated remaining useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The assumptions regarding estimated remaining useful lives for the 2006 financial year were as follows:

Buildings	9 – 61 years
Plant, equipment and major spare parts	1 – 30 years
Computer equipment	1 – 10 years
Office equipment and furniture	1 – 16 years

Land and buildings comprise mainly factories and office buildings. Land is not depreciated. Leasehold improvements

are depreciated over the lesser of the period of the lease and the useful life of the asset.

Property, plant and equipment is tested for impairment whenever there is an indication that the asset may be impaired, in accordance with the requirements of IAS 36, *Impairment of Assets.*

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Costs directly attributable to major development projects of property, plant and equipment are capitalised to the asset.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. When the construction is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use are completed. Other borrowing costs are expensed.

INVESTMENT PROPERTY

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by the directors or external valuers, as appropriate. Changes in fair values are recorded in the income statement in accordance with IAS 40, *Investment Property,* and are included in other operating income or costs.

GOODWILL

Goodwill is carried at cost less accumulated impairment losses.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses, joint ventures or associates at the date of acquisition. Goodwill on the acquisition of subsidiaries and joint ventures is capitalised and shown separately on the face of the balance sheet; goodwill on the acquisition of associates is included in investments in associates. Separately recognised goodwill is tested for impairment annually, as well as when there are indicators of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Any excess of the Group's interest in the fair values of the assets and liabilities acquired over the cost of the acquisition was previously recognised as negative goodwill. Negative goodwill was derecognised on 1 July 2004, with a corresponding adjustment to the opening balance of retained earnings.

A gain or a loss on disposal of an entity includes the carrying amount of the goodwill allocated to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the acquisition in which the goodwill arose.

When a deferred tax asset is raised after the initial accounting for a business combination is complete, in respect of deferred tax assets that did not satisfy the criteria for separate recognition when the business combination was initially accounted for, an adjustment is made to the amount of goodwill recognised in respect of the acquisition. The goodwill amount is reduced to the amount of goodwill that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. This reduction is recognised as an expense.

Contingent consideration in a business combination is included in the cost of a business combination if the payment is probable and reliably measured. Subsequent adjustments to the estimated amount of the contingent consideration are adjusted against goodwill.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net assets acquired and goodwill.

INTANGIBLE ASSETS

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are not revalued. Amortisation is included in other operating expenses.

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised and amortised on a straight-line basis over their estimated remaining useful lives, which ranged from 1 to 49 years during the financial year. Estimated useful lives are reviewed annually. In addition, some intangible assets included in this category may be classified as indefinite life intangible assets. Indefinite life intangible assets are not amortised, but are tested annually for impairment.

Research and development

Research expenditure is recognised as an expense as it is incurred. Development costs incurred, being costs relating to the design and testing of new or improved products, are recognised as intangible assets when the following can be demonstrated:

- Technical feasibility;
- Intention to use or sell the intangible asset;
- Ability to use or sell the intangible asset;
- How the asset will generate probable future economic benefits:
  – Existence of market, or
  – Usefulness of intangible asset internally;
- Technical and financial resources to complete development, and to use or sell the intangible asset; and
- Ability to measure the expenditure relating to the development reliably.

Other development expenditure is recognised as an expense as incurred. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the remaining useful lives, which ranged from 3 to 10 years during the financial year.

Product participation and other contractual rights

Rights acquired to co-market or manufacture certain third party products are capitalised to intangible assets and the corresponding liabilities are recognised as interest-bearing deferred-payables where applicable. The cost of the product participation rights is determined as equating to the gross values of the corresponding liabilities, discounted to their present values using an appropriate discount rate on initial measurement. These rights are subsequently carried at amortised cost and are amortised as appropriate on either the reverse sum of digits or straight-line basis over the periods of the agreements. The amortisation method is chosen to reflect the pattern in which the benefits relating to the rights are expected to flow to the Group.

Drug master files

Drug master files include technical know-how relating to the drug master files acquired in business combinations and are carried at cost less accumulated amortisation. Drug master files are amortised over their expected remaining useful lives, which was estimated to be between 8 and 10 years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the remaining useful life.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond 1 year, are recognised as intangible assets. Direct costs include the cost of software development employees and an approximate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

The estimate of the remaining useful lives of software ranged between 1 and 6 years for the financial year.

FINANCIAL ASSETS

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition and re-evaluates such designation at every reporting date.

Financial assets at fair value through profit and loss

Financial assets are classified under this category if held for trading, or if designated at fair value through profit and loss at inception. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in current assets; for the purpose of these financial statements short-term is defined as 3 months. Derivatives are also classified as held for trading unless they are designated as hedges. Financial

assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss are included in the income statement during the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in trade and other receivables, except for maturities greater than 12 months from the balance sheet date. These are classified as non-current assets. Loans and receivables are carried at amortised cost, less impairments, using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date. Available-for-sale financial assets are carried at fair value, and changes in the fair value are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. The impairment loss, being the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses on available-for-sale financial assets recognised in the income statement are not reversed through the income statement.

LEASED ASSETS

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The interest element is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease costs (net of any incentives from the lessor) are charged against operating profit on a straight-line basis over the period of the lease.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables, borrowings, investments and derivatives.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or another financial asset.

Financial assets, or a portion of a financial asset, are derecognised when, and only when, the entity loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). Such control is lost if the entity realises the right to benefits specified in the contract, the rights expire, or the entity surrenders those rights.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

The recognition and measurement criteria for each of these financial instruments are separately disclosed under their respective accounting policies.

The face values of financial assets and liabilities with a maturity of less than 1 year are assumed to approximate their fair values. The fair values of non-current financial assets and interest-bearing deferred-payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group as at year-end.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative instruments in the Group are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge);
- a hedge of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation (net investment hedge).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement as finance costs/income, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised in the income statement over the period to maturity.

Cash flow hedges

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The ineffective portion is recognised immediately in the income statement. Where the forecasted transaction or firm commitment results in the recognition of an asset (for example property, plant and equipment or inventory) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion on the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 35. Movements on the hedging reserves in shareholders' equity are shown under non-distributable reserves in the statement of changes in equity.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivative instruments are accounted for separately if the economic characteristics of the embedded derivative are different from those of the host contract and the embedded derivative would meet the definition of a derivative if seen separately. Embedded derivatives are not split out from instruments already measured at fair value through profit and loss. In addition, embedded foreign currency derivatives are not split out if payments are required in one of the following currencies:

- The functional currency of any substantial party to the contract;
- The currency in which the price of the related good or service is routinely denominated; or
- A currency that is commonly used in contracts to purchase non-financial items in the economic environment in which the transaction takes place.

Fair value estimation

The fair value of publicly traded derivatives and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps and cross-currency swaps is calculated as the present value of estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as options pricing models and estimated discounted value of future cash flows, are used to determine fair value of the remaining financial instruments.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. The values of finished goods and work-in-progress include raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Cost of inventories includes the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less the allowance account for credit losses. No fair value adjustment is made for the effect of time value of money where trade receivables have a short-term profile. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the estimated future cash flow discounted at the effective interest rate. This provision is recognised either directly or through the use of an allowance account. The amount of the loss is included in the income statement for the period.

TAX

The income tax charge is computed on the basis of reported income before tax for the year under the laws and regulations of the countries in which the respective Group companies are registered. Income tax comprises current tax, deferred tax and dividend taxes including STC.

Current tax

The current tax charge is the expected tax payable on taxable income for the year using substantively enacted tax rates and any adjustments to tax payable in respect of prior years.

Deferred tax

Deferred tax is provided in full, using the liability method, at currently enacted or substantively enacted tax rates in operation at the year-end, that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount.

No deferred tax liability is recognised in those circumstances, other than a business combination, where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Dividend taxes, including STC

Dividend taxes are recognised as a part of the income tax charge in the income statement in the same period as the related dividend.

The dividend tax effect of dividends paid on equity instruments is recognised in the period in which the Group declares the dividend. For financial instruments that are classified as liabilities, the dividend tax relating to any contractual payments is accrued in the same period as the interest accrual.

Deferred tax assets are recognised for dividend tax credits to the extent that it is probable that dividends will be declared against which unused dividend tax credits can be utilised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the balance sheet, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, and other highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, other highly liquid investments with original maturities of three months or less and bank overdrafts which form an integral part of the entity's cash management. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are deducted from share premium.

TREASURY SHARES

Equity shares in Aspen held by any Group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from Group equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to Aspen's equity holders. Distributions received on treasury shares are eliminated on consolidation.

CONVERTIBLE CUMULATIVE VARIABLE RATE PREFERENCE SHARES

Where financial instruments are issued that contain both liability and equity elements, their component parts are classified separately as liabilities or equity on initial recognition, in accordance with the substance of the contractual arrangements.

For purposes of balance sheet presentation, such instruments comprise two components: a financial liability (a contractual arrangement to deliver cash or other financial assets) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert into Aspen ordinary shares). Accordingly, such liability and equity elements are presented separately on the balance sheet.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition equals the fair value ascribed to the instrument as a whole. No gain or loss arises from recognising and presenting the components of the instrument separately. The liability component is measured by discounting the stream of future cash flows at the prevailing market rate for a similar liability that does not have an

associated equity component, and is carried on an amortised cost basis until extinguished on redemption or conversion. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is determined by deducting the initial carrying amount of the financial liability from the fair value of the compound instrument as a whole.

Dividends on mandatorily redeemable preference shares are recognised in the income statement under finance costs.

BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

The entity removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

The entity presents separately current and non-current liabilities on the face of the balance sheet. A liability is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to major projects that necessarily take a substantial period of time to get ready for the intended use are capitalised over the period during which the asset is acquired or constructed until the asset is ready for its intended use or sale.

All other borrowing costs are dealt with in the income statement in the period in which they are incurred.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate has been made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where a number of similar obligations exist, the likelihood that an outflow of economic resources will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the class may be small.

Provisions are measured at the present value of the expected cash outflow required to settle the present obligation at the balance sheet date, determined using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised under finance charges.

EMPLOYEE BENEFITS

Pension and provident fund obligations

It is the Group's policy to provide retirement benefits for its employees. Contributions to retirement benefit plans are charged against income in the year they become payable.

A defined benefit plan is a pension plan that determines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The Group does not have any employees belonging to this type of fund. A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 22 and 27.

Post-retirement medical aid obligations

In terms of Group policy post-retirement medical aid benefits are not provided for employees who joined after 28 February 2000. However, due to previous employment benefits offered, the Group has honoured its contractual commitment in respect

of post-retirement medical aid obligations to certain employees and pensioners employed before the change in policy.

The present value of the expected future defined benefit obligation is quantified to the extent that service has been rendered, and is reflected on the balance sheet as a liability. Valuations of these obligations are carried out by independent actuaries on an annual basis using the projected unit credit method.

Annual charges incurred to reflect additional services rendered by employees as well as any variation resulting from changes in the employee composition, and all actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged/credited to the income statement in the year of incurral.

The Group has insured the pensioner contributions into the future through an approved pre-funding insurance policy. Contributions made to the policy together with investment returns thereon are disclosed as a "plan asset" in terms of IAS 19, *Employee Benefits* and reduce the post-retirement medical aid obligation.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in trade and other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit share and the amount can be determined before the time of issuing of the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Equity compensation plans

In share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless the fair value can not be estimated reliably. If so, the Group measures the fair value by reference to the fair value of the equity instruments granted.

Share options and share appreciation rights are granted to management and key employees. The schemes in operation are classified as equity-settled share-based compensation plans. No non-market vesting conditions are applicable. The fair value of the employee services received in exchange for the instruments is expensed over the vesting period. The fair value of the services received is determined with reference to the fair value of the instruments granted. The fair value of the instruments granted is determined at grant date. At each balance sheet date, the entity revises its estimates of the number of instruments expected to vest. The effect of any changes in this assumption is recognised in the income statement, with a corresponding adjustment to equity.

When instruments are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Aspen Pharmacare share incentive trusts regulate the operation of the share incentive schemes, and are consolidated into the Group financial statements. Refer to note 16 for more details on the schemes.

DIRECTORS' EMOLUMENTS

The directors' emoluments disclosed in note 27 represent the emoluments paid to, or receivable by, directors in their capacity as director or any other capacity. All amounts in respect of the financial year reported on are presented; including bonuses not accrued for in the annual financial statements. The gain on share options represents the actual gain realised in the year, and represents the difference between grant price and exercise price. This disclosure is provided in terms of the JSE listings requirements.

IMPAIRMENT

The Group reviews the carrying value of its tangible and intangible assets (except for inventories) annually and if events occur which call into question the carrying value of the assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's fair value less cost to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

In addition IAS 36, *Impairment of Assets* requires that:

- The recoverable amounts of intangible assets with indefinite useful lives are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired;
- The recoverable amounts of intangible assets not yet available for use are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired; and
- Goodwill acquired in a business combination is tested for impairment annually.

Impairment losses recognised for goodwill are not reversed in subsequent periods. Non-financial assets other than goodwill that have been impaired in past periods are reviewed for possible reversal of impairment at each reporting date.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies a non-current asset or a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. On initial classification assets are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale assets are included in the income statement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations which is part of a single co-ordinated plan to be disposed or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue, net of trade discounts, distribution fees paid to independent wholesalers and excluding value added tax, comprises the total invoice value of goods, co-marketing fees, royalties and licensing fees. In the determination of revenue, all intra-Group transactions are excluded.

Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the buyer based on the date goods are delivered to customers. Revenue arising from co-marketing and royalty agreements is recognised on the accrual basis in accordance with the substance of the relevant agreements. Up-front payments received under licensing agreements are recognised as deferred revenue and recognised in the income statement over the period of the agreement.

OTHER INCOME AND INVESTMENT INCOME

Rental income received under operating leases is accounted for on a straight-line basis over the period of the lease.

Investment income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income.

Dividends are recognised when the right to receive payment is established.

HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on the net profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE and Circular 7 of 2002.

An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in the notes to the financial statements.

SEGMENTAL REPORTING

A geographic segment is a group of assets and operations engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The principal segments of the Group, which are representative of the internal structure used for management purposes, have been identified as follows:

Primary basis

Geographic regions are identified by location of operations. The following segments have been identified:

- South African operations
- United Kingdom and United States operations
- Australasian and Asian operations.

Secondary basis

- Consumer division, comprising self-medication products, FMCG, personal care products, infant nutritional products and nutriceutical products.
- Pharmaceutical division, comprising prescription generic and ethical pharmaceutical products, OTC products and APIs.

In respect of South Africa, Schedule 0 and 1 medicines are included in the consumer division, and Schedule 2 and upwards are included in the pharmaceutical division.

DISTRIBUTIONS TO SHAREHOLDERS

Capital distributions to ordinary shareholders and ordinary dividends are only accounted for in the financial statements in the year in which the capital distributions or dividends are approved by the Company's shareholders.

Preference share dividends payable are recognised as the dividends accrue to preference shareholders and are included in net financing costs.

SIGNIFICANT Judgements and Estimates

The Group is often required to make estimates and assumptions regarding the future. The estimates will, by definition, rarely equal the actual results achieved. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. Estimates and judgements are continually re-assessed and are based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances.

DEPRECIATION AND AMORTISATION RATES

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.
Refer to notes 1 and 4.

IMPAIRMENT OF ASSETS

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least on an annual basis, as more fully described in the accounting policy in respect of impairment and note 39. The future cash flows are assessed, taking into account forecast market conditions and the expected lives of these assets. The present value of these cash flows is compared to the current net asset value.
Refer to notes 1, 3 and 4.

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

The valuation of derivative financial instruments is based on the market situation at balance sheet date. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on the balance sheet.
Refer to notes 7 and 12.

CALCULATION OF IFRS 2 CHARGE

The calculation of the IFRS 2 charge in respect of share options and share appreciation rights is based on the valuation of the instruments at grant date, determined with the use of the binomial model. This model requires the use of several assumptions, amongst which the expected volatility of the Aspen share price, expected dividend yield and assumptions regarding percentages of options or rights expected to vest.
Refer to note 16.

RECOGNITION OF DEFERRED TAX ASSETS IN RESPECT OF ASSESSED LOSSES

The Group has recognised R7,5 million (2005: R12,2 million) as a deferred tax asset based on the projected profitability of Aspen Nutritionals.
Refer to note 9.

DETERMINATION OF NET REALISABLE VALUE OF INVENTORIES

Net realisable value is the estimate of the selling price of inventory in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Management is required to exercise considerable judgement in the determination of this estimate, specifically relating to the forecasting of demand.
Refer to note 11.

ACCOUNTING FOR BEE

BEE transactions are accounted for under IFRS 2, IAS 32 and IAS 39. The effect of this is that the difference between the issue price of ordinary and preference shares issued and the market value at the date of the transaction is charged to profit or loss. The determination of market value requires the use of judgement.
Refer to note 17.

FAIR VALUE DETERMINATION IN BUSINESS COMBINATIONS

IFRS 3 requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. Aspen makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement.

INITIAL ACCOUNTING FOR BUSINESS COMBINATION DETERMINED PROVISIONALLY

In accordance with IFRS 3, the initial accounting for the acquisition of 50% of Generix could only be determined provisionally by the time of the publication of the Group results for 2006. Accordingly, the values reflected in these financial statements in respect of the acquisition will change once the initial accounting has been completed.
Refer to note 36.

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including market risk (this includes currency risk, fair value interest rate risk and price risk) as well as credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward exchange contracts and cross-currency swaps to hedge certain exposures.

Risk management is carried out by a central treasury department in close co-operation with operational units, using guidance provided by the Audit & Risk Committee of the Board of Directors. A significant part of administration of foreign exchange risk management is outsourced. Group treasury identifies, evaluates and hedges financial risks. The Audit & Risk Committee of the Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

MARKET RISK

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the following currencies:

United States Dollar
Pound Sterling
Euro
Australian Dollar
Indian Rupee

Foreign exchange risk arises from future transactions, recognised assets and liabilities and net investments in foreign operations which are denominated in a currency which is not the Group's functional currency.

It is the policy of the Group for its South African operations to hedge 100% of its purchases in foreign currencies using forward exchange contracts, except where the foreign purchases will form a significant part of goods that will eventually be exported. These imports, as well as the related exports, are hedged to ensure that the export rates obtained will on average exceed the import rates paid. Foreign operations do not make use of forward exchange contracts. The average length of forward exchange contracts during the year was 2,4 months.

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

Operational cash flow risk exists when loans are raised in 1 currency and repaid using cash generated in a different currency. This risk is mitigated by the use of cross-currency swaps where appropriate.

Price risk

The Group is only exposed to price risk to a very limited extent, through investments classified as available-for-sale. The Group is not exposed to commodity price risk.

CREDIT RISK

The Group has no significant concentrations of credit risk except as disclosed in note 12. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Trade receivables comprise a wide customer base. Ongoing credit evaluations on the financial condition of customers are performed and where appropriate credit guarantee insurance cover is purchased.

Cash is placed with substantial financial institutions; derivatives are placed with high quality financial institutions.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, Group treasury aims at maintaining flexibility in funding by negotiating committed credit lines for the Group.

The Group manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

It is the policy of the Group to limit its exposure to interest rate movements and, where appropriate, enter into arrangements to mitigate these risks.

The Group's interest rate risk arises from its interest-bearing borrowings and its investment in preference shares, as well as the preference shares issued in terms of the BEE transaction during the 2005 financial year. Financial instruments with floating rates are subject to cash flow interest rate risk; financial instruments with fixed rates are subject to fair value interest rate risk. The majority of the Group's borrowings are subject to floating interest rates.

Aspen's date of transition to IFRS is 1 July 2004, which represents the beginning of the earliest period of comparative information.

In preparing the IFRS opening balance sheet as at the date of transition to IFRS in accordance with IFRS 1, the Group has applied the mandatory exemptions and certain optional exemptions from full retrospective application of IFRS.

The Group has adopted the following exemptions available in terms of IFRS 1:

Business combinations

The Group has elected not to retrospectively apply the requirements of IFRS 3, *Business Combinations,* to business combinations with agreements dated before 31 March 2004.

Fair value as deemed cost

The Group has elected to measure certain items of property, plant and equipment at fair value at date of transition to IFRS, and to use these fair values as the items' deemed cost as at 1 July 2004. This did not have a material effect on the Group's financial statements, as the exemption was primarily used for assets acquired in business combinations, which had already been fair-valued on acquisition.

Cumulative translation differences

The Group has elected to transfer all foreign currency translation reserves to distributable earnings at the date of transition to IFRS.

Share-based payment transactions

The Group has applied the share-based payment exemption, therefore IFRS 2, *Share-based Payment* has only been applied to share options and appreciation rights that were awarded after 7 November 2002, that had not yet vested by 1 January 2005.

	Notes	Year ended 30 June 2005 R'000
Reconciliation of net profit attributable to equity holders of the parent		
As previously reported under SA GAAP		**493 991**
Share-based payment expenses – BEE	1	**(282 441)**
Share-based payment expenses – employees	2	**(11 558)**
Amortisation	3	**(21 479)**
Depreciation	4	**5 942**
Other	5	**1 966**
As reported under IFRS		**186 421**

	Notes	30 June 2005 R'000	30 June 2004 R'000
Reconciliation of equity			
As previously reported under SA GAAP		**1 106 768**	**1 066 481**
Property, plant and equipment	4	**28 058**	**23 069**
Investment property	6	**—**	**(900)**
Goodwill	7	**(76 161)**	**(71 099)**
Intangible assets	3	**133 011**	**157 345**
Inventories	8	**2 292**	**(3 674)**
Other current assets	8	**(15 555)**	**(1 621)**
Preference shares – liability component	1	**(57 585)**	**—**
Other liabilities	8	**19 862**	**1 339**
Tax effect of adjustments		**(24 448)**	**(45 630)**
As reported under IFRS		**1 116 242**	**1 125 310**

	R'000
1. Share-based payment expenses – BEE	
This represents the amount expensed in respect of shares issued in terms of the BEE transaction concluded during June 2005.	
Amount expensed in respect of 19 500 000 ordinary shares issued	**99 200**
Amount expensed in respect of 17 600 000 preference shares issued	**183 241**
	282 441

The amount expensed in respect of the ordinary shares was expensed in terms of IFRS 2, *Share-based Payment.* The amount expensed in respect of the preference shares was expensed in terms of IAS 32, *Financial Instruments: Presentation.*

IAS 32 requires compound instruments, such as convertible preference shares, to be split into an equity and a liability component. In addition, the latest version of IAS 32 requires the instruments to be fair-valued before such a split is made. This necessitated an adjustment to the value of the liability component of the preference share previously recognised under SA GAAP.

2. Share-based payment expenses – employees

This represents the amount expensed in terms of IFRS 2, *Share-based Payment* in respect of share options awarded to employees after 7 November 2002, that had not yet vested by 1 January 2005. Further information on the share-based payment expenses relating to employees is provided in note 16.

3. Intangible assets and amortisation

IFRS 1, *First-time adoption of IFRS,* requires that IAS 38, *Intangible Assets* should be applied retrospectively. This requires the Group to recognise all intangible assets that had previously been recognised in the Group's financial statements and that meet the recognition and measurement criteria of IAS 38.

The Group had previously written certain items of intellectual property off against share premium and reserves. These items were thus required to be reinstated.

IAS 38 also requires the useful lives of intangible assets to be reviewed at least annually. This has also given rise to some adjustments in the carrying values of intangible assets and the amortisation charge.

4. Property, plant and equipment and depreciation

IAS 16, *Property, plant and equipment* differs from the previous version of AC 123, *Property, plant and equipment* in a number of ways. The most important of these are the following:

- The residual value of an asset is measured as the amount the entity estimates it would receive for the asset if the asset were already of the age and the condition expected at the end of its useful life. The old AC 123 based the residual value on the amount an entity would expect to realise for the asset at the end of its useful life; and
- The useful lives and residual values of items of property, plant and equipment are required to be re-assessed on at least an annual basis. The old AC 123 required this on a periodic basis.

5. Other income statement adjustments

This line-item includes various non-material items such as the effect of straight-lining of leases and the effect of differences in the treatment of embedded derivates under SA GAAP and IFRS.

6. Investment property

This relates to a re-classification of investment property to property, plant and equipment.

7. Goodwill

IFRS 1 specifically requires an entity to prepare an impairment test for goodwill as at date of conversion to IFRS, utilising the methodology prescribed by IAS 36, *Impairment of Assets*. Aspen therefore prepared an impairment test for the Co-pharma cash generating unit (as well as all other cash generating units with goodwill associated) as at 1 July 2004. This impairment test resulted in an impairment of the Co-pharma goodwill at date of transition to IFRS, the recognition of which had not been required under SA GAAP.

Aspen had previously applied AC 128, *Impairment of Assets*. There are a number of differences between the requirements of IAS 36 and AC 128, amongst which are:

- Management is now required to assess the reasonableness of the assumptions on which its current cash flow projections are based, by examining the cause of differences between past cash flow projections and actual cash flows;
- Management should ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes; and
- The new standard clarifies that cash flow projections should exclude any estimated cash inflows or outflows expected to arise from improving or enhancing the asset's performance.

The impairment test was prepared utilising the value in use to calculate the recoverable amount. The discount rate utilised in the calculation was 11,5%.

The goodwill balance had previously been disclosed in the United Kingdom segment and in the pharmaceutical segment.

8. Inventories, other current assets and other current liabilities

The adjustments relate to the straight-lining of leases and differences in the treatment of embedded derivates under SA GAAP and IFRS. Some re-classifications between current assets and current liabilities were also made.

Adjustments to the cash flow

There were no material adjustments to the cash flow statement. Some items were reclassified to improve the quality of the information presented. The most important of these is that non-cash finance charges are no longer presented under net financing costs paid, but rather adjusted against the movement on the relevant balance sheet items.

TRANSITION to IFRS – Company

Aspen Pharmacare Holdings Ltd converted to IFRS at the same date as the Group, and took advantage of the same exemptions available in IFRS 1, where applicable.

	Year ended 30 June 2005 R'000
Reconciliation of net profit	
As previously reported under SA GAAP	**419 171**
Share-based payment expenses – BEE	**(282 441)**
Share-based payment expenses – employees	**(2 950)**
Amortisation	**(56 914)**
Depreciation	**301**
Other	**57**
As reported under IFRS	**77 224**

	30 June 2005 R'000	30 June 2004 R'000
Reconciliation of equity		
As previously reported under SA GAAP	**1 047 175**	**921 826**
Property, plant and equipment	**455**	**155**
Intangible assets	**310 189**	**367 103**
Investments in subsidiaries	**(86 411)**	**(94 366)**
Preference shares – liability component	**(57 585)**	**—**
Other liabilities	**(209)**	**(15)**
Tax effect of adjustments	**(97 083)**	**(105 626)**
As reported under IFRS	**1 116 531**	**1 089 077**

The adjustments above have already been covered by the notes provided to the Group reconciliations, with the exception of the adjustment to investments in subsidiaries. This adjustment relates to the impairment of the investment in SAD Overseas Ltd, a subsidiary which has been dormant for a number of years. This adjustment represents the correction of an error.

GROUP

1. Property, plant and equipment

2006	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value – Group						
Cost	214 589	468 231	36 461	24 975	59 727	**803 983**
Accumulated depreciation	(22 927)	(138 961)	(22 007)	(12 145)	—	**(196 040)**
Net book value at the end of the year	191 662	329 270	14 454	12 830	59 727	**607 943**
Movement in property, plant and equipment						
Net book value at the beginning of the year	177 987	257 936	8 540	10 680	21 431	**476 574**
Disposal of 50% of FCC	(8 392)	(25 978)	(240)	(153)	—	**(34 763)**
Acquisition of subsidiaries and joint ventures	15 438	21 472	232	872	634	**38 648**
Reclassification between categories	3 271	14 913	104	346	(18 634)	**—**
Additions – expansion	2 999	67 528	384	660	47 447	**119 018**
Additions – replacement	2 430	26 598	9 699	2 635	8 835	**50 197**
Disposals	(38)	(108)	(93)	(122)	(41)	**(402)**
Depreciation	(4 209)	(35 334)	(4 227)	(2 300)	—	**(46 070)**
Effects of exchange rate changes	2 176	2 243	55	212	55	**4 741**
Net book value at the end of the year	191 662	329 270	14 454	12 830	59 727	**607 943**
LEASED						
Net carrying value – Group						
Cost	570	—	7 630	—	—	**8 200**
Accumulated depreciation	(111)	—	(2 961)	—	—	**(3 072)**
Net book value at the end of the year	459	—	4 669	—	—	**5 128**
Movement in property, plant and equipment						
Net book value at the beginning of the year	479	—	675	—	—	**1 154**
Additions – expansion	39	—	—	—	—	**39**
Additions – replacement	—	—	5 390	—	—	**5 390**
Depreciation	(59)	—	(1 396)	—	—	**(1 455)**
Net book value at the end of the year	459	—	4 669	—	—	**5 128**
TOTAL OWNED AND LEASED	**192 121**	**329 270**	**19 123**	**12 830**	**59 727**	**613 071**

COMPANY

	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value – Company						
Cost	—	—	1 768	1 190	—	**2 958**
Accumulated depreciation	—	—	(946)	(303)	—	**(1 249)**
Net book value at the end of the year	—	—	822	887	—	**1 709**
Movement in property, plant and equipment						
Net book value at the beginning of the year	—	—	1 176	992	—	**2 168**
Reclassification between categories	—	—	(2)	2	—	**—**
Additions – replacement	—	—	31	40	—	**71**
Depreciation	—	—	(383)	(147)	—	**(530)**
Net book value at the end of the year	—	—	822	887	—	**1 709**

COMPANY

1. Property, plant and equipment *continued*

	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in progress R'000	**TOTAL R'000**
LEASED						
Net carrying value – Company						
Cost	570	–	–	–	–	**570**
Accumulated depreciation	(111)	–	–	–	–	**(111)**
Net book value at the end of the year	459	–	–	–	–	**459**
Movement in property, plant and equipment						
Net book value at the beginning of the year	479	–	–	–	–	**479**
Additions – expansion	39	–	–	–	–	**39**
Depreciation	(59)	–	–	–	–	**(59)**
Net book value at the end of the year	459	–	–	–	–	**459**
TOTAL OWNED AND LEASED	**459**	**–**	**822**	**887**	**–**	**2 168**

2005						**GROUP**
OWNED						
Net carrying value – Group						
Cost	196 722	367 031	27 709	21 036	21 431	633 929
Accumulated depreciation	(18 735)	(109 095)	(19 169)	(10 356)	–	(157 355)
Net book value at the end of the year	177 987	257 936	8 540	10 680	21 431	476 574
Movement in property, plant and equipment						
Net book value at the beginning of the year	60 247	80 022	7 509	9 742	171 563	329 083
Acquisition of subsidiaries	28 083	71 394	836	371	–	100 684
Reclassification between categories and from investment property	91 674	99 880	190	841	(192 413)	172
Additions – expansion	459	15 235	160	50	42 091	57 995
Additions – replacement	357	17 905	2 739	1 506	190	22 697
Disposals	–	(319)	(11)	(169)	–	(499)
Depreciation	(3 026)	(26 181)	(2 916)	(1 745)	–	(33 868)
Effects of exchange rate changes	193	–	33	84	–	310
Net book value at the end of the year	177 987	257 936	8 540	10 680	21 431	476 574
LEASED						
Net carrying value – Group						
Cost	531	–	7 996	–	–	8 527
Accumulated depreciation	(52)	–	(7 321)	–	–	(7 373)
Net book value at the end of the year	479	–	675	–	–	1 154
Movement in property, plant and equipment						
Net book value at the beginning of the year	138	–	2 141	–	–	2 279
Additions – replacement	392	–	–	–	–	392
Depreciation	(51)	–	(1 466)	–	–	(1 517)
Net book value at the end of the year	479	–	675	–	–	1 154
TOTAL OWNED AND LEASED	**178 466**	**257 936**	**9 215**	**10 680**	**21 431**	**477 728**

COMPANY

1. Property, plant and equipment *continued*

	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in progress R'000	**TOTAL R'000**
OWNED						
Net carrying value – Company						
Cost	–	–	1 722	1 165	–	**2 887**
Accumulated depreciation	–	–	(546)	(173)	–	**(719)**
Net book value at the end of the year	–	–	1 176	992	–	**2 168**
Movement in property, plant and equipment						
Net book value at the beginning of the year	–	–	1 311	955	–	**2 266**
Additions – replacement	–	–	234	172	–	**406**
Depreciation	–	–	(369)	(135)	–	**(504)**
Net book value at the end of the year	–	–	1 176	992	–	**2 168**
LEASED						
Net carrying value – Company						
Cost	531	–	–	–	–	**531**
Accumulated depreciation	(52)	–	–	–	–	**(52)**
Net book value at the end of the year	479	–	–	–	–	**479**
Movement in property, plant and equipment						
Net book value at the beginning of the year	138	–	–	–	–	**138**
Additions – replacement	392	–	–	–	–	**392**
Depreciation	(51)	–	–	–	–	**(51)**
Net book value at the end of the year	479	–	–	–	–	**479**
TOTAL OWNED AND LEASED	**479**	**–**	**1 176**	**992**	**–**	**2 647**

GROUP

The information required by Schedule 4 of the Companies Act in respect of land and buildings is contained in the register of fixed property which is available for inspection by members at the company's registered office.

The directors are of the opinion that the open market valuation of land and buildings is at least equal to the net book value thereof.

Assets with a net book value of R4,7 million (2005: R0,7 million) have been pledged as security as set out in note 19 for loans obtained in terms of finance lease and instalment credit agreements.

Expenditure of R4,1 million (2005: R6,1 million) incurred in the construction of qualifying assets was included in the carrying amount of capital work-in-progress during the course of construction.

Borrowing costs of R0,4 million (2005: R5,3 million), arising on financing entered into for the construction of qualifying assets, were capitalised during the year and are included in "Additions". The average effective interest rate for the year was 7,18% (2005: 9,69%).

COMPANY 2005 R'000	COMPANY **2006 R'000**		GROUP **2006 R'000**	GROUP 2005 R'000
		2. Investment property		
–	**–**	At the beginning of the year	**4 000**	3 672
–	**–**	Reclassification to property, plant and equipment	**–**	(172)
–	**–**	Disposals	**(4 000)**	–
–	**–**	Net gain from fair value adjustments	**–**	500
–	**–**	At the end of the year	**–**	4 000

The investment property consisted of an office building situated in Midrand, Gauteng. This property was sold during the year, as a market related offer was received. The property was included in the South African segment.

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		3. Goodwill		
		Net carrying value		
—	—	Cost	**344 637**	270 379
—	—	Accumulated impairment losses	**(82 544)**	(74 784)
—	—	Net carrying value at the end of the year	**262 093**	195 595
		Movement in goodwill		
—	—	Net carrying amount at the beginning of the year	**195 595**	15 104
—	—	Negative goodwill adjustment in terms of IFRS 3	**—**	4 358
—	—	Acquisitions of subsidiary companies and joint ventures	**143 592**	179 046
—	—	Impairment charge	**(13 913)**	—
—	—	Subsequent recognition of deferred tax asset	**(546)**	(7 018)
—	—	Effects of exchange rate changes	**12 303**	551
—	—	Disposal of 50% of FCC	**(73 605)**	—
—	—	Adjustment to estimate of FCC contingent consideration	**(1 333)**	3 554
—	—	Net carrying value at the end of the year	**262 093**	195 595

The impairment charge arose due to the impairment of goodwill of FCC.

The recoverable amount of the FCC cash-generating unit was determined using fair value less costs to sell at the end of December 2005. The proceeds on disposal of 50% of FCC to Matrix was less than the book value of assets disposed, requiring the impairment of goodwill. The impairment loss is included in the South African segment and in the pharmaceutical segment.

GROUP

4. Intangible assets

2006	Intellectual property R'000	Development costs* R'000	Product participation and other contractual rights R'000	Drug master files R'000	Computer software R'000	Total R'000
Net carrying value – Group						
Cost	1 458 532	57 126	225 360	117 769	49 894	**1 908 681**
Accumulated amortisation	(768 073)	(6 536)	(114 963)	(15 611)	(34 745)	**(939 928)**
Accumulated impairment losses	(146 256)	—	—	(898)	(1 092)	**(148 246)**
Net carrying value at the end of the year	544 203	50 590	110 397	101 260	14 057	**820 507**
Movement in intangible assets						
Carrying amount at the beginning of the year	480 442	31 095	97 236	47 745	9 274	**665 792**
Acquisition of subsidiaries and joint ventures	1 606	—	30 000	76 204	—	**107 810**
Disposal of 50% of FCC	—	—	—	(22 546)	(34)	**(22 580)**
Reclassification between categories	(2 000)	2 000	—	—	—	**—**
Additions – expansion	101 311	—	2 115	—	608	**104 034**
Additions – replacement	—	—	—	—	9 221	**9 221**
Development costs capitalised	—	19 120	—	—	—	**19 120**
Disposals	(1 028)	—	—	—	—	**(1 028)**
Amortisation	(59 151)	(1 625)	(19 519)	(7 630)	(3 920)	**(91 845)**
Impairment	(1 111)	—	—	(155)	(1 092)	**(2 358)**
Reversal of impairment	776	—	—	—	—	**776**
Effects of exchange rate changes	23 358	—	565	7 642	—	**31 565**
Net carrying value at the end of the year	544 203	50 590	110 397	101 260	14 057	**820 507**
						COMPANY
Net carrying value – Company						
Cost	923 756	—	57 818	—	608	**982 182**
Accumulated amortisation	(530 093)	—	(13 186)	—	—	**(543 279)**
Net carrying value at the end of the year	393 663	—	44 632	—	608	**438 903**
Movement in intangible assets						
Carrying amount at the beginning of the year	461 020	—	56 804	—	—	**517 824**
Additions – expansion	550	—	—	—	608	**1 158**
Amortisation	(67 907)	—	(12 172)	—	—	**(80 079)**
Net carrying value at the end of the year	393 663	—	44 632	—	608	**438 903**

Internally generated.

GROUP

4. Intangible assets *continued*

2005	Intellectual property R'000	Development costs* R'000	Product participation and other contractual rights R'000	Drug master files R'000	Computer software R'000	Total R'000
Net carrying value – Group						
Cost	1 328 966	35 918	192 067	67 047	40 447	**1 664 445**
Accumulated amortisation	(702 885)	(4 823)	(94 830)	(17 815)	(31 172)	**(851 525)**
Accumulated impairment losses	(145 641)	–	–	(1 487)	–	**(147 128)**
Net carrying value at the end of the year	480 440	31 095	97 237	47 745	9 275	**665 792**
Movement in intangible assets						
Carrying amount at the beginning of the year	455 959	22 410	108 908	–	11 940	**599 217**
Acquisition of subsidiaries	–	–	–	54 264	385	**54 649**
Reclassification from prepayments	7 502	233	–	–	–	**7 735**
Reclassification between categories	(7 734)	–	7 734	–	–	**–**
Additions – expansion	73 971	–	–	–	1 514	**75 485**
Additions – replacement	–	–	–	–	17	**17**
Development costs capitalised	–	10 199	–	–	–	**10 199**
Disposals	(2 089)	–	–	–	–	**(2 089)**
Amortisation	(60 650)	(1 754)	(22 399)	(5 427)	(4 581)	**(94 811)**
Impairment	(3 150)	–	–	(1 092)	–	**(4 242)**
Reversal of impairment	31	–	–	–	–	**31**
Effects of exchange rate changes	16 600	7	2 994	–	–	**19 601**
Net carrying value at the end of the year	480 440	31 095	97 237	47 745	9 275	**665 792**
						COMPANY
Net carrying value – Company						
Cost	923 206	–	57 818	–	–	**981 024**
Accumulated amortisation	(462 186)	–	(1 014)	–	–	**(463 200)**
Net carrying value at the end of the year	461 020	–	56 804	–	–	**517 824**
Movement in intangible assets						
Carrying amount at the beginning of the year	429 089	–	–	–	–	**429 089**
Additions – expansion	98 541	–	57 818	–	–	**156 359**
Amortisation	(66 610)	–	(1 014)	–	–	**(67 624)**
Net carrying value at the end of the year	461 020	–	56 804	–	–	**517 824**

*Internally generated.

COMPANY 2005 R'000	COMPANY **2006 R'000**		GROUP **2006 R'000**	GROUP 2005 R'000
		Product participation and other contractual rights can be split into the following categories for the purposes of amortisation:		
		– amortised on a straight-line basis		
56 804	**44 632**	Carrying amount	**51 596**	25 523
1 014	**12 172**	Amortisation for the year	**4 493**	4 172
		– amortised using the reverse sum of the digits method		
–	**–**	Carrying amount	**58 801**	71 714
–	**–**	Amortisation for the year	**15 026**	18 227
23 161	**–**	Carrying amounts of indefinite useful life intangible assets (included in intellectual property)	**–**	23 161
		Mentadent P was previously classified as an indefinite useful life intangible asset. In the current year, this assessment has been revised to a remaining useful life of 30 years.		

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		5. Investments in subsidiaries and joint ventures		
		Investments in subsidiaries comprise:		
900 846	**779 569**	Investments at cost less accumulated impairment losses		
99 323	**808**	Amounts due by subsidiary companies		
(105 228)	**(299 835)**	Amounts due to subsidiary companies		
894 941	**480 542**	Total investment in subsidiaries		
		Investments in joint ventures comprise:		
—	**358 203**	Investments at cost less accumulated impairment losses		
—	**6 751**	Amounts due by joint ventures		
—	**364 954**	Total investment in joint ventures		
894 941	**845 496**	**Total investments in subsidiaries and joint ventures**		
		The amounts due to/by subsidiaries are unsecured and have no fixed terms of repayment. Interest is charged at 0%. These arrangements are reviewed from time to time.		
		Amounts due by joint ventures bear interest at prime less 2%, with no fixed terms of repayment.		
		Aggregate attributable after-tax profits/(losses) of subsidiaries		
1 279 055	**597 158**	– profits		
(1 974)	**(890)**	– losses		
		The following amounts are included in the consolidated financial statements in respect of joint ventures:		
		Non-current assets	**395 427**	—
		Current assets	**137 106**	—
		Non-current liabilities	**9 984**	—
		Current liabilities	**114 473**	—
		Revenue	**219 836**	—
		Cost of sales	**(152 243)**	—
		Gross profit	**67 593**	—
		Other operating income	**10**	—
		Operating expenses	**(23 947)**	—
		Investment income	**436**	—
		Operating profit	**44 092**	—
		Net financing costs	**(3 930)**	—
		Profit before tax	**40 162**	—
		Tax	**(12 003)**	—
		Profit after tax	**28 159**	—
		Contingent liabilities		
		Share of capital commitments of joint ventures:		
		Tangible assets		
		Contracted	**356**	—
		Authorised but not contracted for	**3 598**	—

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		6. Available-for-sale financial assets		
—	**—**	At the beginning of the year	**55**	44
—	**12 045**	Contingent consideration in respect of sale of 50% of FCC	**12 045**	—
—	**(667)**	Revaluation to fair value	**(641)**	11
—	**463**	Notional interest	**463**	—
—	**11 841**	At the end of the year	**11 922**	55
—	**—**	Listed	**81**	55
—	**11 841**	Not listed	**11 841**	—
—	**11 841**		**11 922**	55

Available-for-sale financial assets, comprising the contingent consideration in respect of the FCC purchase price and marketable equity securities, are fair valued annually on the close of business on 30 June. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

The estimated contingent consideration of R12,0 million is receivable from Matrix after the audited results for the year ending 30 June 2007 are finalised.

The above available-for-sale financial assets were classified as non-current.

7. Financial assets and liabilities at fair value through profit and loss

7.1 Financial assets at fair value through profit and loss

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
—	**—**	At the beginning of the year	**956**	4 967
—	**—**	Disposal of 50% of FCC	**(478)**	—
—	**—**	Fair value gains recognised in the income statement	**1 668**	2 450
—	**—**	Fair value losses recognised in the income statement	**—**	(6 535)
—	**—**	Effects of exchange rate changes	**138**	74
—	**—**	At the end of the year	**2 284**	956
		Financial assets at fair value through profit and loss consist of derivatives where hedge accounting was not applied, and can be analysed as follows:		
—	**—**	Forward exchange contracts (current)	**1 263**	956
—	**—**	Cross-currency swap (non-current)	**1 021**	—
—	**—**	At the end of the year	**2 284**	956

The increase in the fair value of the non-current derivative during the year was R4,9 million (2005: R10,1 million decrease), and the cumulative increase since designation is R1,0 million (2005: R3,6 million decrease).

The maximum exposure to credit risk is equal to the outstanding balance.

The total amount of financial assets at fair value through profit and loss comprises derivatives, and was thus classified as held for trading on initial recognition.

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		7. Financial assets and liabilities at fair value through profit and loss *continued*		
		7.2 Financial liabilities at fair value through profit and loss		
–	**–**	At the beginning of the year	**3 614**	–
–	**–**	Fair value gains recognised in the income statement	**(3 455)**	–
–	**–**	Fair value losses recognised in the income statement	**–**	3 475
–	**–**	Effects of exchange rate changes	**(159)**	139
–	**–**	At the end of the year	**–**	3 614

The amount that the entity is contractually required to pay at maturity to the holder of the obligation is equal to the outstanding balance.

Financial liabilities at fair value through profit and loss consist of a cross-currency swap where hedge accounting was not applied. The total amount was classified as non-current and designated as held for trading on initial recognition.

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		8. Preference share investment		
–	**376 800**	At the beginning of the year	**376 800**	–
376 800	**–**	Additions	**–**	376 800
376 800	**376 800**	At the end of the year	**376 800**	376 800

The proceeds received from the issue of preference shares as a part of the BEE transaction concluded during 2005 were invested in premium rated preference shares.

Preference share dividends are receivable semi-annually on 30 November and 31 May and are determined on the basis of 64% of the prime overdraft rate. The preference shares are redeemable after 3 years and 1 day.

The above non-listed preference share investment is classified as a non-current loan and receivable. The preference share dividend rate was 7,04% at year-end (2005: 6,72%). The preference share investment was classified as a held-to-maturity investment under SA GAAP.

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		9. Deferred tax		
		Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 29% (2005: 29%).		
		9.1 Deferred tax asset		
		Reconciliation of movement		
5 316	**–**	Balance at the beginning of the year	**57 630**	70 331
–	**–**	Adjustment for change in tax rate	**–**	(2 166)
(5 316)	**–**	Re-allocation to deferred tax liability	**(1 441)**	(8 021)
–	**–**	Restated opening balance	**56 189**	60 144
–	**–**	Prior year adjustment – income statement	**–**	(1 550)
–	**–**	Income statement charge	**(21 872)**	(8 164)
–	**–**	Effects of exchange rate changes	**64**	36
–	**–**	Acquisition of subsidiaries and joint ventures	**–**	7 164
–	**–**	Balance at the end of the year	**34 381**	57 630
		The income statement charge comprises		
–	**–**	Property, plant and equipment	**(464)**	(1 232)
–	**–**	Intangible assets	**(16 466)**	(11 926)
–	**–**	Trade and other receivables	**(218)**	1 442
–	**–**	Cross-currency swap	**–**	3 002
–	**–**	Interest-bearing borrowings	**–**	(2 956)
–	**–**	Royalties received in advance	**–**	(2 378)
–	**–**	Unused tax losses	**(4 768)**	4 392
–	**–**	Other	**44**	(58)
–	**–**	Total income statement charge relating to deferred tax asset	**(21 872)**	(9 714)
		The deferred tax asset comprises		
–	**–**	Property, plant and equipment	**(2 399)**	(1 922)
–	**–**	Intangible assets	**28 194**	45 875
–	**–**	Trade and other receivables	**725**	942
–	**–**	Cross-currency swap	**–**	1 081
–	**–**	Interest-bearing borrowings	**–**	(841)
–	**–**	Unused tax losses	**7 478**	12 246
–	**–**	Other	**383**	249
–	**–**	Total deferred tax asset	**34 381**	57 630
		Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefit through future taxable profits is probable. The amount of unrecognised tax losses as at year-end was nil (2005: R67,0 million).		

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		9. Deferred tax *continued*		
		9.2 Deferred tax liability		
		Reconciliation of movement		
–	**5 939**	Balance at the beginning of the year	**71 579**	54 442
176	**–**	Adjustment for change in tax rate	**–**	(2 284)
(5 316)	**–**	Re-allocation from deferred tax asset	**(1 441)**	(8 021)
(5 140)	**5 939**	Restated opening balance	**70 138**	44 137
–	**–**	Prior year adjustment – income statement	**40**	2 473
19 763	**3 306**	Income statement charge	**31 245**	17 647
(8 684)	**–**	Charged to equity	**(946)**	(30 978)
–	**–**	Prior year adjustment – equity	**–**	24 472
–	**–**	Effects of exchange rate changes	**822**	590
–	**–**	Acquisition of subsidiaries and joint ventures	**8 700**	13 238
–	**–**	Disposal of 50% of FCC	**(6 117)**	–
5 939	**9 245**	Balance at the end of the year	**103 882**	71 579
		The income statement charge comprises		
87	**79**	Property, plant and equipment	**13 022**	16 262
22 801	**3 022**	Intangible assets	**9 645**	20 627
(9)	**34**	Trade and other receivables	**2 526**	1 649
–	**–**	Inventories	**(1 080)**	(957)
–	**–**	Cross-currency swap	**1 297**	–
–	**–**	Interest-bearing deferred-payables	**7 842**	(12 224)
–	**–**	Retirement benefit obligations	**738**	440
(3 093)	**(754)**	Royalties received in advance	**(754)**	(2 674)
(23)	**925**	Other	**(1 951)**	(3 003)
19 763	**3 306**	Total income statement charge relating to deferred tax liability	**31 285**	20 120
		The deferred tax liability comprises		
132	**211**	Property, plant and equipment	**59 680**	52 652
36 041	**39 063**	Intangible assets	**61 925**	44 264
19	**53**	Trade and other receivables	**23 018**	21 408
–	**–**	Inventories	**(1 893)**	(1 021)
–	**–**	Cross-currency swap	**304**	–
–	**–**	Interest-bearing deferred-payables	**(451)**	(9 036)
–	**–**	Retirement benefit obligations	**(2 126)**	(3 078)
(247)	**(242)**	Leave pay	**(4 973)**	(4 062)
(21 313)	**(22 067)**	Royalties received in advance	**(22 067)**	(20 854)
(8 632)	**(7 682)**	Preference shares issued	**(7 682)**	(8 632)
(61)	**(91)**	Other	**(1 853)**	(62)
5 939	**9 245**	Total deferred tax liability	**103 882**	71 579

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		10. Non-current receivables		
–	**–**	GlaxoSmithKline Australia Pty Ltd ("GSK Australia")	**–**	11 453
–	**–**	Current portion included in trade and other receivables	**–**	(11 453)
–	**–**		**–**	–
		An agreement with GSK Australia was entered into with effect from 1 January 2003 to market a range of products. In terms of the agreement R32,3 million was due and payable by GSK Australia over a 3-year period.		
		The fair value of R11,5 million was based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to borrowers at the balance sheet date. The effective interest rate used was 5,7%.		
		11. Inventories		
–	**–**	Raw materials	**265 112**	122 439
–	**–**	Work-in-progress	**118 405**	65 670
–	**–**	Finished goods	**409 302**	236 150
–	**–**	Consumables	**5 484**	3 912
–	**–**	Total	**798 303**	428 171
		Inventories above are at cost, except for the following inventories carried at net realisable value:		
–	**–**	Raw materials	**–**	249
–	**–**	Finished goods	**3 292**	2 134
–	**–**	Total	**3 292**	2 383
–	**–**	Write-down of inventories recognised as an expense	**31 477**	22 910
		Inventories of the Astrix joint venture with a carrying amount of R44,6 million (2005: nil) were pledged as security for a working capital facility with the State Bank of India.		
		12. Trade and other receivables		
–	**–**	Trade receivables	**623 223**	447 097
–	**–**	Allowance account for credit losses	**(6 991)**	(14 768)
–	**–**	Net trade receivables	**616 232**	432 329
–	**–**	Current portion of non-current receivables	**–**	11 453
–	**–**	Indirect taxes	**16 611**	14 959
–	**–**	Interest accrued	**2 110**	2 790
128	**358**	Prepayments	**37 756**	22 582
–	**–**	Forward exchange contracts	**12 359**	5 632
1 141	**2 346**	Other	**36 866**	19 944
1 269	**2 704**		**721 934**	509 689
		Trade and other receivables of the Astrix joint venture to the value of R46,5 million were pledged as security for a working capital facility with the State Bank of India.		
		The maximum credit risk exposure was R399,2 million (2005: R351,8 million). The reason for the difference between the carrying value and the maximum credit risk exposure is that certain amounts were covered by credit guarantee insurance.		
		The only significant concentration of credit risk relates to an amount of R77,2 million (2005: R48,5 million) owing by the South African government.		

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		13. Cash and cash equivalents		
466	**213**	Bank balances	**556 514**	360 680
11 488	**23**	Short-term bank deposits	**560**	13 136
–	**–**	Cash in transit*	**67 981**	65 762
–	**–**	Cash on hand	**106**	26
11 954	**236**		**625 161**	439 604
		**Comprises receipts from customers only banked after year-end.*		
		The maturity profile was as follows:		
11 954	**236**	Less than 1 month	**620 457**	439 256
–	**–**	Between 1 and 2 months	**4 533**	348
–	**–**	Between 2 and 3 months	**171**	–
11 954	**236**		**625 161**	439 604
		The average effective interest rate on short-term bank deposits was 5,1% (2005: 6,3%).		
		14. Share capital and share premium		
		Authorised		
		500 000 000 (2005: 500 000 000) ordinary shares of 13,90607 cents each	**69 530**	69 530
		Issued		
		386 380 142 (2005: 378 372 397) ordinary shares of 13,90607 cents each	**53 730**	52 617
		Share premium	**900 633**	1 048 196
			954 363	1 100 813
		The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.		
		Amount of preliminary expenses, commission and expenses of share issue charged against share premium account during the year	**450**	11 650
		Total number of shares issued during the year ('000)	**8 008**	22 842
		Consideration received (net of transaction costs)	**38 214**	269 642
		Number of shares issued to directors or members of their immediate family ('000)	**5 400**	1 324
		Consideration received (net of transaction costs)	**21 580**	5 664
		Number of shares in issue at the beginning of the year ('000)	**378 372**	377 019
		Shares issued – share option scheme ('000)	**7 862**	3 342
		Shares issued – BEE ('000)	**–**	19 500
		Shares issued – Workers' Share Plan ('000)	**146**	–
		Shares bought back and cancelled ('000)	**–**	(21 489)
		Number of shares in issue at the end of the year ('000)	**386 380**	378 372
		Share premium under IFRS	**900 633**	1 048 196
		Intangible assets reinstated	**(682 530)**	(682 530)
		Ordinary shares issued in terms of BEE transaction – amount expensed	**(99 200)**	(99 200)
		Share premium for the purposes of the Companies Act	**118 903**	266 466

COMPANY			GROUP	
2005 R'000	2006 R'000		2006 R'000	2005 R'000
		15. Treasury shares		
		At the beginning of the year	**(641 672)**	(75 807)
		Share acquisition – scheme of arrangement	**–**	(435 911)
		Share acquisition – Peu Health (Pty) Ltd	**–**	(205 761)
		Treasury shares cancelled	**–**	75 807
		Capital distribution	**18 689**	–
		At the end of the year	**(622 983)**	(641 672)
		Number of treasury shares at the beginning of the year ('000)	**38 932**	18 812
		Share acquisition – scheme of arrangement ('000)	**–**	20 309
		Share acquisition – Peu Health (Pty) Ltd ('000)	**–**	18 623
		Treasury shares cancelled ('000)	**–**	(18 812)
		Number of treasury shares at the end of the year ('000)	**38 932**	38 932

16. Share-based compensation reserve

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 66.

The Group currently operates the following share-based payment schemes:

Medhold Share Incentive Scheme

In terms of this scheme adopted in 1993, share options offered and taken up are released in 4 equal tranches commencing on the third anniversary of an offer date, and expire after 8 years.

No new options have been issued in terms of the Medhold Share Incentive Scheme since September 1997 and the last options outstanding in terms of this scheme were exercised during the 2005 financial year.

Aspen Pharmacare Share Incentive Scheme

Share options are granted to management and key employees in terms of this scheme. The scheme was adopted by shareholders in January 1999. An amendment to the trust deed was approved by shareholders on 18 January 2000, in terms of which share options offered and taken up are released in 5 equal annual tranches, commencing on the second anniversary of an offer date and expire after 8 years. In terms of the Aspen Pharmacare Share Incentive Scheme, the aggregate number of shares awarded in terms of this scheme and the Medhold Share Incentive Scheme is limited to 15% of the company's issued share capital. Cumulative shares awarded at balance sheet date represent 5% of the company's issued share capital. The scheme is equity settled.

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is 5 years and vesting takes place 3 years from the allocation date. For employees who have finalised their first cycle of awards in terms of the Aspen Share Incentive Scheme, vesting of the first award made in terms of this scheme will take place as follows: 20% after 2 years and the remainder after 3 years. In terms of the Aspen Share Appreciation Plan, shares acquired by all participants in terms of this plan and the Aspen Pharmacare Share Incentive Scheme may not exceed 56,8 million shares. To date 18,7 million shares have been awarded. The scheme is equity settled.

Aspen South African Workers' Share Plan

The Aspen South African Workers' Share Plan was adopted in October 2005. In terms of the plan all permanent employees not covered by one of the other share schemes, who have a minimum of 1 year's continuous service with the company, qualify for Aspen shares to a value of R9 000, awarded over a 3-year period.

16.1 Medhold Share Incentive Scheme	Option price (cents)	2006 Number of shares ('000)	2005 Number of shares ('000)
At the beginning of the year	38	**–**	67
Exercised and shares released	38	**–**	(67)
At the end of the year		**–**	–

16. Share-based compensation reserve *continued*

16.2 Aspen Pharmacare Share Incentive Scheme

Exercise price (R)	Expiry date	Options outstanding on 30 June 2005 '000	Vested '000	Non-vested '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Options outstanding on 30 June 2006 '000	Vested '000	Non-Vested '000
3,58	Feb 2008	**7 144**	4 762	2 382	–	6 238	58	**848**	848	–
4,28	Apr 2009	**80**	–	80	–	10	–	**70**	30	40
4,47	Apr 2009	**380**	180	200	–	180	–	**200**	100	100
5,00	Apr 2009	**100**	60	40	–	–	–	**100**	80	20
5,05	Jan 2009	**700**	260	440	–	290	–	**410**	190	220
5,72	Jan 2009	**60**	20	40	–	–	–	**60**	40	20
5,90	Dec 2009	**240**	60	180	–	120	–	**120**	–	120
6,00	Jul 2009	**240**	–	240	–	70	–	**170**	10	160
6,07	Aug 2009	**263**	–	263	–	53	60	**150**	30	120
6,09	Jan 2009	**100**	60	40	–	–	–	**100**	80	20
6,13	May 2008	**40**	–	40	–	–	–	**40**	20	20
6,50	Jan 2011	**992**	113	879	–	188	45	**759**	156	603
6,59	Mar 2011	**18**	–	18	–	5	–	**13**	–	13
7,01	Feb 2011	**80**	–	80	–	20	–	**60**	–	60
7,49	Feb 2011	**8**	2	6	–	2	–	**6**	2	4
7,57	Feb 2011	**18**	–	18	–	5	–	**13**	–	13
7,77	Jul 2011	**438**	–	438	–	68	–	**370**	20	350
8,28	Aug 2011	**183**	–	183	–	23	80	**80**	14	66
9,01	Oct 2011	**65**	–	65	–	13	–	**52**	–	52
9,20	Aug 2011	**2 000**	–	2 000	–	400	–	**1 600**	–	1 600
9,46	Sep 2011	**15**	–	15	–	–	–	**15**	3	12
9,85	Nov 2011	**120**	–	120	–	18	–	**102**	6	96
11,11	Feb 2012	**83**	–	83	–	12	–	**71**	5	66
11,20	Jan 2012	**990**	–	990	–	115	42	**833**	87	746
11,42	Feb 2012	**22**	–	22	–	4	–	**18**	–	18
11,46	Feb 2012	**8**	–	8	–	–	–	**8**	2	6
12,00	Dec 2012	**8**	–	8	–	–	–	**8**	2	6
12,07	Mar 2012	**45**	–	45	–	2	–	**43**	8	35
12,10	Feb 2012	**8**	–	8	–	–	–	**8**	2	6
12,23	May 2012	**38**	–	38	–	–	–	**38**	8	30
12,30	Jun 2012	**200**	–	200	–	–	–	**200**	–	200
12,40	Mar 2012	**30**	–	30	–	6	–	**24**	–	24
12,46	Apr 2012	**75**	–	75	–	–	–	**75**	15	60
12,67	Jul 2012	**2 975**	1	2 974	–	–	112	**2 863**	12	2 851
12,75	Aug 2012	**100**	–	100	–	20	–	**80**	–	80
13,20	Jul 2012	**8**	–	8	–	–	–	**8**	–	8
13,55	Aug 2012	**800**	–	800	–	–	–	**800**	–	800
14,86	Sep 2012	**38**	–	38	–	–	–	**38**	–	38
14,96	Oct 2012	**30**	–	30	–	–	–	**30**	–	30
15,75	Nov 2012	**15**	–	15	–	–	–	**15**	–	15
15,87	Nov 2012	**8**	–	8	–	–	–	**8**	–	8
16,93	Sep 2012	**8**	–	8	–	–	–	**8**	–	8
18,23	Oct 2012	**115**	–	115	–	–	–	**115**	–	115
20,73	Sep 2012	**208**	–	208	–	–	–	**208**	–	208
21,49	Mar 2012	**45**	–	45	–	–	–	**45**	–	45
21,63	May 2012	**8**	–	8	–	–	8	**–**	–	–
22,13	May 2012	**38**	–	38	–	–	–	**38**	–	38
23,92	Jul 2013	**–**	–	–	1058	–	–	**1 058**	–	1 058
23,93	Jun 2013	**45**	–	45	–	–	–	**45**	–	45
24,19	Jun 2013	**8**	–	8	–	–	–	**8**	–	8
24,57	Jun 2013	**60**	–	60	–	–	–	**60**	–	60
		19 300#	5 518	13 782	1 058*	7 862†	405	**12 091**	1 770	10 321

**Information relating to options granted during the year:*

Fair value at measurement date (R)	*8,11*
Share price at measurement date (R)	*23,92*

The fair value was determined with the use of a binomial model using the following inputs:

Volatility	*28,01%*
Dividend yield	*2,74%*
Risk-free rate	*7,79%*

Volatility was based on historical data, taking into account the expected life of the options.

†Options exercised during the year resulted in 7 862 142 shares (2005: 3 342 050) being issued yielding proceeds of R33,7 million (2005: R13,1 million). The weighted average share price at which shares were exercised during the year was R33,61.

#Includes 400 000 shares awarded with retrospective effect during the year.

16. Share-based compensation reserve *continued*

16.3 Aspen Share Appreciation Plan:

Exercise price (R)	Expiry date	Rights outstanding on 30 June 2005 '000	Granted during the year '000	Lapsed/ cancelled during the year '000	Rights outstanding on 30 June 2006 '000	Vested '000	Non-vested '000	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility %	Dividend yield %	Risk-free rate %
23,92	July 2010	–	3 741	95	3 646	21	3 625	10,96	30,54	25,43	2,54	7,55
28,54	Aug 2010	–	29	–	29	–	29	9,38	31,00	24,91	2,54	7,55
29,97	Sep 2010	–	4	–	4	–	4	8,39	30,54	24,87	2,54	7,55
30,04	Sep 2010	–	43	–	43	–	43	8,36	30,54	24,87	2,54	7,55
30,53	Oct 2010	–	26	–	26	–	26	8,86	31,70	24,62	2,54	7,55
31,12	Sep 2010	–	20	–	20	–	20	7,85	30,54	24,72	2,54	7,55
31,68	Oct 2010	–	4	–	4	–	4	7,63	30,54	24,89	2,54	7,55
31,83	Dec 2010	–	37	–	37	–	37	8,24	31,70	24,62	2,54	7,55
31,96	Nov 2010	–	45	–	45	–	45	8,43	32,08	24,66	2,54	7,55
32,59	Dec 2010	–	8	–	8	–	8	12,46	37,99	24,70	2,34	7,30
33,24	Dec 2010	–	4	–	4	–	4	12,11	37,99	24,70	2,34	7,30
33,41	Jan 2011	–	26	–	26	–	26	12,88	39,17	24,79	2,34	7,30
36,67	Jun 2011	–	7	–	7	–	7	8,58	34,28	26,53	2,34	7,30
42,63	Mar 2011	–	17	–	17	–	17	10,24	42,19	25,88	2,34	7,30
43,37	Apr 2011	–	6	–	6	–	6	8,58	43,72	25,27	2,34	7,30
43,41	May 2011	–	6	–	6	–	6	11,43	38,10	25,50	2,34	7,30
		–	4 023	95	3 928	21	3 907					

The fair value was calculated using the binomial model. Volatility was based on historical data, taking into account the expected life of the appreciation rights.

The following reflects the number of shares that will be issued on the assumption that all share options are exercised on the earliest possible date:

Aspen Pharmacare Share Incentive Scheme	Number of shares '000	Consideration R'000
2007	4 323	34 058
2008	2 359	28 220
2009	2 159	27 022
2010	1 925	25 481
2011	1 109	17 479
2012	212	2 116

The vesting profile of the share appreciation rights is as follows:

Aspen Share Appreciation Plan	Number of shares '000
2007	552
2008	3 375

In terms of the Aspen Share Appreciation Plan, participants are settled the growth on appreciation rights in Aspen shares at date of exercise. The number of shares required to be issued can thus only be determined at date of exercise.

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		17. Preference share capital		
		Authorised and issued for the purposes of the Companies Act		
		17 600 000 (2005: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each, issued at R 21,41 during June 2005.		
		Share capital	**2 447**	2 447
		Share premium	**374 369**	374 369
			376 816	376 816
		Dividend rights		
		Preference share dividends are calculated at the prime overdraft rate of interest as charged by First National Bank Ltd from time-to-time multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends are payable on 10 June of each year.		
		The preference share dividend rate was 7,8% at year-end (2005: 7,5%).		
		Voting rights		
		Each Aspen preference share has one vote and accordingly ranks pari passu in regard to votes with the issued Aspen ordinary shares.		
		Redemption/conversion rights		
		Preference shareholders have the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. Redemption will take place at R21,41.		
		The conditions or rights of the preference shares are available for inspection at the company's registered office.		
		Accounting		
		Refer to the accounting policy on page 80. For accounting purposes the preference shares have been split into an equity and a liability component:		
		Equity component	**153 296***	153 296*
		Liability component	**403 304**	406 582
		Amount expensed in 2005	**(183 241)**	(183 241)
		Cumulative notional interest on liability component	**3 457**	179
			376 816	376 816
		**R162 million net of deferred tax asset.*		
		The fair value of the liability component of the preference shares is R396,1 million (2005: R406,6 million). The liability component is exposed to fair value interest rate risk.		
		The effective interest rate of the liability component was 10,5% (2005: 10,5%).		
		18. Minority interest		
		Acquisition of subsidiary	**12 365**	—
		Share of profits	**116**	—
			12 481	—

COMPANY 2005 R'000	COMPANY 2006 R'000			GROUP 2006 R'000	GROUP 2005 R'000
		19. Interest-bearing borrowings			
		19.1 Long-term borrowings			
—	**—**	Secured loans – offshore	(a)	**69 079**	83 441
—	**—**	Finance lease and instalment credit liabilities	(b)	**4 653**	654
—	**—**			**73 732**	84 095
—	**—**	Current portion of secured loans – offshore	(a)	**(23 022)**	(20 857)
—	**—**	Current portion of finance lease and instalment credit liabilities	(b)	**(1 742)**	(568)
—	**—**	Long-term interest-bearing borrowings		**48 968**	62 670
		19.2 Short-term borrowings			
—	**—**	Current portion of secured loans – offshore	(a)	**23 022**	20 857
—	**—**	Current portion of finance lease and instalment credit liabilities	(b)	**1 742**	568
147 493	**105 376**	Current unsecured loans – local	(c)	**768 607**	735 365
—	**—**	Current unsecured loans – offshore	(d)	**1 598**	4 844
—	**—**	Current secured loans – offshore	(e)	**15 804**	—
—	**12 466**	Bank overdrafts	(f)	**363 005**	29
147 493	**117 842**	Short-term interest-bearing borrowings		**1 173 778**	761 663
		Terms of repayment and interest rates			
		a) Secured loans amounting to R23,0 million have been settled during the year ended 30 June 2006 (2005: R20,1 million). The balance is repayable over the period to 10 April 2009, in 6 equal semi-annual instalments as follows:			
		year ended 30 June 2006		**—**	20 857
		year ending 30 June 2007		**23 022**	20 857
		year ending 30 June 2008		**23 022**	20 857
		year ending 30 June 2009		**23 035**	20 870
		The interest rate charged is linked to movements in the 6-month London Inter Bank Offered Rate ("LIBOR").			
		b) Repayment terms: Finance lease and instalment credit liabilities			
		year ended 30 June 2006		**—**	568
		year ending 30 June 2007		**1 742**	86
		year ending 30 June 2008		**1 499**	—
		year ending 30 June 2009		**1 412**	—
		c) The local unsecured loans have no fixed terms of repayment, and bear interest at overnight call rates prevailing, except for the loan with Matrix, which bears interest at prime less 2%. The balance comprises loans payable to the following parties:			
		ABSA Bank Ltd		**15 093**	294 163
		Citibank N.A., South Africa Branch		**191 904**	45 123
		Commerz Bank, Johannesburg Branch		**117 723**	—
		First National Bank, a division of FirstRand Bank Ltd		**—**	145
		HSBC Bank plc		**137 923**	197 285
		Investec Bank Ltd		**113 743**	143 573
		Sanlam Ltd		**112 683**	—
		The Standard Bank of South Africa Ltd		**73 913**	55 076
		Matrix		**5 625**	—
		d) An offshore AUD denominated loan of R1,6 million (2005: R4,8 million) which bears interest at 1,2% above the 90-day Bank Bills Swap Yield ("BBSY"), and has no specific terms of repayment.			
		e) An offshore INR denominated loan of R15,8 million (2005: nil) which bears interest at 6%, and has no specific terms of repayment.			
		f) The South African bank overdrafts have no fixed terms of repayment, and bear interest at prime less 1%. The Group operates a cash management system which minimises the payment of interest on this facility.			

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		19. Interest-bearing borrowings *continued*		
		Security given		
		a) – Cession and pledge of shares in Aspen Pharmacare International Ltd, Aspen Resources and Aspen Australia.		
		– A deed of guarantee and indemnity granted by Aspen Pharmacare Holdings Ltd, as well as a similar deed granted by Aspen Pharmacare International Ltd, in terms of which the borrowings of Aspen Resources are guaranteed.		
		– A negative pledge that no encumbrances will be permitted over any part of the present or future undertakings, assets, rights or revenues for as long as any monies or obligations are outstanding.		
		b) Amounts due in respect of finance lease agreements are secured by computer equipment with a net book value of R4,7 million (2005: R0,7 million).		
		c & f) Cross guarantees between Aspen Pharmacare Holdings Ltd and its subsidiaries exist in respect of the Group's local unsecured borrowings and bank overdrafts.		
		e) Secured by working capital in Astrix.		
		The carrying amounts of long-term loans were not materially different from the fair values of those loans at year-end. All borrowings are exposed to cash flow interest rate risk, except for the secured offshore liabilities of R69,1 million (2005: R83,4 million) that are exposed to fair value interest rate risk.		
		Maturity of total interest-bearing borrowings (excluding finance lease liabilities)		
147 493	**117 842**	Not later than 1 year	**1 172 036**	761 095
–	**–**	Later than 1 year but not later than 5 years	**46 057**	62 584
147 493	**117 842**		**1 218 093**	823 679
		Finance lease liabilities: minimum lease payments		
–	**–**	Not later than 1 year	**1 982**	580
–	**–**	Later than 1 year but not later than 5 years	**2 937**	86
–	**–**		**4 919**	666
–	**–**	Future finance charges on finance leases	**(266)**	(12)
–	**–**	Present value of finance lease liabilities	**4 653**	654
		The present value of finance lease liabilities is as follows		
–	**–**	Not later than 1 year	**1 742**	570
–	**–**	Later than 1 year but not later than 5 years	**2 911**	84
–	**–**		**4 653**	654

The Group had the following undrawn borrowing facilities at year-end

- Local facilities of R1,4 billion.
- An offshore facility of R33,0 million (AUD denominated).
- A foreign exchange facility of R207,9 million (USD denominated).

All facilities negotiated are reviewed annually. All South African facilities are subject to floating rates. No commitment fees have been incurred in respect of facilities negotiated.

COMPANY				GROUP	
2005 R'000	**2006 R'000**			**2006 R'000**	2005 R'000
		20. Interest-bearing deferred-payables			
		20.1 Long-term interest-bearing deferred-payables			
–	**–**	Product participation rights	(1)	**–**	45 880
23 194	**23 681**	FCC contingent consideration payable	(2)	**23 681**	23 194
–	**–**	Deferred earn-out consideration		**4 811**	2 774
23 194	**23 681**			**28 492**	71 848
–	**–**	Current portion of product participation rights	(1)	**–**	(45 880)
–	**–**	Current portion of deferred earn-out consideration		**(4 811)**	(2 774)
23 194	**23 681**	Long-term interest-bearing deferred-payables		**23 681**	23 194
		20.2 Short-term interest-bearing deferred-payables			
–	**–**	Current portion of product participation rights	(1)	**–**	45 880
–	**–**	Current portion of deferred earn-out consideration		**4 811**	2 774
–	**–**	Short-term interest-bearing deferred-payables		**4 811**	48 654

20.3 Terms of repayment

1) The amount initially recognised in respect of the product participation rights liability is determined by discounting future payments to their present values using an appropriate discount rate on initial recognition. The liabilities are subsequently carried at amortised cost, with interest being calculated at a fixed rate. The product participation rights in respect of the AstraZeneca, Novartis South Africa and GSK Australia co-marketing agreements are unsecured and the total outstanding amount was repaid in the current year.

2) The estimated contingent consideration of R23,7 million (2005: R23,1 million) is payable to the FCC vendors after the audited results for the year ending 30 June 2007 are finalised.

The carrying amounts and fair values of interest-bearing deferred-payables were as follows:	**Carrying amounts**		**Fair values**	
	2006 R'000	2005 R'000	**2006 R'000**	2005 R'000
AstraZeneca	**–**	1 039	**–**	1 053
Novartis South Africa	**–**	30 119	**–**	30 589
GSK Australia	**–**	14 722	**–**	14 722
FCC	**23 681**	23 194	**23 681**	23 194
Deferred earn-out consideration	**4 811**	2 774	**4 665**	2 690
	28 492	71 848	**28 346**	72 248

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		21. Deferred revenue		
–	**–**	Created	**2 241**	–
–	**–**	Effects of exchange rate changes	**362**	–
–	**–**	Total deferred revenue at the end of the year	**2 603**	–
		Analysis of total deferred revenue		
–	**–**	Non-current	**2 082**	–
–	**–**	Current	**521**	–
–	**–**		**2 603**	–

Deferred revenue consists of licence fees received in advance and is recognised as income over the period of the agreement.

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		22. Retirement benefit obligations		
		It is the policy of the Group to provide for retirement benefit liabilities by payments to separate funds which are statutorily independent from the Group. These funds cover eligible employees, other than those who opt to be or are required by legislation to be members of various industry funds.		
		The South African employees not covered by way of legislated funds are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.		
		In line with the Company's policy of accounting for post-retirement medical obligations, an independent actuarial valuation has been performed in May 2006 and provision made in the balance sheet. Principal assumptions used incorporate the following:		
		– a discount rate of 7,5% per annum.		
		– a medical inflation rate of 5,5% per annum.		
		– an expected return on plan assets of 6,25%, versus the actual return achieved of 4%.		
		This valuation has been performed using the projected unit credit funding method to determine the past service liabilities at valuation date.		
		Amounts recognised in the balance sheet		
–	**–**	Post-retirement medical obligation	**7 332**	10 613
–	**–**	Deferred tax effect	**(2 126)**	(3 078)
–	**–**		**5 206**	7 535
		The post-retirement medical obligation comprises		
–	**–**	Present value of unfunded obligations	**15 824**	16 123
–	**–**	Fair value of plan asset	**(8 492)**	(5 510)
–	**–**	Balance sheet liability	**7 332**	10 613
		The plan asset comprises an insurance policy with a fair value equal to the book value. The actual return on the plan asset was 4,0% (2005: 4,5%).		
		The amounts recognised in the income statement		
–	**–**	Current service cost	**710**	644
–	**–**	Interest cost	**878**	1 280
–	**–**	Expected return on plan asset	**(456)**	(343)
–	**–**	Actuarial (gains)/losses	**(165)**	77
–	**–**	Total included in staff costs	**967**	1 658
		Movements in the liability as recognised in the balance sheet		
–	**–**	At the beginning of the year	**10 613**	10 819
–	**–**	Acquisition of subsidiaries and joint ventures	**–**	1 310
–	**–**	Disposal of 50% of FCC	**(740)**	–
–	**–**	Interest cost	**878**	1 280
–	**–**	Service cost	**710**	644
–	**–**	Contributions paid to the scheme on behalf of pensioners	**(3 508)**	(3 174)
–	**–**	Actuarial (gains)/losses	**(165)**	77
–	**–**	Expected returns	**(456)**	(343)
–	**–**	**Balance sheet liability**	**7 332**	10 613

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		23. Trade and other payables		
–	**–**	Trade payables	**455 686**	340 263
5 667	**21 645**	Accrued expenses	**156 024**	142 983
2 675	**11 021**	Indirect taxes	**25 775**	17 426
851	**833**	Leave pay	**18 536**	14 910
4 820	**5 462**	Bonuses	**30 381**	28 544
73 492	**76 092**	Royalties received in advance	**–**	–
10 100	**3 896**	Other	**26 702**	27 774
97 605	**118 949**		**713 104**	571 900
		24. Revenue		
		Sale of goods and services		
–	**–**	Local	**2 572 758**	2 127 357
–	**–**	Offshore	**590 261**	502 639
–	**–**	Exports	**213 024**	95 975
		Other revenue		
129 314	**152 184**	Royalties	**623**	138
–	**–**	Co-marketing fees – local	**62 286**	73 881
–	**–**	– offshore	**10 388**	14 607
129 314	**152 184**	Per income statement	**3 449 340**	2 814 597
		25. Operating profit		
		Operating profit has been arrived at after crediting:		
–	**–**	Reversal of impairment losses – intangible assets (included in other operating income)	**776**	31
–	**–**	Profit on sale of investment property (included in other operating income)	**698**	–
–	**–**	Fair value gains on investment property (included in other operating income)	**–**	500
–	**–**	Rental received – investment property (included in other operating income)	**222**	645
		Operating lease rentals received (operating leases where the company is the lessor):		
–	**–**	– Land and buildings (minimum lease payments)	**175**	–
–	**–**	– Plant and equipment (minimum lease payments)	**117**	–
		after charging:		
–	**–**	Loss on disposal of property, plant and equipment	**35**	89
–	**–**	Loss/(profit) on disposal of intangible assets	**73**	(1 911)
802	**2 980**	Auditors' remuneration	**7 555**	4 377
392	**770**	– Audit fees	**4 167**	3 346
464	**738**	Current year	**4 001**	3 336
(72)	**32**	Prior year under/(over) provision	**166**	10
56	**80**	– Expenses	**111**	68
121	**169**	– Other services – tax consulting	**628**	581
–	**188**	– Other services – IT consulting	**540**	–
233	**–**	– Other services – accounting consulting	**246**	377
–	**–**	– Other services – royalties	**90**	5
–	**1 773**	– Other services – PLIVA dd bid	**1 773**	–

COMPANY			GROUP	
2005 R'000	2006 R'000		2006 R'000	2005 R'000
		25. Operating profit *continued*		
–	–	Impairment of intangible assets (included in other operating expenses)	2 358	4 242
–	–	Impairment of goodwill (included in other operating expenses)	13 913	–
–	–	Impairment charge – inventories (included in cost of sales)	51 246	29 768
–	–	Trade receivables – impairment (reversal)/charge for bad and doubtful debts (included in administration expenses)	(7 033)	949
70	194	Repairs and maintenance expenditure on property, plant and equipment	36 160	37 088
–	–	Operating expenses – investment property (included in administration expenses)	513	392
–	–	Research and development costs	10 116	8 373
–	–	Cost of inventories recognised as an expense (included in cost of sales)	1 753 633	1 383 674
282 441	–	Share-based payment expense – BEE transaction	–	282 441
1 251	1 244	Operating lease rentals (minimum lease payments)	16 469	13 348
1 227	1 227	– Land and buildings	11 660	9 347
–	–	– Plant and equipment	2 306	1 795
–	–	– Computer equipment	907	532
24	17	– Office equipment and furniture	1 596	1 674
–	–	Litigation settlements	1 800	–
–	–	Managerial fees	1 722	1 460
–	–	Technical fees	6 654	4 270
–	–	Administrative fees	1 242	2 057
118	140	Secretarial fees	281	139

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		26. Expenses by nature		
555	**589**	Depreciation	**47 525**	35 385
67 624	**80 079**	Amortisation	**91 845**	94 811
–	**–**	Net impairment charges	**46 571**	34 960
70	**194**	Repairs and maintenance	**36 160**	37 088
12 363	**15 742**	Personnel costs and other staff related costs	**511 874**	408 477
2 950	**2 828**	Share-based payment expense – employees	**27 630**	11 558
282 441	**–**	Share-based payment expense – BEE	**–**	282 441
–	**–**	Changes in inventories of finished goods and work-in-progress	**(238 325)**	(68 514)
–	**–**	Purchases of finished goods	**490 921**	411 186
–	**–**	Other production expenses	**79 147**	77 777
–	**–**	Raw materials and consumables used	**992 181**	680 118
–	**–**	Transport and warehousing costs	**109 267**	113 179
–	**–**	Advertising and marketing	**148 706**	104 126
–	**–**	Royalties paid	**16 119**	9 551
349	**77**	RSC levies	**5 312**	4 417
1 132	**1 330**	Property costs	**10 168**	9 088
–	**21 334**	Costs relating to PLIVA dd bid	**21 334**	–
–	**–**	Investment in FCC written down to fair value	**13 913**	–
12 652	**10 548**	Other	**145 676**	117 844
380 136	**132 721**		**2 556 024**	2 363 492
		Classified as:		
–	**–**	Cost of sales	**1 789 047**	1 423 978
–	**–**	Selling and distribution expenses	**462 335**	374 760
30 071	**52 642**	Administrative expenses	**195 752**	176 040
350 065	**80 079**	Other operating expenses	**108 890**	388 714
380 136	**132 721**		**2 556 024**	2 363 492
		27. Directors and employees		
		27.1 Staff costs		
7 962	**14 061**	Wages and salaries	**412 741**	326 696
792	**1 086**	Provident fund contributions – defined contribution plans	**36 819**	30 035
517	**431**	Medical aid contributions	**23 802**	24 570
–	**–**	Post-retirement medical aid benefits	**980**	1 617
–	**–**	Termination benefits	**1 051**	625
2 950	**2 798**	Share-based payment expense – options and appreciation rights	**23 411**	11 558
–	**30**	Share-based payment expense – Workers' Share Plan	**4 219**	–
142	**135**	Other company contributions	**5 217**	3 237
12 363	**18 541**		**508 240**	398 338
–	**–**	Amount included in cost of sales	**249 607**	168 473
–	**–**	Wages and salaries	**216 315**	142 608
–	**–**	Benefits	**33 292**	25 865
–	**–**	Amount included in selling expenses	**118 428**	96 746
–	**–**	Wages and salaries	**93 511**	82 243
–	**–**	Benefits	**24 917**	14 503
12 363	**18 541**	Amount included in administrative expenses	**140 205**	133 119
7 962	**14 061**	Wages and salaries	**102 915**	101 845
4 401	**4 480**	Benefits	**37 290**	31 274
22	**22**	Number of persons employed at the end of the year	**3 077**	2 578
–	**–**	Part-time employees included in the above	**933**	628

COMPANY

27. Directors and employees

27.2 Directors' emoluments

Name	Fees R'000	Termination benefits R'000	Remun-eration R'000	Retirement and medical aid benefits R'000	Perfor-mance bonus R'000	Gain on exercise of share options R'000	TOTAL R'000
2006							
Non-executive directors							
AJ Aaron	250	–	–	–	–	–	**250**
CN Mortimer	170	–	–	–	–	–	**170**
M Krok	100	–	–	–	–	–	**100**
P Dyani	50	–	–	–	–	–	**50**
JF Buchanan	220	–	–	–	–	–	**220**
DM Nurek	100	–	–	–	–	–	**100**
MR Bagus	135	–	–	–	–	–	**135**
L Boyd	140	–	–	–	–	–	**140**
NJ Dlamini	135	–	–	–	–	–	**135**
M Buthelezi	68	–	–	–	–	–	**68**
Total (A)	1 368	–	–	–	–	–	**1 368**
Executive directors							
SB Saad	–	–	2 808	359	3 167	70	**6 404**
MG Attridge	–	–	2 337	293	2 630	70	**5 330**
W van Rensburg	–	711	1 191	201	374	–	**2 477**
Total (B)	–	711	6 336	853	6 171	140	**14 211**
Total emoluments (A+B)							**15 579**
Less paid by subsidiary companies (C)							**3 596**
Total emoluments paid by Aspen (A+B-C)							**11 983**
2005							
Non-executive directors							
AJ Aaron	190	–	–	–	–	–	190
CN Mortimer	145	–	–	–	–	–	145
M Krok	90	–	–	–	–	1 389	1 479
JF Buchanan	180	–	–	–	–	–	180
DM Nurek	90	–	–	–	–	–	90
MR Bagus	90	–	–	–	–	–	90
L Boyd	118	–	–	–	–	–	118
M Buthelezi	90	–	–	–	–	–	90
Total (A)	993	–	–	–	–	1 389	2 382
Executive directors							
SB Saad	–	–	2 479	312	2 790	–	5 581
MG Attridge	–	–	2 072	256	2 328	–	4 656
ML Philip	–	–	73	13	–	12	98
W van Rensburg	–	–	1 017	174	166	–	1 357
Total (B)	–	–	5 641	755	5 284	12	11 692
Total emoluments (A+B)							14 074
Less paid by subsidiary companies (C)							4 100
Total emoluments paid by Aspen (A+B-C)							9 974

COMPANY			GROUP	
2005 R'000	**2006 R'000**		**2006 R'000**	2005 R'000
		28. Investment income		
361 759	**–**	Dividends from subsidiaries	**–**	–
–	**–**	Dividends received – other	**24**	–
1 041	**25 321**	Preference share dividend	**25 321**	1 041
2 092	**2 587**	Interest received	**47 508**	36 534
2 092	**2 079**	Interest on bank balances and short-term deposits	**46 099**	36 446
–	**501**	Joint ventures	**251**	–
–	**7**	Other	**1 158**	88
364 892	**27 908**		**72 853**	37 575
		29. Net financing costs		
(3 631)	**(10 476)**	Interest paid	**(93 202)**	(76 275)
–	**–**	Long-term borrowings	**(5 480)**	(6 123)
(3 178)	**(10 476)**	Bank overdrafts and short-term borrowings	**(87 292)**	(69 714)
–	**–**	Finance leases	**(82)**	(143)
(453)	**–**	Subsidiary companies	**–**	–
–	**–**	Other	**(348)**	(295)
–	**(28 092)**	Preference share dividend	**(28 092)**	–
(1 539)	**(67)**	Net foreign exchange losses	**(7 058)**	(8 273)
–	**–**	Fair value gains/(losses) on financial instruments	**14 793**	(7 692)
–	**–**	– Cross-currency swap	**4 334**	(10 010)
–	**–**	– Forward exchange contracts	**10 459**	2 318
(1 414)	**1 922**	Notional interest on financial instruments	**(122)**	(7 198)
(6 584)	**(36 713)**		**(113 681)**	(99 438)
		Net finance costs above exclude financing costs of R0,4 million which have been capitalised during 2006 to capital work-in-progress (2005: R5,3 million).		

COMPANY 2005 R'000	COMPANY 2006 R'000			GROUP 2006 R'000	GROUP 2005 R'000
		30. Tax			
15 174	**17 371**	South African current tax	– current year	**171 981**	152 287
(550)	**–**		– prior year	**(29 012)**	(7 802)
–	**–**	Foreign current tax	– current year	**19 871**	18 298
–	**–**		– prior year	**–**	572
19 763	**3 306**	South African deferred tax	– current year	**47 765**	29 199
–	**–**		– prior year	**98**	4 023
–	**–**	Foreign deferred tax	– current year	**5 352**	(3 388)
–	**–**		– prior year	**(57)**	–
13 650	**346**	STC and other dividend taxes		**346**	13 650
–	**237**	Capital gains tax		**238**	465
176	**–**	Tax rate adjustment on opening balance deferred tax		**–**	261
48 213	**21 260**	Total tax charge		**216 582**	207 565
%	**%**	**Reconciliation of the tax rate**		**%**	%
38,4	**67,1**	Effective tax rate		**25,3**	52,7
83,9	**25,1**	Capital and exempt income		**0,9**	0,2
–	**–**	Assessed losses utilised		**0,3**	0,6
0,4	**–**	Prior year adjustments (incorporating portion of section 12G claim)		**3,5**	1,9
–	**–**	Foreign rates of tax		**(0,1)**	(0,1)
(82,7)	**(61,4)**	Disallowable expenses		**(3,8)**	(25,5)
(0,7)	**(2,6)**	Non-deductible portion of share-based expense – employees		**(0,8)**	(0,9)
(65,3)	**–**	Non-deductible portion of share-based expense – BEE		**–**	(20,8)
(16,0)	**(12,2)**	Non-deductible amortisation of intangible assets		**(0,6)**	(1,2)
(0,7)	**(46,6)**	Other disallowable expenses		**(2,4)**	(2,6)
(10,9)	**(1,1)**	STC and other dividend taxes		**–**	(3,5)
–	**–**	Deferred tax asset raised		**1,8**	3,1
–	**(0,7)**	Capital gains tax		**–**	(0,1)
(0,1)	**–**	Tax rate adjustment		**–**	(0,2)
–	**–**	Section 12G claim (Strategic Industrial Project allowance)		**1,1**	–
–	**–**	Other reconciling items		**–**	(0,1)
29,0	**29,0**	Tax at statutory rate		**29,0**	29,0
		Unutilised tax benefits			
–	**–**	Assessed losses in Aspen Nutritionals		**67 002**	118 285
–	**–**	Prior year adjustment		**(4 887)**	–
–	**–**	Utilised against current profits		**(8 167)**	(9 054)
–	**–**	Total estimated tax losses		**53 948**	109 231
–	**–**	Applied to increase deferred tax asset		**(53 948)**	(42 229)
–	**–**	Tax losses available to reduce future taxable income		**–**	67 002

	GROUP	
	2006	2005
	R'000	R'000
31. Earnings per share		
31.1 Basic earnings per share		
Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Aspen and held as treasury shares.		
Net profit attributable to equity holders of the parent	**637 977**	186 421
Weighted average number of shares in issue ('000)*	**344 128**	340 606
Earnings per share (cents)	**185,4**	54,7
Diluted earnings per share		
The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has 3 categories of dilutive potential ordinary shares, namely share options, share appreciation rights and convertible preference shares. The convertible redeemable cumulative preference shares were not dilutive for the 2005 financial year. A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and appreciation rights. Fair value is calculated as the average share price for the year for share options. The closing share price is used for share appreciation rights, as these are classified as contingently issuable shares in terms of IAS 33, *Earnings per share*. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.		
The difference is added to the denominator as an issue of ordinary shares for no consideration. Earnings were adjusted by the preference dividend paid and the notional interest on the preference shares, no adjustments were made to earnings during 2005.		
Net profit attributable to equity holders of the parent	**637 977**	186 421
Adjusted for:		
– Preference share dividend paid	**28 092**	—
– Notional interest – liability component of preference shares	**(3 278)**	—
Adjusted earnings	**662 791**	186 421
Weighted average number of shares for diluted earnings per share ('000)	**369 787**	350 208
Adjustment for share options and appreciation rights ('000)	**8 059**	9 602
Total number of convertible preference shares ('000)	**17 600**	—
Weighted number of shares in issue ('000)*	**344 128**	340 606
Diluted earnings per share (cents)	**179,2**	53,2

**After deduction of treasury shares.*

	GROUP	
	2006 R'000	2005 R'000
31. Earnings per share *continued*		
31.2 Headline earnings per share		
Reconciliation of headline earnings		
Net profit attributable to equity holders of the parent	**637 977**	186 421
Adjusted for:		
– Investment in FCC written down to fair value (net of tax)	**14 150**	—
– Loss on disposal of property, plant and equipment (net of tax)	**12**	71
– Fair value adjustment to investment property (net of tax)	**—**	500
– Profit on sale of investment property (net of tax)	**(698)**	—
– Impairment of intangible assets (net of tax)	**1 935**	3 237
– Loss/(profit) on sale of intangible assets (net of tax)	**51**	(1 447)
– Deferred tax asset in respect of Aspen Nutritionals assessed loss raised	**(15 645)**	(7 018)
– Goodwill in respect of acquisition of Aspen Nutritionals written down	**546**	7 018
Headline earnings	**638 328**	188 782
Weighted number of shares in issue ('000)*	**344 128**	340 606
Headline earnings per share (cents)	**185,5**	55,4
Diluted headline earnings per share		
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator.		
Headline earnings	**638 328**	188 782
Adjusted for:		
Preference share dividend	**28 092**	—
Notional interest – liability component of preference shares	**(3 278)**	—
Adjusted headline earnings	**663 142**	188 782
Weighted average number of shares for diluted headline earnings per share ('000)	**369 787**	350 208
Adjustment for share options and appreciation rights ('000)	**8 059**	9 602
Total number of convertible preference shares ('000)	**17 600**	—
Weighted number of shares in issue ('000)*	**344 128**	340 606
Diluted headline earnings per share (cents)	**179,3**	53,9

32. Capital distribution/dividend per share

A capital distribution per share of 62 cents was recommended at the Board meeting of the company held on 21 August 2006. In compliance with IAS 10, *Events After the 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 2007.

The capital distribution approved for the 2005 year and paid in the 2006 year was 48 cents per share, and the dividend declared for the 2004 year and paid in the 2005 year was 30 cents per share.

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		33. Commitments		
		33.1 Capital expenditure		
		Contracted		
		Tangible assets		
–	**–**	OSD Facility	**17 842**	21 626
–	**–**	Sterile Facility	**56 846**	–
–	**–**	Port Elizabeth General Facility	**11 928**	9 767
–	**–**	Other	**5 278**	3 748
–	**–**	**Intangible assets**	**21 069**	–
–	**–**		**112 963**	35 141
		Authorised but not contracted for		
		Tangible assets		
–	**–**	OSD Facility	**3 091**	2 384
–	**–**	Sterile Facility	**273 896**	200 000
–	**–**	Port Elizabeth General Facility	**200**	1 983
–	**–**	Other	**5 464**	16 702
–	**–**		**282 651**	221 069
		33.2 Lease commitments		
		Operating lease commitments		
5 018	**3 882**	Land and buildings	**40 635**	33 136
–	**–**	Plant and equipment	**7 563**	5 227
–	**–**	Other	**2 216**	3 434
5 018	**3 882**		**50 414**	41 797
		The future minimum operating lease payments		
1 126	**1 232**	Less than 1 year	**15 129**	10 224
3 892	**2 650**	Between 1 and 5 years	**35 285**	31 573
5 018	**3 882**		**50 414**	41 797
		– The lease for the Durban head office has a remaining term of 3 years with a 5 year renewal option. – The lease for the Woodmead offices has a remaining term of 3 years, although renewal can be negotiated. – Both leases are subject to an annual escalation of 9%. – The Port Elizabeth warehouse leases have a remaining term of between 8 months and 3 years, with renewal options. – The escalation varies between 7,5% and 9%. – The lease for rental of parking in Port Elizabeth has a remaining term of 5 years, with an option to renew. The lease is subject to escalation in line with CPIX.		
		Finance lease commitments		
–	**–**	Computer equipment	**4 919**	666
–	**–**		**4 919**	666
		The future minimum finance lease payments		
–	**–**	Less than 1 year	**1 982**	581
–	**–**	Between 1 and 5 years	**2 937**	85
–	**–**		**4 919**	666

COMPANY 2005 R'000	COMPANY 2006 R'000		GROUP 2006 R'000	GROUP 2005 R'000
		33. Commitments *continued*		
		33.3 Other commitments		
		During the 2003 financial year Aspen entered into a 12-year agreement with GSK South Africa to distribute and market a range of their products. At 30 June 2006, 8 years and 9 months of the agreement remain.		
		In terms of this agreement Aspen is committed to pay the following amounts to GSK South Africa:		
		– payable within 1 year	**21 646**	30 622
		– payable thereafter	**80 270**	101 335
			101 916	131 957
		During the 2005 financial year Aspen Australia entered into a 10-year agreement with Novartis Australia to distribute and market a range of their products. In terms of the agreement Aspen is committed to spend the following amounts on promotion of the products:		
		– payable within 1 year	**7 976**	8 725
		– payable thereafter	**48 152**	54 543
			56 128	63 268
		33.4 Operating leases – where the company is the lessor		
–	**–**	Land and buildings	**192**	–
–	**–**	Plant and equipment	**129**	–
–	**–**		**321**	–
		The future minimum operating lease payments receivable under non-cancellable operating leases		
–	**–**	Less than 1 year	**321**	–
–	**–**		**321**	–
		The lease relates to a portion of the Astrix factory in Hyderabad, and will come to an end during the 2007 financial year.		
		34. Contingent liabilities		
–	**–**	Additional payments in respect of the Quit worldwide intellectual property rights	**6 627**	6 004
–	**717**	Guarantees covering loan and other obligations to third parties	**5 393**	1 562
–	**–**	Guarantee covering potential rental default relating to sale of discontinued operations (expires March 2008)	**2 505**	3 686
		A put option exists in terms of which the other shareholders of Generix are entitled to sell the remaining 50% of the Generix share capital to Aspen in 2008. The purchase price will be calculated based on a formula.		

35. Financial risk management

In order to manage the risks arising from fluctuations in currency exchange rates, Group policy provides that all material import and export transactions entered into by South African Group companies should be covered forward at the time the risk arises, except for hedging of foreign ARV exports.

The estimated portion of import orders relating to ARVs bound for the export market is not hedged at the time of the order. When payment for import orders is made, the anticipated value of ARV export sales is covered forward. This ensures that the exchange rate obtained for debtors receipts will always exceed the rate obtained for payment on raw materials. The estimated portion of import orders relating to ARV exports is revised on a quarterly basis.

There were no significant forward exchange contracts at year-end which did not relate to specific commitments.

Export sales with a value of R2,5 million (2005: R19,8 million) were not covered at year-end.

For financial reporting purposes, forward exchange contracts are designated as cash flow hedges.

35. Financial risk management *continued*

Foreign currency risk management

The table below reflects the revaluation of outstanding forward exchange contracts at year-end:

	Foreign amount '000	Forward cover value R'000	Marked to market value R'000	Recognised fair value in equity: gain/(loss) R'000	Recognised fair value in income statement: gain/(loss) R'000
June 2006					
Imports*					
Where hedge accounting is applied:					
Swiss Franc	82	387	481	23	71
Euro	8 604	71 580	80 033	5 549	2 904
GBP	1 094	14 005	14 586	309	272
Japanese Yen	37 946	2 197	2 437	221	19
USD	17 691	124 690	127 391	1 959	742
Denmark Kroner	525	599	646	31	16
Where hedge accounting is not applied:					
Euro	148	1 310	1 350	–	40
GBP	101	1 115	1 345	–	230
USD	2 589	16 895	18 681	–	1 786
		232 778	**246 950**	**8 092**	**6 080**
Exports					
Where hedge accounting is not applied:					
Euro	43	341	396	–	(55)
USD	580	3 672	4 168	–	(496)
		4 013	**4 564**	**–**	**(551)**
June 2005					
Imports*					
Where hedge accounting is applied:					
Swiss Franc	119	640	630	(10)	–
Euro	5 491	45 192	45 089	(103)	–
GBP	891	10 698	10 737	39	–
Japanese Yen	19 218	1 195	1 188	(7)	–
USD	17 345	111 468	117 202	–	5 734
Sweden Kronor	3 949	3 446	3 424	(22)	–
Denmark Kroner	262	287	288	1	–
Where hedge accounting is not applied:					
Swiss Franc	16	84	84	–	–
Euro	123	1 021	1 015	–	(6)
GBP	11	132	132	–	–
USD	4 426	28 714	30 039	–	1 325
		202 877	209 828	(102)	7 053
Exports					
Where hedge accounting is not applied:					
Euro	83	682	675	–	7
USD	944	5 973	6 345	–	(372)
		6 655	7 020	–	(365)

**Includes FECs that represent imports and exports being managed on a net basis.*

35. Financial risk management *continued*

Foreign currency risk management *continued*

The maturity profiles of the financial instruments at year-end (including those financial instruments for which the underlying transactions were recorded but payment not effected by year-end) are summarised as follows:

	2006 Marked to market value R'000	2005 Marked to market value R'000
July	**126 746**	50 614
August	**27 557**	32 025
September	**20 564**	49 154
October	**18 321**	28 367
November	**15 869**	10 995
December	**19 404**	16 948
January	**8 186**	4 539
February	**1 878**	3 023
March	**1 020**	3 072
April	**1 090**	3 298
May	**1 095**	195
June	**656**	578
Total	**242 386**	202 808

Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value: cash, the preference share investment, trade payables, short-term borrowings and long-term borrowings.

Information on the fair values of forward exchange contracts is included above. Information on the fair values of other financial instruments is included in the respective notes.

Interest rate risk

As disclosed under financial risk management on page 86 the Group continuously assesses its exposure to movements in interest rates and, where considered appropriate, enters into arrangements that are intended to mitigate these risks.

35. Financial risk management *continued*

The interest rate profile of total interest-bearing borrowings is as follows:

	Floating rate R'000	Fixed rate (1 to 6 months) R'000	Interest rate	Average effective interest rate %	**Total R'000**
2006					
South African Rand					
Loans linked to South African money market	768 607	—	Overnight call	7,2	**768 607**
Bank overdrafts	363 005	—	Prime -1%	10,0	**363 005**
Liabilities under capitalised finance leases and instalment sale agreements	4 653	—	10,6%	10,6	**4 653**
	1 136 265	—			**1 136 265**
United Kingdom Pound Sterling*	—	69 079	6-month LIBOR + 2,75%	7,4	**69 079**
Australian Dollar	1 598	—	90-day BBSY +1,2%	7,1	**1 598**
Indian Rupee	15 804	—	6,0%	6,2	**15 804**
Total	**1 153 667**	**69 079**			**1 222 746**
% of total borrowings	**94,4**	**5,6**			**100,0**
2005					
South African Rand					
Loans linked to South African money market	735 365	—	Overnight call	7,9	**735 365**
Bank overdrafts	29	—	Prime -1%	9,5	**29**
Liabilities under capitalised finance leases and instalment sale agreements	654	—	10,6%	10,6	**654**
	736 048	—			**736 048**
United Kingdom Pound Sterling*	—	83 441	6-month LIBOR + 2,75%	7,6	**83 441**
Australian Dollar	4 844	—	90-day BBSY +1,2%	6,9	**4 844**
Total	**740 892**	**83 441**			**824 333**
% of total borrowings	**89,9**	**10,1**			**100,0**

**This loan is covered by a cross-currency swap arrangement. The interest rate currently applicable on the swap amount of AUD14,8 million (2005: AUD16,9 million) is 8,8% (2005: 8,9%).*

	R'000

36. Acquisitions

Acquisition of joint venture

36.1 Acquisition of Astrix

On 1 January 2006, the Group acquired 50% of the shares of Astrix, a specialist ARV API producer in India. The acquisition was funded from existing cash resources.

Cost of the acquisition	R'000
Cash paid	**232 930**
Fair value of assets acquired	**(117 343)**
Goodwill	**115 587**

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Property, plant and equipment	**38 648**	38 648
Intangible assets	**76 204**	76 204
Inventories	**23 828**	23 828
Trade and other receivables	**2 147**	2 147
Cash and cash equivalents at acquisition	**3 100**	3 100
Trade and other payables	**(26 584)**	(26 584)
	117 343	117 343
Goodwill acquired	**115 587**	
Purchase consideration	**232 930**	

The following factors contributed to the recognition of goodwill:

- The potential for vertical integration with Aspen's existing business, specifically regarding the manufacture of APIs for ARVs.
- Access to additional technology and know-how on ARV API production.
- Excellent growth prospects.

The amount of Astrix's after tax profit included in the results for 2006 is R2,5 million, after the deduction of unrealised intra-Group profits.

	R'000

36. Acquisitions *continued*

Acquisition of subsidiary *continued*

36.2 Acquisition of Generix

On 1 May 2006, the Group acquired 50% of the shares of Generix, a generics company specialising in sourcing pharmaceutical products. The acquisition was funded from existing cash resources. Generix is classified as a subsidiary, as control is achieved through a casting vote at directors' meetings.

	R'000
Cost of the acquisition	
Cash paid	**40 371**
Fair value of assets acquired	**(12 366)**
Goodwill	**28 005**

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Intangible assets	**31 606**	1 606
Trade and other receivables	**2 884**	2 884
Cash and cash equivalents at acquisition	**2 646**	2 646
Trade and other payables	**(2 855)**	(2 855)
Current tax liabilities	**(850)**	(850)
Deferred tax liabilities	**(8 700)**	—
	24 731	3 431
Minority interest	**(12 365)**	
Fair value of assets acquired	**12 366**	
Goodwill acquired	**28 005**	
Purchase consideration	**40 371**	

The following factors contributed to the recognition of goodwill:
– Access to international markets.
– Specialist knowledge of the international markets.

The amount of Generix's after tax loss included in the results for 2006 is R0,1 million.

If the acquisition had been effected at the beginning of the period, the Aspen Group revenue for the year would have been R3 473,5 million, and the profit attributable to equity holders of the parent would have been R639,9 million.

The initial accounting for the acquisition has not been finalised yet, and therefore the acquisition calculations were based on the best estimates available to the Group at the time of this report.

37. Related party transactions

37.1 Transactions with shareholders

The Group did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the directors' report and note 27.

37.2 Intra-Group transactions and balances

During the year, certain companies in the Group entered into arm's length transactions with other companies in the Group. These intra-Group transactions have been eliminated on consolidation. Refer to note 38 for a detailed list of subsidiaries and balances. None of the balances are secured.

The following intra-Group transactions took place between Aspen Pharmacare Holdings Ltd and Group companies during the current year:

	2006 R'000	2005 R'000
Royalties received in advance	**152 184**	129 315
– Pharmacare Ltd	**151 294**	127 965
– Aspen Nutritionals	**890**	890
– Garec (Pty) Ltd	**–**	460
Administration fee received	**19 352**	17 952
– Pharmacare Ltd	**18 852**	17 952
– FCC	**500**	–
Interest received / (paid)	**501**	(453)
– FCC	**501**	–
– Pharmacare Ltd	**–**	(453)
Capital distribution/dividend paid (treasury shares)		
– Pharmacare Ltd	**(18 686)**	(11 223)
Dividends received	**–**	348 064
– Pharmacare Ltd	**–**	232 064
– Aspen Pharmacare East London (Pty) Ltd	**–**	116 000
Interest free loans received from Pharmacare Ltd during the year	**318 749**	–
Expenses paid by Pharmacare Ltd on behalf of Aspen Pharmacare Holdings Ltd	**92 595**	77 351

37.3 Transactions and balances with directors

All directors have given general declarations of interest in terms of Section 234 (3A) of the Companies Act, 1973. These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Group in terms of a customer/supplier relationship. These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions, and are all unsecured.

The following interests have been declared by directors:
DM Nurek, a non-executive director of Aspen, holds an executive position with Investec Bank Ltd. As at year-end, the Group had facilities of R360 million (2005: R360 million) with Investec Bank Ltd, of which R114 million (2005: R143 million) was utilised.

AJ Aaron, the non-executive chairman of Aspen, is a senior director of Werksmans Inc. Attorneys.

CN Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates.

Legal services are provided to Aspen by both Werksmans Inc. Attorneys and Chris Mortimer & Associates.
The following material transactions were carried out with the aforementioned related parties:

	2006		2005	
	Transaction R'000	**Balance owing R'000**	Transaction R'000	Balance owing R'000
Interest received from Investec Bank Ltd	**137**	**–**	1 072	–
– Aspen Pharmacare Holdings Ltd	**–**	**–**	153	–
– Rest of the Group	**137**	**–**	919	–
Interest paid to Investec Bank Ltd (rest of Group only)	**6 599**	**113 879**	18 741	143 342
Legal fees paid to Werksmans Inc. Attorneys (Aspen Pharmacare Holdings Ltd only)	**423**	**292**	474	455
Legal fees paid to Chris Mortimer & Associates	**705**	**–**	385	–
– Aspen Pharmacare Holdings Ltd	**591**	**–**	385	–
– Rest of the Group	**114**	**–**	–	–
	7 864	**114 171**	20 672	143 797

Directors' remuneration is disclosed in note 27.

37.4 Transactions with key management personnel

Key management personnel consist of directors of key Group companies, excluding joint ventures.
The key management personnel compensation consists of:

	2006 R'000	2005 R'000
Short-term employee benefits	**22 065**	20 199
– Aspen Pharmacare Holdings Ltd	**10 001**	7 193
– Rest of the Group	**12 064**	13 006
Post-employment benefits	**1 107**	1 022
– Aspen Pharmacare Holdings Ltd	**819**	721
– Rest of the Group	**288**	301
Termination benefits	**893**	–
– Aspen Pharmacare Holdings Ltd	**–**	–
– Rest of the Group	**893**	–
Share-based payments	**4 838**	4 220
– Aspen Pharmacare Holdings Ltd	**1 777**	2 601
– Rest of the Group	**3 061**	1 619
Total key management remuneration paid	**28 903**	25 441

An unsecured amount of R0,9 million was outstanding at year-end. This amount is payable before 1 September 2006 and relates to services rendered in the 2006 financial year.

Other than disclosed above, and in the Directors' report, no significant related party transactions were entered into during the year under review.

38. Principal subsidiaries and joint ventures

Country of incorporation		Issued capital	Effective Group holding		Investment		Amounts (due to)/ due by subsidiaries/ joint ventures	
			2006	2005	**2006**	2005	**2006**	2005
		R'000	**%**	%	**R'000**	R'000	**R'000**	R'000
Subsidiaries								
Direct								
South Africa	Aspen Pharmacare International (Pty) Ltd	—#	**100**	100	**25 352**	25 352	**(29 061)**	(29 061)
United Kingdom	Aspen Pharmacare International Ltd	GBP'000 14 590	**100**	100	**172 939**	111 178	**—**	—
South Africa	Brimchem SA (Pty) Ltd***	—#	**50**	—	**—**	—	**—**	—
United Kingdom	Brimpharm UK Ltd***	GBP 50	**50**	—	**1**	—	**—**	—
Australia	Brimpharm Australia Pty Ltd***	AUD 50	**50**	—	**—**	—	**—**	—
South Africa	Fine Chemicals Corporation (Pty) Ltd*	—	**50**	100	**—**	252 416	**—**	22 500
South Africa	Garec (Pty) Ltd	—#	**100**	100	**9 771**	9 771	**(27 066)**	(27 066)
South Africa	Generix International (Pty) Ltd	4	**50**	—	**40 371**	—	**—**	—
South Africa	Pharmacare Ltd	1 285	**100**	100	**517 462**	494 755	**(194 638)**	75 952
Jersey, CI	SAD Overseas Ltd**	139	**100**	100	**—**	—	**—**	—
South Africa	Twincor Investments (Pty) Ltd	260	**100**	100	**5 161**	5 161	**(1 359)**	(1 359)
United States	Aspen USA Inc	USD'000 1 020	**100**	—	**6 299**	—	**—**	—
Indirect								
South Africa	Abkro Investments (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
South Africa	Abe Krok Investments (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
South Africa	Akromed Products (Pty) Ltd	400	**100**	100	**—**	—	**—**	—
South Africa	Aspen Nutritionals (Pty) Ltd (formerly Nutricia (Pty) Ltd)	1	**100**	100	**—**	—	**—**	—
South Africa	Aspen Pharmacare Africa (Pty) Ltd	1	**100**	100	**—**	—	**—**	—
Australia	Aspen Pharmacare Australia Pty Ltd	AUD'000 17 373	**100**	100	**—**	—	**—**	—
South Africa	Aspen Pharmacare East London (Pty) Ltd	1	**100**	100	**—**	—	**—**	—
United Kingdom	Aspen Pharmacare Resources Ltd	GBP'000 10 225	**100**	100	**—**	—	**—**	63
South Africa	Aspen Pharmacare South Africa (Pty) Ltd	—#	**100**	100	**—**	—	**808**	808
South Africa	Brovar (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
United Kingdom	Co-pharma Ltd	GBP'000 13	**100**	100	**—**	—	**—**	—
South Africa	Krok Brothers Holdings (Pty) Ltd	—#	**100**	100	**2 213**	2 213	**(47 711)**	(47 742)
South Africa	Malcomess Leasing Company (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
South Africa	Skay Investments (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
South Africa	Sol Krok Investments (Pty) Ltd	—#	**100**	100	**—**	—	**—**	—
South Africa	Solo Ethicals (Pty) Ltd	1	**100**	100	**—**	—	**—**	—
South Africa	Triomed (Pty) Ltd	1	**100**	100	**—**	—	**—**	—
Total investments in subsidiary companies					**779 569**	900 846	**(299 027)**	(5 905)
	Joint ventures							
India	Astrix Laboratories Ltd	INR'000 45 250	**50**	—	**232 931**	—	**—**	—
South Africa	Fine Chemicals Corporation (Pty) Ltd*	—	**50**	100	**125 272**	—	**6 751**	—
Total investments in joint venture companies					**358 203**	—	**6 751**	—
Total investment in subsidiaries and joint ventures					**1 137 772**	900 846	**(292 276)**	(5 905)

** During the year 50% of FCC was sold and FCC was reclassified as a joint venture.*
*** This investment was impaired on date of conversion to IFRS.*
**** Dormant companies acquired as a part of the Generix acquisition.*
 # Less than R1 000.

39. Impairment tests for goodwill and indefinite useful life intangible assets

The disclosure provided below is required by IAS 36, *Impairment of Assets* for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The Group did not have any intangible assets with indefinite lives at year-end.

FCC

The carrying amount of goodwill allocated to FCC is R86,2 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of 5 years, and incorporate the following key assumptions:
– A rate of growth in turnover, which ranges between 5% and 32% per annum;
– The rand weakening from an average of R7,00 to the USD in 2007, to R8,50 in 2011; and
– Annual capital expenditure ranging between R10,4 million and R28,4 million.

The budgets and forecasts were based on the following:
– An assessment of existing products against past performance and market conditions;
– An assessment of existing products against existing market conditions; and
– The pipeline of products under development, applying past experiences of launch success and existing market conditions.
The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 5% per annum. This growth rate does not exceed the long-term average growth rate for the industry in which FCC operates. An annual pre-tax discount rate of 22% was applied to the cash flow projections.

Astrix

The carrying amount of goodwill allocated to Astrix is R127,7 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of 5 years, and incorporate the following key assumptions:
– A rate of growth in turnover of 65% during 2007, and 81% in 2008, with turnover remaining stable in subsequent years; and
– A gross profit % varying between 16% and 26%.

The budget was based on past experience as well as an assessment of current market conditions, relying to a large extent on information supplied by local management in India.

No growth was assumed in the cash flow projections beyond the period covered by the abovementioned budget. An annual pre-tax discount rate of 21% was applied to the cash flow projections.

40. Segmental analysis

	South Africa			
	2006 R'000	% of total	2005 R'000	% of total
Primary segments: Geographical				
Revenue	**2 848 691**	82,6	2 297 350	81,6
EBITA	**876 929**	88,8	461 950	83,9
Amortisation – intangible assets	**(59 350)**	64,7	(67 805)	71,5
Investment income	**69 229**	95,1	34 821	92,7
Operating profit	**886 808**	91,6	428 966	86,9
Impairment losses	**60 288**	99,7	33 938	97,1
Depreciation	**46 133**	97,1	35 045	99,0
Segment assets	**3 088 644**	72,4	2 364 544	74,8
Segment liabilities	**2 253 887**	88,6	1 789 631	87,6
Capital additions	**238 418**	77,7	169 883	97,3
Cash flow from operating activities	**362 784**	90,2	589 102	90,3
Cash flow from investing activities	**(322 498)**	72,0	(765 464)	95,7
Cash flow from financing activities	**(253 265)**	172,7	115 220	99,7
Number of employees	**2 839**	92,2	2 531	98,1

Secondary segments: Business

	Pharmaceutical			
	2006 R'000	% of total	2005 R'000	% of total
Revenue	**2 562 170**	74,3	2 092 231	74,3
South Africa	**2 053 797**		1 655 127	
Australasia and Asia	**351 077**		233 592	
United Kingdom and United States	**157 296**		203 512	
EBITA	**764 762**	77,5	462 095	83,9
South Africa	**681 848**		394 859	
Australasia and Asia	**39 711**		22 375	
United Kingdom and United States	**43 203**		44 861	
Operating profit	**755 513**	78,0	415 268	84,2
South Africa	**701 508**		372 141	
Australasia and Asia	**28 320**		14 439	
United Kingdom and United States	**25 685**		28 688	
Segment assets	**3 155 478**	73,9	2 202 361	69,7
South Africa	**2 087 949**		1 447 163	
Australasia and Asia	**617 738**		332 930	
United Kingdom and United States	**449 791**		422 268	
Capital additions	**214 982**	70,0	116 902	67,0
South Africa	**199 216**		112 367	
Australasia and Asia	**4 321**		191	
United Kingdom and United States	**11 445**		4 344	

Balance sheet disclosure in respect of secondary segments has been prepared based on the best available estimates.

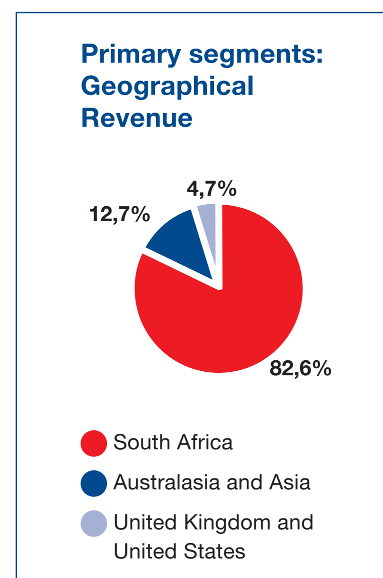
**Net of inter-segment sales to Aspen Australia of R85,0 million (2005: R80,1 million).*

***Net of inter-segment sales to the South African segment of R25,5 million.*

Australasia and Asia 2006 R '000	% of total	2005 R '000	% of total	United Kingdom and United States 2006 R '000	% of total	2005 R '000	% of total	Total 2006 R '000	%	2005 R '000	%
437 161**	12,7	308 541	11,0	163 488*	4,7	208 706*	7,4	3 449 340	100,0	2 814 597	100,0
66 395	6,7	43 526	7,9	44 024	4,5	45 184	8,2	987 348	100,0	550 660	100,0
(12 994)	14,1	(9 012)	9,5	(19 501)	21,2	(17 994)	19,0	(91 845)	100,0	(94 811)	100,0
1 604	2,2	941	2,5	2 020	2,7	1 813	4,8	72 853	100,0	37 575	100,0
55 005	5,7	35 455	7,2	26 543	2,7	29 003	5,9	968 356	100,0	493 424	100,0
(393)	(0,7)	122	0,3	589	1,0	900	2,6	60 484	100,0	34 960	100,0
1 199	2,5	180	0,5	193	0,4	160	0,5	47 525	100,0	35 385	100,0
658 873	15,4	371 155	11,8	521 904	12,2	422 359	13,4	4 269 421	100,0	3 158 058	100,0
175 394	6,9	95 564	4,7	114 364	4,5	156 621	7,7	2 543 645	100,0	2 041 816	100,0
4 399	1,4	293	0,2	64 202	20,9	4 344	2,5	307 019	100,0	174 520	100,0
20 553	5,1	20 377	3,1	18 876	4,7	43 397	6,6	402 213	100,0	652 876	100,0
(31 239)	7,0	(10 064)	1,3	(93 995)	21,0	(24 307)	3,0	(447 732)	100,0	(799 835)	100,0
28 005	(19,1)	(2 449)	(2,1)	78 563	(53,6)	2 805	2,4	(146 697)	100,0	115 576	100,0
230	7,5	40	1,6	8	0,3	7	0,3	3 077	100,0	2 578	100,0

Consumer 2006 R '000	% of total	2005 R '000	% of total	Total 2006 R '000	%	2005 R '000	%
887 170	25,7	722 366	25,7	3 449 340	100,0	2 814 597	100,0
794 894		642 223		2 848 691		2 297 350	
86 084		74 949		437 161		308 541	
6 192		5 194		163 488		208 706	
222 586	22,5	88 565	16,1	987 348	100,0	550 660	100,0
195 081		67 091		876 929		461 950	
26 684		21 151		66 395		43 526	
821		323		44 024		45 184	
212 843	22,0	78 156	15,8	968 356	100,0	493 424	100,0
185 300		56 825		886 808		428 966	
26 685		21 016		55 005		35 455	
858		315		26 543		29 003	
1 113 943	26,1	955 697	30,3	4 269 421	100,0	3 158 058	100,0
1 000 695		917 381		3 088 644		2 364 544	
41 135		38 225		658 873		371 155	
72 113		91		521 904		422 359	
92 037	30,0	57 618	33,0	307 019	100,0	174 520	100,0
39 202		57 516		238 418		169 883	
78		102		4 399		293	
52 757		—		64 202		4 344	

Primary segments: Geographical Revenue



CURRENCY Conversion (Unaudited) – annexure 1

	2006	2005
Currency of financial statements		
The financial statements are expressed in South African Rand.		
The exchange rates as at 30 June 2006 were as follows:		
USD	**7,17**	6,70
GBP	**13,25**	12,01
Euro	**9,17**	8,10
AUD	**5,33**	5,10
INR	**0,16**	0,15

Selected Group financial data translated into USD

Income statement and cash flow information were translated at an average rate of R6,45 (2005: R6,22).

Balance sheet information was translated at a closing rate of R7,17 (2005: R6,70).

	% growth	2006 USD'000	2005 USD'000
Normalised income statement – for the year ended 30 June 2006			
Revenue	18,2	**534 781**	452 508
Cost of sales		**(277 372)**	(228 935)
Gross profit	15,1	**257 409**	223 573
Net operating expenses		**(98 783)**	(88 505)
EBITA	17,4	**158 626**	135 068
Amortisation		**(14 239)**	(15 243)
Investment income		**11 295**	6 041
Operating profit	23,7	**155 682**	125 866
Net finance costs paid		**(17 625)**	(15 987)
Net profit before tax	25,6	**138 057**	109 879
Tax		**(40 913)**	(34 499)
Profit for the year	28,9	**97 144**	75 380
Attributable to:			
Equity holders of the parent		**97 126**	75 380
Minority interest		**18**	—
Refer to the normalisation of earnings presented on page 5 for a reconciliation between the statutory and normalised income statements.			
Balance sheet – at 30 June 2006			
Assets			
Non-current assets			
Property, plant and equipment		**85 505**	71 303
Investment property		**—**	597
Goodwill		**36 554**	29 193
Intangible assets		**114 436**	99 372
Available-for-sale financial assets		**1 663**	8
Financial assets at fair value through profit and loss		**142**	—
Preference share investment		**52 552**	56 239
Deferred tax asset		**4 795**	8 602
Total non-current assets	11,4	**295 647**	265 314
Current assets			
Inventories		**111 339**	63 906
Trade and other receivables		**100 688**	76 073
Current tax asset		**413**	304
Financial assets at fair value through profit and loss		**176**	143
Cash and cash equivalents		**87 191**	65 613
Total current assets	45,5	**299 807**	206 039
Total assets	26,3	**595 454**	471 353

	% growth	2006 USD'000	2005 USD'000
Shareholders' equity			
Share capital and share premium		**133 105**	164 300
Treasury shares		**(86 887)**	(95 772)
Non-distributable reserves		**8 883**	3 744
Share-based compensation reserve		**4 935**	2 626
Retained income		**156 129**	67 531
Ordinary shareholders' equity	51,8	**216 165**	142 429
Preference shares – equity component		**22 591**	24 176
		238 756	166 605
Minority interest		**1 935**	—
Total shareholders' equity	44,5	**240 691**	166 605
Liabilities			
Non-current liabilities			
Preference shares – liability component		**56 249**	60 684
Interest-bearing borrowings		**6 830**	9 354
Interest-bearing deferred-payables		**3 303**	3 462
Deferred revenue		**290**	—
Deferred tax liabilities		**14 488**	10 683
Retirement benefit obligations		**1 023**	1 584
Financial liabilities at fair value through profit and loss		**—**	539
Total non-current liabilities	(4,8)	**82 183**	86 306
Current liabilities			
Trade and other payables		**99 457**	85 358
Interest-bearing borrowings		**163 707**	113 681
Deferred revenue		**671**	7 262
Interest-bearing deferred-payables		**73**	—
Current tax liabilities		**8 672**	12 141
Total current liabilities	24,8	**272 580**	218 442
Total liabilities	16,4	**354 763**	304 748
Total equity and liabilities	26,3	**595 454**	471 353
Cash flow statement – for the year ended 30 June 2006			
Cash flows from operating activities	(40,6)	**62 359**	104 964
Cash used in investing activities		**(69 416)**	(128 591)
Cash (outflow)/inflow from financing activities		**(22 744)**	18 581
Effects of exchange rate changes		**756**	(3 117)
Movement in cash and cash equivalents		**(29 045)**	(8 163)
Cash and cash equivalents at the beginning of the year		**65 608**	73 771
Cash and cash equivalents at the end of the year		**36 563**	65 608

SHARE Statistics (Unaudited) – annexure 2

Analysis of shareholders at 30 June 2006

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Size of holding					
1 – 2 500	7 301	70,0	6 894 307	1,8	2,0
2 501 – 12 500	2 315	22,2	12 594 697	3,3	3,6
12 501 – 25 000	318	3,0	5 694 844	1,5	1,6
25 001 – 50 000	169	1,6	6 018 935	1,6	1,7
50 001 – and over	337	3,2	355 177 359	91,8	91,1
	10 440	100,0	386 380 142	100,0	100,0

Major shareholders

According to the register of shareholders at 30 June 2006, the following are the only registered beneficial shareholders, other than directors of the company, who held in excess of 5% of the shareholding of the Company at that date. The directors' shareholdings are disclosed on page 62 in the directors' report.

	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Shareholder			
CEPPWAWU Investments (Pty) Ltd	26 666 667	6,9	7,7
Pharmacare Ltd (treasury shares)	38 931 529	10,1*	
	65 598 196	17,0	7,7

Shareholder spread

In terms of paragraph 4.29(e) of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business on 30 June 2006 was as follows:

		Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Non-public shareholders		85 098 196	22,0	13,4
Empowerment groups	(CEPPWAWU Investments (Pty) Ltd)	26 666 667	6,9	7,7
	(Imithi Investments (Pty) Ltd)	13 400 000	3,4	3,9
	(Industrial Development Corporation)	6 100 000	1,6	1,8
Treasury shares	(Pharmacare Ltd)	38 931 529	10,1*	
Public shareholders		301 281 946	78,0	86,6
Total shareholding		386 380 142	100,0	100,0
Foreign shareholding included above		61 702 803	16,0	17,8

**Less than 10% as a percentage of issued ordinary and preference share capital.*

Notice is hereby given that the annual general meeting of shareholders of Aspen Pharmacare Holdings Ltd will be held at Building Number 8, Healthcare Park, Woodlands Drive, Woodmead on Thursday, 16 November 2006 at 09:30.

The following business will be transacted and resolutions proposed, with or without modification:

Ordinary business

1. Ordinary resolution number 1

Approval of annual financial statements

To receive, approve and adopt the annual financial statements of the Company and of the Group for the year ended 30 June 2006.

2. Ordinary resolution number 2

Re-election of directors

2.1 To re-elect S Zilwa and P Dyani, appointed to the Board since the last annual general meeting, in terms of the Articles of Association.

2.2 To re-elect by separate resolution the following non-executive directors who retire by rotation in terms of the Articles of Association of the Company:

a) CN Mortimer
b) JF Buchanan
c) MR Bagus

all of whom are eligible and offer themselves for re-election. Abbreviated biographical details of the directors are set out on pages 46 and 47.

3. Ordinary resolution number 3

Re-appointment of external auditors

To re-appoint the auditors, PricewaterhouseCoopers Inc., as auditors of the Company for the ensuing year.

4. Ordinary resolution number 4

Remuneration of auditors

To authorise the directors of the Company to determine the remuneration of the auditors.

5. Ordinary resolution number 5

Remuneration of non-executive directors

To approve the remuneration of non-executive directors for the year ending 30 June 2007 on the following basis:

Type of fee	Existing fee for the year ended 30 June 2006 R	Proposed fee for the year ending 30 June 2007 R
Group Board:		
Chairman	200 000	300 000
Board Member	100 000	150 000
Audit & Risk Committee:		
Chairman	100 000	150 000
Committee Member	50 000	75 000
Remuneration & Nomination Committee:		
Chairman	40 000	50 000
Committee Member	20 000	25 000
Transformation Committee:		
Committee Member	35 000	40 000

6. Ordinary resolution number 6

General authority to distribute to shareholders part of the Company's share premium

"Resolved that, the directors of the Company be hereby authorised, by way of a general authority, to distribute to shareholders of the Company any share capital and reserves of the Company in terms of section 90 of the Companies Act, 61 of 1973 as amended, Article 30.2 of the Company's Articles of Association and the Listings Requirements of the JSE Ltd, provided that:

- the distribution will be made pro-rata to all ordinary shareholders;
- the general authority shall be valid until the next annual general meeting of the Company or for 15 months from the passing of this ordinary resolution (whichever period is the shorter); and
- any general distribution of share premium by the Company shall not exceed 20% of the Company's issued share capital and reserves, excluding minority interests.

The directors of the Company are of the opinion that, were the Company to enter into a transaction to distribute share capital and/or reserves up to a maximum of 20% of the current issued share capital and reserves, for a period of 12 months after the date of the notice of this annual general meeting:

- the Company and its subsidiaries ("the Group") will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;
- the issued share capital of the Company and the Group will be adequate for the purpose of the business of the Company and the Group for the foreseeable future; and
- the working capital available to the Company and the Group will be adequate for the Company and the Group's requirements for the foreseeable future."

It is the intention to utilise such authority when recommending the final distribution to shareholders on publication of the preliminary results for July 2007.

7. Ordinary resolution number 7

Renewal of the authority that the unissued shares be placed under the control of directors

"Resolved that all of the ordinary shares in the authorised but unissued share capital of the Company be and are hereby placed at the disposal and under the control of the directors until the next annual general meeting of the Company, and that the directors be and are hereby authorised and empowered, subject to the provisions of the Companies Act 61 of 1973 as amended, and the Listings Requirements of the JSE Ltd, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such times as the directors may from time-to-time in their discretion deem fit."

8. Ordinary resolution number 8

General authority to issue shares for cash

"Resolved that pursuant to the Articles of Association of the Company and subject to the Companies Act 61 of 1973 as amended, and the Listings Requirements of the JSE Ltd, the directors are authorised, by way of a general authority, to allot and issue ordinary shares for cash, after setting aside so many shares as may be required to be allotted and issued by the Company pursuant to the Company's approved share incentive schemes, subject to the following limitations:

- that this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is earlier;

- that the issues in terms of this authority will not exceed 15% in aggregate of the number of ordinary shares of the Company's issued ordinary share capital in any one financial year;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issue;
- that the shares be issued to public shareholders as defined by the JSE Ltd and not to related parties; and
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the Company's directors."

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for ordinary resolution number 8 to become effective.

9. Ordinary resolution number 9

Authorisation of directors to allot and issue the B preference shares

"Resolved that, subject to –

- the passing of special resolution number 4, special resolution number 5 and special resolution number 6 to be proposed at the annual general meeting at which this resolution is proposed; and
- the registration of special resolution number 4, special resolution number 5 and special resolution number 6 to be proposed at the annual general meeting at which this resolution is proposed,

the directors of the Company be and are hereby authorised in terms of section 221 of the Companies Act 61 of 1973 ("the Act"), to allot and issue, for cash, all or any of the 20 000 000 non-redeemable, non-participating B preference shares with a par value of 13,90607 cents each in the capital of the Company to such persons who subscribe therefor pursuant to a private placing to be conducted by the Company and that all of such preference shares be and are hereby placed under the control of the directors for such allotment and issue, subject to the provisions of the Act and the Company's Articles of Association.

10. Ordinary resolution number 10

Authorisation of an executive director to sign necessary documents

"Resolved that any one executive director of the Company be and is hereby authorised to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the resolutions passed at the annual general meeting."

Special business

Shareholders are requested to consider, and if deemed fit, pass the following special resolutions with or without amendment:

11. Special resolution number 1

General authority to repurchase Company shares

"Resolved that the Company or any of its subsidiaries, be and are hereby authorised by way of a general authority, to acquire up to a further 20% of the Company's ordinary issued share capital (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital), in terms of sections 85(2) and 85(3) of the Companies Act 61 of 1973, as amended, and of the Listings Requirements of the JSE Ltd. Such general approval shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution. Such authority is subject to the following conditions:

- Any such acquisition of ordinary shares shall be implemented through the order book operated by the JSE Ltd trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- acquisitions in the aggregate in any one financial year may not exceed 20% of Aspen's issued share capital as at the date of passing this special resolution;
- an announcement is published as soon as the Company or any of its subsidiaries has acquired shares constituting, on a cumulative basis, 3% of the number of the ordinary shares in issue at the time the authority is granted and for each subsequent 3% purchase thereafter, containing full details of such acquisition;
- in determining the price at which Aspen shares are acquired by Aspen or its subsidiaries, the maximum premium at which such shares may be purchased will be 10% of the weighted average of the market value of the shares for the five business days immediately preceding the date of the relevant transaction;
- the Company has been given authority by its Articles of Association;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- the Company's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE Ltd before entering the market to proceed with the repurchase;
- the Company remaining in compliance with the minimum shareholder spread requirements of the JSE Ltd Listings Requirements; and
- the Company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE Ltd Listings Requirements."

Opinion of the directors

Should the authority be granted at the Company's annual general meeting, it will provide the Board of Directors with the flexibility to repurchase such shares as and when it is in the best interests of the Company.

The directors of Aspen, after considering the effect of the repurchase of the maximum number of Aspen shares in terms of the general authority, are satisfied that for a period of 12 months after the date of the notice of this annual general meeting:

- the Company and its subsidiaries ("the Group") will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting

Standards, will be in excess of the liabilities of the Company and the Group;
- the issued share capital of the Company and the Group will be adequate for the purpose of the business of the Company and the Group for the foreseeable future; and
- the working capital available to the Company and the Group will be adequate for the Company and the Group's requirements for the foreseeable future.

12. Special resolution number 2

Revocation of former special resolutions

"Resolved that, with effect from the registration of this special resolution at the office of the Registrar of Companies, the special resolutions passed on 15 January 1999 and 23 June 1999 respectively, in terms of which the Company obtained authority from its shareholders to reduce the capital of the Company by writing off intangible assets and goodwill against share premium, be and are hereby revoked."

Effect on third parties

- Effect on shareholders
  The revocation of the former special resolutions will not prejudice any current or past shareholder of Aspen as such revocation of the former special resolutions will have no adverse effect:
  – on the future or historic net asset value and tangible net asset value per share;
  – on the future or historic total shareholders' equity;
  – on the future or historic earnings and headline earnings per share; and
  – on the future or historic cash flow position of Aspen.
- Effect on creditors
  The revocation of the former special resolutions will not prejudice any current or past creditor of Aspen as such revocation will have no adverse effect:
  – on the future or historic net asset value and tangible net asset value of Aspen;
  – on the future or historic debt/equity ratio of Aspen;
  – on the future or historic cash flow position of Aspen; and
  – on Aspen's ability to settle its liabilities and meet its obligations in the normal course of business.

13. Special resolution number 3

Increase in the authorised share capital

"Resolved that, in terms of section 75 (1)(a) of the Companies Act 61 of 1973 as amended, subject to –
- the passing of special resolution number 4, special resolution number 5 and ordinary resolution number 9 to be proposed at the annual general meeting at which this resolution is proposed; and
- the registration of this resolution and the registration of special resolution number 4 and special resolution number 5 to be proposed at the annual general meeting at which this resolution is proposed,

the Company's authorised share capital, comprising of R71 977 816,32 divided into 500 000 000 ordinary shares with a par value of 13,90607 cents each and 17 600 000 variable rate voting, convertible, redeemable and cumulative A preference shares with a par value of 13,90607 cents each, be and is hereby increased to R102 571 172,30 by the creation of:
- 200 000 000 additional ordinary shares with a par value of 13,90607 cents each; and
- 20 000 000 non-redeemable, non-participating B preference shares with a par value of 13,90607 cents each (which non-redeemable, non-participating B preference shares shall carry the rights, restrictions, privileges and conditions set out in the new article 40 to be inserted into the Company's Articles of Association in accordance with special resolution number 5 to be proposed at the annual general meeting at which this resolution is proposed)."

14. Special resolution number 4

Amendment of Memorandum of Association

"Resolved that, subject to –
- the passing of special resolution number 3, special resolution number 5 and ordinary resolution number 9 to be proposed at the annual general meeting at which this resolution is proposed; and
- the registration of this resolution and the registration of special resolution number 3 and special resolution number 5 to be proposed at the annual general meeting at which this resolution is proposed,

the Memorandum of Association of the Company be and is hereby amended by the deletion of the existing clause 8(a) thereof and the substitution of the following new clause 8(a) therefore –

"8 (a) Par value

The share capital of the Company is R102 571 172,30 divided into –

(i) 700 000 000 ordinary par value shares with a par value of 13,90607 cents each;
(ii) 17 600 000 variable rate, voting, convertible, redeemable and cumulative A preference shares with a par value of 13,90607 cents each;
(iii) 20 000 000 non-redeemable, non-participating B preference shares with a par value of 13,90607 cents each.""

15. Special resolution number 5

Amendment of Articles of Association

"Resolved that, subject to –
- the passing of special resolution number 3, special resolution number 4 and ordinary resolution number 9 to be proposed at the annual general meeting at which this resolution is proposed; and
- the registration of this resolution and the registration of special resolution number 3 and special resolution number 4 to be proposed at the annual general meeting at which this resolution is proposed,

the Company's Articles of Association be amended by the insertion of the following new article 40 after the existing article 39:

"40 NON-REDEEMABLE, NON-PARTICIPATING B PREFERENCE SHARES

The following are the rights, restrictions, privileges and conditions which attach to the B preference shares.

40.1 Definitions

The following words and expressions shall, when used in this 40, bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings –

40.1.1 "business day" any day other than a Saturday, Sunday or statutory public holiday in the Republic;

40.1.2 "B preference shares" – 20 000 000 non-redeemable, non-participating, variable rate, B preference shares with a par value of 13,90607 cents each in the share capital of the Company;

40.1.3 "deemed capital value" in respect of each B preference share, R100,00, being the deemed value of each B preference share for the purposes of calculating the preference dividend, being an amount determined by the directors on the issue date, notwithstanding the issue price of each B preference share which may vary because of a difference in the premium at which the B preference shares may be issued from time to time;

40.1.4 "Income Tax Act" the Income Tax Act 58 of 1962, as amended from time to time;

40.1.5 "issue date" in relation to a B preference share, the date on which that B preference share was issued and allotted pursuant to a resolution of the directors of the Company;

40.1.6 "issue price" in respect of any of the B preference shares, the aggregate of the par value of the B preference share plus the premium at which such B preference share was allotted and issued as determined by the directors from time to time in respect of each issue;

40.1.7 "preference dividend" a non-participating, preference cash dividend calculated in accordance with 40.3.2;

40.1.8 "preference dividend payment date" the actual dates of payment of a preference dividend in each calendar year, being approximately six months apart, as determined by the directors on the issue date, provided that if any such date is not a business day then such preference dividend payment date shall be the immediately succeeding day which is a business day;

40.1.9 "preference dividend rate" in respect of a B preference share, subject to 40.4.2 and 40.3.2.3, a rate that will be determined by the directors on the issue date; and

40.1.10 "prime rate" the publicly quoted basic rate of interest from time to time (expressed as a percentage per year) quoted by First National Bank Ltd ("FNB") as being its prime overdraft rate, as certified by any manager of FNB, whose appointment and/or designation need not be proved, provided that, during the period commencing on and including the date of declaration of any preference dividend until and including the preference dividend payment date in respect of such preference dividend, the prime rate shall be deemed to be the prime rate which prevailed on the business day immediately preceding the date of the declaration of such preference dividend, which period the Company undertakes will not be greater than 30 days.

40.2 Winding-up

Subject to 40.4.3, each B preference share shall confer on the holder of such B preference share the right to a return of capital on the winding-up of the Company, in an amount equal to the aggregate of the par value thereof and a proportionate share of the premium paid up on all B preference shares issued by the Company together with an amount equal to all dividends accrued in respect of such B preference share (as contemplated in 40.3.3.1) calculated in accordance with the provisions of 40.3.2, to the date of payment, in priority to any payment in respect of ordinary shares, but behind the A preference shares in the capital of the Company.

40.3 Preference dividend

40.3.1 Subject to 40.4.3, each B preference share will confer on the holder of the B preference share the right to receive out of the profits or reserves of the Company a preference dividend which shall be determined in the manner set out in 40.3.2 and paid in priority to any payment of dividends or distributions which may be declared in respect of ordinary shares, but behind the A preference shares, in the capital of the Company after the issue date provided that such right shall be subject to the Company declaring such preference dividend in the manner set out in these articles and in accordance with the Act.

40.3.2 The preference dividend shall be calculated –

40.3.2.1 in accordance with the following formula

$$A = \frac{B \times C \times D}{365}$$

where

A = the preference dividend per B preference share;

B = the average of the daily preference dividend rate, as defined in 40.1.9, over the number of days of the relevant period for which the preference dividend is calculated as specified in 40.3.2.2 below;

C = the number of days of the relevant period for which the preference dividend is calculated as specified in 40.3.2.2 and 40.3.2.3 below; and

D = the deemed capital value of a B preference share as defined in 40.1.3, which is and will remain R100,00 per B preference share;

40.3.2.2 from the day following a preference dividend payment date (as defined in 40.1.8) until and including the preference dividend payment date immediately following, provided that the first preference dividend payment date, in respect of any

tranche of B preference shares issued, shall be calculated from the issue date of the B preference shares concerned up to and including the preference dividend payment date immediately following such issue date;

40.3.2.3 notwithstanding what is contained in 40.3.2.1 and 40.3.2.2 above, if and for so long as there are dividends, whether declared or not, that remain unpaid at a preference dividend payment date, the preference dividend shall continue to be calculated in accordance with 40.3.2.1 above, save that "B" shall be increased to such percentage of the prime rate as determined by the directors on the issue date, for the period from the preference dividend payment date to the date of actual payment.

40.3.3 The preference dividend shall –

40.3.3.1 accrue until a preference dividend payment date, in arrear;

40.3.3.2 if so determined by the directors of the Company in their sole and absolute discretion on the issue date, be cumulative; and

40.3.3.3 be paid, if declared in the sole and absolute discretion of the directors of the Company, on a preference dividend payment date.

40.4 General

40.4.1 For so long as 40.3.2.3 is applicable –

40.4.1.1 no dividend may be declared or paid on any ordinary share in the Company;

40.4.1.2 the Company may not make any other distributions of any nature to the holders of ordinary shares; and

40.4.1.3 the Company may not repurchase any ordinary shares in its issued share capital.

40.4.2 If there is an amendment or amendments to the Income Tax Act that results in the preference dividends being taxable in the hands of the B preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the Company, provided such amendment is uniformly applicable to all corporate taxpayers and not only because of the particular circumstances of the Company or any holder of the B preference shares, the preference dividend rate will be increased by the Company. Such increase will be limited to the extent that the Company incurs reduced costs in servicing the B preference shares, which cost savings it would not have obtained but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the Company incurring reduced costs in servicing the B preference shares, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any B preference shareholder on its holding of B preference shares, no change shall be made to the preference dividend rate. The Company shall be entitled to require its auditors, for the time being, to verify whether it is obliged to increase the preference dividend rate in accordance with this 40.4.2. The auditors, in deciding whether such increase is required in terms of this 40.4.2, shall act as experts and not as arbitrators and their decision shall, in the absence of manifest error, be final and binding on the Company, all B preference shareholders and all other shareholders of the Company. The costs of such auditors in making such determination shall be borne and paid by the Company.

40.4.3 The B preference shares shall not confer on any holder thereof the right to any participation in the profits or assets of the Company (including, but not limited to, the right to participate in any of the surplus assets on the winding-up of the Company) except as set out in 40.2, 40.3.1, 40.3.2, 40.3.3 and 40.4.2.

40.4.4 Notwithstanding any provisions to the contrary contained herein, at any time after the issue of any B preference shares and for so long as such B preference shares remain issued the terms of the B preference shares may not be varied, without the prior sanction of a resolution passed at a separate class meeting of the holders of the B preference shares in the same manner mutatis mutandis as a special resolution.

40.4.5 The Company shall be obliged to give the B preference shareholders notice, in terms of the Act, of any meeting of B preference shareholders. At every meeting of B preference shareholders, the provisions of these articles relating to general meetings of ordinary members shall apply, mutatis mutandis, except that a quorum at any such class meeting shall be three holders of B preference shares entitled to vote, personally present, or if any such B preference shareholder is a body corporate, represented at that meeting, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to adjourned general meetings shall apply mutatis mutandis.

40.4.6 The holders of the B preference shares shall not be entitled to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the B preference shares, except –

40.4.6.1 during any period commencing six months after the due date for payment of any dividend or any part of any dividend

on such B preference shares during which such or part dividend remains in arrear and unpaid; and/or

40.4.6.2 in regard to any resolution proposed which directly affects any of the rights attached to the B preference shares or the interests of the holders of the B preference shares including, but not limited to, a resolution for the winding-up of the Company or for the reduction of its capital, in which event the B preference shareholders shall be entitled to vote only on such resolution.

40.4.7 At every general meeting of the Company at which holders of the B preference shares are present and entitled to vote, a B preference shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal values of all the shares issued by the Company.

40.4.8 Notwithstanding that the B preference shares are non-redeemable, but subject to the provisions and requirements of 40.4.4 above, should the shareholders of the Company, by special resolution, resolve to vary the rights attaching to the B preference shares so as to make the B preference shares, or any of them, redeemable, the Company shall be entitled, but not obliged, to utilise all or part of the share premium account (subject to the Act) in providing for any premium payable on the redemption of such B preference shares.

40.4.9 A certificate issued by the auditors of the Company shall be prima facie proof of the amount of any preference dividend to be paid on any preference dividend payment date.""

The reasons for and effects of the ordinary resolutions and the special resolutions are set out in the explanatory notes that form part of this notice.

16. Other

To transact such other business as may be transacted at an annual general meeting of shareholders.

VOTINGS AND PROXIES

Certified shareholders and dematerialised shareholders with "own name" registration

A shareholder entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and on a poll to vote in his stead. A proxy need not be a shareholder of the Company. In order to be valid, completed forms of proxy must be lodged at the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd by no later than 09:30 on 14 November 2006.

Shareholders who have already dematerialised their shares, other than with "own name" registration, and who wish to attend the annual general meeting must instruct their Central Securities Depository Participant ("CSDP") or broker to issue them with the necessary authority to attend.

Shareholders who have already dematerialised their shares, other than with "own name" registration, and who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

By order of the Board

HA Shapiro
Company Secretary

Johannesburg
26 September 2006

Explanatory notes to resolutions for consideration at the annual general meeting

Ordinary business

Ordinary resolution number 1: Approval of annual financial statements

The directors must present to shareholders at the annual general meeting the annual financial statements incorporating the directors' report and the report of the auditors for the year ended 30 June 2006. These are contained within the annual report.

Ordinary resolution number 2: Re-election of directors

Under the Articles of Association, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed since the last annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

Ordinary resolution number 3: Re-appointment of external auditors

The reason for proposing ordinary resolution number 3 is to confirm the appointment of PricewaterhouseCoopers Inc. as external auditors of the Company.

Ordinary resolution number 4: Remuneration of auditors

It is usual for this matter to be left to the directors, as they will be conversant with the amount of work that was involved in the audit. The Chairman will therefore propose a resolution to this effect, authorising the directors to attend to this matter.

Ordinary resolution number 5: Remuneration of non-executive directors

The Company in general meeting as per the Articles of Association shall from time-to-time determine the remuneration of non-executive directors, subject to shareholders' approval.

Ordinary resolution number 6: General authority to distribute to shareholders part of the Company's share premium

The reason for and effect of this ordinary resolution is to grant the Board of Directors of the Company a general authority in terms of the Companies Act 61 of 1973 as amended ("the Act") for the distribution of share capital and share premium by the Company to its shareholders. Such general authority will, subject to requirements of the Act and the JSE Ltd, provide the Board with the flexibility to distribute any surplus capital of the Company to its shareholders. This general approval shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this ordinary resolution.

Ordinary resolutions number 7 and number 8: Directors' control of unissued ordinary shares and general authority to issue shares for cash

It is considered advantageous to grant the directors authority to enable the Company to take advantage of business opportunities which might arise in the future. These authorities are due to expire at the next annual general meeting.

Ordinary resolution number 9: Authorisation of directors to allot and issue the B preference shares

Authorisation of the directors in terms of section 221 and 222 of the Companies Act 61 of 1973 to allot and issue the B preference shares created pursuant to special resolution number 3.

Ordinary resolution number 10: Authorisation of an executive director to sign necessary documents

It is necessary to confer upon an executive director of the Company an authority to sign all documents as may be necessary for or incidental to the resolutions to be proposed at the annual general meeting.

Special business

Special resolution number 1: General authority to repurchase Company shares

The reason for proposing the special resolution is to permit and authorise Aspen and/or any subsidiary to acquire its own shares. The effect will be to grant the directors a general authority to purchase shares in Aspen. Such general authority will provide the Board with the flexibility, subject to the requirements of the Companies Act 61 of 1973 as amended and the JSE Ltd, to repurchase the Company's shares should it be in the interests of the Company while the general authority exists. This general authority shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution.

Special resolution number 2: Revocation of former special resolutions

The reason for proposing the special resolution is to legally reinstate share premium previously reduced by the writing down of intangible assets and goodwill against it, so as to bring the legal position into line with the required accounting treatment effected under IFRS. The effect of this special resolution is to legally restore the share premium account on registration of the special resolution.

Special resolution number 3: Increase in the authorised ordinary share capital of the Company

The reason for this resolution is to create –

- 200 000 000 additional ordinary shares with a par value of 13,90607 cents each in order to ensure that the existing authorised ordinary share capital is adequate for future business purposes;
- 20 000 000 non-redeemable, non-participating B preference shares with a par value of 13,90607 cents each which shall carry the rights, restrictions, privileges and conditions set out in the new article 40 to be inserted into the Company's Articles of Association pursuant to the passing and registration of special resolution number 5 below. The creation of the aforesaid B preference shares will enable the directors to raise at an appropriate time or times cost-effective permanent share capital as part of a general capital management programme and to obtain funding for strategic initiatives within the Company as and when deemed appropriate by the directors of the Company. More specifically, the proceeds of the issue will enable the Company to attain a more optimal capital structure which, in the opinion of the directors of the Company, is deemed appropriate for the activities of the Company at the time.

The effect of special resolution number 3 is to increase the authorised share capital of the Company of R71 977 818,32 by R30 593 354 so as to result in the authorised share capital being R102 571 172,30 by the creation of 200 000 000 ordinary shares and 20 000 000 non-redeemable, non-participating B preference shares.

Special resolution number 4: Amendment of Memorandum of Association

The reasons for and effect of special resolution number 4 is to amend the Company's existing Memorandum of Association in order to provide for the ordinary shares and the B preference shares created pursuant to special resolution number 3.

Special resolution number 5: Amendment of Articles of Association

The reasons for and effect of special resolution number 5 is to amend the Company's existing Articles of Association in order to set out the rights, restrictions, privileges and conditions which will attach to the B preference shares created pursuant to special resolution number 3.

Additional information

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares and revocation of share premium as applicable:

- Directors and management pages 46 and 47;
- Major beneficial shareholders page 134;
- Directors' interests in ordinary shares page 62;
- Share capital of the Company page 102;
- Directors' report page 60.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 46 and 47 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 46 and 47 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to these special resolutions and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The Company undertakes to advise the sponsor before embarking on a general repurchase or capital distribution, in order to enable the sponsor to furnish the JSE with written confirmation of the Company's working capital.

ADMINISTRATION

Secretary
Hymie Aaron Shapiro
CA(SA), HDipTax Law

Registered office and postal address
Building Number 8, Healthcare Park, Woodlands Drive, Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone (011) 239 6100
Telefax (011) 239 6111

Registration
1985/002935/06

Share code
APN ISIN: ZAE 000066692

Attorneys
Werksmans Inc. Attorneys
Chris Mortimer & Associates
Cliffe Dekker Fuller Moore Inc.

Auditors
PricewaterhouseCoopers Inc.

Bankers
First National Bank, a division of FirstRand Bank Ltd
Investec Bank Ltd
Citibank N.A., South Africa Branch
The Standard Bank of South Africa Ltd
ABSA Bank Ltd
HSBC Bank plc

Sponsors
Investec Securities Ltd

Transfer secretaries
Computershare Investor Services 2004 (Pty) Ltd
Transfer office
70 Marshall Street, Johannesburg, 2001
Postal address
PO Box 1053, Johannesburg, 2000
Telephone (011) 370 5000
Telefax (011) 370 5271

Website address
www.aspenpharma.com

SHAREHOLDERS' diary

Financial year-end	30 June 2006
Capital distribution for the year ended 30 June 2006 payment date	13 November 2006
Annual general meeting	16 November 2006

Reports and Group results announcement for the 2007 financial year

Interim report	February 2007
Profit announcement for the year	August 2007
Annual financial statements	September 2007

Aspen Azithromycin Tablets 500 mg 3s
S4 Reg No. 37/20.1.1/0222
Each tablet contains Azithromycin Monohydrate equivalent to 500 mg Azithromycin base

Aspen Bromochriptine Tablets 2.5 mg 30s
S4 Reg No. 30/21.12/0459
Each tablet contains 2.5 mg Bromocriptine

Aspen Didanosine 25 mg 60s
S4 Reg No. 37/20.2.8/0442
Each tablet contains 25 mg Didanosine. Contains Aspartame

Aspen Didanosine 50 mg 60s
S4 Reg No. 37/20.2.8/0443
Each tablet contains 50 mg Didanosine. Contains Aspartame

Aspen Lamzid and Nevirapine Combopack 60s*
S4 Reg No. A39/20.2.8/0446
Each Aspen Lamzid Tablet contains: Zidovudine 300 mg and Lamivudine 150 mg
Each Aspen Nevirapine Tablet contains: Nevirapine 200 mg

Aspen Nevirapine Tablets 200 mg 60s*
S4 Reg No. 38/20.2.8/0240
Each tablet contains 200 mg Nevirapine

Clacee Tablets 500 mg 10s
S4 Reg No. 29/20.1.1/0163
[Applicant: Abbott Laboratories SA Pty Ltd]
Each tablet contains 500 mg Clarithromycin

Dicloflam Blackcurrent Dispersible Tablets 15s
S3 Reg No. 37/3.1/0607
Each Dicloflam Blackcurrent Dispersible Tablet contains 46.5 mg of Diclofenac free acid, equivalent to 50.0 mg of Diclofenac sodium

Flusin Sinus Tablets 24s
S2 Reg No. 38/5.8/0111
Each tablet contains: Paracetamol 500 mg and Pseudoephedrine 30 mg

Mybulen Capsules 100s
S3 Reg No. A38/2.8/0527
Each capsule contains: Ibuprofen 200,0 mg; Paracetamol 250.0 mg and Codeine Phosphate 10.0mg

Mybulen Capsules 30s
S3 Reg No. A38/2.8/0527
Each capsule contains: Ibuprofen 200,0 mg; Paracetamol 250.0 mg and Codeine Phosphate 10.0mg

Oculerge Eye Drops
S2 Reg No. 31/15.4/0144
Each 1 ml contains: Antazoline HCl 0.5 mg and Tetrahydrozoline HCl 0,4 mg
Preservatives: Benzalkonium chloride 0,01% m/v

Rampil 5 mg 30s
S3 Reg No. A39/7.1.3/0143
Each capsule contains 5 mg of Ramipril

Rampil 1.25 mg 30s
S3 Reg No. A39/7.1.3/0141
Each capsule contains 1.25 mg of Ramipril

Simaspen Tablets 10 – 28s
S4 Reg No. 36/7.5/0372
[Applicant: Ranbaxy (SA) Pty Ltd]
Each tablet contains 10 mg Simvastatin (micronised); Also contains Butylated Hydroxyanisole NMT 0.0389% m/m (antioxidant), ascorbic acid NMT 2.676%m/m (antioxidant synergist), citric acid monohydrate NMT 1.388 % m/m (sequesterant)

Simaspen Tablets 40 – 28s
S4 Reg No. 36/7.5/0372
[Applicant: Ranbaxy (SA) Pty Ltd]
Each tablet contains 40 mg Simvastatin (micronised); Also contains Butylated Hydroxyanisole NMT 0.0389 % m/m (antioxidant), ascorbic acid NMT 2.676%m/m (antioxidant synergist), citric acid monohydrate NMT 1.388 % m/m (sequesterant)

Terbicil 1% Cream
S1 Reg No. 38/13.9.2/0148
Each 1 gram contains: 10 mg Terbinafine Hydrochloride and 1.0% Benzyl alcohol as preservative

Terbicil Tablets 250 mg 14s
S4 Reg No. A38/20.2.2/0484
Each tablet contains Terbinafine Hydrochloride equivalent to 250 mg Terbinafine base

Aspen Fluconazole 150 mg
S4 Reg No. 37/20.2.2/0371
Each capsule contains 150 mg Fluconazole

Aspen Fluconazole 200 mg
S4 Reg No. 37/20.2.2/0372
Each capsule contains 200 mg Fluconazole

Applicant: Pharmacare Ltd for all other products above

**Formulated in South Africa under licence of Boehringer-Ingelheim group of companies for sale and use only in the countries of Sub-Saharan Africa reflected as, and including all countries in the territory: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cote D'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome/Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Democratic Republic of the Congo, Zambia, Zimbabwe*

FORM of Proxy

This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP or broker). Such shareholders should provide their CSDP/broker with their voting instructions.

ASPEN PHARMACARE HOLDINGS LIMITED
Registration number 1985/002935/06
APN ISIN: ZAE 000066692

I/We ______________________________ of ______________________________

(address) ______________________________

being the holder(s) of ______________________________ ordinary shares/A preference shares in the Company, do hereby appoint

____

or, failing him/her, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Building Number 8, Healthcare Park, Woodlands Drive, Woodmead, on Thursday, 16 November 2006, at 09:30 or at any adjournment thereof.

I/We desire to vote as follows

	Voting instructions	For	Against	Abstain
1.	Ordinary business To adopt the Company and Group annual financial statements for the year ended 30 June 2006			
2.	(a) to re-elect S Zilwa as a director of the Company			
	(b) to re-elect P Dyani as a director of the Company			
	(c) to re-elect CN Mortimer as a director of the Company			
	(d) to re-elect JF Buchanan as a director of the Company			
	(e) to re-elect MR Bagus as a director of the Company			
3.	To re-appoint the auditors, PricewaterhouseCoopers Inc.			
4.	To authorise the directors to determine the remuneration of the auditors			
5.	To approve the remuneration of non-executive directors as set out in the Notice of Annual General Meeting			
6.	To grant the directors a general authority to distribute share capital and reserves			
7.	To place unissued shares under the control of the directors			
8.	To authorise the directors to allot and issue ordinary shares for cash			
9.	To authorise the directors to allot and issue the B preference shares			
10.	To authorise an executive director to sign documents necessary for or incidental to the resolutions proposed at the annual general meeting			
1.	Special business Special resolution to: Give authority until the next annual general meeting for the Company or any of its subsidiaries to repurchase the company's shares			
2.	Give authority for the revocation of former special resolutions which reduced the Company's share premium			
3.	Give authority to increase the authorised share capital of the Company			
4.	Amend the Memorandum of Association of the Company in order to provide for the increase in the authorised share capital of the Company			
5.	Amend the Articles of Association of the Company in order to set out the rights, restrictions, privileges and conditions attaching to the B preference shares.			

Signed this ______________________________ day of ______________________________ 2006.

Signature ______________________________

Notes:

1. Mark with an X whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.
2. A shareholder entitled to attend and vote at the aforementioned meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his/her stead and such proxy need not be a shareholder of the Company.
3. Proxy forms should be forwarded to the transfer secretaries to be received by no later than 09:30 on Tuesday, 14 November 2006.

To be completed and posted or delivered to: Computershare Investor Services 2004 (Pty) Ltd, Eleventh Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 1053, Johannesburg, 2000).

www.aspenpharma.com

Registration number: 1985/002935/06
Share code: APN ISIN: ZAE 000066692