aspen

HOLDINGS

annual report 2010

2010

Aspen's global presence

Aspen is a supplier of branded and generic pharmaceuticals in approximately 100 countries across the globe and of consumer and nutritional products in selected territories. The Aspen Group has a presence in South Africa, Mexico, Venezuela, Brazil, Ireland, Germany, Kenya, Uganda, Tanzania, United Arab Emirates, Mauritius, Hong Kong and Australia. The Group has 12 manufacturing facilities at nine sites on four continents.

1 G Durban, South Africa
2 C Cape Town, South Africa
3 C Johannesburg, South Africa
4 M Port Elizabeth, South Africa
5 M East London, South Africa
6 M Toluca, Mexico
7 S Mexico City, Mexico
8 S Caracas, Venezuela
9 S Rio de Janeiro, Brazil
10 M Vittória, Brazil
11 S Dublin, Ireland
12 M Bad Oldesloe, Germany
13 C Nairobi, Kenya
14 S Kampala, Uganda
15 C Dar es Salaam, Tanzania
16 S Dubai, United Arab Emirates
17 S Grand Bay, Mauritius
18 S Quarry Bay, Hong Kong
19 S Sydney, Australia

C Combined sales, marketing, distribution and manufacturing centres
G Group headquarters
M Manufacturing centres
S Sales, marketing and distribution centres

go online at **www.aspenpharma.com**
to see our online annual report

Registration number: 1985/002935/06
Share code: APN   ISIN: ZAE 000066692

A. *Aspen's head office in Durban, South Africa*
B. *Aspen's office in Grand Bay, Mauritius*
C. *Aspen's manufacturing facility in Vittória, Brazil*
D. *Aspen's manufacturing facility in Bad Oldesloe, Germany*
E. *Aspen's Sterile Facility in Port Elizabeth, South Africa*
F. *Aspen's office in Sydney, Australia*

For 160 years Aspen has been providing quality, effective, affordable products to South Africans. Our extensive basket of products ensures that we are able to treat a broad spectrum of acute and chronic conditions experienced throughout all stages of life.

The Group's ongoing global expansion has enabled us to extend our healthcare reach to approximately 100 countries across the world, considerably increasing the number of lives which benefit from Aspen products.

We remain committed to making a meaningful difference in the health of all those using Aspen medicines and to increase our contribution to the lives of people in the many markets we service across the globe, through our robust product pipeline.

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Highlights

Revenue from continuing operations

↑

R10,1 billion
an increase of 20%

Operating profit from continuing operations

↑

R2,6 billion
an increase of 20%

Headline earnings per share from continuing operations

↑

R470,8 cents
an increase of 25%

Group overview

- Aspen is a supplier of branded and generic pharmaceuticals in approximately 100 countries across the globe and of consumer and nutritional products in selected territories.
- Aspen has businesses in South Africa, Mexico, Venezuela, Brazil, Ireland, Germany, Kenya, Uganda, Tanzania, United Arab Emirates, Mauritius, Hong Kong and Australia.
- Aspen is listed on the JSE Ltd ("JSE") and is included in its Top 40 Index.
- Aspen is a leading generics manufacturer in the Southern hemisphere and is Africa's largest pharmaceutical manufacturer.
- Aspen is the leading supplier of generic medicines to both the private and public sectors in South Africa.
- Aspen is one of the top 20 generic manufacturers worldwide and South Africa's number one generic brand.
- Aspen has 12 manufacturing facilities at nine pharmaceutical manufacturing sites on four continents. Four of the sites are located in South Africa, and one in each of Kenya, Tanzania, Brazil, Mexico and Germany.
- Aspen has production capabilities for a wide variety of product types including tablets, capsules, steriles, injectables, oral contraceptives, penems, nutritional products, lyophilised vials, cytotoxics, suppositories, vials, form-filled seals, liquids, semi-solids and specialist active pharmaceutical ingredients ("APIs").
- Aspen has an outstanding generic pipeline. These products are developed under the direction of highly skilled scientists employed by Aspen and in collaboration with other global pharmaceutical companies and research facilities.
- Aspen products are renowned for their quality, efficacy and affordability.

Achievements and key facts

- Net borrowings were reduced by R1 billion from R4 billion to R3 billion.
- Operating cash flow per share increased by 40% to 505,7 cents.
- Aspen increased its presence in key markets in sub-Saharan Africa ("SSA") through the GSK Aspen Healthcare for Africa collaboration.
- The series of strategic interdependent transactions with GSK was completed and successfully integrated into the Group.
- Aspen Australia Pty Ltd ("Aspen Australia") delivered a ninth consecutive year of double-digit revenue growth.
- Revenue from Global Brands grew by 33% to R2 billion.
- The Latin American businesses were restructured and brands were acquired to grow the private market business.
- The new pharmaceutical manufacturing facility in Nairobi was commissioned.

Financial highlights

Performance indicators	30 June 2010 R'million	30 June 2009 R'million	Change %	Compound annual growth* %
Revenue from continuing operations	**10 147**	8 441	20	28
Gross margin	**45%**	46%	(2)	
Operating profit from continuing operations	**2 615**	2 175	20	28
Profit after tax from continuing operations	**1 775**	1 338	33	30
Cash generated from operating activities	**2 033**	1 292	57	29
Performance per share				
Earnings per share from continuing operations – basic (cents)	**444,4**	370,1	20	29
Headline earnings per share from continuing operations (cents)	**470,8**	378,1	25	29
Net asset value per share (cents)	**2 473,1**	1 072,3	131	43
Closing share price	**R76,10**	R54,75	39	
Operating cash flow per share (cents)	**505,7**	361,1	40	28
Key ratios				
Return on total assets	**16,3%**	19,0%		
Net interest cover	**7,7x**	5,9x		
Percentage debt ratio	**24,0%**	52,4%		
Return on shareholders' equity	**24,6%**	39,1%		
Market capitalisation	**R32,8 billion**	R19,8 billion	66	
Price earnings ratio	**16,2**	14,5		
Working capital as % of revenue	**23,9%**	25,8%		

** Compound growth represents nine-year compound annual growth, calculated for the period 2001 to 2010.*

Sustainability highlights and recognition

Sustainability highlights

- Aspen commenced its enhanced sustainability reporting process in line with global sustainability reporting initiatives.
- Aspen's compound annual growth, since listing, for revenue, operating profit and headline earnings per share approximates 50%.
- The Group's Corporate Social Investment ("CSI") initiatives made a difference to approximately 780 000 beneficiaries.
- Aspen's antiretrovirals ("ARVs") support close to 900 000 patients in South Africa.
- Health and safety coverage increased in South Africa during the year.
- The number of employees in the Group has increased by 765 to over 6 000.
- Aspen has retained its A-rating accreditation under the Department of Trade and Industry's Codes of Good Practice on Broad-Based Black Economic Empowerment ("BBBEE Codes").

Recognition over the past year

- Aspen retained its position as the leading supplier of pharmaceuticals to the private sector in South Africa as recorded by IMS Health ("IMS").
- Aspen retained its position as the number one supplier of generics to both the private and public sectors in South Africa.
- Aspen's pharmaceutical business was ranked first in the Campbell Belman (Pty) Ltd ("Campbell Belman") Independent Confidence Standing Survey of South Africa's top retail pharmacies and South Africa's managed healthcare sector.
- One in four script lines dispensed in South Africa is for an Aspen product, the most for any company.
- Aspen Australia is ranked seventh by volume of scripts written and generates more prescriptions than several of the major multinationals in that market.
- Aspen Australia's sales representatives were voted as the best in that country.
- Aspen's 2009 annual report was ranked in the "Good" category of the Ernst & Young Excellence in Corporate Reporting survey.
- Aspen is included in the JSE Top 40 Index.
- Fine Chemicals Corporation (Pty) Ltd ("FCC") received the "Best Enterprise Award" for large enterprises at the inaugural South African Quality Awards 2009/10.

Vision and mission

To deliver value to all our stakeholders as a responsible corporate citizen that provides quality, affordable medicines globally.

Values

- Integrity
- Innovation
- Excellence
- Commitment
- Teamwork

Strategic objectives

- To maintain our position as the leading provider of pharmaceuticals in South Africa.
- To be the leading provider of pharmaceuticals in SSA through the GSK Aspen Healthcare for Africa collaboration.
- To rapidly grow our market share in Latin America.
- To outperform the market in Australia.
- To strive for continuous improvement in every business.
- To provide patients with high quality medicines at competitive prices.
- To achieve a strategic advantage through our production capabilities.
- To continuously increase and improve our offering to healthcare professionals and patients through a prolific product pipeline.
- To provide a safe, challenging and rewarding environment for our employees.
- To deliver excellent service to our customers.
- To practise good corporate governance.
- To achieve superior returns on investment for our shareholders.
- To achieve our strategic objectives as responsible corporate citizens.

Responsible corporate citizenship

- King II Codes of Corporate Practices and Conduct ("King II") were applied during the year and significant progress has been made in considering and applying King III, as appropriate, throughout the Group.
- The qualification, independence and contribution of Board members is formally evaluated on an annual basis to provide a sound foundation for good corporate governance in the Group.
- Compliance with relevant legislation, the JSE's Listings Requirements and industry-specific regulations is carefully monitored.
- Specific attention is given to the effective implementation, monitoring and ongoing evaluation of sound internal controls throughout the Group.
- Aspen's CSI initiatives are aligned to supporting projects aimed at enhancing access to primary healthcare and those programmes which address prevention and management of HIV/AIDS.
- A Risk & Sustainability Committee was formed to oversee the effectiveness of the Group's risk management and sustainability processes.
- Increased attention was given to improving health and safety systems in the South African business during the year.
- Committed steps are being taken to develop environmental management protocols in line with international best practice.
- The benefits of resource conservation and waste management improvement initiatives have begun to be realised at the South African manufacturing facilities.

Diversification

- **Geographic coverage:**
  Operating on six continents and reaching approximately 100 countries with the international and SSA businesses contributing 47% and 39% to Group revenue and operating profits respectively.
- **Products:**
  The portfolio consists of branded, generic, over-the-counter ("OTC"), self-medication, consumer and nutritional products which range across a number of key therapeutic categories and which are registered in accordance with the regulatory requirements specific to each market.
- **Manufacturing capability:**
  Includes tablets, capsules, suppositories, creams, ointments, liquids, steriles, penicillins, nutritional products, cytotoxics, form-fill seals, sterile eye drops, injectables, lyophilised vials and specialist APIs.
- **Regulatory compliance:**
  Manufacturing facilities comply with the regulatory requirements of the various domestic and export markets into which products are supplied. Aspen has transformed from a domestic producer into a manufacturer with the capacity and capability to supply various dosage forms to almost any market in the world.
- **People:**
  Over 6 000 people are employed by the Group with due consideration being given to diversity and transformation of management.

Group at a glance

South African business

724 employees*

3 209 employees*

DESCRIPTION OF BUSINESS

Sales, marketing and distribution

The South African business provides a diverse basket of high quality, affordable products which are supplied to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, dispensing general practitioners, managed healthcare funders and retail stores across the private and public sectors. APIs are sold into South Africa and to export territories globally. Aspen's range of branded, generic, OTC, consumer and nutritional products offer the convenience of a "one-stop-shop" service to its broad base of customers.

OPERATIONAL HIGHLIGHTS

Aspen remains the leading supplier of medicines to the South African private and public sectors, with 16,5% of pharmaceutical sales in the private sector. Growth of 13,0% was recorded in the private sector, 3,1% ahead of total market growth. One in four script lines dispensed by a pharmacist in South Africa is for an Aspen product.

Manufacturing operations

Aspen is Africa's largest manufacturer of generic pharmaceuticals and one of the world's top 20 generic manufacturers. Significant investments have been made in the expansion, diversification and upgrade of manufacturing capability and capacity to supply high quality, affordable products for the Group's growing local and international markets.

Manufacturing capability has been diversified into the manufacture of eye drops injectables and lyophilised vials. Eye drops continue to be exported to the United States. Benefits from capital expenditure projects to unlock manufacturing and packing capacity and to enhance manufacturing processes are being realised.

890 employees*

Sub-Saharan Africa

Aspen's strategic intent to extend its presence further into SSA has gained traction where it extended its foothold into East Africa, French West Africa, Nigeria and parts of Central Africa with a portfolio of high quality, relevant products and strong distribution networks.

Aspen implemented its pan-African strategy through the establishment of a collaboration with GSK for the distribution of relevant products throughout SSA.

Aspen's international operations extend Aspen's footprint to more than 100 countries across six continents.

Revenue from Global Brands grew by 33%.

84 employees*

Asia Pacific

Distributes niche, branded pharmaceutical and consumer products into its primary markets of Australia and New Zealand and has recently extended its distribution into South-East Asia with the portfolio of Global Brands.

Aspen Australia continued its record of double-digit growth each year since 2001 despite pricing pressures. Presently 5,4% of all scripts written in Australia prescribe an Aspen brand. Aspen Australia's sales team was voted as the best in the country.

739 employees*

Latin America

Aspen's Latin American operations in Brazil, Mexico and Venezuela have historically supplied generic pharmaceuticals to the hospitals and public sector. Focused attention has been given to pursuing growth opportunities for branded pharmaceutical and OTC products in the private sectors across Latin America. The Group has manufacturing facilities in Brazil and Mexico.

A sales representative force has been trained and restructured to grow the private market business in this region. The product portfolio has been expanded to support this initiative. Agreement was reached for the sale of the Campos manufacturing facility.

18 employees*

EMENAC (Europe, Middle East, North Africa and Canada)

Aspen's office in Dubai manages the distribution of a portfolio of branded products into EMENAC.

Distribution agreements were entered into with established suppliers in the region and volume growth was recorded for the sale of the Global Brands in parts of Europe, the Middle East and Canada.

403 employees*

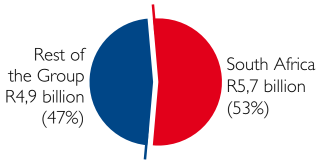
Rest of the world

This segment includes revenues from Aspen Bad Oldesloe GmbH ("Aspen Bad Oldesloe") and from the sale of products into smaller international markets.

**Full-time and part-time employees at year-end.*

GROUP REVENUE# | GROUP REVENUE % | LEADING BRANDS | PRODUCTS

Revenue: R5,7 billion (+31%)#

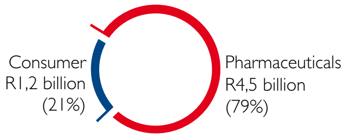


53% of Group

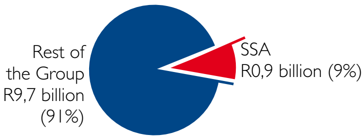
Leading brands: Altosec, Bronkese, CiLift, Aspen Efavirenz, Flusin, Ibumol, Infacare, Mybulen, Panamor, Sinuclear, Stilpane, Truvada, Vectoryl and Woodwards Gripe Water

Products: Capsules, creams, enemas, eye drops, nutritional products, inhalers, injectables, nasal sprays, ointments, solutions, suppositories, suspensions, syrups, tablets

Analysis of South African business



Revenue: R0,9 billion (-2%)#

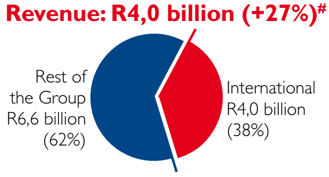


9% of Group

Leading brands: Amoxil, Action, Diclopar, Malafin, Mara Moja, Malegi, Rotarix

Products: Capsules, creams, eye drops, inhalers, injectables, ointments, solutions, suspensions, syrups, tablets

Revenue: R4,0 billion (+27%)#

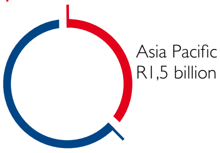


38% of Group

Leading brands: Eltroxin, Lanoxin, Imuran, Zyloric, Alkeran, Lanvis, Leukeran, Myleran, Purithenol, Kemodrin, Septrin, Trandate, Aggrastat, Aldoment and Indocid ("Global Brands")

Products: Capsules, injectables, suppositories, syrups, tablets

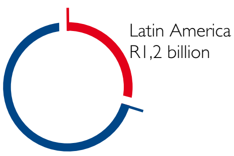
Analysis of International business



14% of Group

Leading brands: Bio Oil, Cardizem, Di-gesic, Neotigason, Keflex, Murine, Proscar, Spray Fresh, Transiderm-Nitro, Tritace and Global Brands

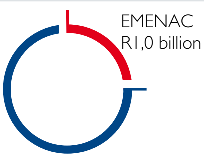
Products: Capsules, deodorants, enemas, eye drops, inhalers, liquids, ointments, suspensions, tablets



11% of Group

Leading brands: Alcachofra, Calman, Eutropin, Global Brands, Heptron, Omeprazole, Pravastatina, Tazpen and Zylpen

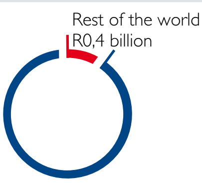
Products: Capsules, creams, tablets, injectables, suppositories, syrups



9% of Group

Leading brands: Global Brands

Products: Capsules, creams, tablets, injectables, suppositories, syrups



4% of Group

Leading brands: Global Brands

Products: Capsules, high-potency products, liquids, nebules, steroidal creams, tablets, injectables, suppositories, syrups

#Amounts stated are gross revenue from continuing operations.

Ten-year review

GROUP INCOME STATEMENTS	Compound growth since 2001 %	IFRS Year ended 30 June 2010 R'million	IFRS Year ended 30 June 2009 R'million
Continuing operations			
Revenue	28	10 146,6	8 441,4
Gross profit	25	4 604,3	3 877,3
Operating profit before amortisation, disposals and impairment of assets	28	2 818,5	2 294,5
Total amortisation, disposals and impairment of assets		(203,5)	(124,2)
Operating profit	28	2 614,9	2 174,7
Net financing costs	26	(370,4)	(475,0)
Profit before tax	28	2 242,8	1 696,4
Profit after tax	30	1 775,3	1 337,5

GROUP STATEMENTS OF FINANCIAL POSITION		
Assets		
Non-current assets		
Property, plant and equipment	3 012,4	2 261,1[7]
Intangible assets	9 066,0	4 502,0
Preference share investment	—	—
Other non-current assets	99,9	45,5
Total non-current assets	12 178,3	6 808,6
Current assets		
Inventories	2 041,4	1 434,5[7]
Trade and other receivables	2 359,5	2 040,2[7]
Assets classified as held-for-sale	260,1	—
Cash and cash equivalents	2 939,8	2 065,0[7]
Cash restricted for use	21,8	—
Total current assets	7 622,6	5 539,7
Total assets	19 800,9	12 348,3
Equity and liabilities		
Ordinary shareholders' equity	10 669,0	3 867,4[7]
Equity component of preference shares	162,0	162,0
Non-controlling interests	55,2	75,9
Total shareholders' equity	10 886,2	4 105,3
Non-current liabilities		
Preference shares – liability component	386,6	392,2
Borrowings	2 260,2	3 433,8
Deferred-payables and other non-current financial liabilities	174,8	9,4
Deferred tax liabilities	263,2	200,4[7]
Total non-current liabilities	3 084,8	4 035,8
Current liabilities		
Trade and other payables	1 913,9	1 287,5[7]
Financial liability at amortised cost	—	—
Borrowings	3 720,8	2 670,3
Other current financial liabilities	195,2	249,4
Total current liabilities	5 829,9	4 207,2
Total equity and liabilities	19 800,9	12 348,3

Comparative figures have been restated to conform to changes in presentation.

[1] *Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.*
[2] *Includes R8,1 million amortisation of goodwill.*
[3] *Includes R13,8 million amortisation of goodwill.*
[4] *Includes R8,4 million amortisation of goodwill.*
[5] *Includes R6,0 million amortisation of goodwill.*
[6] *The 2008 statement of financial position excludes the Astrix Laboratories Ltd balances which are regarded as a discontinued operation.*
[7] *The 2009 statement of financial position excludes the oncology business balances which are regarded as a discontinued operation.*

IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million	SA GAAP Year ended 30 June 2001 R'million
4 682,5	4 025,9	3 449,3	2 814,6	2 201,7	1 890,2	1 561,2	1 104,3
2 171,3	1 941,7	1 660,3	1 390,6	1 058,1	860,8	736,3	603,8
1 260,0	1 194,3	1 009,8	837,4[1]	631,8	501,3	413,7	299,5
(63,7)	(117,7)	(115,1)	(99,2)	(78,0)[2]	(54,1)[3]	(34,3)[4]	(14,6)[5]
1 196,3	1 076,6	894,7	738,2	553,8	447,2	379,4	284,9
(17,3)	(67,2)	(40,8)	(61,9)	(25,3)	(56,9)	(48,2)	(47,5)
1 177,9	1 009,4	853,9	676,4	528,5	390,3	331,2	237,4
844,8	717,7	637,5	468,8	355,6	274,8	221,8	171,2

1 623,0[6]	855,1	613,1	481,7	312,8	180,1	145,6	138,3
4 234,8[6]	1 139,7	1 073,8	861,4	528,1	504,5	289,9	237,7
—	376,8	376,8	376,8	—	—	—	—
31,5	21,1	46,3	57,7	132,0	169,1	190,7	223,2
5 889,3	2 392,7	2 110,0	1 777,6	972,9	853,7	626,2	599,2
1 369,1[6]	936,8	798,3	428,2	245,6	213,5	287,0	185,0
1 789,1[6]	871,2	727,2	512,7	425,6	414,1	341,0	254,5
—	—	—	—	—	—	—	—
1 521,2[6]	3 331,2	625,2	439,6	465,5	200,4	184,1	135,2
—	—	—	—	—	—	—	—
4 679,4	5 139,2	2 150,7	1 380,5	1 136,7	828,0	812,1	574,7
10 568,7	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7	1 438,3	1 173,9
2 908,7[6]	2 220,4	1 551,0	954,3	1 066,5	787,6	599,4	335,3
162,0	162,0	162,0	162,0	—	—	—	—
61,1	7,0	6,7	—	—	7,4	17,1	10,7
3 131,8	2 389,4	1 719,7	1 116,3	1 066,5	795,0	616,5	346,0
402,1	403,5	403,3	406,6	—	—	—	—
75,9	25,9	49,0	62,7	156,2	144,7	54,0	176,1
11,9	17,8	35,9	37,4	50,5	92,4	103,3	49,9
133,0[6]	65,3	99,1	71,6	61,6	42,3	29,1	22,8
622,9	512,5	587,3	578,3	268,3	279,4	186,4	248,8
995,7[6]	648,1	712,7	571,9	353,4	338,6	383,8	350,9
2 653,0	—	—	—	—	—	—	—
3 042,3[6]	3 801,8	1 173,8	761,7	290,0	151,5	160,9	201,8
123,0	180,1	67,2	129,9	131,4	117,2	90,7	26,4
6 814,0	4 630,0	1 953,7	1 463,5	774,8	607,3	635,4	579,1
10 568,7	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7	1 438,3	1 173,9

Ten-year review *continued*

GROUP STATEMENT OF CASH FLOWS		Compound growth since 2001 %	IFRS Year ended 30 June 2010 R'million	IFRS Year ended 30 June 2009 R'million
Cash operating profit		30	**3 269,5**	2 668,3
Working capital movements			**(344,4)**	(507,7)
Cash generated from operations		30	**2 925,1**	2 160,6
Net financing costs paid			**(427,1)**	(535,1)
Tax paid			**(465,0)**	(333,4)
Cash generated from operating activities		29	**2 033,0**	1 292,1
Cash used in investing activities			**(1 020,7)**	(3 556,7)
Cash generated from/(used in) financing activities			**(498,7)**	3 129,0
Translation effects on cash and cash equivalents on foreign operations			**(23,8)**	(486,4)
Movement in cash and cash equivalents			**489,8**	378,0
Cash and cash equivalents at the beginning of the year			**1 322,9**	944,9
Cash and cash equivalents at the end of the year			**1 812,7**	1 322,9
PERFORMANCE PER SHARE				
Earnings per share – basic	cents		**494,9**	374,6
From continuing operations	cents	29	**444,4**	370,1
From discontinued operations	cents		**50,5**	4,5
Earnings per share – diluted	cents		**474,7**	362,9
From continuing operations	cents	28	**427,0**	358,7
From discontinued operations	cents		**47,7**	4,2
Headline earnings per share	cents		**482,9**	389,4
From continuing operations	cents	29	**470,8**	378,1
From discontinued operations	cents		**12,1**	11,3
Headline earnings per share – diluted	cents		**463,4**	376,7
From continuing operations	cents	29	**452,0**	366,1
From discontinued operations	cents		**11,4**	10,6
Capital distribution/dividend per share[8]	cents		**—**	—
Net asset value per share	cents	43	**2 473,1**	1 072,3
Operating cash flow per share	cents	28	**505,7**	361,1

Comparative figures have been restated to conform to changes in presentation.

[1] *Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.*

[8] *All capital distributions from 2004 onwards relate to distributions declared after year-end. The distributions for the years 2000 to 2003 relate to dividends declared after year-end. These were accounted for in accordance with IAS 10, Events After Balance Sheet Date.*

IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million	SA GAAP Year ended 30 June 2001 R'million
1 494,0	1 322,0	1 127,5	929,3	670,5	508,6	424,1	308,8
(435,9)	(353,0)	(487,5)	(52,9)	(44,2)	(11,6)	(94,4)	(38,2)
1 058,1	969,0	640,0	876,4	626,3	497,0	329,7	270,6
(84,1)	(54,0)	(55,8)	(47,0)	(25,3)	(56,9)	(48,2)	(47,5)
(321,6)	(206,4)	(182,2)	(176,6)	(102,3)	(54,1)	(50,7)	(20,9)
652,4	708,6	402,0	652,8	498,7	386,0	230,8	202,2
(1 456,3)	(431,6)	(442,0)	(799,8)	(282,6)	(351,3)	(40,6)	(186,6)
1 210,7	(50,8)	(152,1)	115,6	54,3	20,9	(193,9)	(31,1)
40,6	9,0	14,8	5,5	(5,2)	(39,4)	52,6	10,5
447,4	235,2	(177,3)	(25,9)	265,2	16,2	48,9	(5,0)
497,5	262,3	439,6	465,5	200,3	184,1	135,2	140,2
944,9	497,5	262,3	439,6	465,5	200,3	184,1	135,2
245,3	205,6	185,3	137,6	99,8	76,6	62,5	46,8
239,7	205,6	185,3	137,6[1]	99,8	77,0	61,5	46,3
5,6	—	—	—	—	(0,4)	1,0	0,5
240,1	201,8	179,2	133,9	97,2	74,8	60,6	45,6
234,8	201,8	179,2	133,9[1]	97,2	75,2	59,6	45,1
5,3	—	—	—	—	(0,4)	1,0	0,5
231,3	210,1	185,4	138,3	103,7	79,1	62,7	46,3
225,7	210,1	185,4	138,3[1]	103,7	79,1	63,1	46,6
5,6	—	—	—	—	—	(0,4)	(0,3)
227,0	206,1	179,3	134,3	101,0	77,1	60,8	45,1
221,7	206,1	179,3	134,3[1]	101,0	77,1	61,2	45,4
5,3	—	—	—	—	—	(0,4)	(0,3)
70,0	62,0	48,0	30,0	20,0	11,0	8,0	—
825,4	633,3	446,4	281,1	297,7	222,1	170,5	96,0
185,5	203,1	116,8	191,7	140,0	109,3	65,9	55,3

Ten-year review *continued*

		Compound growth since 2001 %	IFRS Year ended 30 June 2010 R'million	IFRS Year ended 30 June 2009 R'million
SHARE INFORMATION				
Number of shares in issue – at the end of the year	millions		**431,6**	361,3
Number of shares in issue (net of treasury shares) – at the end of the year	millions		**431,4**	360,7
Weighted number of shares in issue	millions		**402,0**	357,9
Market capitalisation at year-end	R'million	35	**32 845,6**	19 783,7
JSE STATISTICS				
Number of shares traded	millions		**328,1**	335,5
Number of shares traded as % of weighted average number of shares	%		**81,6**	93,8
Market price per share				
year-end	cents		**7 610**	5 475
highest	cents		**8 505**	5 748
lowest	cents		**5 375**	2 720
KEY MARKET PERFORMANCE RATIOS				
Earnings yield	%		**6,2**	6,9
Price/earnings ratio			**16,2**	14,5
BUSINESS PERFORMANCE				
Profitability – measures financial performance of the Group				
Return on ordinary shareholders' equity	%		**24,6**	39,1
Return on total assets	%		**16,3**	19,0
Return on net assets	%		**29,9**	46,9
Revenue growth from continuing operations	%		**20,2**	80,3
Gross margin	%		**45,4**	45,9
Operating profit margin	%		**27,8**	27,2
South African operating profit margin	%		**28,9**	25,6
SSA operating profit margin	%		**7,9**	19,2
International operating profit margin	%		**27,5**	31,7
Effective tax rate	%		**20,8**	21,2
Liquidity – measures the Group's ability to meet its maturing obligations and unexpected cash needs in the short term				
Current ratio			**1,3**	1,3
Quick ratio			**1,0**	1,0
Cash ratio			**62,5**	59,6
Working capital as % of revenue			**23,9**	25,8

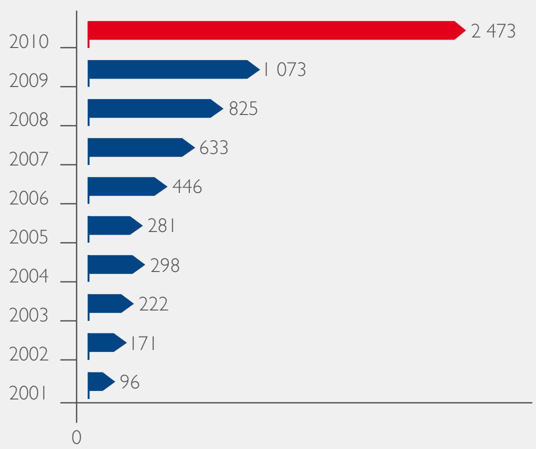
Comparative figures have been restated to conform to changes in presentation.

IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million	SA GAAP Year ended 30 June 2001 R'million
391,3	389,6	386,4	378,4	377,0	373,5	370,3	368,2
352,4	350,6	347,4	339,4	358,2	354,6	351,5	349,4
351,8	348,9	344,1	340,6	356,2	353,1	350,4	365,8
12 444,7	14 413,9	14 102,9	9 005,3	4 788,1	2 894,3	2 759,0	2 191,0
271,0	359,2	268,8	103,4	82,7	128,9	132,1	30,9
77,0	103,0	78,1	30,3	23,2	36,5	37,7	8,4
3 180	3 700	3 650	2 380	1 270	775	745	595
3 239	4 016	4 450	2 500	1 410	800	790	695
2 915	3 055	2 365	1 270	775	640	565	400
7,1	5,7	5,1	5,8[1]	8,2	10,2	8,5	7,8
14,1	17,6	19,7	17,2	12,2	9,8	11,8	12,8
32,9	38,0	50,9	46,4	38,4	39,2	46,1	59,3
13,2	18,3	24,1	28,0	29,2	28,7	29,1	26,3
42,7	49,1	60,2	62,0	56,8	55,3	68,8	81,6
16,3	16,7	22,6	27,8	16,5	21,1	41,4	18,0
46,4	48,2	48,1	49,4	48,1	45,5	47,2	54,7
26,9	29,7	29,3	29,8	28,7	26,5	26,5	27,1
29,7	32,5	32,5	32,9	31,9	31,3	31,0	29,1
12,7	26,8	16,7	2,9	(26,3)	(6,1)	14,6	—
20,9	19,1	17,5	17,2	17,8	10,9	9,4	8,1
28,3	28,9	25,3	30,7	32,7	29,6	33,0	27,9
1,1	1,1	1,1	0,9	1,5	1,4	1,3	1,0
0,8	0,9	0,7	0,7	1,2	1,0	0,8	0,7
24,4	185,5	39,3	30,0	60,1	33,0	29,1	23,3
36,8	28,8	23,4	13,0	14,4	15,3	15,6	8,0

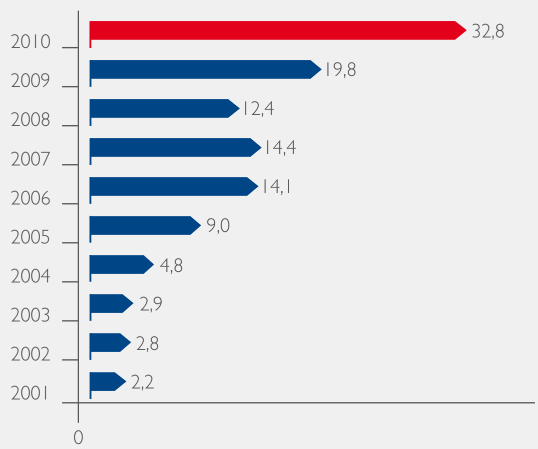
BUSINESS PERFORMANCE (continued)		IFRS Year ended 30 June 2010 R'million	IFRS Year ended 30 June 2009 R'million
Debt indicators – measures the Group's ability to meet capital and interest payments over the long term			
Total debt (net of cash)		**3 427,8**	4 431,9
Total net borrowings		**3 041,3**	4 039,1
Total debt to operating profit before amortisation	times	**1,2**	1,9
Net interest cover	times	**7,7**	5,9
Gearing ratio	%	**24,0**	52,4

Comparative figures have been restated to conform to changes in presentation.

Net asset value per share (cents)



Market capitalisation (R'billion)



Definitions and formulas

Net asset value per share (cents)

$$\frac{\text{Ordinary shareholders' equity}}{\text{Number of shares in issue (net of treasury shares)}}$$

Operating cash flow per share (cents)

$$\frac{\text{Cash generated from operating activities}}{\text{Weighted number of shares in issue}}$$

Earnings yield (%)

$$\frac{\text{Headline earnings per share from continuing operations}}{\text{Market price per share at year-end}}$$

Price/earnings ratio

$$\frac{\text{Market price per share at year-end}}{\text{Headline earnings per share from continuing operations}}$$

Capital distribution/dividend yield (%)

$$\frac{\text{Capital distribution or dividend paid}}{\text{Market price per share at year-end}}$$

Return on ordinary shareholders' equity (%)

$$\frac{\text{Profit attributable to equity holders of the parent from continuing operations}}{\text{Average ordinary shareholders' equity}}$$

Return on total assets (%)

$$\frac{\text{Operating profit from continuing operations}}{\text{Total average assets (including cash and cash equivalents)}}$$

Return on net assets (%)

$$\frac{\text{Profit before tax from continuing operations}}{\text{Total average assets – total average liabilities}}$$

IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million	SA GAAP Year ended 30 June 2001 R'million
2 011,0	967,6	1 032,2	866,8	75,6	243,1	185,4	305,4
1 597,2	496,5	597,6	384,7	(19,3)	95,8	30,8	242,7
1,6	0,8	1,0	1,0	0,1	0,5	0,4	1,0
14,0	18,8	21,6	21,0	65,1	18,2	9,3	6,2
39,6	28,9	37,6	43,7	6,6	23,6	23,6	47,7

Revenue growth from continuing operations (%)

$$\frac{\text{Revenue from continuing operations (current year) – revenue from continuing operations (prior year)}}{\text{Revenue from continuing operations (prior year)}}$$

Gross margin (%)

$$\frac{\text{Gross profit from continuing operations}}{\text{Revenue from continuing operations}}$$

Operating profit margin (%)

$$\frac{\text{Operating profit before amortisation, disposals and impairment of assets from continuing operations}}{\text{Revenue from continuing operations}}$$

South African operating profit margin (%)

$$\frac{\text{Operating profit before amortisation, disposals and impairment of assets for South Africa from continuing operations}}{\text{Revenue for South Africa from continuing operations}}$$

Sub-Saharan Africa operating profit margin (%)

$$\frac{\text{Operating profit before amortisation, disposals and impairment of assets for SSA from continuing operations}}{\text{Gross revenue for SSA from continuing operations}}$$

International operating profit margin (%)

$$\frac{\text{Operating profit before amortisation, disposals and impairment of assets for international from continuing operations}}{\text{Revenue for international from continuing operations}}$$

Effective tax rate (%)

$$\frac{\text{Tax from continuing operations}}{\text{Profit before tax from continuing operations}}$$

Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Quick ratio

$$\frac{\text{Current assets – inventories}}{\text{Current liabilities}}$$

Cash ratio

$$\frac{\text{Cash and cash equivalents}}{\text{Current liabilities – bank overdrafts}}$$

Working capital as % of revenue

$$\frac{\text{Inventories + trade and other receivables – trade and other payables}}{\text{Revenue from continuing operations}}$$

Total debt (net of cash)

Total borrowings + deferred payables + preference shares (liability component) – cash and cash equivalents

Total net borrowings

Non-current borrowings + current borrowings – cash and cash equivalents

Gearing ratio

$$\frac{\text{Total debt (net of cash)}}{\text{Total shareholders' equity}}$$

Total debt to operating profit before amortisation cover

$$\frac{\text{Total debt (net of cash)}}{\text{Operating profit before amortisation, disposals and impairment of assets from continuing operations}}$$

Net interest cover

$$\frac{\text{Operating profit before amortisation, disposals and impairment of assets from continuing operations}}{\text{Interest paid from continuing operations – interest received from continuing operations}}$$

Gearing ratio (%)

$$\frac{\text{Total debt (net of cash)}}{\text{Total shareholders' equity + total debt (net of cash)}}$$

South Africa

Aspen's Unit I manufacturing facility in Port Elizabeth produces an extensive range of high volume tablets for the South African and export markets. During the past year this United States Food and Drug Administration ("FDA")-accredited facility produced approximately 2,5 billion tablets including leading Aspen ARV brands containing molecules such as stavudine, lamivudine, efavirenz and tenofovir. Unit I produces nearly 50% of Aspen's South African tablet volumes.

Image – The Countec tablet and capsule-counting machine forms part of the high-speed bottling line at Aspen's Unit I manufacturing facility. This machine packs approximately 60 units of product per minute.

Returns on investment

The investments made by Aspen over more than a decade have resulted in the Group becoming an essential provider to the healthcare needs of South Africans and an important contributor to the wellness and quality of life of people in some 100 other countries across the globe.

Dr Judy Dlamini
Chairman

Providing medicines to the world

In developing the ability to supply medicines on a global scale, the Group has focused on investment in three areas since coming to the market 12 years ago. More than R9 billion has been spent on acquiring or developing products. In essence, this is the medicine which Aspen supplies to those in need. In South Africa this amounts to approximately one in every four medicines dispensed across all sectors of society. Elsewhere in the world, Aspen's products provide essential relief and life-sustaining treatment of chronic diseases in the form of specialised medicines. The second investment area has been in manufacturing facilities where over R3 billion has been committed over the last 12 years to ensure world-class production capabilities with the capacity to meet the demands of the markets supplied by the Group. Finally there is the investment in people, providing the enabling skills to succeed in a complex and technologically advanced environment. More than half of Aspen's workforce received direct skills enhancement interventions during the past year.

Succeeding despite the uncertain environment

In the uncertain global economic climate of the past year, the strong financial fundamentals of the Group have been important in assuring the quality of service and delivery. A large component of the patients treated with Aspen's medicines are in emerging markets. The Group has worked hard at implementing effective business models and developing the necessary skills to succeed in these markets. There have been significant challenges, most notably in Brazil and in East Africa. The learnings from these territories have further expanded the experience base of the management team which will equip them well for the future. In both these territories decisive action has subsequently resulted in significantly improved performance.

Global recognition

Aspen's identity and reputation for delivery of quality, affordable medicines has grown from domestic recognition to international acceptance. The Group companies across Latin America have been renamed so that they each now bear the Aspen name. This has been another positive development in building the Aspen brand on the world stage. It coincides with the Group taking full ownership of the Latin American business and the reshaping of strategy in this region to achieve alignment with Group objectives.

Raising governance standards

The expansion of the Group internationally has broadened the scope of sustainability initiatives in which Aspen is engaged. The acquisitive activity of the past few years has introduced a variety of differing approaches, views and cultures into the Group. The harmonisation of policy and process in this area has commenced and will continue in the year ahead. These initiatives should further enhance the resilience of Aspen in dealing with volatility in international markets. Raising standards of corporate governance is also receiving close attention. The guidance provided by King III has been carefully considered and a substantial amount of work has already been undertaken to ensure the Group is well prepared to apply King III in the 2011 financial year. Every effort will be made to ensure corporate governance measures remain relevant to the operations and do not give rise to constraining bureaucracy.

Contribution towards transformation and CSI in South Africa

The Group's transformation objectives are progressing well. It is pleasing to report that Aspen has retained its A-rating accreditation from Empowerdex, demonstrating its commitment towards facilitating the empowerment, growth and development of historically disadvantaged South Africans in accordance with BBBEE policies in South Africa.

The Group's CSI projects aim at improving access to healthcare, particularly those targeting HIV/AIDS and Tuberculosis. During the year, Aspen's commitment to providing sustainable healthcare facilities in rural communities was extended by the construction of the Utah clinic in Mpumalanga, South Africa. This increases the total number of clinic infrastructure projects supported by Aspen in South Africa, to seven. Furthermore, continued contributions were made towards the development of healthcare professionals in South Africa. Through the clinic projects, educational support projects and other community upliftment initiatives, Aspen has been able to make a difference to the lives of close to 800 000 underprivileged South Africans during 2010.

Farewell Archie

I have again had the benefit of the support of an experienced and skilled Board of Directors for which I am grateful. The Board welcomed Abbas Hussain to its ranks during the course of the year. His international pharmaceutical knowledge, particularly in emerging markets, has already proven of value. This year also marked the last in the service of Archie Aaron as a director of Aspen. Archie has not availed himself for re-election, having served on the Board since Aspen's inception, including nine years as Chairman. Archie's contribution to the development and growth of the Group has been considerable, having presided over the determination and implementation of the strategies which have been fundamental to Aspen's remarkable track record. Archie's wisdom and insight have also been of great assistance to me since I succeeded him as Chairman. The Board joins me in thanking Archie and we wish him well in the future. Thank you, Archie.

Employees deliver the results

The people who have done so much to achieve the excellent results delivered by Aspen over the past year, the executive team and over 6 000 employees on six continents, are to be congratulated on a job well done. Thanks to your ongoing efforts, all stakeholders can look with confidence to Aspen's future.

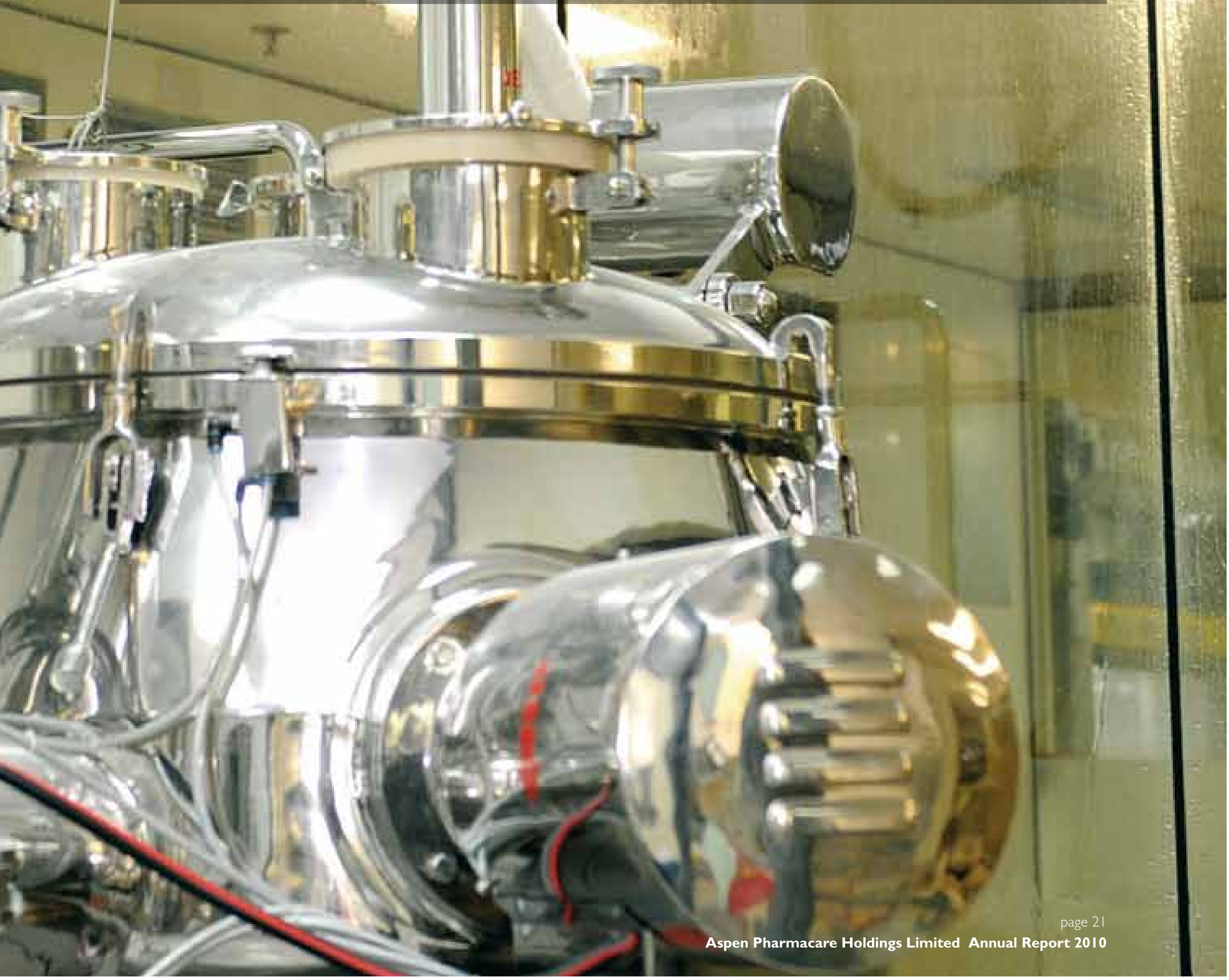
Dr Judy Dlamini
Chairman

21 October 2010

South Africa

During the past year Aspen's Unit 1 manufacturing facility in Port Elizabeth was inspected by the FDA, World Health Organisation ("WHO") and Brazilian National Health Surveillance Agency ("ANVISA") with no issues of concern identified. Aspen's world-class manufacturing facilities have the capacity and capability to produce vast ranges of product types for Aspen's offshore businesses as well as for third parties. Substantial capital expenditure and process enhancements have contributed toward ensuring Aspen's ability to manufacture and export products at competitive prices while realising profitability for the South African business.

Image – The Saizoner 300ℓ bottom drive high shear mixer granulator machine is used to manufacture solid products such as tablets. Its specific role is to mix wet granules which are required for tablet compression. Two batches are mixed daily which yield a tablet count of approximately 1 million tablets per day. Aspen has three similar machines at its Unit 2 manufacturing facility in Port Elizabeth. Collectively they contribute toward the manufacture of approximately 850 million tablets per year.



World-class performance

Aspen produced excellent results during the past year. This was achieved even though the Latin American and SSA regions performed below expectations. The prompt implementation of recovery strategies in these two territories demonstrated the Group's responsiveness to adverse events which is essential for sustained success in rapidly evolving emerging markets.

Stephen Saad
Group Chief Executive

Strong performance led by the South African business

Revenue exceeded R10 billion for the first time, growing 20% to R10,1 billion. Operating profit also increased by 20% to R2,6 billion. Headline earnings rose 39% to R1,9 billion with the South African business increasing its percentage contribution. The South African business posted operating profit of R1,6 billion, an increase of 52%, underpinned by an extremely strong performance from the pharmaceutical division. The international business also performed well despite the stronger South African Rand. Cash generation was even more impressive than earnings growth with operating cash flow per share rising 40% to 506 cents. This was an important factor in supporting the resumption of a capital distribution which was set at 70 cents per share.

Strategic transactions with GlaxoSmithKline ("GSK") add value

The series of interdependent, strategic transactions concluded with GSK became effective on 1 December 2009, and contributed to the results of the Group for seven months. Each of the transactions has been effectively integrated into the Group and has added to the performance of each of the business segments.

Manufacturing capabilities are a strategic asset

During the course of the past year there have been further enhancements to the Group's manufacturing capabilities. Additional tabletting capacity came on line with the commissioning of Unit 2 in Port Elizabeth while the new areas for production of suppositories and dutch medicines were completed in East London. Significant attention has been paid to improving production processes. The consequent increases in efficiency have lowered unit costs of production and contributed to margin improvement. Low production costs at high quality standards are a prerequisite to remaining competitive against global competition in the generic pharmaceutical industry. Aspen's focus on continual improvement of production facilities and methods has established the manufacturing capabilities of the Group as a critical strategic asset.

The Nutritionals facility has recently recommenced full production with the replacement of the drying tower damaged in the explosion in August 2009. The opportunity has been taken to update technology and increase capacity.

In the forthcoming year the hormonal suite of the Sterile Facility will commence production. Capital projects in progress will also add substantial oral solid dose capacity to Unit 1 and upgrade packing capabilities.

Product pipeline key to future organic growth

Considerable attention has been paid to improving processes and relieving bottlenecks in delivering products from the pipeline for commercialisation. Progress has been made and this was evidenced by several new product launches in South Africa during the last quarter. Despite failing to meet internal targets, Aspen nevertheless accounted for the greatest value generated from new launches in South Africa in the 24-month period to 30 June 2010 (IMS data). The inherent value of the Aspen product pipeline remains exceptional and the successful conversion of this pipeline into product launches will be a key driver of organic growth for the future.

Group in brief
Leadership reviews
Business reviews
Sustainability and governance
Group financial statements
Company financial statements
Shareholders' information

Aspen's product pipeline

Important explanatory notes to the table below:

1. With the exception of SSA, values stated have been derived from IMS. IMS is an independent measure of the private pharmaceutical market in the respective territories. The IMS value, as set out in the table below, records the annual value of sales of the originator's products for the year to 31 December 2009.
2. In the absence of IMS data, values for SSA represent Aspen's estimate of the value of the total private market in East Africa per molecule.
3. The Asia Pacific pipeline assumes the completion of the proposed acquisition of the pharmaceutical business of Sigma Pharmaceuticals Ltd ("Sigma"). Failure to complete this transaction will reduce the pipeline by USD1 713 million.
4. 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.
5. The table relates to the private markets of the relevant territories only. The value of the public sector markets has been omitted entirely.
6. Products which are already registered are not included.
7. Products have only been included when Aspen has a physical product dossier in-hand. Not all products have been submitted to the applicable regulatory authorities for registration.

Therapeutic category	South Africa USD'million	Asia Pacific USD'million	Latin America USD'million	SSA USD'million	Total USD'million
Analgesic	27	15	174	12	**228**
Anti-histamine	7	—	18	—	**25**
Anti-microbial	83	39	167	43	**332**
ARV	17	7	6	—	**30**
Cardiovascular	97	990	1 600	13	**2 700**
Central nervous system	73	350	500	10	**933**
Dermatological	6	4	100	19	**129**
Endocrine	39	63	250	7	**359**
Gastrointestinal	51	326	355	6	**738**
Immunosuppressant	8	60	60	—	**128**
Musculoskeletal	24	40	177	—	**241**
Oncology	53	150	130	2	**335**
Ophthalmic	7	23	180	—	**210**
Respiratory	16	5	46	40	**107**
Urinary	8	6	151	25	**190**
Vitamins	9	—	—	10	**19**
Total	525	2 078	3 914	187	**6 704**
Anticipated launch in:					
0 – 2 years	208	64	998	68	**1 338**
2 – 5 years	317	2 014	2 916	119	**5 366**
Total	525	2 078	3 914	187	**6 704**

South African business delivers record performance

It was a record year for the South African business in terms of both market share and volumes produced. The pharmaceutical division retained its leadership position in the private sector and the public health sector. Aspen's share of the total private sector increased to 16,5% from 12,5%. While the addition of the GSK business assisted, Aspen also grew at 12,7%, ahead of market growth of 10,2%. The demographics of the South African market continue to support increased demand for pharmaceuticals although the strength of the South African Rand is likely to constrain price increases under the legislated Single Exit Price ("SEP"). A corroborating indicator of Aspen's leadership in the private sector is the result of the independent survey by ImpactRx which found that 24% of all prescriptions dispensed in South Africa is for an Aspen (or GSK) product.

The success of the integration of the GSK business in South Africa has been borne out by early gains in share of the branded sector. The seamless merging of the businesses was achieved through intensive planning and preparation. Synergies have been realised through increased distribution and cross-pollination of skills. The generic sector remains intensely competitive. It is set to continue to be the fastest growing pharmaceutical segment in the ongoing quest for increased accessibility to medicines at the most affordable prices. Generics performed well in maintaining a 34% share of private business. Aspen's retention of the major share of the public sector tender business is testimony to the competitive pricing of the Group's extensive product offering. The ARV tender award has been deferred although finalisation is anticipated in the coming months. It will be an intensely competed tender and those awarded products will face the challenges of a business with erratic, high-volume offtakes, significant working capital requirements and low margins. Aspen has historically proven capable of managing this complexity and is well positioned to continue as an important provider of these life-prolonging drugs. In the OTC sector, strategies are in place to improve growth momentum in the forthcoming year.

Growth of 5% was achieved in consumer revenue in a sluggish retail sector battling to emerge from recession. Performance was also negatively affected by an interruption in supply of nutritional products due to the explosion at the nutritionals facility early in the year. While profits were protected by insurance, attention is being given to restoring brand value after the period of absence from the market.

Potential in SSA remains to be realised

Although the SSA business has not realised its potential, the GSK Aspen Healthcare for Africa collaboration met all performance expectations and delivered gross revenue of R549 million in seven months. Shelys however suffered from writedowns related to legacy issues and a change in management was required in order to bring this operation into alignment with Group strategy. The response of the business to the new leadership has been positive and a much improved performance is anticipated.

Progress in Latin America

Meaningful progress has been made in Latin America in moving the business towards having a greater private market focus. This has yielded positive results with revenue in the second six months being 30% higher than in the first six months. The restructuring undertaken in the Brazilian operation in response to Aspen securing 100% ownership has been successful with a return to profit in the second half of the year. Latin America is unquestionably a challenging territory with a higher risk profile. However, it is also the territory with the greatest growth potential for Aspen into the medium term. The Group has more than 250 sales representatives deployed in the region and a product pipeline which promises much for the future. Building critical mass is important to best leverage the investments already made in establishing Aspen's presence. Consequently acquisitive opportunities will continue to be assessed to add products to the existing portfolio. The prospects of increasing coverage in the region are also under consideration.

Exit from non-core manufacture

It is a Group objective that manufacturing facilities should create a strategic advantage. During the year it was announced that Aspen had reached agreement to dispose of the Campos facility and related products in Brazil as well as Aspen's 50% share in the oncology joint ventures, both to Strides Arcolab Ltd. Both these concerns have contract manufacture for third parties as a primary purpose. This does not fit with Aspen's business model hence the exit decisions. Rights to existing and future oncology products have been secured for specified territories in addition to an anticipated profit on disposal of approximately R500 million.

Proposed acquisition of Sigma set to boost Asia Pacific

The business in the Asia Pacific region achieved a ninth successive year of double-digit growth. Revenue from all products reached R1,5 billion. This is a business with an exceptional track record.

On 16 August 2010, Aspen announced that the Board of Directors of Sigma had agreed to support an offer by Aspen to acquire the pharmaceutical business conducted by Sigma pharmaceutical business for a cash consideration of AUD900 million. Completion of this transaction is conditional upon, *inter alia*, requisite regulatory approval and the approval of Sigma shareholders. Work is ongoing on the fulfilment of these conditions.

The Sigma pharmaceutical business manufactures and markets an extensive product portfolio of well-known and trusted Australian brands. The Group sees the following opportunities from the alignment of the Sigma pharmaceutical business under the management of Aspen's highly successful subsidiary in Australia:

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

Developing global capabilities

Over the past few years Aspen has evolved into a global business. In order to do so it has been necessary to develop global capabilities. This starts with the Board of Directors and cascades through all levels of the business. The past year has proven that the Group is capable of competing and succeeding on a global basis. This has been achieved through great endeavour right across the organisation. Well done to all. The progress made and the lessons learnt form the foundation for our future plans.

Prospects

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

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

Initiatives being undertaken in the SSA region should result in an increased contribution to Group profits in the year ahead. An upswing in results in Latin America, continued organic growth in Asia Pacific and the benefit of a full year of contribution from the Global Brands acquired over the last year will be growth drivers for the international business in the year ahead. Completion of the acquisition of the Sigma pharmaceutical business will also add further growth momentum.

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

Stephen Saad
Group Chief Executive

21 October 2010

Germany

Aspen's German-based manufacturing facility, located in Bad Oldesloe, was acquired in 2009 as a consequence of a series of transactions with GSK. Many of the Global Brands acquired from GSK are manufactured at this highly automated facility which has production capabilities in tablets, oral and topical liquids, sterile solutions in polyethylene vials and cytotoxic products. This facility manufactures product for distribution into some 100 countries and provides Aspen with an important trans-European distribution capability.

Image – The blowing machine is used to blow clean glass bottles by means of a filtered air jet. During the continuous turret rotation, blowing needles are inserted into the overturned bottles which enables the immediate withdrawal of air and impurities. The blowing action is continuous in order to obtain a more thorough cleaning result. The machine delivers an output of 200 bottles per hour. Once cleaned, the bottles are fed to downstream machines to complete the filling process.

Gearing significantly reduced

Excellent earnings growth, accompanied by even stronger operating cash flows, has placed the Group in a position of financial strength, enabling the recommencement of a capital distribution and providing funding capacity for acquisitions.

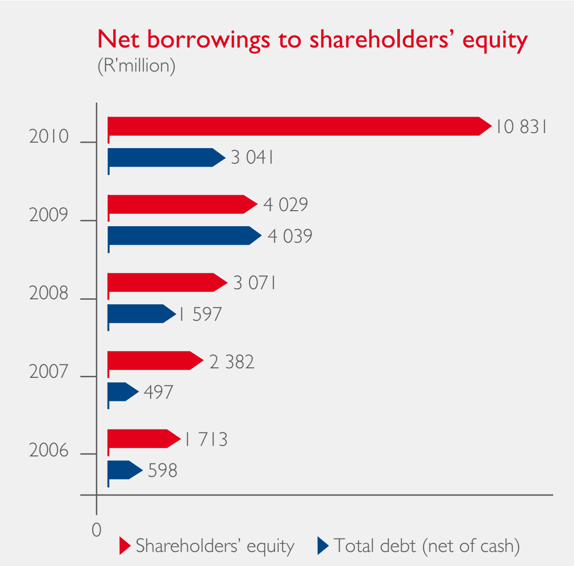
Gus Attridge
Deputy Group Chief Executive

Significant performance factors

Headline earnings	+39%	R1,9 billion
Headline earnings per share	+24%	483 cents
Operating cash flow per share	+40%	506 cents
Capital distribution per share	Recommenced	70 cents

The following were the significant factors influencing the performance of the Group over the year to 30 June 2010:

- An outstanding contribution from the South African business led by the pharmaceutical division – organic growth, the addition of the GSK business, production efficiency, South African Rand strength and market leadership combined to increase operating profits 52%.
- Completion of strategic GSK transactions – R4,6 billion transaction value, interdependent transactions covering all regional segments completed with effect from 1 December 2009, seven months of contribution effectively integrated into existing Aspen structures.
- Decline in contribution from SSA – operating profit down 62% to R66 million, GSK Aspen Healthcare for Africa collaboration on track, licensed ARV business lost to generics, legacy issues in East Africa.
- Solid performance from international business – strong South African Rand diluted performance, Global Brands delivered double-digit growth in US Dollar, turnaround in Latin America after first half losses.
- Increased number of shares in issue – 68,5 million shares issued to GSK with effect from 1 December 2009 in settlement of transaction consideration, 12% increase in weighted average number of shares in issue.
- Strong operating cash flows – excellent working capital management, reduced financing costs, R2,0 billion generated.
- Sharp reduction in net borrowings opens way for capital distribution – net borrowings reduced by R1,0 billion to R3,0 billion, gearing down to 24%, capital distribution recommenced.



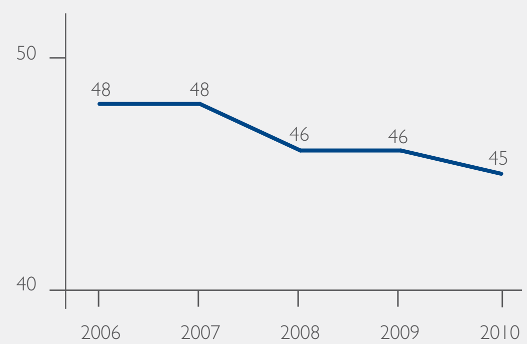
Analysis of income

	2010 R'million	2009 R'million	% growth
Gross revenue	10 615	8 441	+26%
Net revenue	10 147	8 441	+20%

Amounts shown above are from continuing operations.

The strong performance from the South African business underpinned revenue growth with sales in South Africa rising 31% to R5,7 billion. Gross revenue in SSA declined 2% to R910 million. Gross revenue includes all revenue generated by the GSK Aspen Healthcare for Africa collaboration. Net revenue only includes the Aspen profit share from the collaboration. Revenue from the international business increased by 27% to R4,0 billion of which Global Brands made up nearly half.

Gross profit percentage trends are stable with the small declines arising being a reflection of changes in the contribution mix. Production efficiencies and procurement improvements have successfully combated persistent downward pressure on prices.



*Represents gross profit margin % from continuing operations.

	2010 R'million	2009 R'million
Operating profit	2 615	2 175
Amortisation of intangible assets	102	95
Insurance compensation – capital component	(39)	—
Impairment of assets	140	25
Adjusted operating profit	2 819	2 295
Adjusted operating profit % to gross revenue	26,6%	27,2%
Adjusted operating profit % to net revenue	27,8%	27,2%

Amortisation of intangible assets and impairment of assets make up the most material component of "other operating expenses". The impairment of assets in 2010 mainly arose from the restructuring in Brazil and the consequential reassessment of both tangible and intangible assets to enduring values. Insurance compensation of R162 million was received in 2010 in respect of the explosion at the Nutritionals facility in August 2009. This has been disclosed under "other operating income". Of the insurance compensation received, R39 million related to replacement of plant and equipment.

Adjusted operating margin percentage by region based on gross revenue:

	2010	2009
South Africa	28,9%	25,6%
SSA	8,0%	19,2%
International	27,5%	31,7%
Group	26,6%	27,2%

Amounts shown above are from continuing operations.

The Group adjusted operating profit margin percentage is down slightly on the prior year. The principal reason is the decline in the margin in SSA which reflects the fact that Aspen shares the profit of the GSK Aspen Healthcare for Africa collaboration with GSK while reflecting all of the sales in gross revenue.

South African margins have recovered after two years of contraction as efficiency gains and procurement savings were supported by lower costs of imported raw materials due to the stronger South African Rand. International margins narrowed due to the Latin American underperformance in the first half of the year and the effect of Global Brands transitioning to Aspen's distribution network.

	2010 R'million	2009 R'million
Interest paid	553	615
Interest received	(188)	(224)
Net interest paid	365	391
Foreign exchange and fair value (gains)/losses	(19)	53
Other items	24	31
Net financing costs	370	475

Amounts shown above are from continuing operations.

While net interest paid benefited from declining net debt, the biggest factor in reducing net financing costs was the swing to net gains from net losses in respect of foreign exchange transactions and the fair valuing of financial instruments. The net gain arose largely as a consequence of the relatively stronger closing rate of the Group's functional currencies against the US Dollar in particular.

Interest is covered eight times by earnings before financing costs, taxes and amortisation, an improvement from six times covered a year previously. The Group generally seeks to maintain interest cover of at least five times.

	2010 R'million	2009 R'million
Profit before tax	2 243	1 696
Tax	468	359
Effective tax rate	20,8%	21,2%

Amounts shown above are from continuing operations.

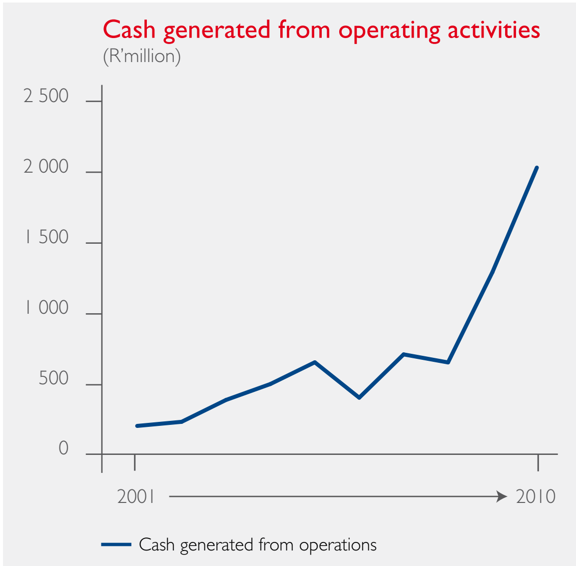
The effective tax rate reduced slightly, benefiting from a strategic project allowance in South Africa related to past strategic investment projects which lowered the tax charge by R46 million. The tax charge is expected to rise in future in the absence of the recurrence of such allowances.

	2010 R'million	2009 R'million
Profit for the year from discontinued operations	203	16

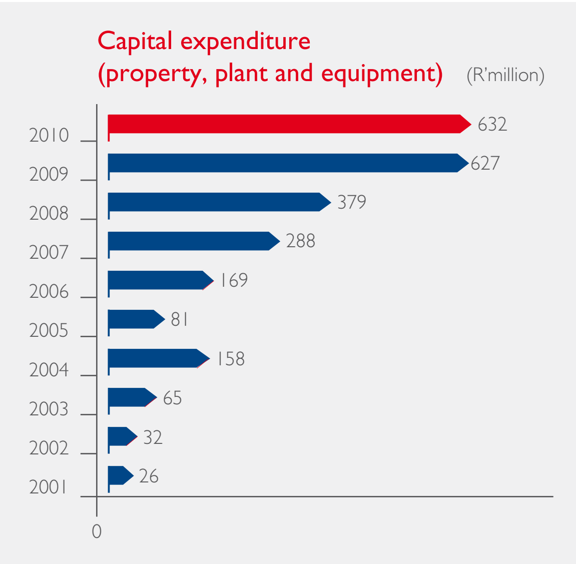
The profit from discontinued operations in 2010 arose from trading profits and the profit on sale relating to Onco Therapies Ltd. Prior year profits from Onco Therapies Ltd offset the losses relating to the disposal of Astrix Laboratories Ltd in 2009.

Favourable cash flows

Aspen is an inherently strong cash generator. Cash flows in 2010 were particularly good. A reduction in the incremental investment in working capital was achieved despite the expansion of the Group. Working capital as a percentage of revenue had been reduced to 24% by year-end from 26% the previous year. While active focus on the management of working capital will be maintained, increased inventory levels may be justified in future in order to support customer service quality across the Group's extensive distribution network. Cash generated from operating activities of R2,0 billion represented a 57% increase.



The Group continued with its capital investment programme with a further R632 million being spent on property, plant and equipment. Capital investment on assets to support future growth is a core strategy. The capital investment programme has however reached a high point in accordance with present plans and expenditure of this nature can be expected to reduce over the next few years.



Capital investment in intangible assets is also ongoing as the Group's product portfolio is expanded when suitable acquisitive opportunities arise. Aspen also undertakes its own product development. During the past year R119 million was spent on product development projects out of a total spend on intangible assets of R661 million.

Acquisitions and disposals of subsidiaries, businesses and joint ventures resulted in cash inflows of R308 million. Of this amount R274 million was the proceeds on the disposal of Onco Therapies Ltd. The remaining R33 million was cash that was acquired in the companies and businesses purchased from GSK. These GSK transactions do not otherwise feature in the statement of cash flows, having been equity settled transactions.

The consequence of the strong cash flows is that even after the investment activities of the Group, net borrowings were reduced to R3,0 billion from R4,0 billion.

Financial position fundamentals

The statement of financial position has been strongly influenced by the GSK transactions which concluded during the year. In particular, intangible assets have increased by R4,0 billion as a consequence of these transactions. Property, plant and equipment and working capital were also added under the transactions reflecting in higher year-end balances.

The share capital issued to settle the GSK transactions increased the Group's capital base by R4,6 billion. Together with the decline in net borrowings, this has resulted in a reduction in Group gearing from 52% to 24%. Gearing is at its lowest level in six years. This has provided Aspen with the capacity to fund the proposed acquisition of the Sigma pharmaceutical business from existing surplus cash and new debt. The Group has comfortably complied with all of its banking covenants.

Capital distribution

Taking into account the earnings and cash flow performance for the year ended 30 June 2010, existing debt service commitments and future proposed investments, the Board of Directors approved a capital distribution of 70 cents per ordinary share by way of a capital reduction, payable out of share premium to shareholders recorded in the share register of the Company at the close of business on Friday, 8 October 2010. Future distributions will be decided on a year-to-year basis, taking consideration of the prevailing circumstances.

Gus Attridge
Deputy Group Chief Executive

21 October 2010

Directorate

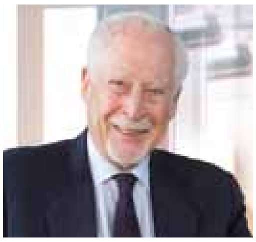
Executive directors

Stephen Bradley Saad *(46)*
(Appointed 1999) CA(SA)
Group Chief Executive
Chairman Transformation Committee.

Michael Guy (Gus) Attridge *(49)*
(Appointed 1999) CA(SA)
Deputy Group Chief Executive
Transformation Committee member.

Non-executive directors

Nobuhle Judith (Judy) Dlamini *(51)*
(Appointed 2005) MBChB, DOH, MBA
Chairman
Managing Director and Executive Chairman of Mbekani Health & Wellbeing (Pty) Ltd and Chairman of Masibulele Pharmaceuticals.
Shareholder and director of Imithi Investments (Pty) Ltd.
Directorships include Northam Platinum, Tourvest Holdings (Pty) Ltd and GijimaAst Ltd.
Transformation Committee, Remuneration & Nomination Committee and Risk & Sustainability Committee member.



Arthur (Archie) Jacob Aaron *(78)*
(Appointed 1994) BCom, LLB
Former director of Werksmans Inc. Attorneys.
Directorships include non-executive Chairman of Transpaco Ltd.

Roy Cecil Andersen *(62)*
(Appointed 2008) CA(SA), CPA (Texas)
Lead independent Director
Former Chairman and Chief Executive Officer of Ernst & Young; former President of the JSE Ltd; former Chief Executive Officer Liberty Group Ltd
Directorships include Nampak Ltd, Virgin Active UK and Chairman of Murray & Roberts Holdings Ltd.
Chairman Remuneration & Nomination Committee and Audit Committee member.

Mogammed Rafique Bagus *(47)*
(Appointed 2003) BA, BA (Hons) (Economics), MA (Economics and Econometrics)
Chief Executive Officer of Morning-Tide Investments (Pty) Ltd
Director of companies.
Former Chief Executive Officer of Trade and Investment South Africa, a division of the Department of Trade and Industry.
Transformation Committee member and Chairman Risk & Sustainability Committee.

John Frederick Buchanan *(66)*
(Appointed 2002) CA(SA), BTh
Former Group Finance Director of Cadbury Schweppes SA Ltd.
Directorships include Business Connexion Group Ltd
Chairman Audit Committee, Remuneration & Nomination Committee and Risk & Sustainability Committee member.

Shah Abbas Hussain *(45)*
(Appointed 2009) BSc (Hons)
President: Emerging Markets/ Asia Pacific of GlaxoSmithKline
Directorships include ViiV Healthcare.

Christopher (Chris) Nattle Mortimer *(50)*
(Appointed 1999) BA, LLB
Full-time practising attorney

David Morris Nurek *(60)*
(Appointed 2001) DipLaw, Grad Dip Company Law
Executive of Investec Bank Ltd
Directorships include Chairman of Foschini Group Ltd, Chairman of Clicks Group, Chairman of Distell Group Ltd, Chairman of Lewis Group Ltd. Non-executive director of Trencor Ltd and Sun International Ltd.
Risk & Sustainability Committee member.

Sindiswa (Sindi) Victoria Zilwa *(43)*
(Appointed 2006) CA(SA), BCompt (Hons), CTA, Advanced Taxation Certificate, CFP, Advanced Diploma in Financial Planning and Advanced Diploma in Banking
Chief Executive of Nkonki Chartered Accountants
Directorships include non-executive Chairman of ACSA Ltd, and a Director of Discovery Holdings Ltd, Woolworths Holdings Ltd, Strate Ltd, Primedia Ltd and the Institute of Directors. Audit Committee and Transformation Committee member.

Hymie Aaron Shapiro *(55)*
(Appointed 1999) CA(SA), HDip Tax Law
Company Secretary

South Africa

Aspen has made a significant investment in the establishment of its Sterile Facility in Port Elizabeth. This multi-product facility has specialist manufacturing capabilities in sterile eye drops and freeze-dried lyophilised vials. The Sterile Facility manufactures eye drops for the South African and North American markets and has production capacity of nearly 40 million units of eye drops per annum. This facility also has production capacity for 1,4 million lyophilised vials and 2,9 million liquid-filled vials. The hormonal suite is scheduled to commence commercial production before the end of the 2011 financial year.

Image – The Industria Machine Automatiche, an Italian production line at Aspen's Sterile Facility in Port Elizabeth, produces approximately 15 000 units of sterile eye drops per hour. The sterile bottles are filled on a 10-head filler, following which a dropper is inserted. The bottle is then capped with a tamperproof seal and the product is branded before being packed and shipped to multiple global destinations.

Exceptional growth

The South African business provides a diverse basket of high quality, affordable products which are supplied to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, dispensing general practitioners, managed healthcare funders and retail stores across the private and public sectors. APIs are sold into South Africa and to export territories globally. Aspen's range of branded, generic, OTC, consumer and nutritional products offers the convenience of a "one-stop-shop" service to its broad base of customers.

	2010 R'million	2009 R'million	% growth
Revenue	**5 652**	4 309	+31%
Pharmaceutical division	**4 492**	3 208	+40%
Consumer division	**1 160**	1 101	+5%
Operating profit before amortisation, disposals and impairment of assets	**1 632**	1 102	+48%
Operating profit margin %	**29%**	26%	

The South African pharmaceutical market remains robust

Aspen's flagship business in South Africa continued to deliver strong results. Through successful management of product costs, improved service levels to customers and strategic procurement initiatives, Aspen's operating profit before amortisation, disposals and impairment of assets grew by 48%, ahead of revenue growth of 31%. The favourable performance of the South African Rand also contributed towards improved product costs.

The South African pharmaceutical market grew by 10,2% in value during the year. Aspen continued to outperform the market, recording a growth of 12,7% over the 12-month period ended June 2010. Aspen thereby retained its leading position in the domestic market, holding a 16,5% share of the total market, 11,0% share of the branded segment and 33,9% of the generics segment in South Africa. Aspen also continues to be a reliable supplier to the State, having secured a significant portion of the 2009/2011 oral solid dosage tender, demonstrating Aspen's commercial and manufacturing competitiveness.

Aspen retained its number one position in the 2010 Campbell Belman Confidence Standing Survey for pharmaceutical products. ImpactRx, an independent monitor of pharmaceutical products dispensed by pharmacists in South Africa, indicates that one in approximately every four script lines dispensed by South African pharmacists is for an Aspen product, representing a script line share of 24% in 2010.

The Department of Health granted a SEP increase of 7,4% with effect from May 2010, four months later than anticipated. Consequently the full benefit of the awarded increase will only be realised during the 2011 financial year, having been implemented for only two months of Aspen's current financial year ended June. In addition, the early announcement of the price increase in April 2010, prior to implementation thereof in May, resulted in an extended lag effect on increased prices as customers bought additional volumes ahead of the effective date.

The integration of the GSK pharmaceutical business into Aspen has been successful. A team of 130 employees from GSK, including nearly 75 sales representatives, joined Aspen's established representation team. This extends Aspen's existing commercial capability into specialist areas for originator brands, enabling the continued growth of these products through focused promotion and sustained customer relationships. Aspen's product range was expanded by 45 GSK brands, including a niche portfolio of respiratory products, anti-bacterials and vaccines. This further diversified Aspen's product offering in South Africa. Introduction of the GSK portfolio contributed in the region of R500 million to revenue in the pharmaceutical business. Leading GSK brands distributed by Aspen include Augmentin, Seretide, Wellbutrin, Aropax and Rotarix. Following the integration of the GSK business, Aspen now owns 11% of the branded segment in South Africa and recorded a growth in its branded products business of 19% during the year under review, 9% ahead of the market.

The South African government's commitment towards combating HIV/AIDS intensified during the year, thereby increasing the pool of HIV/AIDS patients qualifying for State-funded support. In an effort to curb new HIV infections, the HIV/AIDS treatment programme was extended to pregnant mothers and infants, while adult patients gained access to the programme at an earlier stage of diagnosis. The number of patients using Aspen-supplied ARVs reached approximately 900 000 patients in the public and private sectors across South Africa. Aspen was able to respond to the increased demand by accessing recently installed capacity at its manufacturing facility in Port Elizabeth. Aspen's pipeline of products also ensures Aspen's ability to supply new-

Sales and marketing *continued*

generation ARV molecules and fixed dose combinations once demand for these products arises.

The launch of new products was hampered by the low rate of product registrations in South Africa. Good performance was seen from recently launched products which include Amiotach, Aspen Risperidone, Aspen Escitalopram, Aspen Lanzoprazole, Aspen Certirizine and Aspen Fluconazole. In the Department of Health's efforts to increase access to ARVs, the registration of new ARV products was given priority. Consequently, Aspen benefited from this initiative as registrations were received for Aspen Tenofovir, Aspen Abacavir and Aspen Lamivudine, ahead of the new ARV tender.

Leading prescription brands include:

Product	Description
Altosec	For the treatment of ulcerative conditions of the gastrointestinal tract
Aspen Efavirenz	For the treatment of HIV/AIDS
Augmentin	For the treatment of bacterial infections
CiLift	For the treatment of depression
Eltroxin	For the treatment of hypothyroidism
Mybulen	For the treatment of mild to moderate pain
Panamor	For the treatment of pain and inflammation
Stilpane	For the treatment of tension-induced pain
Truvada	For the treatment of HIV/AIDS
Vectoryl	For the treatment of hypertension and congestive heart failure

Aspen's OTC business mirrors OTC market trends

Despite strong competition and limited demand for OTC products during the 2010 FIFA World Cup™ held in South Africa, Aspen's OTC business delivered reasonable growth. Brands such as Bronkese, Ibumol, Hyospasmol and Lenadol delivered excellent growth. Aspen's OTC business grew by 13,4% against market growth of 13,7% in this segment. The slimming portfolio, where Aspen was the market leader, has become a substantially smaller contributor following the up-scheduling of ephedrine and pseudo-ephedrine-based products. Initiatives towards realising growth in the OTC business have been accelerated with a greater emphasis being placed on driving product launches and building brand loyalty for Aspen's established brands.

Leading OTC brands include:

Product	Description
Bronkese	For the treatment of coughs associated with bronchospasms
Flusin	For the treatment of cold and flu symptoms
Hyospasmol	For the treatment of conditions associated with gastrointestinal spasm
Ibumol	For the treatment of mild to moderate pain
Lenadol	For the treatment of mild to moderate pain associated with tension and fever
Rinex	For the treatment of colds, flu and allergic rhinitis
Sinuclear	For the treatment of sinusitis and congestion
Somnil	For the treatment of insomnia

Challenges in the consumer division result in modest growth

Amid challenges in this segment, the 5% growth recorded in the consumer division is satisfactory. The retail sector failed to gain momentum owing to the continued constraints on consumer spending power.

The explosion at the Nutritionals facility in August 2009 prevented local production of nutritional products with the result that these products were imported at a higher cost in order to secure supply to the market. Despite insurance compensation received for loss of profits, revenue losses were not recovered, curbing top-line growth. Restoration of the facility has recently been completed, delivering advanced manufacturing capability and additional manufacturing capacity. A strategy for the recapture of forfeited market share and the launch of new nutritional products has been implemented to optimise growth opportunities.

Investment has been made in new leadership in the consumer division with the objective of driving and extracting growth from established brands.

Leading consumer brands include:

Product	Description
Flutex	For the treatment of cold and flu symptoms
Guronsan C	For the treatment of depleted energy levels
Infacare	For the nourishment of infants
Lennon Dutch Medicines	For the treatment of assorted ailments
Woodwards Gripe Water	For the treatment of infant gripes

South Africa

Aspen's East London-based manufacturing site has recently undergone a significant capital investment. Oral contraceptives and selected consumer and OTC products were historically manufactured in East London. This site's manufacturing capability and capacity has now been upgraded to provide for the transfer and manufacture of selected liquid and semi-solid products from the Unit 3 facility at the Port Elizabeth site.

Image – During the year a Sarong SAAS 9-AP suppository manufacturing machine was installed. This high-precision equipment performs three main functions, namely: forming and filling the suppository cavity; cooling through the solidification of the suppository mass; and sealing, perforating and band coding. In this image a suppository band is exiting the cooling chamber and entering the sealing head. The SAAS has an hourly suppository output of 20 000 units and manufactures in excess of 15 million units per year. Leading brands of suppositories produced on this machine include AL Diclofenac, Arthrexin, Lennon Glycerine, Nafasol, Panamor and Triazine.


ARTHREXIN
Pharmacare Limited

Continued investment in manufacturing

Capital investment projects for the expansion, upgrade, diversification and rationalisation of manufacturing facilities are near completion and the benefits of consolidated manufacturing, supported by improved manufacturing efficiencies, have enhanced the Group's ability to supply high quality products cost-effectively for Aspen's local and international markets.

The Port Elizabeth-based Unit I facility produces record volumes and further expands capacity

Significant capacity was unlocked as a result of capital investment projects undertaken in 2009 and consequently, manufacturing constraints in the granulation, compression, roller compaction, encapsulation and packing areas were reduced. Unit I achieved its highest level of production output during 2010. A further expansion project is in progress to double the existing manufacturing output. This project is scheduled to be completed in 2011. In this way, Unit I will be in a position to respond to increasing demands from both its domestic and foreign markets.

Successful audits were conducted by the FDA and the WHO during February and March 2010 respectively. The facility's world-class status was endorsed by these regulatory authorities with no issues of concern identified.

Benefits of investment in the Unit I facility begin to be realised and end-state of Unit 3 takes shape

Unit 2 commenced commercial production in September 2009, replacing the Heritage facility. Unit 2 focuses on the manufacture of high-volume oral solid dosage products, using advanced technologies and improved manufacturing processes at enhanced levels of Good Manufacturing Practice ("GMP") compliance. All fluid-bed dried products have been successfully transferred from the Heritage facility and the benefits of investment in new technologies, high-calibre technical support services and refined manufacturing processes have been realised through greater production efficiencies and improved cost-effectiveness of products.

The completion of the final phase of Unit 2, for the production of oven-dried oral solid dosage products, is on schedule for completion towards the end of the 2010 calendar year.

These initiatives have resulted in a more efficient manufacturing process with increased output, enhanced levels of GMP compliance, as well as the achievement of improved energy efficiency.

The phased conversion of Unit 3 into a dedicated packing facility is progressing in accordance with schedule. This facility will support packing requirements from both Unit I and Unit 2, particularly in respect of domestic State tenders. Significant packaging efficiencies have already been recorded at this facility.

Optimisation of manufacturing capability and capacity at the East London site and improving GMP compliance levels

The realignment of selected products to East London was completed in June 2010. The manufacture of suppositories, creams, ointments and dutch medicines was transferred to the East London site from Port Elizabeth. Capital investment was made to upgrade manufacturing capability and capacity at this site in order to accommodate the introduced product range. As a consequence of this investment, the East London site has improved its levels of GMP compliance in alignment with Pharmaceutical Inspection Convention ("PIC") standards.

Production of lyophilised vials and sterile injectables imminent at the Sterile Facility

The Sterile Facility diversifies Aspen's manufacturing capability into niche and specialised products including sterile eye drops, freeze-dried lyophilised vials and sterile injectables.

The multi-product facility produces eye drops and exports in excess of 20 million units per annum to the United States for Prestige Brands Inc. The product range has already been expanded to include other key Aspen brands for the local market.

Aspen and Prestige Brands Inc. have also embarked on an innovative initiative for the addition of products to the existing Clear Eyes and Murine brands.

Validation of the lyophilised vials and hormonal facilities is near completion and commercial production is scheduled to commence at the end of 2010, starting with the manufacture of Nur-Isterate and Capreomycin under licence from Bayer and Eli Lilly respectively.


Viread
Viread

Plans to further increase the niche capabilities at this facility have been initiated to include prefilled syringes, extended lyophilised vial capacity, dry powder filling and form-fill seal. This will enable Aspen to offer a wide range of sterile product presentations in the medium term.

Restoration of the Nutritionals facility is completed

An explosion in the drying tower in August 2009 disabled production at this facility for most of the 2010 financial year. Production in the blending and packing areas remained uninterrupted during this period. A contingency plan, utilising outsourced production, was successfully implemented to ensure continued supply of nutritional products into the market.

The restoration project was completed after year-end and the facility recently recommenced production.

The replacement drier represents the latest drying technology available, with enhanced safety and fully automated controls to prevent recurrence of the explosion and similar incidents. Furthermore, additional drying capacity has been added to enable production of higher nutritional product volumes more efficiently.

During the restoration phase, selected other manufacturing areas were also upgraded to meet latest hygiene standards and to increase powder handling and storage capacity.

With the upgrade, this facility is well positioned to meet local and export demand.

The full cost of restoration, replacement of damaged equipment, as well as the loss of profits, was recovered from insurers.

Continuous improvement projects sustain manufacturing efficiencies

A number of continuous improvement projects have been implemented successfully across the South African manufacturing facilities with a committed objective to increasing efficiency and reducing costs. Continuous improvement targets are set and monitored to measure progress.

Focus has been placed on packaging innovation and rationalisation. To this end, a cross-functional forum reviews opportunities to reduce material loss through improved manufacturing and support processes.

An autocollating shrink-wrap machine was installed in the Port Elizabeth Unit 3 packing facility which contributed towards reducing material and labour associated with manual handling. Similarly, a blister autocollator was installed which enabled the removal of display cartons. These projects form part of a broader packing rationalisation project aimed at improving packing efficiencies, reducing product costs and supporting resource optimisation initiatives.

Through the patient-ready pack optimisation project, capacity in this area has increased by 8% to date with further multi-constraint solutions to be implemented. This has increased capacity to pack products for State tenders.

Reduction in change-over times was targeted and achieved in various production areas which has resulted in significant improvements to throughput.

Vertical integration plans gain momentum at FCC

With effect from the end of May 2009, Aspen acquired full control over FCC, a Cape Town-based manufacturer of niche and specialised APIs. Key APIs produced by FCC include azathioprine, baclofen, codeine phosphate, fentanyl and paracetamol. Close to 50% of FCC's revenue is generated from exports, thereby exposing the business to movements in exchange rates.

Capital investment projects have commenced for the upgrade of key production areas, enhancement of GMP compliance and to strengthen FCC's new product development capability over a five-year period. Construction and validation of a high-potency API laboratory was completed during the year. Small batches of products will be produced in this area from November 2010. Following this, plans have been approved for the construction of a larger high-potency manufacturing area to extend manufacturing capacity for a specialist product range.

Vertical integration opportunities within the broader Aspen Group are part of FCC's new product pipeline strategy which will ensure synergistic cost competitiveness at finished dose form level.

FCC contributes approximately 5% to the South African pharmaceutical business revenue.


SWIFTPACK

Sub-Saharan Africa

Aspen's subsidiary, Shelys Africa Ltd ("Shelys"), has operations in Tanzania, Kenya and Uganda. Shelys has a portfolio of well-recognised pharmaceutical and OTC brands which are promoted through an established distribution platform in the region.

Image – The Monoblock filling and sealing machine is used by Shelys for liquid products, notably syrups and suspensions. The filling volumes vary between 15mℓ, 30mℓ, 60mℓ, 100mℓ and 200mℓ according to the bottle size. This machine has an output capacity of 120 bottles per minute and caters for the filling and sealing of 800 000 bottles per month.


Shelys
for life

Expanding the African footprint

Aspen's strategic intent to extend its presence further into SSA has gained traction as the Group extended its foothold into East Africa, French West Africa, Nigeria and parts of Central Africa with a portfolio of high quality, relevant products and strong distribution networks.

	2010 R'million	2009 R'million	% growth
Gross revenue	910	931	(2%)
Operating profit before amortisation, disposals and impairment of assets	72	178	(59%)
Operating profit margin %	8%	19%	

Aspen implements pan-African strategy

For a number of years, it has been a strategic objective of the Group to increase its footprint further into SSA. The strategy has unfolded gradually through considered investments.

Aspen has exported a selection of pharmaceutical and consumer products into parts of SSA for a number of years with a strong focus on the supply of ARVs assisting in the combat of HIV/AIDS.

Aspen's acquisition of a 60% interest in the Shelys group, in May 2008, has provided it with access to a strong and established East African distribution platform with a broad portfolio of recognised pharmaceutical and consumer brands. Shelys has operations in Kenya, Tanzania and Uganda which service the entire East African region. The GSK Aspen Healthcare for Africa collaboration, effective from 1 December 2009, has provided Aspen with a firm foundation for medium to long term growth across SSA. Consequently SSA has evolved to a separately managed business segment of Aspen with the strategic objective of being the leading provider of quality and affordable medicines in SSA.

Aspen extends its export portfolio for SSA

There was a significant increase in competition from foreign ARV suppliers. Owing to the contractual arrangements under certain voluntary supply agreements, Aspen was unable to respond to pricing pressure on ARV products, particularly Tenofovir and Viread, which led to lost sales. This diluted revenue streams from the ARV portfolio. During the year, Aspen received approval for generic ARVs, including Aspen Tenofovir, Aspen Lamivudine and Aspen Abacavir. Despite these registrations and ongoing supply of Aspen's generic ARV products into SSA, the value of the ARV tender business is not expected to be restored to previously recorded levels.

This division has hence redirected its strategy to expand its product offering in SSA. Aspen already successfully supplies Melegi, a nutritional product brand specifically packed for Botswana. Similarly, nutritional products will be produced and packed to meet consumer requirements specific to various markets in SSA. In addition, Aspen will supply a relevant portfolio of pharmaceutical and OTC products into SSA. In order to drive this strategy, this division has been restructured with an experienced and capable team of staff to promote this selected product range.

Aspen enters into a collaboration with GSK to increase its footprint in SSA

Aspen's expansion into SSA was accelerated with the strategic formation of the GSK Aspen Healthcare for Africa collaboration. GSK's more than 300 sales representatives and its brand credibility provide an excellent platform from which to launch a selected range of Aspen products. Owing to the regional relevance, high quality and cost-effectiveness of Aspen's product offering, the collaboration supports the growth objectives of both GSK and Aspen in a region where access to high quality healthcare is a critical need. Following legislative and regulatory approval of the transactions, the collaboration became effective from 1 December 2009.

During the seven months to June 2010, the collaboration contributed significantly to Aspen's SSA revenue. The Aspen product pipeline is an important stimulus to future growth of the collaboration. This is expected to occur over the next two years.

Leading brands distributed by the collaboration include:

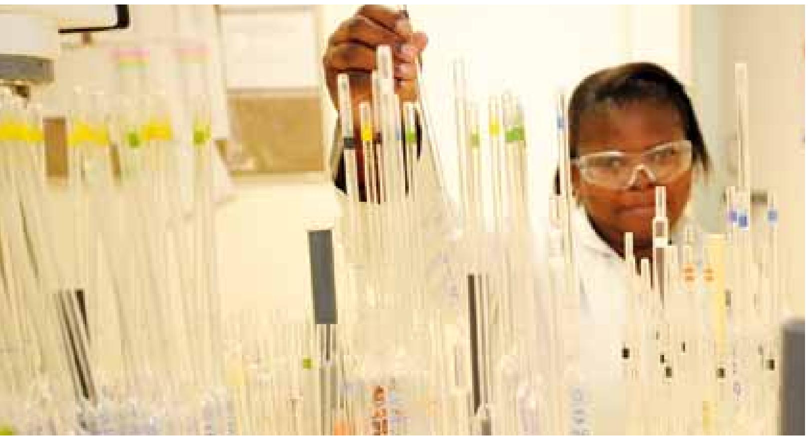
Product	Description
Amoxil	For the treatment of bacterial infections
Augmentin	For the treatment of bacterial infections
Rotarix	For the prevention of rotavirus gastro-enteritis in children
Seretide	For the treatment of asthma
Ventolyn	For the emergency treatment of asthma
Zantac	For the treatment and prevention of gastric ulcers

Shelys

At Shelys, the abolition in the East Africa region of the 10% import duty on pharmaceutical products encouraged an influx of Asian suppliers into the market, thereby placing generic product prices under pressure from increased competition. This adversely impacted Shelys' generics business, including public sector business, resulting in decreased revenue. Additional marketing and promotional efforts were applied to increase brand awareness in both the domestic and export markets. This led to significant growth in the branded division, driven by leading brands such as Coldril, Diclopar, Malafin and Suldafar. Despite recessionary factors in the economy, the OTC division also delivered strong growth as a result of aggressive promotional efforts in the urban and rural areas, as well as the launch of OTC brands into supermarkets. The exports business received additional focus through the appointment of an experienced divisional head to drive an effective export strategy for branded products into selected export territories in East Africa.

Shelys in Tanzania launched 14 new products during the year, including Comalafin tablets, an anti-malarial, Diclopar Topical Gel, a cream for topical pain relief and Koflyn Mix Fruit cough syrup. Beta Healthcare International Ltd ("Beta Healthcare"), Shelys' Kenyan-based business, launched a further 14 OTC brands including the Betasil lozenges range, SlimTrim tablets for weight loss and Aspen's Woodwards Gripe Water.

Management assigned priority to improving operational efficiencies during the year. A new enterprise resource planning system was implemented in order to improve financial controls and enhance the quality of management information. Focus was also given to reducing costs and improving manufacturing efficiencies. To this end, a new CEO was appointed to lead the turnaround strategy at Shelys. The appointment of a General Manager: Manufacturing, who has solids and liquids pharmaceutical manufacturing experience from the Port Elizabeth site, will assist in the optimisation of Shelys' production capability. The finance department was restructured to support the business needs more effectively.



Beta Healthcare commenced with commercial production in May 2010 at its newly built pharmaceutical manufacturing facility in Nairobi. The technical transfer of products from the old facility to the new facility has been carried out in consultation with experienced operational personnel from Aspen's South African manufacturing facilities. All Beta Healthcare's products have successfully been transferred to the new facility and 14 new products from the Aspen pipeline are currently being validated for production in Kenya. The new GMP-compliant facility is expected to deliver operational efficiencies and also create the opportunity for additional licensing arrangements.

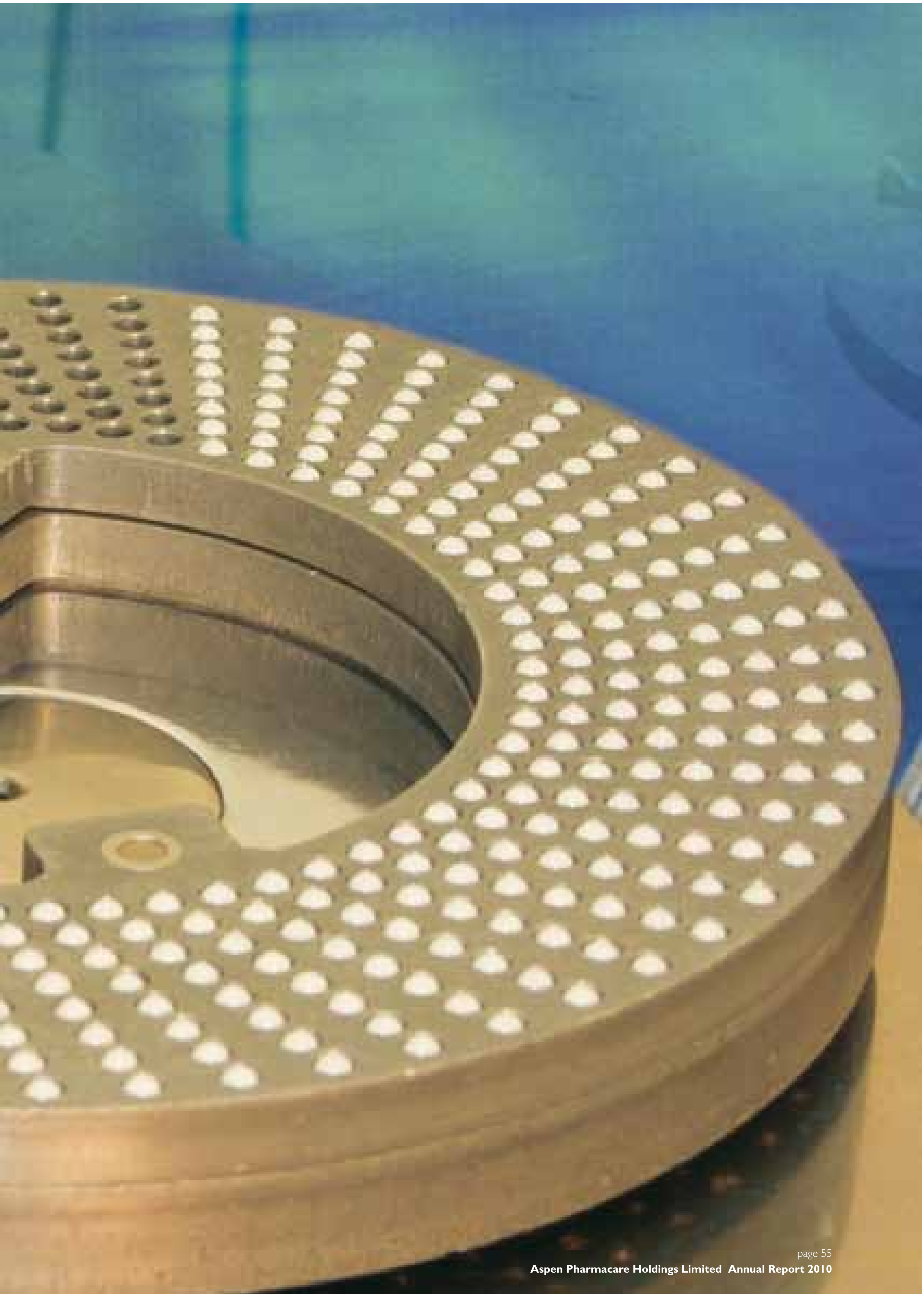
Leading brands sold by Shelys include:

Product	Description
Action	For the treatment of acute headaches
Diclopar	For the treatment of pain and fever
Malafin	For the treatment of malaria
Mara Moja	For the treatment of general pain
Mucolyn	For the treatment of coughs and colds

Latin America

Mexican-based Aspen Labs S.A. de C.V. ("Aspen Labs") presently contributes approximately 16% of sales in Latin America. Aspen Labs has a manufacturing facility in Toluca with production capabilities in tablets and capsules, as well as a sales, marketing and distribution centre in Mexico City.

Image – The PAM semi-automatic capsule-filling machine is used by Aspen Labs in Mexico. This machine has a manufacturing capacity of 12 000 capsules per hour and produces leading branded products such as Zitriasol 100mg and Uprosol 0,4mg. During the past year approximately 16 million capsules were filled on this machine.



Strong showing from Global Brands

Aspen's international businesses extend Aspen's footprint to more than 100 global markets across six continents. Key territories covered include Asia Pacific, EMENAC and Latin America. Aspen's product offering in these regions focuses largely on niche products and branded generics which are relevant to disease profiles in these areas.

	2010 R'million	2009 R'million	% growth
Revenue – Domestic Brands	**2 146**	1 762	+22%
Asia Pacific	**1 016**	915	+11%
Latin America	**813**	841	(3%)
Rest of the world	**317**	6	>100%
Revenue – Global Brands	**1 908**	1 439	+33%
Asia Pacific	**453**	319	+42%
EMENAC	**1 036**	772	+34%
Latin America	**337**	303	+11%
Rest of the world	**82**	45	+82%
Total revenue – international	**4 054**	3 201	+27%
Operating profit before amortisation, disposals and impairment of assets	**1 114**	1 014	+10%
Operating profit margin %	**28%**	32%	

Strong performance from the Global Brands

International revenue from Global Brands grew by 33% to R1 908 billion. Eltroxin, Lanoxin, Imuran, Zyloric (ELIZ products), the four brands acquired from GSK with effect from 30 June 2008, achieved US Dollar growth of 19%. Imuran and Zyloric performed particularly well. Growth in the emerging markets such as Africa, parts of EMENAC and Brazil was pleasing. However, these gains were partially offset by pricing pressures in the European markets. Revenue also benefited from the products added to this portfolio during the year. A further eight specialist brands were acquired from GSK with effect from 1 December 2009. The acquisition of these brands supports Aspen's broader oncology strategy with products such as Alkeran, Leukeran, Purinethol, Lanvis and Myleran. In addition, Kemadrin, Septrin and Trandate were also acquired. Products sold under licence from Iroko Pharmaceuticals comprised Aggrastat, Aldomet and Indocid.

The ELIZ products have largely been transferred from GSK's distribution network to Aspen's distribution network, while the transition of the more recently acquired brands is expected to be completed during the 2012 year. Aspen's distribution platform represents a combination of owned distribution through Aspen's international affiliates and distribution agents. The transition of the ELIZ products gave rise to additional sales as distributors acquired take-on inventory.

The Global Brands include:

Product	Description
Aggrastat	For the treatment of acute coronary syndrome
Aldomet	For the treatment of high blood pressure
Alkeran	For the treatment of cancer
Eltroxin	For the treatment of hypothyroidism
Indocid	For the treatment of active rheumatoid arthritis
Imuran	For the treatment of rheumatoid arthritis and for the survival of organ transplants
Kemadrin	For the treatment of Parkinson's disease
Lanoxin	For the treatment of certain heart conditions, including heart failure
Lanvis	For the treatment of cancer
Leukeran	For the treatment of cancer
Myleran	For the treatment of cancer
Purinethol	For the treatment of cancer
Septrin	For the treatment of bacterial infections
Trandate	For the treatment of high blood pressure
Zyloric	For the treatment of gout

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Aspen Australia set to expand business domestically and further into Asia Pacific

Aspen Australia continued to deliver growth amid challenging market conditions. The base business performed steadily with strong sales from leading brands such as Digesic, Keflex, Murine, Tritrace and Bio Oil. Various niche product acquisitions supported ongoing growth. Moduretic, a cardiovascular product, and Phisohex, an OTC antibacterial face wash, were acquired during the year. New licensing arrangements were also secured. The consumer business showed signs of market recovery with significantly improved sales being recorded in this segment, mainly from the deodorant portfolio.

The Pharmaceutical Benefits Scheme cut the prices of many generic drugs by 2% in August 2010 and a further price cut of 2% or 5%, depending on this scheme's product classification, is scheduled for implementation in February 2011. The impact of such price cuts on Aspen Australia has been contained, owing to the niche nature of its product portfolio.

The regional sales office in Hong Kong represents Aspen's Asia Pacific business in South East Asia. A range of generic and branded products is supplied into selected markets such as Japan, China, Malaysia, Thailand, Taiwan and the Philippines. The establishment of a distribution infrastructure and implementation of the product launch plan have progressed well and a strong foundation has been created to progress Aspen's growth further into this region.

The Aspen Australia management team has achieved sustained growth in this region since its inception in 2001, having focused on supplying a niche, specialised portfolio of products. Within nine years, Aspen Australia ranks seventh in terms of number of scripts written for medicines, giving Aspen a 5,4% share of the prescriptions in Australia's private pharmaceutical sector. Cegedim Strategic Data, an integrated healthcare research company, ranked Aspen's sales team the best in the country.

It is on the strength of this established base that the Group formulated its offer to acquire the pharmaceutical business of Sigma, a leading supplier and manufacturer of generics, OTCs and branded pharmaceutical products in Australia. Sigma currently has a significant share of the Australian generics sector. The combination of Aspen's existing business and Sigma's pharmaceutical business will elevate Aspen's position to be a leading supplier of prescription medications, accounting for approximately 12% of the total prescriptions written in Australia. The addition of generics and OTCs to Aspen's existing range will broaden its product offering both in Australasia as well as in South East Asia. Further synergies can be extracted through the extension of Aspen's generics pipeline into the region and by more competitive procurement and manufacture of products as a consequence of Aspen's scale and global operations. Sigma shareholders will be asked to approve the transaction at an extraordinary general meeting. Furthermore, completion of the transaction is subject to approval from the relevant regulatory authorities.

Leading brands sold by Aspen Australia include:

Product	Description
Cardizem	For the treatment of hypertension
Di-gesic	For the treatment of mild to moderate pain
Keflex	For the treatment of upper respiratory, ear, skin and urinary tract infections
Murine	For the treatment of ophthalmic conditions
Tritace	For the treatment of hypertension

Latin America positioned for growth

Revenue from Latin America increased by 1%. Greater focus was given to building the private sector business with branded products which trade in more predictable volumes as opposed to the *ad hoc*, highly competitive public sector business which has previously been the biggest part of the businesses in Latin America. Low returns from public sector business were shed and partially substituted by private sector revenue.

The Latin American operations were organised into clearly defined business units to identify and manage targeted products and market segments which offer sustainable growth opportunities. After an in-depth analysis and stratification of each territory, appropriate strategies were developed for each segment in order to direct effective marketing efforts. The results of the stratification exercise have also been applied to direct business acquisition and product pipeline plans to ensure that synergies are extracted when pursuing such growth initiatives. Being a brand-conscious market, strong brands offer a significant competitive advantage in this region. The Latin American businesses were renamed during the year to create a consistent base for brand recognition in order to build and grow the Aspen brand in this region. Aspen Pharma – Industria Farmacêutica Ltda ("Aspen Pharma") in Brazil (previously Cellofarm Ltda), Aspen Labs in Mexico and Aspen Venezuela C.A. ("Aspen Venezuela") have established the Group's corporate identity in this region.

Latin America is a complex market in terms of the operating and regulatory environment specific to each territory and, although the region offers tremendous opportunity for growth, foreign companies are often deterred by these barriers to entry. In recognition of this, Aspen has taken steps towards obtaining a thorough understanding of the market dynamics in each key region and adapting its strategy accordingly. Organic and acquisitive growth opportunities are considered by local and Group management teams on an ongoing basis.

Strategic positioning of sales teams and the introduction of new brands add momentum to Aspen's branded business strategy in Brazil

In Brazil, gains were made in the private pharmaceutical market through increased promotional activity on branded products and the expansion of the product portfolio. Intensive product and market training was given to sales representatives and the sales divisions were restructured to direct specific focus on the branded, commercial and hospital businesses.

Brazil has commenced promotional activities for a portfolio of Global Brands. In addition, Insunorm, a range of short and intermediate acting insulins, was successfully launched into the private and public sectors. Eutropin, a growth hormone, was acquired and launched during the second half of the year. In the public sector, brands such as Zylpen and Heptron continued to perform well. Leading OTC brands include Calman, a calmative, and Senan, a laxative. A further four OTC brands, including Giamebil, an anti-parasitic and Melxi, an expectorant cough mixture, were acquired from Hebron Farmacêutica Ltda late in the year and were added to the commercial products portfolio. These are expected to make an additional contribution towards the branded business in Brazil. With ongoing brand awareness, focused product promotion and the phased introduction of the Global Brands portfolio, the growth platform in Brazil has gained momentum.

An agreement was reached for the sale of the Campos facility to Strides Arcolab Ltd as the specialised manufacture of penicillins and penems, primarily for the public sector and contract manufacturing business, is not considered to be core to Aspen Pharma's product offering. The Vittória facility, which manufactures a range of oral solid dosage forms as well as semi-solids, maintains Aspen's manufacturing presence in Brazil. Optimisation initiatives have been taken towards increasing throughput at this facility in order to realise economies of scale and thereby improve recovery of fixed costs. Continuous improvement projects in the manufacturing areas form part of the cost efficiency targets set for this business. Selected products from the product pipeline will be manufactured at this facility as these products are registered by the regulatory authority.

In addition, support services resources have been strengthened by the recruitment of managers and staff in the human resources, information technology and internal controls departments. Furthermore, a new enterprise resource planning system is being implemented to enhance financial controls and management reporting capability.

Steps are taken towards replicating the private market strategy further into Spanish Latin America

At Aspen Labs and Aspen Venezuela, priority was given to refining the business model for these regions and ensuring the appropriate positioning of the Aspen brand in these markets.

In Mexico, a restructure of the sales teams took place to align the required mix of experience and skills with strategic objectives. Significant investment was made in training sales representatives and in developing the required infrastructure to enable sales teams to fulfill their responsibilities. Human resources protocols were improved to facilitate structured performance management of sales teams and operations staff. The "Aspen Diamond" loyalty programme was established for physicians and promotional efforts were actively implemented across pharmacies. Aldomet, Indocid and Aggrastat were transitioned to Aspen Labs during the year and promotion of Eltroxin, Lanoxin, Zyloric and Septrin have commenced. The growth in manufactured volumes of Intraconazole, an anti-microbial from Jansen Cilag and Uprosol, an oncolytic from GSK increased economies of scale and supported the recovery of manufacturing overheads at the Toluca facility.

Political and economic circumstances in Venezuela created a challenging operating environment which required a proactive management approach. Furthermore, restrictions were imposed on the import of selected pharmaceutical products. Under such conditions, the management team at Aspen Venezuela delivered commendable results in implementing the business model, successfully managing regulatory and compliance obligations as well as delivering positive growth.

To manage business conducted in the remaining parts of Spanish Latin America, plans are under consideration to establish a regional base in Columbia. Leveraging the Global Brands portfolio, this base will seek expansion opportunities into other territories such as Argentina, Chile and Peru through partnerships and product acquisitions.

Leading brands sold in Latin America include:

Product	Description
Alcochofra	For the treatment of diverse gastric and intestinal dysfunctions and for weight loss
Calman	For the treatment of nervous tension and mild depression
Eutropin	A human growth hormone
Heptron	For the treatment of thrombosis
Lipovaz	For the treatment of high blood pressure
Omeprazole	For the treatment of ulcers and gastric disorders
Pravastatina	For the treatment of cholesterol
Zylpen	For the treatment of broad-spectrum disease

Aspen acquires a manufacturing presence in Europe

With effect from December 2009, Aspen acquired GSK's specialist manufacturing facility in Bad Oldesloe, Germany. This facility manufactures products for Aspen Global Inc. ("Aspen Global"), GSK and other third parties in Europe. Products are supplied to more than 100 territories worldwide. Aspen secured a 10-year supply agreement with GSK for the continued manufacture of GSK products historically manufactured at the site.

The Bad Oldesloe facility is managed by a team of highly skilled professionals and the infrastructure provides technologically advanced manufacturing capability for a specific portfolio of pharmaceutical products. Pricing pressures and the high cost of labour in Europe are the key challenges impacting performance. Hence, focus has been given to reviewing and optimising cost competitiveness using Aspen's commercial acumen and its experience in manufacturing affordable, high quality products. Such initiatives will be ongoing. Bad Oldesloe's manufacturing capabilities includes the manufacture of high-potency products, liquids, nebules, tablets and steroidal creams.

Clayville, South Africa

Aspen Nutritionals is a specialist facility which manufactures value-added nutritional products. This facility underwent extensive upgrading during the year resulting in a 50% increase in its blending capacity.

Image – The high-speed PLF can-filling line and scoop dispenser is valued at R27 million and packs both Infacare and the Wyeth S-26 range of products in 400g and 900g cans. The line is capable of packing 4 000 x 900g cans per hour and 4 320 cans x 400g per hour. Presently 53% of the factory output produced is packed on the can-filling line.

A MESSAGE FROM THE CHAIRMAN OF THE RISK & SUSTAINABILITY COMMITTEE

Responsible corporate citizenship and sustainability management have always been inherent to Aspen's corporate culture. Aspen's proven ability for consistent wealth creation for its investors, ongoing investment in its employees, its CSI in communities and its international credibility as a trusted pharmaceutical company are testament to the Group's underlying commitment to securing economic and social sustainability for all its stakeholders. As a growing player in the global pharmaceutical industry, Aspen acknowledges its responsibility for the broader aspects of sustainability.

The Board endorsed the Group's commitment to effective sustainability management and relevant sustainability reporting through the establishment of the Risk & Sustainability Committee in August 2010. I am pleased to have the Chairman of the Board, Judy Dlamini, as a member of the Committee. The Committee members bring with them invaluable experience and commercial wisdom to lead the Group's sustainability reporting endeavours with sufficient depth.

Progressive steps have been taken during the year towards formalising and extending the scope of sustainability reporting objectives across the Group. Structured reporting protocols were introduced during the latter part of the year and rolled out across the South African and international businesses. These protocols have been benchmarked against global sustainability reporting initiatives and aligned to the Group's strategic objectives. The Group also actively participated in the JSE's Social Responsibility Index programme for the first time. With Global Reporting Initiative ("GRI")-based sustainability reporting, a relatively new concept in international corporate reporting, Aspen's sustainability reporting process will evolve and mature over time as sustainability management processes are embedded throughout the Group and as the relevance of internal and external sustainability disclosure requirements are confirmed.

I trust that the 2010 Sustainability Report will provide further insight into Aspen's sustainable business philosophy. The report is set out under the following headings:

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Rafique Bagus
Risk & Sustainability Committee Chairman

21 October 2010

MESSAGE FROM THE GROUP CHIEF EXECUTIVE

Aspen has a resolute commitment to adding value to our stakeholders through the consistent manufacture and supply of high quality, affordable medicines to customers throughout the world. The Group's Code of Conduct advocates the application of ethics, integrity and CSI throughout the value chain to continually strengthen the high moral ground on which the Group has been established. The Group has earned loyalty and respect through providing safe and secure employment to locally sourced employees in each region and by taking all necessary steps to ensure the responsible supply of effective pharmaceutical products to customers. Aspen's ability to foster synergistic relationships with business partners across the globe has been made possible through the application of fair, transparent and morally sound business principles. Consequently, Aspen is recognised as a trusted partner and supplier and an employer of choice in its key markets.

In growing the business organically, cognisance has been taken of the increasing need for access to affordable medicines and the emerging disease profiles in each operating region. To this end, Aspen continues to invest in a pipeline of relevant and feasible products. Furthermore, the Group has invested more than R2,1 billion over five years in its world-class manufacturing facilities to respond to growing demand volumes at competitive prices, to increase the capability to produce a diverse range of products and to ensure compliance with specific legislative and regulatory requirements which govern each market.

Aspen has played a major role in combating the effects of HIV/AIDS on the African continent. The Group pioneered innovative voluntary licensing arrangements with leading multinational companies to provide access to patent protected ARV molecules. This enabled the accelerated distribution of ARVs into SSA at a time when distribution of ARVs in requisite volumes was unaffordable. Aspen is the largest supplier of ARVs to the South African public sector which manages the largest State-funded HIV/AIDS treatment programme in the world. Close to 900 000 patients in the South African private and public sectors currently rely on an Aspen ARV daily. In addition, Aspen has invested in the construction and financial support of seven healthcare clinics in South Africa which focus on the management of infectious diseases such as HIV/AIDS and tuberculosis in impoverished communities. These and other community healthcare projects have enabled Aspen to make a difference to close to 800 000 beneficiaries in underprivileged areas.

Transformation

In South Africa, Aspen has, for many years, worked towards the transformation of historically disadvantaged individuals. The success of initiatives such as this across South Africa is critical to the economic and social sustainability of the country. The verification of Aspen as A-rated under the BBBEE Codes is testimony to the progress that has been made in this area.

Based on this established platform of responsible corporate citizenship, Aspen has introduced a programme aimed at aligning its sustainability reporting processes with emerging global reporting standards. The Group is committed to reviewing and enhancing its sustainability management protocols to improve its responsible corporate citizenship and to increase the visibility of its broader sustainability initiatives.

Stephen Saad
Group Chief Executive

21 October 2010

ENHANCING THE SUSTAINABILITY REPORTING PROCESS

During the year, the Board delegated responsibility for the Group's sustainability reporting and risk monitoring obligations to the Risk & Sustainability Committee (please refer to page 116 of the Corporate Governance Report for an overview of this Committee). The Risk & Sustainability Committee will meet biannually to review the adequacy of sustainability management initiatives implemented throughout the Group, in addition to fulfilling its responsibilities relating to risk management. Management has operational responsibility over sustainability within its designated business areas. The Risk & Sustainability Executive Forum, chaired by the Deputy Group Chief Executive, has oversight responsibility for sustainability management in the Group.

The scope of this report extends to Aspen's reportable segments of South Africa, SSA and the international businesses and pertains to the period 1 July 2009 to 30 June 2010. Recently implemented initiatives, to the extent that these provide additional and relevant context to the reader, have also been included up to and including the period ended 30 September 2010. This is Aspen's first Sustainability Report which is aligned to the GRI and will be published on an annual basis. Aspen's previous sustainability reports are contained in each published annual report which can all be accessed on www.aspenpharma.com.

A structured process was applied to identify economic, environmental and social indicators which were considered to be material to the Group's internal and external stakeholders. Indicators were considered to be material where these were deemed to add value to stakeholders' understanding of the Group. In developing the reporting protocol, the Group selected the GRI, as a framework for the disclosure of consistent, comparable and relevant information pertaining to the Group's sustainability indicators.

In accordance with the GRI classification criteria, the report is self-assessed at Level C compliance. Independent assurance has been provided on the Group's audited financial information by PricewaterhouseCoopers Inc. (refer to the Independent Auditors' Report on page 121) and the BBBEE contributor level has been verified by Empowerdex.

ASPEN'S CORPORATE RESPONSIBLE CITIZENSHIP PHILOSOPHY

Aspen's vision, *"to deliver value to all our stakeholders as a responsible corporate citizen that provides quality, affordable medicines globally"*, encapsulates the Group's inherent approach of conducting business ethically, with integrity and with a commercial wisdom which strives to enhance the economic and social well-being of its investors, employees, customers, consumers and business partners. In its quest to secure wealth creation and financial growth for its shareholders, Aspen recognises its accountability towards uplifting the communities and for protecting the physical environment within which it operates. At Aspen, responsible corporate citizenship is more than a compliance requirement, it is fundamental to the Group's objectives.

An absolute commitment to good corporate citizenship

Led by an effective Board of Directors and long-serving, experienced executives, Aspen operates on an established foundation of strong corporate governance. King II is implemented throughout the Group and progressive endeavours are being made in applying King III. Aspen acknowledges steps taken internationally towards enhancing and standardising sustainability reporting and supports sustainability initiatives which are relevant to the Group. To this end, the Board has enhanced its commitment to such initiatives through the establishment of the Risk & Sustainability Committee. Through this Committee, the Board considers the strategic, financial and operational risks facing the Group and monitors the adequacy of actions taken to mitigate these risks, thereby protecting the interests of stakeholders.

Aspen believes in engagement and communication with the Group's identified stakeholders. In doing so, Aspen undertakes to provide information which is truthful, accurate and consistent and which is relevant to stakeholders in making their decisions.

With the aim of supplying high quality, cost-effective products responsibly to all our customers, products are manufactured and distributed in accordance with the relevant regulations, legislation and guidelines governing the pharmaceutical industry. In the promotion of Aspen's brand and products, our sales and marketing policies are aligned with relevant marketing codes in each operating territory.

Securing economic returns to shareholders

Creating wealth is a business imperative and delivering returns to shareholders is a prerequisite for the sustainability of any business as a going concern. Since its reverse listing in 1998, Aspen has consistently delivered exceptional returns to shareholders. Aspen benchmarks its performance against its competitors both in South Africa and internationally. Effective financial systems of control are applied to monitor and report financial information. Financial objectives are, however, set with due consideration of non-financial factors impacting each area of the business. The business environment in each geographic segment is carefully studied on an ongoing basis and territory-specific business strategies are implemented to maximise the opportunities in each region while mitigating the downside. Strategic transactions are undertaken with due regard to:

> increasing shareholder wealth;
> Aspen's Code of Conduct;
> protecting the credibility and good reputation of the Group;
> compliance and regulatory requirements;
> the expectations of and potential impact on affected stakeholders;
> the Group's tolerance for risk; and
> the unique market and operational dynamics which characterise each territory.

Our people

Aspen's strength lies in its worldwide team of approximately 6 000 employees. Employees work in a trusting environment which is free from discrimination, prejudice, bias, harassment and violation. Employee rights and labour regulations are respected through human resources management, industrial relations and legal compliance frameworks implemented throughout the Group. Employees are free to belong to a trade union and/or collective bargaining councils.

Executives and management interact with staff on the basis of an open-door policy and employees are given the necessary infrastructure, training and support required to perform their duties professionally, effectively, efficiently and diligently. In this way, every employee is expected to optimise their contribution to the Group and act in good faith as an ambassador of Aspen's values and corporate ethics. To this end, employees sign a Code of Conduct which governs their actions relative to the Group. Protocols, programmes and support facilities are in place to protect employees' health, safety and well-being. Through the Transformation Committee, the Board promotes diversity and addresses South Africa's Black Economic Empowerment objectives.

The Group strives to ensure that each employee's contribution is fairly rewarded and recognised. The Remuneration & Nomination Committee monitors remuneration and reward structures to ensure that employees are compensated with competitive salary and benefit schemes.

"Healthcare. We Care"

An investment of more than R2,1 billion has been made over the last five years to build and upgrade our world-class manufacturing facilities in order to supply high-quality products at competitive prices for our customers throughout the world. Highly skilled and competent professionals are employed in our business to manage the quality, efficacy and cost of products. Aspen's extensive pipeline includes products which cover a wide range of therapeutic categories across a diverse customer base. At the onset of the HIV/AIDS pandemic, Aspen pioneered the concept of voluntary licences through which multi-national companies granted manufacturing and supply rights to selected generic players for patented HIV/AIDS drugs. In this way, Aspen accelerated the supply of affordable ARVs to Africa and other emerging markets. Aspen was the first company to launch generic ARVs in Africa. Such initiatives demonstrate Aspen's commitment to increasing access to affordable medicines throughout its global markets.

Aspen's CSI programme supports the establishment of clinics, healthcare programmes, educational programmes, community programmes and charitable initiatives which are targeted at addressing the shortage of primary healthcare in South Africa. Programmes targeting HIV/AIDS and Tuberculosis are given priority. CSI projects are also carried out at Aspen's international businesses to contribute to the well-being of employees, customers and the broader communities.

Protecting our environment and conserving resources

Aspen's manufacturing and supply protocols promote the ongoing review and continuous improvement of operating policies and procedures in an effort to deliver high quality products to the market responsibly, on time and at competitive prices. In doing so cognisance is taken of developments in environmental legislation, related technological enhancements relevant to the Company's operations, resource conservation systems and environmental management guidelines.

Review of the corporate citizenship philosophy

The corporate citizenship philosophy is scheduled to be reviewed by the Board prior to 1 October 2011 and on or before 1 October of each succeeding year. In addition it may be updated more frequently should circumstances necessitate.

STAKEHOLDER ENGAGEMENT POLICY

With its history extending back to 160 years since the inception of Lennon Ltd in 1850, Aspen has an entrenched legacy in South Africa and parts of southern Africa. In the 12 years since listing on the JSE in 1998, Aspen has evolved from a trusted, domestic pharmaceutical company in South Africa to a well-reputed manufacturer and supplier of high quality, affordable pharmaceutical products to more than 100 countries around the globe. The strength of the Group lies in its ability to foster and maintain strong relationships with its stakeholders through transparency and effective communication. The Board of Directors is committed to sustaining Aspen's established credibility and rapport amongst its stakeholders.

Stakeholder identification

Stakeholders are considered to be those persons, groups or organisations which are directly impacted by the activities of the Group as well as those persons, groups or organisations which can reasonably be foreseen to be impacted by the Group's activities. A structured system of engagement exists to ensure the timeous communication of accurate and relevant information to each stakeholder group in a consistent manner. Stakeholder engagement in the South African business has been well established over the years. Steps towards identifying and actively engaging Aspen's relevant stakeholders in the international businesses are being taken as Aspen embeds its presence in these new regions.

The Group's key stakeholders can be classified into the following groups:

PEOPLE	OPERATIONS	CORPORATE
Employees	Pharmaceutical regulatory authorities	Investors, healthcare analysts and media
Trade unions	Healthcare industry	Shareholders
Bargaining councils	Suppliers	Communities
Academia/educational institutions	Government and local authorities	Consultants and service providers
Consumers	Business partners	Funders and corporate bankers
	Customers	

Responsibility for stakeholder engagement

The Board of Directors is responsible for the implementation of a stakeholder-inclusive governance approach. The Board delegates this responsibility to the Group's Executive management body. Executive management is entrusted with the responsibility for the development of suitable stakeholder engagement policies and implementation of a robust and consistent system of communication with identified stakeholder groups. Chief Executive Officers at the Group's subsidiary companies (or their equivalent) are mandated to liaise with the people and operations stakeholder groups to ensure that the specific expectations of a diverse stakeholder base are met. The Group corporate communications team is then responsible for interaction with stakeholders in the Group. To ensure compliance with all relevant regulations and protocols governing corporate communication, external consultants are appointed as required.

In accordance with the JSE's Listings Requirements, all corporate communications which appear on the JSE's stock exchange news service are approved by the Group's corporate sponsor, Investec Ltd, prior to posting the announcement.

Stakeholder participation

Stakeholders are encouraged to interact with the Group to gain a better understanding of Aspen and also to voice their opinions.

The open door policy at Aspen facilitates ongoing interaction and promotes internal stakeholder participation. Meetings, forums, awareness sessions and electronic communication are just some of the interaction methods available to internal stakeholders.

External stakeholders can liaise with the Group using the following channels:

- Aspen's online enquiry form which can be found on the website at www.aspenpharma.com;
- using direct contact details of the corporate and regional offices for specific information;
- the Aspen customer care line or the medical information hotline;
- the independently monitored Tip-Offs Anonymous hotline;
- direct access to the Group Investor Relations Manager, Group Company Secretary or the Group Corporate Communications Consultant; and
- access to publically available corporate information through the Group Company Secretary.

Further details can be found on pages 70 to 74.

Dispute resolution

The Group's approach to conflict/dispute resolution is through constructive dialogue with the relevant parties. Where this preferred method does not result in adequate resolution of a matter, external legal advisors, arbitrators and/or mediators are engaged to expedite resolution.

Stakeholder feedback

The 2010 Campbell Belman Independent Confidence Standing Survey, based on research conducted amongst 130 asset managers, 42 analysts and nine members of the financial media, identified three primary areas of concern highlighted by responding stakeholders which pertain to full disclosure of relevant information, the reflection of the Group's performance in published reports and accessibility to senior management. These findings have been acknowledged by executive management and steps have been taken to address and rectify these perceptions with the investor community.

Association memberships:

Aspen is a strategic and actively participating member of the following organisations:

South Africa	Sub-Saharan Africa	International
> Business Unity in South Africa*	> Confederation of Tanzanian Industries	> Australian Self-Medication Industry
> Chemical and Allied Industries Association	> HIV/AIDS Business Council	> Sandicato dos Farmaceuticos – Rio de Janeiro (Pharmaceutical Industry Syndicate
> India Brazil South Africa Business Forum Executive	> Kenya Institute of Management	
> India-SA CEO's Forum > Industry Task Team	> The Association of Tanzanian Employees	
> Pharmaceuticals Made in South Africa*		
> South African Business Coalition Against Aids		
> South African Pharmaceutical Products and Devices Authority**		
> The National Economic Development and Labour Council		
> The Pharmaceutical Task Group**		
> Marketing Code Authority		

* *Indicates organisations where an Aspen representative serves as a Chairman of the organisation.*
** *Indicates organisations where an Aspen representative serves as an Executive member of the organisation.*

Stakeholder engagements and communication

Stakeholder	Means of engagement
PEOPLE	
Employees	> Routine and specifically scheduled functional and cross-functional meetings as required;
	> Notice boards to display relevant announcements are accessible to staff across the departments;
	> Intranet communication is available for online access to key notices and pertinent information;
	> Sales conferences are held and attended by the sales teams, executives and representatives from relevant support functions;
	> An annual strategic conference is held for executives to discuss Group strategy;
	> Letters and/or emails are sent to employees regarding policies, procedures and/or employment-related information;
	> Workshops and training sessions are held to create an awareness of and provide training on new processes, new technology, and for continuous learning;
	> Employment Equity Committees exist in South Africa to promote the development and advancement of previously disadvantaged individuals;
	> Annual and interim results presentations and selected strategic announcements are delivered to Group senior executives and to management who then disseminate the information to operational staff;
	> An open door policy culture exists for ongoing communication and interaction amongst colleagues; and
	> The Tip-Offs Anonymous hotline is managed independently by Deloitte for the reporting of fraud, theft and unethical behaviour in South Africa.
Trade unions	> Union representatives are elected to liaise with management on matters affecting union members; and
	> Human resources managers are responsible for managing the relationship with the employee unions and relevant industrial labour organisations and to represent Aspen at the Commission for Conciliation, Mediation and Arbitration in South Africa.
Bargaining Councils	> Meetings are held with the Bargaining Councils as required; and
	> The human resources manager – operations represents Aspen at the Bargaining Council meetings in South Africa.
Academia/ institutions	> Interaction is managed with institutions and academia by appointed executives; and > Aspen is represented at seminars, conferences and student days hosted by institutions, and Aspen also participates in career development programmes.

Stakeholder	Means of engagement
OPERATIONS	
Pharmaceutical regulatory authorities	> Audits and site inspections are conducted by authorities per notification of site visit; > Correspondence, as required, is entered into with regulatory authorities for purposes of managing regulatory matters regarding the regulatory status of facilities and the registration status of intellectual property; and > Meetings are held with regulatory authorities when necessary.
Healthcare industry	> Representation on pharmaceutical industry bodies and relevant commercial and trade associations.
Suppliers	> Business unit procurement departments identify new suppliers and manage supplier relationships; > A vendor rating process is in place for supplier performance assessments, the results of which are communicated with suppliers and corrective action plans are negotiated; > Meetings are held with vendors as necessary; > Vendor audits are conducted where required; > Relevant vendors are involved in assisting with the supply of materials for new product launch processes where necessary; and > Representatives attend international supply symposiums to identify new suppliers and meet with existing suppliers.
Government and local authorities	> Interaction with government departments and officials as required.
Customers including national and provincial departments of health, healthcare practitioners, healthcare providers, healthcare funders and patients	> Direct calling by qualified sales representatives for the various customer groups; > Representatives participation at relevant conferences to interact with customers; > Product advertising is undertaken to create brand awareness and market products as permissible by marketing codes; > Implementation of brand awareness campaigns and product awareness sessions as relevant; > Aspen correspondence is sent to customers containing relevant information; > Dedicated sales teams interact with specific customer groups; > Customer hotline and medical information hotline; > Site visits to manufacturing facilities as arranged; and > Participation in State tenders.
Partners	> Ongoing communication and interaction; > Meetings as required; > Site visits to manufacturing facilities as arranged; > Personal interaction with third parties by relevant senior executives; > Information sharing projects are undertaken for mutual benefit; and > Dedicated technical transfer project teams are formed to manage manufacturing transfer plans and distribution transfer teams to manage supply arrangements.

Stakeholder	Means of engagement
CORPORATE	
Investors and healthcare analysts	> A dedicated Investor Relations Manager is responsible for the information needs of existing and potential investors and healthcare analysts;
	> Corporate presentations are delivered, by the Group Chief Executive and Deputy Group Chief Executive, to investors and analysts for the communication of financial results and also to the media for information regarding significant corporate activity;
	> A conference call follows corporate announcements to accommodate international investors and analysts and to provide an opportunity for investor participation;
	> One-on-one meetings and interviews are held to cater for specific information needs of investors, analysts and members of the media;
	> Continuous interaction with investors and media between closed periods;
	> Distribution of a comprehensive annual report and the interim results booklet to all stakeholders;
	> Scheduled site visits conducted for investors and analysts periodically;
	> JSE stock exchange news service announcements are made to communicate information pertaining to corporate activity and Group results; and
	> Investor-relevant information can be accessed on the Aspen Group website.
Shareholders	> The annual general meeting is held according to schedule;
	> The annual report is distributed to shareholders;
	> Shareholders are able to access disclosable information through the Company Secretary;
	> JSE stock exchange news service announcement communicate information pertaining to statutory corporate activities which impact shareholders' and directors' share dealings;
	> Selected statutory information is available on the Aspen website;
	> Selected announcements are published in both English and Afrikaans in the printed press after release on JSE stock exchange news service and on the Aspen website;
	> Statutory correspondences are posted to shareholders as required by the South Africa Companies Act; and
	> Institutional shareholders can access information regarding corporate activity through the Investor Relations Manager or on the Aspen website.
Community	> Aspen supports local community projects through the CSI programme;
	> A dedicated CSI Manager liaises directly with community project leaders and visits project sites; and
	> Peer educators offer HIV/AIDS training to communities.
Consultants and service providers	> Information sharing and interaction when services are procured for expert/specialist services including technical and corporate communications consultants; and
	> A dedicated communications consultant to *inter alia* coordinate liaison and interact with the media.
Funders and corporate bankers	> Regular communication with funders regarding performance against covenants;
	> Frequent contact with providers of finance to keep abreast of conditions in the capital markets; and
	> Engagement with bankers in respect of the Group's potential future funding requirements.

ECONOMIC INDICATORS

Since listing in 1998, Aspen has been able to deliver outstanding economic returns to its stakeholders. The economic value generated by the Group supports the economic sustainability of Aspen's investors. Moreover, Aspen's consistent delivery of economic growth extended the Group's ability to provide secure employment to over 6 000 permanent and temporary employees and to supply high quality, affordable medicines to patients across the globe. Ongoing optimisation of growth opportunities is driven through commercially astute business decisions which are based on an effective balance of responsible investment and sound risk management.

VALUE ADDED STATEMENT

The Group's value added statement for the year ended 30 June 2010 is shown below:

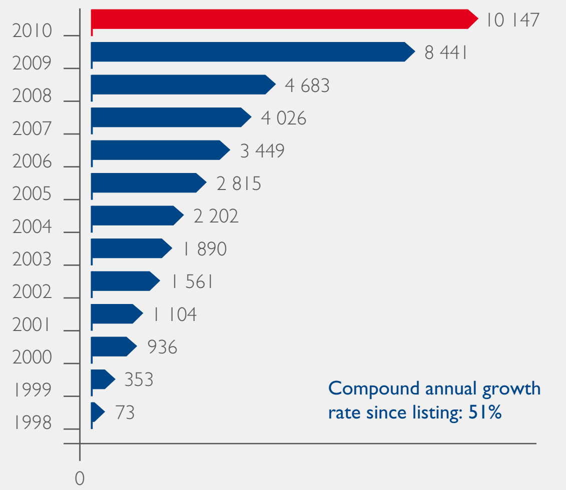
	Growth %	2010 R'million	%	Restated 2009 R'million	%
Net revenue	20%	10 147		8 441	
South Africa	31%	5 652		4 309	
SSA	(53%)	441		931	
International	27%	4 054		3 201	
Other operating income		180		4	
Less purchased materials and services	19%	(5 929)		(4 996)	
Value added from operations	28%	4 398	95,9	3 449	93,9
Investment income		188	4,1	224	6,1
Total wealth created	25%	4 586	100,0	3 673	100,0
Value distribution					
Employees	43%	1 447	31,6	1 014	27,6
Providers of capital – finance costs	(20%)	558	12,2	699	19,0
Governments	45%	493	10,7	341	9,3
Reinvested in the Group	29%	2 088	45,5	1 619	44,1
Depreciation and amortisation		269	5,9	211	5,7
Deferred tax		43	0,9	71	1,9
Income retained in the business		1 776	38,8	1 337	36,4
Total value distribution	25%	4 586	100,0	3 673	100,0
Value added statistics					
Number of full-time employees*		4 583		3 975	
Ratios					
Revenue per employee ('000)		2 214		2 124	
Value added per employee ('000)		960		868	
Wealth created per employee ('000)		1 001		924	
Monetary exchanges with government					
Current taxes (excluding deferred tax)		425		288	
Customs and excise duty		56		45	
Rates and similar levies		12		4	
Gross contribution to central and local governments		493		337	
Additional collections on behalf of government					
Employees' taxes		199		142	
Net value added tax paid		326		183	
		525		325	

The value added statement excludes discontinued operations. Total wealth created from discontinued operations was R210,0 million for the 2010 financial year.

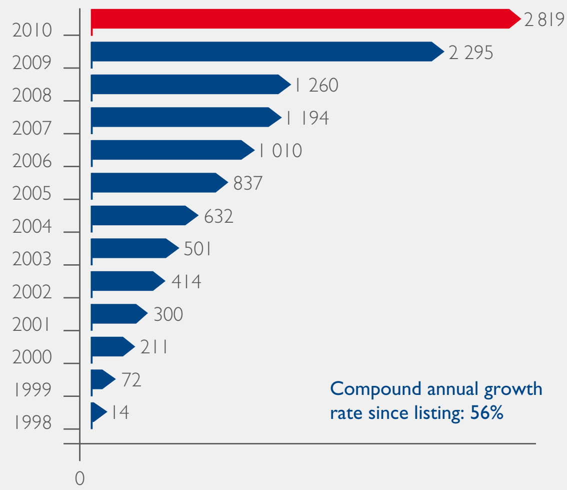
** The Group's total number of employees during the year comprises 4 583 permanent employees and 1 484 temporary employees, totalling 6 067. Included in this number are 384 employees who joined the Group as a result of the GSK transaction in December 2009. Employees at the divested Campos facility formed part of the Group for eight months of the year. The number of employees in the value added statement also includes 82 permanent employees at this facility as the divestment is pending regulatory approvals.*

Aspen's continued growth

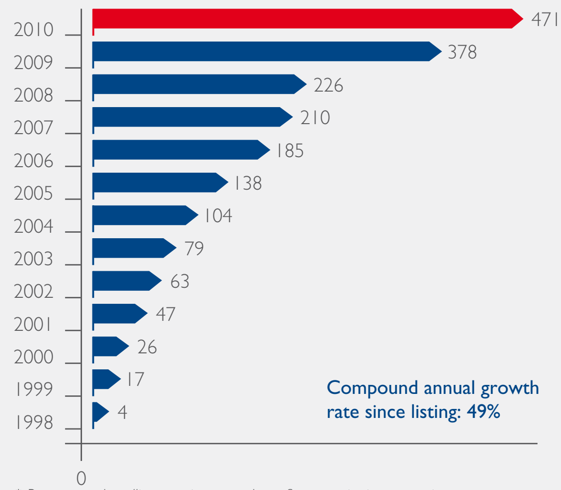
Aspen reverse listed on the JSE during the 1999 financial year. The Group has delivered 12 consecutive years of growth in revenue, operating profit and headline earnings. Since listing, compound annual growth of all of these indicators, over this 12-year period, is around the 50% mark.



* Represents revenue from continuing operations.



* Represents operating profit before amortisation, disposals and impairment of assets from continuing operations.



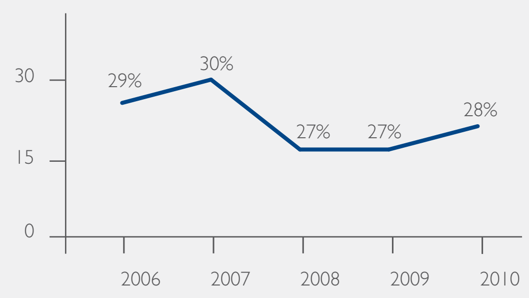
* Represents headline earnings per share from continuing operations.

Trended revenue and operating profit performance

In pursuit of consistent returns to shareholders and the financial security of the Group, profit generation is the primary objective. Revenue growth is an important factor in market share advancement and protection but without an acceptable margin of profit, growth in revenue alone is not a sustainable strategy. Considerable attention is therefore given to defend profit margins and to improve these where possible. To this end, operational strategies aim to mitigate the effect of both controllable and uncontrollable factors impacting the business. Given downward pressure on pharmaceutical prices in all markets globally, a significant amount of focus has been placed on improvement of product costs, reduction of operational expenses, effective procurement of supplies and diligent working capital management. Strategic initiatives are in place to mitigate the impact of increased competition from foreign suppliers, exchange rate volatility, pricing pressures in the global pharmaceutical industries, reliance on pricing from foreign-based materials suppliers and general economic factors which influence the business.

The Group's operating profit margins have remained stable since 2008 as can be seen in the graph below:

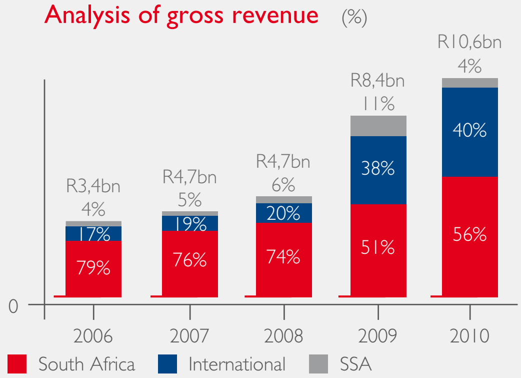
Group five-year operating profit margin % trend*



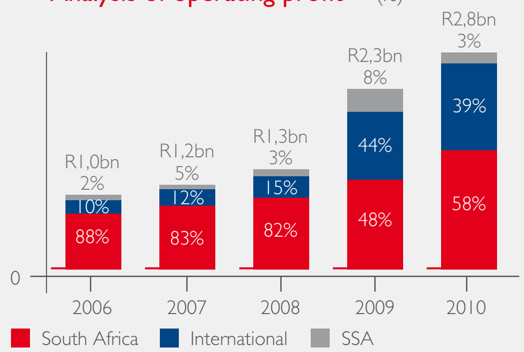
** Represents operating profit before amortisation, disposals and impairments of assets from continuing operations.*

In order to mitigate Aspen's exposure to a single market and to create business growth opportunities, the Group diversified its business into international markets, commencing 2001. At this time, Aspen entered the Australasian market, focusing on the distribution of niche branded products. The Australian business has successfully delivered double-digit growth since inception. Since March 2008, the Group's international footprint has extended into more than 100 territories worldwide, with operations expanding further into Asia Pacific and SSA and businesses also being established in Latin America and Europe. Through this geographic diversification, Aspen's reliance on its domestic South African market has been decreased, the scope for growth increased and market risk has been spread. The international businesses have grown to comprise approximately 40% of the Group's revenue and profits.

Analysis of gross revenue (%)



Analysis of operating profit* (%)



** Represents operating profit before amortisation, disposals and impairment of assets from continuing operations.*

Market indicators and achievements in the pharmaceutical industry

Despite the Group's diversification into new international markets, the South African business remained resilient, being managed by an experienced executive team under the leadership of Noel Guliwe – CEO South Africa and Morne Geyser, South African Operations Director. IMS, an independent measure of the private pharmaceutical market in South Africa, confirms Aspen's position as the leading pharmaceutical company in South Africa, growing ahead of the market as follows:

IMS segment	Aspen's share	Position	Aspen's growth	Market growth
Total private market	16,5%	No. 1	+12,7%	+10,2%
Branded segment	11,0%	No. 2	+19,0%	+10,0%
Generics segment	33,9%	No. 1	+11,0%	+14,0%
OTC segment	15,4%	No. 2	+8,4%	+8,7%

The Campbell Belman Independent Confidence Standing Survey of Retail Pharmacists published in June 2010 ranked Aspen as the number one South African pharmaceutical company in South Africa. ImpactRx, which measures the impact of promotion of pharmaceutical products, indicates that one in almost four script lines dispensed by South African pharmacists is for an Aspen product as recorded for the 12-month period August 2009 to July 2010.

The range of products offered in Aspen's international territories is selected in accordance with the growth and profitability objectives in each territory. The SSA territories are not measured by IMS and hence Aspen's performance in these markets through the GSK Aspen Healthcare for Africa collaboration and through Shelys Africa cannot be independently assessed. GSK holds a credible position in the SSA region and, with the injection of Aspen's pipeline of products relevant to the disease profiles in Africa, the collaboration would be a leading supplier of medicines in this region. Shelys is the leading supplier of branded pharmaceutical products in East Africa. Shelys represents the number one pharmaceutical brand in East Africa owing to its trusted portfolio of pharmaceutical and OTC products.

In Australia, Aspen Australia is the seventh-placed company for number of scripts prescribing an Aspen product, resulting in a 5% share of prescriptions in Australia.

Investment in intellectual property

The Group strives to continually optimise its organic growth opportunities through investment in a feasible product pipeline for launch into its key territories. The product pipeline includes products in a wide range of therapeutic categories which is intended to place Aspen in a strong position to respond to emerging disease profiles in each region. The Group sources product dossiers and identified generic product development opportunities in accordance with its business development strategies. Once the feasibility of a product is assured for a particular territory, the product is submitted for registration to the relevant regulatory authority, following proof of manufacturing capability for product supply and validated product equivalence and efficacy. This process can take up to five years before the product is able to be launched into the intended market. For this reason, the product pipeline represents the Group's medium and long-term organic growth opportunity and plays a vital role in Aspen's sustainability. The Group recognises that organic growth is the most feasible driver of value creation.

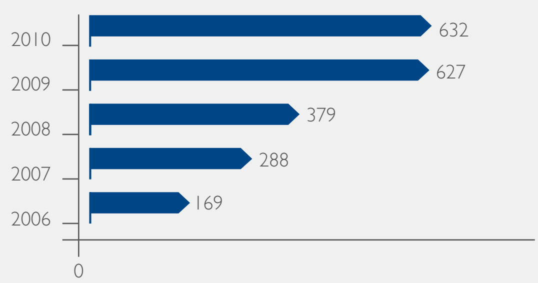
Intangible assets stand at R8,6 billion on the Group statement of financial position, the greatest single value item. This reflects the substantial investment which has been made in securing the intellectual property and rights which have been developed or acquired to bolster Aspen's product portfolio. What is not recorded in this amount is the value which has been created over the years through the organic growth of the products under the promotion of Aspen's sales teams. The true value of Aspen's product portfolio vastly exceeds that which is recorded on the statement of financial position.

Details of Aspen's product pipeline as at 31 August 2010 can be found on page 24.

Capital investment projects

In order to enhance GMP compliance, to accommodate growing volumes from both the domestic and international markets and to diversify Aspen's manufacturing capability and competence, more than R2,1 billion has been invested in the construction and upgrade of the Group's manufacturing facilities which are primarily based in Port Elizabeth. The manufacturing facilities are accredited by various regulatory authorities to produce products for export into various global territories. In addition to the construction and refurbishment of manufacturing facilities, enhanced technologies have been installed at the facilities to increase throughput, enhance the consistency of product quality and improve cost efficiencies. The success of these initiatives and the maintenance of Aspen's manufacturing cost competitiveness can be attributed to the relentless quest for excellence at the world-class manufacturing facilities by a committed, progressive and experienced operations team.

Investment in property, plant and equipment R2,1 billion over five years (R'million)

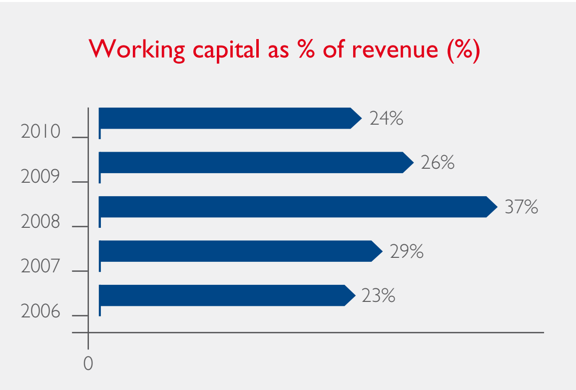


The Group's manufacturing capability enables the production of:

- capsules;
- cytotoxic products; and form-fill seals;
- nutritional products;
- liquids;
- lyophilised vials;
- nebules;
- ointments and creams;
- oral contraceptives;
- penicillins;
- sterile eye drops;
- sterile injectables;
- suppositories;
- tablets;
- toxic products; and
- specialised APIs.

Treasury management and liquidity

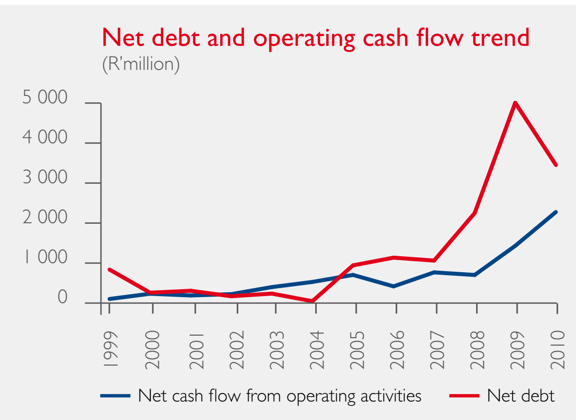
Aspen prioritises its ability to generate improving cash flows through product sales, concerted efforts for cost saving and effective liquidity management. The Group applies best practice treasury management principles. Forward cover contracts are entered into as considered appropriate. Moreover, owing to the relative balance of foreign currency inflows with outflows, the Group has a natural hedge position. Focused initiatives have resulted in a significant improvement in working capital management during the year. Working capital as a percentage of sales in 2010 was at the lowest level in five years:

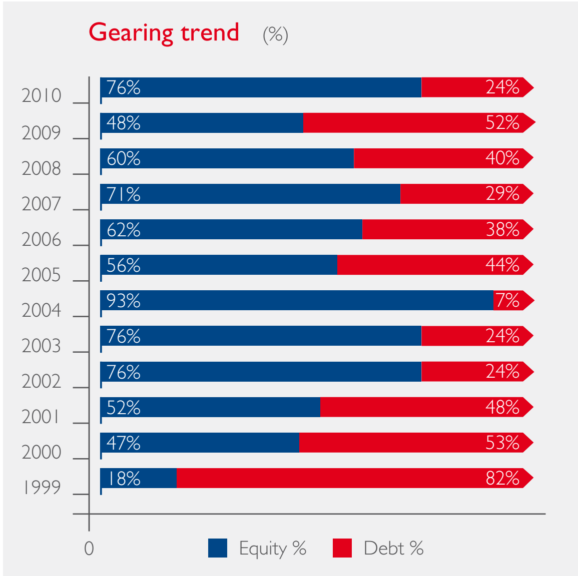


Aspen has engaged in an ongoing programme of investment in businesses, companies, manufacturing capabilities and products for more than a decade. These investments have been key elements in the ongoing sustainability of the Group.

The Group has leveraged its cash generating ability to finance these investments through debt, in preference to raising equity. The Group's borrowings have been managed responsibly and all the debt covenant obligations linked to borrowings have been met. Owing to the diligence with which these debt obligations have been fulfilled, Aspen has secured further capacity for raising debt to fund prospective growth opportunities.

Key liquidity indicators since the Group listed in 1998 are shown below:





ENVIRONMENTAL INDICATORS

A focus on implementing consistent environmental management protocols across the Group

Compliance with relevant environmental regulations and legislation has always been incorporated into Aspen's standard operating protocols, particularly at the Group's manufacturing facilities. In terms of GMP which governs pharmaceutical manufacturing, strong focus is placed on preventing contamination and cross-contamination through effective air-handling systems. Concerted efforts are also made to apply responsible waste management disciplines and to optimise utilisation of scarce resources such as water and electricity.

Environmental management protocols are being developed by the South African business, in accordance with ISO 14001 which represents the core set of standards used by organisations for designing and implementing an effective environmental management system. Following the inception of the Risk & Sustainability Committee in August 2010 and the introduction of the Group sustainability reporting process, steps are being taken towards embedding Aspen's commitment to proactive environmental management across the Group. To this end, an environmental policy will be developed for Group-wide implementation during the next year.

The South African business participated in the 2009 Carbon Disclosure Project ("CDP") survey and feedback received has been used as a reference to design and prioritise environment management projects at Aspen's South African facilities.

Aspen did not participate in the 2010 CDP. Participation was deemed to be more appropriate once environmental management indicators are consistently measured in the South African businesses as well as in the international businesses.

None of Aspen's local or international operations are located in protected areas or areas of biodiversity. Furthermore, the Group's products or operating activities are not known to have an impact on protected areas of biodiversity. As a result of the strong compliance management systems in the Group, no incidents of environmental non-compliance occurred during the year. Consequently, no related fines or penalties were incurred.

Environmental management

South African business

At the South African facilities, environmental management initiatives were put in place for resource conservation and waste management. A high level of focus was applied to reviewing and assessing the status of environmental compliance in the South African business.

An independent verification of environmental compliance was conducted by the National Safety, Health and Environment ("SHE") Department in August 2009. Areas of improvement included required amendments to waste management practices to improve compliance with the new Waste Act and enhancements to procedures for transporting hazardous material. More than 80% of the necessary corrective actions have already been implemented at the Port Elizabeth and East London sites. An environmental documentation compliance review was performed at the Woodmead site and recommended actions are being implemented. At FCC, a team of independent consultants from the Department of Environmental Affairs and Development Planning and the WSP Group completed an audit of waste management practices. No significant findings were reported.

Furthermore, participation by the South African operations in the 2009 CDP survey provided a valuable clarification on globally applied methods to measure and report on carbon emissions. Following the confirmation of specific CDP reporting requirements, skills advancement needs have been identified to develop in-house capability for the monitoring and disclosure of the required information accurately and consistently.

International business

Aspen's international businesses closely monitor environmental legal compliance with relevant regulations and legislation impacting the operations in East Africa, Latin America and Germany. No environmental transgressions occurred during the year.

At Beta Healthcare in Kenya, an independent evaluation of the environmental policy and practices from the established South African business is conducted annually by Arbedares Water Systems. No material findings were issued following this audit.

The Bad Oldesloe facility complies with ISO 14001. Annual environmental audits are conducted to confirm this accreditation by independent, accredited consultants at this facility in accordance with operating legislation.

A project has been initiated to extend best practice environmental management practices to the Group's remaining international businesses, as applicable, following Aspen's recent global expansion.

Environmental training

A total of 2 624 employees in the South African business received environmental training during the year. The scope of training programmes conducted included environmental awareness, environmental compliance, HAZMAT (hazardous materials) response, waste management and spillage containment.

In Brazil, 37 employees received training on emissions and pollution risk management, specifically related to antibiotics. Aspen Labs conducted environmental compliance training for 72 employees.

At Aspen Bad Oldesloe GmbH ("Aspen Bad Oldesloe") (ongoing environmental compliance training is conducted for employees in the relevant functional areas on an annual basis.

Energy consumption

Electricity, fuel and steam are the sources of direct energy used at the South African facilities. Electricity represents the main source of energy and approximates 6% of the production cost in South Africa. At Bad Oldesloe in Germany, both gas and electricity are also used in the manufacturing process. Electricity is the primary source of energy used at the Group's other international businesses including Latin America and East Africa. The Group-wide energy consumption measured during 2010 was as follows:

- electricity – 58 327 450kwh
- fuel – 31 589kℓ
- steam – 22 431 tons.

Indirect energy consumed by suppliers and service providers is not measured by the Group.

Water consumption and effluent management

All water used by the Group in South Africa and internationally, is supplied from municipal sources. A total of 325 970 kilolitres of water was used during the year of which approximately 80% represents consumption in the South African operations.

The quality of water discharged by the Group's manufacturing facilities complied with municipal standards in all territories. Two isolated incidents of deviations in the quality of water discharge were found at the Port Elizabeth site during the year. However, upon close monitoring of the discharge quality, the acidity balance was found to be within the acceptable limits for all periods following these incidents. Preventative measures were applied and water discharge at the Port Elizabeth and East London sites is now tested by independent third parties. This provides timeous and independently validated results of water quality tests. The Nutritionals facility has applied for a permit to use treated water for on-site irrigation as part of water conservation initiatives.

Water treatment processes are also applied at Aspen Labs, Aspen Pharma and Aspen Bad Oldesloe. No incidents of poor quality of discharged water were recorded at these sites during the year.

Emissions management

The South African operations initiated an emissions measurement and monitoring process by conducting air sampling studies in Port Elizabeth and East London. The objective of this exercise was to acquire baseline information on the quality and level of current emissions, using guidelines gleaned from participation in the 2009 CDP survey. Following the completion of this assessment, a standard operating policy will be developed to monitor and report on greenhouse gas emissions at the South African sites. Relevant principles of this policy will be applied to the formulation of the Group-wide environmental policy. To date, greenhouse gas emissions measured at the South African sites amounted to 47 195 metric tons. Further steps will be taken during the new financial year to improve greenhouse gas emissions measurement protocols to meet future corporate reporting requirements.

Waste management

Structured waste management processes are implemented throughout the Group for the responsible management of production and non-production waste.

South African business

In South Africa, a waste register is maintained at each site to log the disposal of waste by waste type. During the year, waste disposal by disposal method at the South African pharmaceutical manufacturing sites was recorded as follows:

Type of waste	Weight	Method of disposal
Cardboard	408,6 tons	Sold to recyclers
Empty tins	6,6 tons	Sold to recyclers
Fluorescent tubes	13, 2 tons	Hazardous: treated with sodium sulphide
General	1 029, 6 tons	Co-disposal
General (volume based)	2 746,50 m^3	Landfilled
General (weight based)	14,72 tons	Landfilled
Glass (chemical contaminated)	26,6 tons	Hazardous: ash-blended
Shrink wrapping plastic	1,73 tons	Sold to recyclers
Medical waste	2,5 tons	Incinerated
Metal	14,5 tons	Sold to recyclers
Paper	5,16 tons	Sold to recyclers
Pharmaceutical (Schedule 1-4)	271,4 tons	Hazardous landfill: treated with lime
Pharmaceutical (Schedule 1-4)	3 228,7 tons	Co-disposal
Pharmaceutical (Schedule 1-4)	34,0 tons	Separate clay-lined cell: treated with lime
Pharmaceutical (Schedule 5-6)	4,7 tons	Hazardous: thermal desorption
Pharmaceutical	179,43m^3	Ash-blended, encapsulation, incineration
Plastic spoons	0,3 tons	Sold to recyclers
Process solvents	10,5kℓ	Ash-blended
Sludge waste	35,5kℓ	Hazardous: treated with lime
Sludge from treatment plant	18cm^3	Hazardous landfill

Waste recycling opportunities are being explored in the South African business on an ongoing basis. Owing to the security risk around pharmaceutical products, such opportunities are being assessed with reference to the Group's obligations for the responsible supply of products. The manufacturing facilities have targeted a 5% reduction in general waste disposal over the medium term, with an added focus reducing disposal to landfill. Thermal desorption is being used as an alternative method to landfill disposal for pharmaceutical waste and eliminates security risk around unauthorised use of pharmaceutical materials. Thermal desorption results in the complete decomposition of organic compounds and is regarded as being an environmentally friendly disposal method.

The central waste yard at the Port Elizabeth site is in the process of being upgraded for more efficient handling of waste volumes and ensuring compliance with the new Waste

Act. Plans are also in place to upgrade the East London waste yard. Waste management has been outsourced to an external company at the Nutritionals facility to enable efficient waste handling and also to improve the quality of waste management records. Furthermore, all manufacturing and administration sites in South Africa have recently embarked on recycling initiatives whereby unique coloured bins have been installed to separate the collection of cans, cartons, glass and plastic. In the administrative areas, paper is shredded and sent for recycling. Air emissions at all sites are managed through sophisticated air handling systems.

By June 2010, landfilled waste from the Port Elizabeth site was reduced by 10% through waste separation awareness initiatives and through optimising recycling opportunities. In East London, steps were taken to precompact waste on site in order to minimise landfill requirements.

Waste was recycled at the South African sites as follows:

Waste recycled	Recycler	Volume
Cardboard	Sold to Enviroserve Waste Management (Pty) Ltd	424,7 tons
Glass	Sold to Enviroserve Waste Management (Pty) Ltd	26,5 tons
Metal	Sold to Enviroserve Waste Management (Pty) Ltd	8,7 tons
Plastic	Sold to Enviroserve Waste Management (Pty) Ltd	2,3 tons
Plastic drums	Sold to Enviroserve Waste Management (Pty) Ltd	10 689 drums
Plastic buckets	Sold to Enviroserve Waste Management (Pty) Ltd	15 624 buckets
Steel drums	Returned to Protea Chemicals (Pty) Ltd	1 354 drums

International business

Responsible waste management practices are applied by the Group's international businesses. Waste management procedures are designed to comply with relevant legislation and regulations in the various operating territories. A total of 1 378 tons of waste is generated collectively at the international manufacturing facilities in Mexico, Brazil, Germany, Kenya and Tanzania. Waste generated includes compactable solids, hazardous aqueous, pharmaceutical waste, process solids and solvents. Waste is disposed using a combination of composting, landfill and incineration. A total of 613 tons of waste was recycled at the international manufacturing facilities, consisting of recycled drums, solids and solvents. Steps will be taken to improve waste management reporting systems across the international businesses over the next year in accordance with established systems applied in the South African business.

Resource conservation

Resource conservation initiatives have been implemented throughout the Group as part of continuous improvement and cost saving targets. The reduction of energy and water consumption is considered to be a vital contributor to environmental sustainability.

South African business

Formalised resource conservation projects and three-year targets were set during the year at the South African manufacturing facilities.

Targets have been set to reduce energy consumption by up to 4% over the next three years. Consequently, projects to install energy-saving lighting as well as motion detectors are in progress at the Port Elizabeth, East London and Aspen Nutritionals sites. At FCC, boiler efficiency was improved in order to reduce energy consumption. FCC also uses power factors to rationalise electricity consumption. At the Woodmead offices, air-conditioners are automatically shut down after business hours. Employees at all sites are encouraged to switch lights and electronic equipment off when not in use.

Projects are underway across the Port Elizabeth and East London sites to reduce water consumption by a target of 5% over the next three years. To this end, waste water produced through the reverse osmosis purification process is re-utilised for HVAC cooling towers and toilets. In Port Elizabeth, rotoclones (cooling units) are switched off during the weekends when not in use.

International business

In East Africa, recycled water is used for garden irrigation systems and energy-saving bulbs have been installed at the new manufacturing facility in Nairobi to reduce electricity consumption.

Aspen Labs in Mexico conducted resource conservation awareness sessions for all employees. A concerted effort is being made to reduce electricity usage through switching off air flow systems and electricity-intensive equipment when not in use. Employees at Aspen Venezuela are required to switch off lights when not required during the day and when a lit work area is not in use.

Resource conservation targets have not been established for the international businesses. A phased approach will be applied in this regard, following a comprehensive environmental compliance review as was performed in the South African business during the year.

SOCIAL INDICATORS

Investment in employees

Aspen ranks as one of the top 20 global generic pharmaceutical manufacturers and among the largest in the southern hemisphere. Over the last three years, Aspen has expanded into Latin America, SSA and further into Asia Pacific. This geographic growth has resulted in a significant diversification of the cultures, language and skills of employees in the Group and extended the Group's compliance requirements to a broad base of labour legislation across the various territories. Consistent implementation of a human resources philosophy has been instrumental in the effective integration of acquisitions into the Aspen Group and corporate culture.

Aspen's competitive strength lies in the experience, diligence and competence of its employees, management teams and executives. Aspen's international expansion strategy gained traction off this intellectual base.

The Group currently employs 5 928 permanent and temporary employees across the South African and international businesses. This number excludes 139 employees who were employed for eight months of the year at the divested Campos facility. The number of female employees in the Group exceeds 50%.

The Group's human resources philosophy aims to:

> acquire, grow and retain talent;
> build a culture of excellence;
> transform the organisation;
> sustain and build a sustainable talent pipeline;
> maintain a strong leadership cadre and a culture of accountability; and
> foster harmonious labour relations.

Human resources support in East Africa and Latin America was strengthened during the year to give momentum to the structured implementation of the Group's human resources philosophy in these regions. A Group Human Resources Executive was appointed in September 2010 and has been tasked with the consistent implementation of Aspen's human resources philosophies and policies throughout the Group.

Employment indicators

Aspen has been identified as a pharmaceutical employer of choice in its established South African, East African and Australian businesses. Under challenging global economic conditions and recessionary pressures, the Group employee base increased by 12% and the Group managed to contain the permanent employee turnover rate to less than 10%. More than 75% of the Group's employees are permanently employed. Aspen's employee movements for the 2010 year are outlined in the table below:

Employee movement	Group	South Africa	SSA	International*
Number of employees at 1 July 2009	5 302	3 683	877	742
Appointment of employees	1 969	899	184	886
Termination of employment contracts	(1 285)	(611)	(164)	(434)
Transfers to international operations	0	(1)	1	0
Retirements	(15)	(11)	(2)	(2)
Deaths	(24)	(17)	(6)	(1)
Permanent disabilities	(19)	(9)	0	(10)
Total Group employees at 30 June 2010	5 928	3 933	890	1 105
– Percentage permanent employees	76%	77%	52%	92%
– Percentage temporary employees	24%	23%	48%	8%
Employee movement	12%	7%	1%	49%
Average staff turnover % per region	7%	3%	1%	17%

** Excludes 139 permanent and temporary employees at the divested Campos facility.*

Engagement and retention of employees

The Group's international expansion and growth at the manufacturing facilities necessitated the recruitment of employees. Temporary employees were mostly recruited in the South African manufacturing areas to cope with increased volumes. Close to 130 permanent employees were also added to the South African sales and marketing area following the integration of GSK's pharmaceutical business. In the international business, the sales teams were restructured to better fit the Aspen business model for this region. A total of 18 employees were boarded during the year owing to ill-health. Nineteen employees retired as a result of permanent disabilities which were attributed to poor health and which rendered these employees unfit to work.

The Group regrets to report on the death of 24 employees, all of whom died of natural causes.

All engagement and promotion decisions in South Africa are based on the total capability index and essentially consider an employee's qualifications, related work experience, demonstrated performance, results of relevant psychometric assessments and value-based behavioural attributes. Aspen's employment equity targets are a key consideration during recruitment processes in South Africa with preference given to the appointment of employment equity candidates. Management strives to create a working environment in which employees are empowered to contribute towards the achievement of business objectives. A structured key performance area (KPA) system is in place to define and direct annual functional objectives for managers and professional employees. Performance incentives are determined with reference to an employee's assessed KPA results. During the KPA process, employees are also encouraged to set personal development objectives to indicate personal career advancement goals. Employees who demonstrate the necessary aptitude and competence are presented with career development opportunities where internal vacancies arise or where new positions are created.

KPAs for senior management in the international businesses are also in place and monitored by the Group's senior executives. With the appointment of the Group Human Resources Executive, these formalised initiatives will be rolled out to the international businesses following a phased approach.

In order to align business human resources needs with individual employees' desired career experience, the human resources department drives and monitors the talent pipeline. This process involves management of the organisational skills matrix to effectively prioritise employee training and development programmes and also to direct recruitment strategies to mitigate the risk of a skills gap in the business.

Succession planning

Aspen's proactive succession planning system includes a formal process for the identification and development of internal employees exhibiting the potential to fill key or critical positions as and when these roles become available. This plan enables the Group to grow and expand organically while maintaining the sustainability of leadership and executive management skills. The Board monitors the adequacy of succession plans for key executives in the Group.

A formal succession planning policy has been implemented in the South African business which targets succession plans for the top three tiers of management. Group-wide succession planning is in place for senior executives and the adequacy of these succession plans are monitored by the Board's Remuneration & Nomination Committee.

In an effort to support the continued growth of the business with the necessary executive competence, Aspen has pledged to create an environment in which:

> employees are attracted to Aspen as an employer of choice;
> employees are developed to be able to effectively sustain long-term implementation of the business strategy;
> employees are empowered and engaged to be able to add value and remain motivated in progressive careers at Aspen;
> the employee skills base is leveraged to best align available competence and experience with business objectives; and
> the risk of undue reliance on senior personnel is mitigated.

Each department in the South African business is required to conduct an annual succession planning meeting to discuss the status and effectiveness of succession plans for identified positions. These plans are then presented to the relevant operational head and finally ratified by the South African Operations Director or the CEO South Africa.

This process is scheduled to be implemented in the international businesses. Although not formalised in this manner, succession plans are in place for key executives at the international businesses.

Learnerships in South Africa

Learnerships are offered to employees with the objective of sustaining the pool of scarce, skilled resources. During the year, 41 learners successfully completed their learnership and apprenticeship programmes. These included:

> three Certificates in Business Accounting through the Chartered Institute of Management Accounting;
> four post-basic pharmacist assistant learnerships;
> one basic pharmacist assistant learnership;
> eleven chemical operation learnerships;
> two fitter apprenticeships; and
> twenty setter apprenticeships are awaiting practical assessment.

A further 131 learnerships are currently in progress and are expected to be completed over the next year. Of the 172 learners, 84% represent historically disadvantaged individuals.

Continuous training and skills development

During the year, more than 3 000 individual employees were trained in the South African and international businesses, representing approximately 50% of the employees. Training and development programmes are designed to enhance an employee's functional competence and ability to make a meaningful contribution to the business while harnessing the employee's identified potential. Annual training schedules are aligned to meet the medium term operational objectives in each area of the business. Management and executive development training programmes are linked to retention and succession plans in a manner which facilitates the achievement of the Group's medium and long term strategic objectives.

South African business

The development of historically disadvantaged individuals is prioritised to contribute towards the enhancement of skills in South Africa. In this regard, accelerated development initiatives are in place to give qualifying employees the opportunity to nurture and harness their potential for career progression. This includes the advancement of black females in the business. An overview of skills development achievements is set out below:

Training indicator	2010	2009
Number of employees trained	1 706	1 120
Percentage black employees trained	62%	68%
Black females trained as a percentage of total employees trained	30%	34%

A range of specific functional training programmes were conducted to bridge the identified functional skills gaps. The scope of such training addressed functional skills deficiencies at all levels of staff.

International business

Training programmes at Aspen's international businesses targeted the advancement of functional skills for operating staff, professionals and managers.

At Aspen Australia, in-house product training sessions were conducted for all sales representatives to enhance product knowledge and to better meet their customers' expectations. An annual sales conference was attended by all staff to communicate the business strategy and conduct the necessary awareness around new products and market factors impacting the business.

In East Africa, GMP training, product awareness training as well as health and safety training took place during the year. A module on the Kaizen manufacturing philosophy was also presented to factory employees.

A functional training and development programme has been developed for staff at Aspen Pharma in Brazil and scheduled training commenced at the start of the new financial year. In addition to this, ongoing GMP and health and safety training programmes are conducted at the manufacturing facility in Vittória.

At Aspen Labs, weekly GMP and health and safety courses are conducted, in accordance with legislative requirements. Finance staff attended tax refresher courses and all new employees received IT end-user training as part of a broader induction training programme. Owing to the restructure of sales teams and the implementation of Aspen Lab's focused growth strategy, a specifically structured training programme is being developed to provide sales staff with appropriate marketing, sales and product knowledge to achieve their mandated objectives effectively.

At Aspen Venezuela, English courses are being conducted for administration staff as English is the preferred global business language.

Management and executive development

In South Africa, management development programmes were designed to support an employee's transition into supervisory and management positions. Key modules of management development training included:

- change management;
- conflict management;
- compliance management;
- discipline management;
- diversity management;
- interaction management;
- high-performance coaching; and
- targeted selection.

Executive coaching was provided to selected executives and senior managers to improve the alignment of an individual's personal aptitude, experience and behavioural profile with the organisation's strategic intent. This support programme was also referenced to succession plans for the individual.

The objective of management and leadership development programmes was tailored to meet specific strategic needs of the Group, consequently amending the general scope of the existing Leadership Diamond and Growing Effective Managers programmes. Owing to this revision, no new management and leadership development programmes were started during the year.

Management development programmes in East Africa broached topics such as team building and discipline management.

Management development in the Latin American businesses took the form of coaching and mentoring by the Group's regional executives. Best practices around financial management and reporting, corporate governance and performance management are being shared with management teams in Brazil, Mexico and Venezuela on an ongoing basis.

Occupational health and safety management

Occupational health and safety (OHS) is decentralised to each operating region. Management at each operation is responsible for implementing and monitoring SHE compliance in accordance with legislation and regulations governing the relevant territory. Plans are in progress to improve health and safety compliance in the Group to meet OHSAS 18001 standards, an internationally recognised system for occupational health and safety management.

South African business

At the South African businesses, an established SHE policy is in place. The policy sets out the management systems and standard operating procedures for all manufacturing facilities. The systems and procedures are designed to prevent activities that may pose a potential threat to health and safety and are reviewed and updated annually. Hazard identification and risk assessments (HIRA) remain the foundation of the system. Action programmes for the various levels of control – engineering, administration, training, operational instructions and medical surveillance – are compiled and monitored upon completion of HIRA. A SHE legal register links HIRA profiles to legal references and checklists.

Health and safety representation was increased at the administrative sites during the year. Site health and safety representatives were appointed at the Durban office and a SHE Officer was appointed at the Woodmead site in Johannesburg. Relevant training sessions were conducted for SHE management representatives.

Significant steps have been taken towards acquiring ISO accreditation. A formal project plan is in place to prepare the business for the accreditation process in the medium term and the following milestones were accomplished during the year:

> development and implementation of action plans for the enhancement of engineering controls, SHE training, protective clothing, signage requirements and medical surveillance plans for SHE incidents;

> the implementation of a SHE legal register to monitor and record compliance with relevant SHE legislation;

> establishment of required SHE communication protocols;

> commencement of activities towards the development of ISO system procedures, operational work instructions and standard forms;

> implementation of an automated preventative maintenance system to measure and monitor the status of technical inspections, hygiene surveys and environmental sampling;

> assessment of the quality of emergency evacuation drills; and

> commencement of SHE departmental audits.

International business

SHE programmes are implemented at Aspen's international manufacturing businesses in accordance with relevant legislative requirements. SHE management teams are in place to ensure the safety of employees at the facilities. Aspen Bad Oldesloe received a re-confirmation of its OHSAS 18001 compliance status following an audit concluded in February 2010.

At Beta Healthcare in Kenya, a health and safety compliance review was performed by Syllabus Work Health Safety Consultancy at the new Nairobi facility. The facility was found to be compliant with the Kenyan Occupational and Safety Act of 2007.

The review of SHE legal compliance at the international businesses is scheduled to be conducted during the 2011 financial year. This is expected to assist with the identification of SHE management areas which require redress in East Africa and Latin America. A tailored assessment of SHE management requirements will be conducted at Aspen's international administrative sites in Australia, Dubai, Mauritius and Venezuela over the next two years.

Workplace injuries

Health and safety compliance management is stringently applied at all businesses, with vigorous controls implemented at the Group's manufacturing facilities. The disabling injury frequency ratio measures the number of disabling injuries per 200 000 annual employee hours. In this context, a disabling injury is one arising out of or during an employee's course of employment and which results in the loss of one or more working days or shifts following that at which time the incident occurred. The manufacturing facilities aim to limit the disabling injury frequency ratio to less than one. No permanent disabilities arose as a result of recorded disabling injuries during the year. Rates of injuries recorded at the manufacturing facilities during the year are summarised on the next page.

	Pharmacare Ltd	FCC	Aspen Bad Oldesloe	Shelys	Aspen Pharma	Aspen Labs
Disabling injury frequency ratio	0,60	2,40	0,45	0,00	0,00	0,00
Disabling injury frequency ratio tolerance	1,00	1,00	1,00	1,00	1,00	1,00
Permanent disabling injuries	None	None	None	None	None	None
Steps taken to improve health and safety	Improvement in training and awareness programmes and focus on engineering controls as per HIRA action plans	Investment is being made in facility upgrades to improve workplace safety and address contamination risk. Process training has taken place	Continuation of existing programmes	Comprehensive training sessions have been conducted for improved SHE standard operating procedures at the new facility in Nairobi	Continuation of existing programmes	Continuation of existing programmes

Baseline SHE risk assessments are completed for each incident of injury on duty which requires medical attention. Through increased SHE training and awareness campaigns, the rate of employee injuries at the Port Elizabeth and East London sites improved during the year. The relatively high rate of injuries at FCC has been an area of focus for management. Capital expenditure projects are currently in progress to reduce the risk of contamination in the facility and to improve GMP compliance. In the interim, improvements to manufacturing processes have been made where possible, operating staff have been retrained on specific areas of health and safety and disciplinary action has been taken against negligent staff who breached standard operating procedures. General SHE awareness has also been increased at FCC to emphasise the importance of complying with standard operating procedures. Only minor injuries were recorded at the international businesses.

Health and safety training

Almost 1 600 employees and third party contractors received health and safety training during the year in South Africa. Training programmes conducted at Aspen's manufacturing facilities covered a basic awareness of health and safety and were extended to include advanced modules of health and safety management. All new employees received health and safety induction training to create an awareness of health and safety policies and practices applied in the business. New health and safety officers, appointed at the Woodmead and Durban offices, received the necessary training to enable responsible management of incidents and also to cascade SHE awareness to employees in their areas of responsibility. The scope of such training included modules on first aid, firefighting and prevention, safe operating procedures and incident/accident investigation.

At the Vittória facility in Brazil, 27 employees were trained on specific aspects of health and safety management, including equipment protection, first aid, use of fire extinguishers and special incident authorisation. Furthermore, all employees participated in the internal Preventative Accident Awareness Week. Ongoing health and safety training took place at Aspen Labs in accordance with GMP requirements and a health and safety training schedule was prepared for all staff at Aspen Venezuela, in accordance with legislative requirements. At Shelys, 61 employees were trained on first aid and firefighting. Two employees at Aspen Global received first aid training to initiate health and safety management at the Mauritius office.

Employee healthcare

South African business

Permanent South African employees are all members of a compulsory medical aid scheme which is partly sponsored by the Company. In addition, on-site clinics are accessible to employees at the East London and Port Elizabeth sites. A full-time team of trained nurses at the clinics provide basic healthcare support to employees during the day and night shifts. In addition a medical doctor is available for consultations once a week. The clinics offer a wide range of health monitoring services, including vision screening, family planning, HIV/AIDS counselling, employee assistance programmes, audiometry and lung function testing. Aligned to the facility upgrade and expansion projects at the Port Elizabeth site, the on-site clinic was also upgraded as follows:

> a new clinic was constructed with additional examination rooms and an emergency shower for chemical contamination incidents;

- an automated electrocardio-defibrillator was installed to assist with cardiac emergencies on site;
- the purchase of additional medical portage equipment to increase the capability of transferring patients to the clinic or to an ambulance;
- the introduction of weekly antenatal and postnatal services; and
- a new medical filing system to improve the security of patient records.

Both the East London and Port Elizabeth clinics use a computerised health and environment surveillance system which enables the development of medical surveillance programmes, scheduling of appointments, capturing of medical examination results and the interpretation of medical surveillance and specialised investigations.

At the Aspen Nutritionals facility, healthcare awareness programmes are conducted for employees on an ongoing basis. A full-time occupational health medical practitioner at FCC provides primary health services, as well as services such as medical screening, biological health monitoring, hearing tests, substance abuse counselling and rehabilitation support.

International business

In East Africa, all employees undergo annual medical assessments for general health checks, penicillin sensitivity tests and X-rays in line with Tanzanian and Kenyan regulations. In addition trained first-aid representatives assist in treating workplace injuries. Where necessary, employees are taken to the hospital for further examination and treatment.

At Aspen Bad Oldesloe, the company subsidises employees' medical insurance costs in accordance with German regulations. Furthermore, a comprehensive medical service is provided by an independent medical doctor once a week. This service is available to all employees at no cost and supports the employee health and safety initiatives and compliance requirements on site.

At Aspen Pharma in Brazil, employees' medical aid insurance is subsidised by the company. A first aid centre is available on site to assist with basic workplace healthcare needs and to promote healthcare awareness. A nutritionist is also available to employees at the staff restaurant. From the beginning of 2010, all employees at Aspen Labs in Mexico received a fully paid comprehensive medical plan. Senior managers are sent for physical medical assessments annually. Similarly, biannual medical assessments are provided to all staff at Aspen Venezuela.

Supporting the combat of HIV/AIDS

HIV/AIDS is a pandemic prevalent in Africa, more than any other continent and Aspen has been the forerunner in supplying affordable ARVs into South Africa and parts of SSA since 2005. Consequently, the Group's HIV/AIDS employee support programmes are currently in place for employees in the South African business with initiatives in place to extend similar support to employees in East Africa.

An independent health risk management specialist, QualSA, conducts voluntary HIV/AIDS testing for all employees in the South African business every two years. QualSA monitors the progress of these patients. Progress reports are sent to management on a quarterly basis to inform management of the progress of patients who are on the HIV/AIDS treatment programme. All employees are encouraged to participate in the voluntary testing programme. Patients tested as positive have access to medical treatment, counselling, ongoing testing and assistance from support groups. Where employees and their immediate family members are not covered by medical aid, Aspen, through QualSA, provides the necessary financial support towards treatment and medication. Patients receive specialist managed healthcare services from QualSA which include the provision of ARV therapy and nutritional supplements. An employee's status is kept confidential and managers are sensitised on the appropriate approach to broaching discussions with the infected employee. A total of 1 671 employees were tested by QualSA during 2008 and 66 employees were tested positive for HIV/AIDS. Close to 2 000 employees participated in the HIV/AIDS support and counselling programme. Aspen launched the "I'm Responsible" campaign in August 2010 in support of the South African Department of Health's objective of testing 15 million people for HIV, tuberculosis, diabetes, hypertension and cholesterol by June 2011. The test results of patients tested will be available once the campaign roll-out is completed across Aspen's South African sites. The campaign provides:

- free and voluntary blood sampling for HIV/AIDS, blood glucose levels, blood cholesterol and blood pressure;
- voluntary group information sessions;
- voluntary HIV/AIDS counselling for those patients tested as being HIV/AIDS positive;
- 100% enrolment of HIV/AIDS-positive employees into HIV/AIDS support programmes conducted by QualSA;
- tuberculosis assessment on all HIV/AIDS-positive patients together with early treatment, care and support; and
- tuberculosis disease management and support.

The Port Elizabeth and East London on-site clinics offer occupational health services and the Family and Marriage Association of South Africa (FAMSA) offers assistance programmes. The on-site healthcare clinic conducts voluntary HIV/AIDS testing and provides counselling and support to infected employees.

HIV/AIDS awareness campaigns are ongoing in the South African business. A "Knowledge, Attitudes, Perceptions and Behaviour" survey is conducted annually which provides information on employees' perception of HIV/AIDS in the workplace. The results of the confidential survey are used to plan a relevant intervention programme for the following year.

The Group disseminates information booklets on the prevention, care, support and treatment of HIV/AIDS. Posters, leaflets, t-shirts and caps are distributed from Khomonani Resources Centre and QualSA.

Aspen remains committed to participating in global awareness initiatives for relevant infectious diseases. To this end, Aspen participates in World Tuberculosis Day on 24 March and World Aids Day on 1 December each year.

In Tanzania, the Department of Health provides HIV/AIDS training to employees at Shelys. Home-based care for HIV/AIDS-affected patients is extended to employees, their families and to members of the community. In Kenya, the medical service provider, Avenue Healthcare, conducts HIV/AIDS awareness seminars. HIV/AIDS support programmes will be relaunched during 2011 for consistent implementation in both Tanzania and Kenya.

Transformation

Owing to historical racial prejudices imposed through the apartheid legislation in South Africa, the development and empowerment of previously disadvantaged South Africans is necessary for the economic and social sustainability of the country. As a South African-based Group, Aspen has taken progressive steps towards ensuring compliance with the BBBEE Act (2003/2004), the South African Department of Trade and Industry's Codes of Good Practice (DTI Codes) for BBBEE Act.

For further information on Aspen's transformation initiatives, please refer to the Transformation Report on pages 101 to 104.

Product responsibility

Aspen prides itself on the quality of its products and its commitment to secure a reliable supply of products to its customers. Pharmaceutical products have a direct impact on the well-being of patients and, consequently, stringent controls are in place to guarantee product quality in accordance with regulated standards and furthermore, to safeguard against the abuse of pharmaceutical materials and manufactured products. In addition, the health and safety of employees working at the manufacturing facilities also needs to be secured throughout the manufacturing process. To this end, Aspen prioritises compliance with GMP, relevant regulatory and legislative requirements governing the manufacture and distribution of products and to relevant marketing codes for the responsible promotion of pharmaceutical products.

The efficacy of products is tested and validated prior to being submitted for registration with the relevant regulatory authority. During regulatory inspections of facilities by regulatory authorities, the manufacturing process and related quality controls, quality assurance processes and standard operating procedures are reviewed to ensure compliance with regulatory requirements. In-process quality checks and controls are performed on every single manufactured batch, to ensure that only high quality products are supplied to the market. Product packaging requirements are also required to be approved by the relevant regulatory authority during the product registration process. Furthermore, products undergo a final quality check at the quality control laboratory prior to release. Warehouses are also managed in accordance with GMP standards and relevant regulatory requirements. Stringent quality controls are applied to purchase pharmaceutical materials to ensure that the quality and specification of materials are in accordance with regulated standards. Packaging material and packaging inserts are designed and registered in accordance with the regulatory and language requirements of the destined territory.

All products are manufactured in GMP-compliant facilities. In addition, manufacturing facilities are accredited by pharmaceutical regulatory authorities which govern the territories into which products are supplied. The Group's manufacturing facilities are accredited as follows:

South Africa						Europe	East Africa		Latin America	
Unit 1	Unit 2	Unit 3	East London	Sterile Facility	FCC	Aspen Bad Oldesloe	Shelys	Beta Healthcare	Vittória	Toluca
MCC/PICs MRHA FDA WHO ANVISA GCC PMDA	GMP certificate	MCC/ PICs	MCC/ PICs	MCC/PICs Export certificate from MCC for supply to FDA markets	MCC/PICs FDA PMDA	European regulatory authority	TFDA PICs	New Nairobi facility is approved for manufacture by the Kenyan and Ugandan PPB	GMP certificate ANVISA	COFEPRIS

Refer to page 94 for a list of these full names of regulatory authorities.

Once the product is sold into the market, customers provide feedback using the customer care lines. All calls are logged and necessary corrective action is taken to protect customer safety. The sales and marketing department in each region manages key customer relationships with independent and retail pharmacies, doctors, specialists as well as healthcare funders, hospital groups and the public sector. In this way, customer and patient expectations can be managed proactively and the performance of products can be monitored interactively with feedback from these customer groups.

The Group complies with the marketing codes governing the promotion and distribution of pharmaceutical products across the global territories into which its products are sold. Marketing codes in the various jurisdictions are not homogenous and hence the marketing strategy applied by each business is tailored to ensure compliance with relevant regulations governing the promotion of pharmaceutical products.

There were no incidents of non-compliance with marketing codes in the Group during the year.

Group CSI

Aspen's CSI programme supports the establishment of clinics, healthcare programmes, educational programmes, community programmes and charitable initiatives which are targeted at addressing the shortage of primary healthcare in South Africa. Programmes targeting HIV/AIDS and tuberculosis are given priority.

Aspen's CSI philosophy is based on the Group's branding slogan, *"Healthcare. We care"*. CSI projects supported by Aspen address the growing healthcare needs in South Africa's rural communities. Since inception of the Group, commendable contributions have been made towards enhancing access to primary healthcare services through the construction of and/or improvements to clinics in previously disadvantaged communities. Aspen has also supported primary healthcare and/or HIV/AIDS-related projects initiated by various philanthropic organisations as well as invested towards the training and qualification of professional nurses in South Africa.

CSI projects are also carried out at Aspen's international businesses to contribute to the well-being of employees, customers and the broader communities.

CSI in the South African business

During the year, Aspen supported a total of 37 projects which included:

- seven primary healthcare infrastructure projects;
- thirteen HIV/AIDS initiatives;
- six healthcare initiatives;
- seven community upliftment initiatives; and
- four educational and training initiatives.

Primary healthcare infrastructure projects

The construction and improvement of seven healthcare facilities in previously disadvantaged communities are regarded as Aspen's most significant CSI accomplishments. It is believed that these clinics secure long-term and sustainable primary healthcare services in the relevant communities. The supported clinics provide a broad range of primary healthcare services, including the treatment of acute conditions, the provision of HIV/AIDS services, the supply of prescribed medication, healthcare awareness training sessions and/or HIV/AIDS and tuberculosis management programmes. Seven such clinics are funded by Aspen.

- The Engobo Clinic in the Eastern Cape provides primary healthcare services, HIV/AIDS voluntary counselling and testing, treatment and support for tuberculosis patients, as well as female healthcare programmes and supports approximately 21 000 beneficiaries per year.
- The Wells Estate Wellness Centre, supported since 2007, services approximately 60 000 beneficiaries per year. Healthcare services which are provided to the community include, *inter alia*, chronic disease management, HIV/AIDS management, dental treatments and antenatal programmes.

During 2009/2010, Aspen's commitment to the development of primary infrastructure extended to five new clinics. The following contributions were made:

- extension of the Mduku Clinic in the Umkhanyakunde district, KwaZulu-Natal was completed in 2009. The clinic supports approximately 45 000 beneficiaries with various primary healthcare services, including the provision of ARV treatment for 850 adults and 64 children.
- additional facilities were built at the Namahadi Clinic in the Thaba Mofutsanyane district, Free State, to cater for the increased number of primary healthcare patients. The clinic's ARV treatment programme supports in the region of 24 000 patients annually.
- construction of additional facilities at the Mnqobokazi Clinic in the Umkhanyakunde district, KwaZulu-Natal commenced in November 2009 to support the existing base of 36 000 patients per annum. The clinic's nurses and visiting doctors provide primary healthcare services, including an ARV treatment programme covering 450 adults and 34 children.
- during 2010, Aspen provided funds for the extensions to the Daggakraal Clinic in Pixley ka Seme municipality, Mpumalanga. The clinic currently provides primary

healthcare services to 36 100 patients per annum. In addition, the clinic has recently been accredited to provide HIV/AIDS treatment.

- together with the Mpumalanga Department of Health and other corporate companies, Aspen contributed towards the construction of the Utah Clinic in the Manyeleti Game Reserve, Mpumalanga. Although not yet fully operational, nurses at this clinic will provide primary healthcare services to approximately 50 000 patients per annum under the supervision of a qualified doctor.

New HIV/AIDS projects

Aspen initiated financial support to the following HIV/AIDS support organisations during the year:

- Emmanuel Haven Wellness Centre in Port Elizabeth which provides awareness and skills training related to general healthcare, education, moral regeneration and life skills development to HIV/AIDS-infected patients;
- Community-based Prevention Strategies in South Africa (COPESSA) in Soweto provides clinical services such as counselling for abused children as well as medical assessments and support groups for HIV-infected patients and their families;
- The Waterberg Welfare Society, a non-profit organisation which provides palliative care on a 24-hour basis for affected patients;
- HCT Campaign through the National Department of Health – in support of the National Department of Health's HIV/AIDS-combatting campaign, Aspen donated more than 130 000 HIV test kits to the campaign which would enable accurate testing of patients; and
- Aspen contributed towards the refurbishment of the operating theatre, intensive care unit and the ARV dispensary at the Rahima Moosa Mother and Child Hospital, Gauteng.

Ongoing HIV/AIDS projects

In its active support to combat HIV/AIDS and tuberculosis, Africa's most crippling diseases, Aspen has continued to maintain its established relationships with the following organisations:

- Soweto Hospice in Gauteng;
- The Hope Cape Town Trust in the Western Cape;
- The South African Business Coalition on HIV/AIDS (SABCOHA);
- The SA HIV/AIDS Clinicians Society;
- Ikhwezi Lokusa Wellness Centre in the Eastern Cape;
- The Khanya Family Centre in Gauteng;
- Missionvale Care Centre in the Eastern Cape; and
- The Ubuntu Education Fund in the Eastern Cape.

Integrated community home care

In support of the government's integrated community home care model and the National Strategic Plan on HIV/AIDS (2007 – 2011), Aspen continued to support a number of related care centres during the year. In Gauteng, these include the Starfish Foundation, the Tshepo Hope Care Centre, the Khotso Caritas Centre, the Tapologo Hospice and MaAfrika Tikkun. The Eastern Cape-based integrated community care centres include St Bernard's Hospice in East London, The House of Resurrection, St Francis Hospice, Community Chest initiatives in Port Elizabeth, Grahamstown Hospice as well as the Haven Wellness Centre. The St Luke's Hospice received support in the Western Cape.

Aspen also supports the South African Depression and Anxiety Group (SADAG) which educates patients, families, mental health professionals and the general public on the holistic management of depression and anxiety illnesses.

Healthcare-related education and training projects

In view of the national commitment to increasing accessibility to affordable healthcare in South Africa, Aspen continued its support of initiatives towards growing the pool of healthcare professionals in the country.

To this end, four students at the Nelson Mandela Metropole and Rhodes Universities in the Eastern Cape, are studying on a bursary granted through the Foundation for Pharmaceutical Education. To date, six pharmacy graduates have qualified of the 14 bursary recipients. Aspen continued to support the Umtombo Youth Development Foundation (previously referred to as Friends of Mosvold Trust) in Umkhanyakude district in KwaZulu-Natal. The foundation supports more than 100 students and has produced 12 doctors and four pharmacists to date. Furthermore, Aspen pledged its ongoing support to the Wits Initiative for Rural Health Education (WIRHE) which encourages disadvantaged students from rural areas, specifically in the North West, Limpopo and Mpumalanga provinces, to enrol for courses in the health sciences in an attempt to address the shortage of healthcare professionals in this area.

CSI at Aspen's international businesses

Aspen Australia supported a total of 12 organisations which aided healthcare initiatives. A donation of products was made to Doctors Without Borders, a project managed by the Rotary Clubs through Lions Clubs International. Aspen Australia also made a donation to the Sydney Adventist Hospital's Healthcare Outreach programme. One such programme, Operation

Open Heart, provides much-needed cardiac care in developing countries such as Fiji. Services offered include life-saving cardiac surgery and ongoing education and training for local medical, nursing and allied health staff to enable them to assist local doctors with the diagnosis and treatment of cardiac patients.

Aspen Global in Mauritius raised funds through dedicating a day to an identified charity. Aspen employees spent time at the SOS Children's Villages located to the west of the island and arranged a host of different activities throughout the day. The Village provides assistance to children in desperate need by way of residential care for abused, abandoned and neglected children. It also supports the community by trying to prevent the disintegration of families.

In Venezuela, free blood check-ups were conducted for patients in association with pharmacies. Doctors are hired to offer free consultancy services for tested patients. This is a social contribution, as well as a mechanism for the promotion of Aspen's brands in Venezuela.

In Tanzania, Shelys donated medicines to the Muhumbili National and Mission Mikocheni Hospitals in Dar es Salaam. Shelys also participated in two medical camps by donating medicines and providing the services of medical personnel. In supporting the fight against HIV/AIDS and sexually transmitted diseases, condoms and family planning pills are sold at affordable prices. Products were donated to the Agakhan children's support programme and antibiotics were donated to the Lions Clubs International for distribution to 37 clinics in Kenya. Further donations of livestock products were made to the Ministry of Livestock's programme that reaches extensive arid and semi-arid regions throughout Kenya.

Human rights

Aspen's Code of Conduct adopts high moral principles of integrity and sound corporate governance. The Group therefore complies with and respects the relevant human rights charters and labour legislation across its worldwide operating territories. Consequently, no incidents of child labour, forced labour or human rights transgressions exist and the Group is not aware of any such actions committed by any of its local or international business partners. Business partners are required, in terms of selected contract templates, to refrain from human rights infringements and to ensure compliance with relevant labour legislation. The onus is on suppliers and business partners to comply with human rights clauses. Consequently no formal screening is performed by Aspen in this regard.

Aspen's enabling corporate culture empowers all employees to accomplish their functional and personal development objectives without prejudice or bias. The Group's Code of Conduct advocates the elimination of discriminatory practices and parity of all employees. In South Africa, a formal employment equity policy is in place, monitored by the Board's Transformation Committee, to provide advancement opportunities for historically disadvantaged individuals. No incidents of discrimination occurred in the Group.

Employees at Aspen's operations are free to belong to employee unions and collective bargaining groups. More than 25% of Aspen's permanent employees in South Africa belong to the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU"). Furthermore, CEPPWAWU is a strategic empowerment shareholder in the Group. Approximately 3% of employees belong to the South African Chemical Workers' Union (SACWU). All employees at the South African pharmaceutical facilities are affiliated to the National Bargaining Council for the Chemical Industry.

In East Africa, 30% of the employees are members of trade unions. Approximately 90% of employees, with the exception of directors and expatriates, are members of the collective bargaining unit. Collective bargaining agreements are valid for a period of two years.

In Latin America, 100% of the employees at Aspen Pharma belong to Sinfar or Traquimfar trade unions. At Aspen Labs in Mexico, 22% of the current employee base is unionised. Working conditions, remuneration and benefits are subject to a collective labour agreement which is reviewed annually. Union membership is not a legislative obligation in Venezuela and, consequently, there are no unionised employees at Aspen Venezuela. A Council of Representatives, elected by the employees, meets on a regular basis on matters impacting employee welfare. Furthermore, an employee representative body negotiates the basic salary, salary increases and other benefits on behalf of employees in the pharmaceutical and allied industry, once validated by the Venezuelan Government. This process takes place every two to three years.

In Germany, membership of a trade union is a voluntary decision made by each employee. Membership fees are paid by an employee directly to a trade union. It is estimated that approximately 30% of Aspen Bad Oldesloe staff belong to the German Chemical Industry Trade Union.

All notices of operational changes are served to the relevant employee unions, representing employees at the Group's local and international businesses within the legislated time frames.

Fraud and ethics management

Aspen has a zero tolerance approach to unethical behaviour and is committed to ensuring that the Group and its employees uphold the credible reputation of Aspen. Consequently, a Code of Conduct is in place to govern corporate conduct throughout the Group. The scope of induction training programmes for all new employees includes a module on the Group's Code of Conduct. Selected third party contractors and suppliers are also subject to relevant requirements of the Code.

The Aspen Code of Conduct was revised during the year and a Group-wide rollout programme is currently in progress. Employees are required to attend training sessions at which the ambit of the Code of Conduct is outlined and employees' responsibility to exercise honesty, integrity and fairness is clarified. The revised Code of Conduct advocates business integrity, accountability and compliance with legislation, regulations and business controls. The safeguarding of assets and confidential information is also specified. Furthermore, insider trading and bribery are prohibited. The maintenance of sound corporate governance is of utmost importance to the Group.

All employees are required to sign and accept the revised Code of Conduct to acknowledge responsibility for their corporate fiduciary duty.

Whistle-blowing

To enforce compliance with the Code of Conduct, a whistle-blowing policy is in place which creates a responsibility for employees to report unethical, improper or unlawful conduct. This includes fraud, financial mismanagement, money laundering, unfair discriminatory practices, actions threatening health and safety, harassment and corruption.

Employees are encouraged to anonymously report incidents to line managers, senior divisional executives, the Group Internal Audit Department or to Tip-Offs Anonymous, an independently monitored whistle-blowing hotline. This facility was extended to selected customers and suppliers during the year. The whistle-blowing policy was updated during the year and the service was implemented at Aspen Australia and Aspen Global. Implementation at the remaining international businesses will occur during 2011.

A total of 65 Tip-Offs Anonymous reports were logged during the year of which eight were referred to the Internal Audit Department for further investigation and 57 were clutter calls. One reported incident required further action and the necessary control improvements were satisfactorily completed during the year.

Compliance with regulations and legislation relevant to the business

Please refer to page 117 of the Corporate Governance Report.

No fines or penalties were incurred during the reported period for non-compliance with laws and regulations.

RISK MANAGEMENT

Risk management is an embedded attribute of the corporate culture at Aspen and is inherent to all business decisions, activities and transactions. Risk management is considered to be a core prerequisite to the sustainability of the Group. The risk philosophy is applied to all businesses in the Group and aims to support:

- the Board's commitment to strong corporate governance;
- optimisation of opportunities for the Group in a commercially calculated and responsible manner;
- compliance with legislation and regulations;
- sustainable enhancement of stakeholder value;
- alignment of operational plans with the Group's overall strategic objectives;
- alignment of business activities and business plans with the Group's economic, social and environmental objectives and aspirations;
- promoting risk awareness and advocating good risk management practices among employees throughout the Group;
- the ability to offer an empowering and rewarding environment for employees and business partners, coupled with a culture of accountability in the Group; and
- the fiduciary duties of the Group's directors and management.

Management is responsible for identifying and mitigating risks on an ongoing basis using a risk plan. In accordance with King III, the Board is responsible for the governance of risk, and this function is delegated to the Risk & Sustainability Committee. This Committee reviews management's risk plans on a biannual basis to ensure that these plans adequately support the Group's strategic and sustainability objectives. The Group's key risk categories include strategic risk, operational risk, financial risk and compliance risk. The Group's financial risks are detailed in the financial risk management section on page 94.

During the year, the Group's risk reporting and co-ordination function was decentralised to management, further embedding risk management in the day-to-day activities of the Group. Previously, a Group risk management department centrally facilitated risk reporting and coordination on behalf of management in the Group. In accordance with King III, the functions of the Audit & Risk Committee were split and consequently the Risk & Sustainability Committee was formed. Subsequent to this, the Group Risk Manager transferred responsibility for the risk plans to relevant members of management, following a structured handover process. The Group's risk management policy has been updated, approved and implemented for more effective risk management across an expanded Group. Corporate finance executives attended a risk management policy training session shortly after year-end and were also coached through the initial risk reporting phase by the Group Risk Coordinator.

The Group's risk mitigation activities and initiatives are outlined in the pages which follow:

Risk indicator	Mitigation of risk
STRATEGIC RISK	
Ability to source product pipeline	> High priority is given to accumulating relevant market intelligence on patent expirations.
	> Established relationships exist with leading originator and development companies, which facilitates access to dossiers upon patent expiration.
	> In-house development capability exists.
	> Aspen's presence in complex, emerging markets creates opportunities for licensing arrangements for specialised products.
Corporate culture and ethics	> A unified vision, mission and values are essential across the Group.
	> Proactive steps have been taken to amend the Group's corporate governance protocols in consideration of King III.
	> A strong ethical culture is driven by an effective Board of Directors.
	> An independently monitored Tip-Offs Anonymous hotline is in place for anonymous reporting of suspected fraud, corruption or unethical behaviour.
Integration of acquisitions into the Group	> Regional finance executives are custodians of the allocated territories and regularly visit their allocated territories in order to facilitate the integration of management culture, internal controls, financial reporting controls and corporate governance.
	> The Group Chief Executive and Group Deputy Chief Executive interact with the international businesses on a periodic basis to build morale and provide guidance on strategy.
Leadership succession	> The Board monitors the adequacy of leadership succession plans.
	> The Group Chief Executive and Deputy Group Chief Executive have identified successors for key aspects of their Group function.
Reputation risk management	> Strong emphasis is placed on good corporate governance, high integrity and robust internal controls.
	> Executive management has actively entrenched corporate governance in all strategic and operational activities.
	> Directors, executives and managerial staff are obliged to declare any potential or existing conflict of interests, which are then logged in a register.
	> Adherence to Aspen's Code of Conduct is monitored by management in each region.
Sustaining business growth	> Aspen has expanded into a broad base of international territories to diversify the Group's growth opportunities.
	> Aspen's product pipeline extends across a number of key therapeutic categories for each region.
	> Significant investment has been made in the Group's manufacturing facilities to secure supply of high quality products to meet future demand and manufacturing requirements.
	> The product pipeline and manufacturing capability enables the Group to focus on a portfolio of specialised products for growing disease management regimes.

Risk indicator	Mitigation of risk
OPERATIONAL RISK	
Human resources philosophy	> Structured recruitment processes are in place to attract employees who fit the Aspen corporate culture.
	> Skills development programmes are in place with relevant tertiary institutions in South Africa for the development of pharmacists and artisans.
	> Retention plans are in place for key staff.
	> Succession plans are in place for key positions.
	> A structured performance management system is in place for all managerial staff in the Group.
	> Performance incentive schemes are linked to performance management systems.
	> Salaries are benchmarked for competitiveness.
	> Structured training and development programmes are in place for all staff.
	> Preference is given to internal staff for vacant positions.
	> Diversity of employee cultures, gender and backgrounds is respected throughout the Group.
	> Labour relations laws applicable to the various operations are strictly adhered to.
	> Staff are entitled to belong to trade unions and bargaining councils.
	> Human rights of staff are protected in the Aspen Code of Conduct.
Information technology	> A Group Chief Information Officer has been appointed.
	> A disaster recovery and information back-up plan is in place for business continuity in South Africa, Aspen Global and Aspen Bad Oldesloe.
	> IT systems in the international businesses have been reassessed and new enterprise resource planning systems are being implemented to improve operational controls and quality of management information.
	> Group IT integration is reviewed on an ongoing basis to improve effectiveness and efficiency of Group information management.
	> IT systems controls are reviewed and audited by external consultants on an annual basis.
Integration of Group supply chain	> A Group Supply Chain Manager has been appointed to focus on Group IT integration.
	> A demand and operations process is facilitated by senior executives to match supply with demand at the South African facilities.
	> IT systems are reviewed on an ongoing basis to ensure adequacy and effectiveness of enterprise resource planning systems to support demand management.
	> A structured accreditation and review process is in place to monitor and manage the performance of third party distributors, freight forwarders, fine distribution partners and key suppliers of goods and services.
Product and market diversity risk	> Each operation is supported by a resident regulatory structure.
	> Products are registered in every market into which the product is sold.
	> The manufacturing facilities are accredited by every territory into which manufactured products are sold.
	> Aspen's international operations are managed by locally sourced and/or experienced managers and executives who have a thorough understanding of the relevant market and regulatory environment.
	> A thorough understanding of each market is obtained prior to distribution of products into that market.
	> Third party distributors or agents are used for distribution into complex markets where Aspen does not have an owned operation.

Risk indicator	Mitigation of risk
FINANCIAL RISK	
Theft	> Physical controls are in place to safeguard tangible assets.
	> Controls are in place to safeguard intangible assets.
	> Security is managed by outsourced and accredited security companies.
	> Stringent controls are in place to manage issue and receipt of pharmaceutical products.
	> Adequate insurance cover exists to mitigate the consequences of material theft.
Treasury, cash flow and working capital management	> Group treasury policies are in line with best practice.
	> Forward cover is taken out for confirmed purchase orders.
	> The services of an independent, external consultant is engaged for accurate monitoring of key treasury indices.
COMPLIANCE RISK	
Legislative risk	> Appointment of a Group Compliance Officer.
	> A Group-wide compliance programme has been adopted.
	> Group legal support has been strengthened to support commercial contract management.
	> External consultants are appointed for specific compliance matters.
	> Legal experts form part of strategic negotiation processes.
	> Group compliance management is monitored by the Board.
Regulatory risk	> Group regulatory resources have been increased to ensure that adequate regulatory support exists in an expanded business.
	> Regulatory authorities conduct audits at manufacturing facilities to validate regulatory compliance with relevant authorities.
	> Significant investment has been made to upgrade manufacturing facilities in South Africa and East Africa to enhance GMP compliance.
	> Controls are in place to ensure manufacture and supply of products in accordance with the registered dossier.
	> Pharmacists supervise the manufacture of each batch produced, tested and released at every facility.
	> A customer care line is in place to monitor product-related enquiries.
	> Product and generics awareness sessions are conducted with key customer groups to disseminate relevant information specific to distributed products and to the underlying manufacturing process.
	> Products undergo the necessary stability and/or bioequivalence tests prior to registration.
	> The manufacturing process is tested and validated prior to product registration.

Definitions of regulatory authorities referred to on page 87 are as follows:

ANVISA	–	Brazilian National Health Surveillance Agency.
COFEPRIS	–	Mexican Direction de Control Medicamentos.
FDA	–	United States Food and Drug Administration.
GCC	–	Gulf Co-operation Council.
MCC	–	South African Medicines Control Council.
MRHA	–	United Kingdom Medicine and Health Products Regulatory Authority.
PIC	–	Pharmaceutical Inspection Convention.
PMDA	–	Japanese Pharmaceutical and Medical Device Agency.
PPB	–	Pharmacy and Poisons Board.
TFDA	–	Tanzanian Food and Drug Authority.
WHO	–	World Health Organisation.

GRI STANDARD DISCLOSURES PROFILE

	Overview of reporting requirement	Page reference
	STRATEGY AND ANALYSIS	
1.1	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and its strategies	Pages 64 and 65
1.2	Description of key risks and mitigation initiatives	Page 92
	ORGANISATIONAL PROFILE	
2.1	Name of the organisation	Page 120
2.2	Primary brands, products and/or services	Pages 6 and 7
2.3	Operating structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Pages 240 to 242
2.4	Location of organisation's headquarters	Front cover
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Front cover
2.6	Nature of ownership and legal form	Pages 246 and 256
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Page 134
2.8	Scale of the operating organisation including:	
	> number of employees	Page 73
	> net sales	Page 73
	> total capitalisation, analysed in terms of debt and equity	Page 77
	> quantity of products or services provided	Pages 6 and 7
2.9	Significant changes during the reporting period regarding size, structure or ownership, including:	
	> the location of, or changes in, operations including facility openings, closings and expansions	Pages 157, 162, 166, 175, 203 and 215
	> changes in the share capital structure and other capital formation, maintenance and alternation operations	Page 176
2.10	Awards received in the reporting period	Pages 1 and 3
	REPORT PARAMETERS	
3.1	Reporting period for the information provided	Page 66
3.2	Date of most recent previous report	Page 66
3.3	Reporting cycle	Page 66
3.4	Contact person for the report regarding the report or its contents	Roshni Gajjar, Investor Relations Manager Tel: +27 31 580 8649 Email: rgajjar@aspenpharma.com Website online queries at: www.aspenpharma.com

	Overview of reporting requirement	Page reference
	REPORT SCOPE AND BOUNDARIES	
3.5	Process for defining report content, including:	
	> determining materiality	Page 66
	> prioritising topics within the report	Page 66
	> identifying stakeholders the organisation expected to use the report	Page 68
3.6	Boundary of the report	Page 66
3.7	State any specific limitations on the scope or boundary of the report	Selected social and environmental aspects are more mature in the South African business and are being considered for implementation in the recently integrated international businesses. These have been highlighted in relevant sections of the report where applicable.
3.8	Basis on reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Page 150
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Reported data has been measured using generally accepted measurement techniques for reported indicators.
3.10	Explanations of the effect of any restatements of information provided in earlier reports and the reasons for such reinstatement	Not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Page 66
	GRI CONTENT INDEX	
3.12	Table of standard disclosures in the report	
	Disclosure of management approach per category	Pages 95 to 98
	Core performance indicators	Pages 98 to 100
	Any GRI additional indicators which were included	Pages 99 to 100
	ASSURANCE	
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance providers.	Page 66

	Overview of reporting requirement	Page reference
	GOVERNANCE, COMMITMENTS AND ENGAGEMENT	
	Governance	
4.1	Governance structures of the organisation, including committees under the highest governance body responsible for specific tasks such as setting strategy or organisational oversight	Pages 105 to 118
4.2	Indication of whether the chair of the highest governing body is also an executive officer (and if so, his/her function within the organisation's management and the reason for this arrangement)	Page 105
4.3	For organisations that have a unitary board structure, state the number of members of the highest governing body that are independent and/or non-executive members	Page 105
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Pages 67, 69, 256 and 257
4.5	Link between compensation for the members of the highest governing body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)	Pages 110 to 115 Performance incentive calculations for members of the governing body, senior management and executives are not linked to social and environmental performance.
4.6	Processes in place for the highest governing body to ensure conflicts of interest are avoided	Pages 105, 107 and 108
4.7	Processes for determining the qualifications and the expertise of the members of the highest governing body for guiding the organisation's strategy on economic, environmental and social topics	Pages 64 and 107
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Pages 4, 67 and 68, and 90
4.9	Procedures for the highest governing body for overseeing the organisation's identification and management of economic, environmental and social performance including relevant risks and opportunities and adherence to or compliance with internationally agreed standards, codes of conduct and principles	Pages 66 and 116
4.10	Processes for evaluating the highest governing body's own performance, particularly with respect to economic, environmental and social performance	Pages 107 and 115 Refer to 4.5 on GRI index

	Overview of reporting requirement	Page reference
	Commitments and external initiatives	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation (risk management)	Page 91
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Page 66 (GRI and King III), page 77 (ISO 14001 and CDP), page 78 (Waste Act), page 84 (OHS ACT 18001), page 87 (Transformation-related acts and GMP), page 88 (Marketing Codes of Conduct), page 90 (Human Rights) and page 91 (Compliance Management)
4.13	Memberships in associations and/or national/international advocacy organisations in which the organisation:	
	> has positions in governing bodies;	Page 70
	> participates in projects or committees;	Page 70
	> provides substantive funding beyond routine membership dues; or	Page 70
	> views memberships as strategic	Page 70
	Stakeholder engagements	
4.14	List of stakeholder groups engaged by organisation	Pages 70 to 72
4.15	Basis for identification and selection of stakeholders with whom to engage	Pages 69 and 70
4.16	Approaches to stakeholder engagement including frequency of engagement by type and stakeholder group	Pages 70 to 72
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting	Page 69
	PERFORMANCE INDICATORS	
	Economic indicators	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and government	Page 73
EC3	Coverage of the organisation's defined benefit plan obligations	Pages 189 to 191
EC4	Significant financial assistance received from government	Page 203 (Strategic project allowance for capital investments in South Africa and development cost allowance)
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operations	Page 103
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or *pro bono* engagement	Pages 88 to 90

	Overview of reporting requirement	Page reference
	Environmental indicators	
EN3	Direct energy consumption by direct energy source	Page 78
EN4	Indirect energy consumption by direct energy source	Page 78
EN8	Total water withdrawal by source	Page 79
EN11	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	Page 78
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Page 78
EN16	Total direct and indirect greenhouse gas emissions by weight	Page 79
EN21	Total water discharge by quality and destination	Page 79
EN22	Total weight of waste by type and disposal method	Page 79
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Page 78
Additional	Resource conservation initiatives	Page 80
Additional	Waste management initiatives	Pages 79 and 80
	Labour practices and decent work	
LA1	Total workforce by employment type and region	Page 81
LA4	Total number and rate of employee turnover by region	Page 81
LA5	Percentage of employees covered by collective bargaining agreements	Page 90
LA7	Minimum notice period(s) regarding operations changes, including whether it is specified in collective agreements	Page 90
LA8	Rates of injury, occupational diseases and total number of work-related fatalities by region	Page 85
LA10	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases	Pages 85 to 87
	Society performance indicators	
SO2	Percentage and total number of business units analysed for risks related to corruption	Page 91
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Page 91
SO4	Actions taken in response to incidents of corruption	Page 91
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Page 91

	Overview of reporting requirement	Page reference
	Human rights performance indicators	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Page 90
HR4	Total number of incidents of discrimination and actions taken	Page 90
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these	None Page 90
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to eliminate child labour	None Page 90
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	None Page 90
	Product responsibility performance indicators	
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	Pages 87 and 88
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Pages 87 and 88
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorships	Page 88
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Page 88
Additional	New/pending legislation	Pages 116 and 117

Transformation report

Aspen's Transformation Committee is chaired by the Group Chief Executive, Stephen Saad. Deputy Group Chief Executive, Gus Attridge, Chairman of the Board, Judy Dlamini and two independent non-executive directors, Rafique Bagus and Sindi Zilwa, are also members of the Committee. The primary role of the Transformation Committee is to assist the Board in ensuring that it discharges its fiduciary duties and obligations in respect of the South African businesses transformation in accordance with an approved policy as well as in compliance with BBBEE and employment equity legislation.

The development and empowerment of historically disadvantaged individuals in South Africa is essential to the economic and social sustainability of the country. Aspen acknowledges its role in the South African corporate environment and has taken progressive steps towards ensuring compliance with the BBBEE Act (2003/2004), the BBBEE Codes and the Employment Equity Act.

The Committee's Terms of Reference, which were updated during the year, govern the Committee's responsibilities and objectives.

The Committee's responsibilities include:

- making recommendations to the Board on the overall target empowerment rating and strategies in the South African business;
- approving in advance the verification agency to be appointed to validate Aspen's empowerment rating;
- monitoring the implementation of the transformation policy and objectives in the South African business;
- monitoring Aspen's adherence to and performance under the BBBEE Codes; and
- monitoring Aspen's compliance with the requirements of the South African Department of Labour in respect of employment equity.

In October 2010, Aspen was recognised as a Level 4 contributor in accordance with the BBBEE Codes following an independent verification by Empowerdex. Aspen was the highest ranked pharmaceutical company in the health sector in the *Financial Mail's* Empowerdex Survey of Top Empowerment Companies. Aspen was placed 46th out of 100 rated companies.

The Group scored 69,3 (2009: 69,2) equating to an "A" rating with a procurement recognition of 100%. An overview of the Group's progress towards compliance is outlined below:

DTI Code	Progress	Verified scorecard rating October 2010	Verified scorecard rating September 2009
Ownership	Full ownership points were achieved due to BBBEE equity holding.	22,0	22,0
Management control	This score was marginally diluted owing to the appointment of an additional director to the Board with effect from 7 December 2009.	5,0	5,2
Employment equity	Score was marginally reduced due to employee movements during the year.	10,1	10,5
Skills development	Improved score due to learnerships implemented during the year.	9,5	8,6
Preferential procurement	Score improved due to increased spend on companies that are more than 50% black-owned.	16,5	15,3
Enterprise development	Qualifying contribution terminated prematurely. Specific opportunities are being evaluated within the pharmaceutical industry as well as broader services.	2,7	4,2
Socio-economic development	Increased spend on CSI projects which focus on the upgrading of clinics and improving access to healthcare in rural areas.	3,5	3,4
Overall score (points)		**69,3**	**69,2**

Ownership

At year-end, Aspen's direct BBBEE shareholders held 15,8 million ordinary shares. CEPPWAWU hold 2,4 million shares and Imithi Investments (Pty) Ltd (Imithi) holds 13,6 million shares. Imithi also holds 17,6 million preference shares which carry a right of conversion into Aspen ordinary shares on a one-for-one basis in June 2012. In the interim, the preference shares enjoy full and equal voting rights as ordinary shares in Aspen.

Following the disposal of 11,8 million ordinary shares in 2009, CEPPWAWU disposed of a further 6,8 million ordinary shares during the year. Net proceeds from the recent disposals are held in the CEPPWAWU Development Trust, the benefits of which will accrue to trade union members, majority of whom are historically disadvantaged individuals. CEPPWAWU acquired 26,7 million Aspen ordinary shares in 2002. In terms of the BBBEE Codes, total voting rights held by BBBEE shareholders in Aspen's South African operations at year-end amount to 18,9%, while the economic interest of black people amounts to 23,6%.

In accordance with the BBBEE Codes, the ownership points awarded to a company at any point in time continue to accrue to the company after the disposal of the shares of the qualifying equity holding by BBBEE shareholders. The duration of this entitlement is matched to the period for which the qualifying shares were held by the BBBEE owner. This principle is applied for determination of the ownership criteria considering CEPPWAWU and Imithi's equity interest in Aspen.

Board representation

Aspen's current Board includes three black directors translating to 32% black representation.

Dr Judy Dlamini, a non-independent non-executive director, has served on the Aspen Board from 2005 and has maintained her position as Chairman of the Board since November 2007. Judy serves on Aspen's Remuneration & Nomination Committee, the Risk & Sustainability Committee and the Transformation Committee. A medical doctor and an MBA graduate, Judy played an instrumental role in the formation of Aspen's BBBEE partner, Imithi. Her involvement outside of medicine has included corporate finance and business management. Judy's other directorships include non-executive director of Northam Platinum Holdings Ltd, Discovery Holdings Ltd and GijimaAst Ltd.

Independent non-executive director, Rafique Bagus, was appointed to the Aspen Board in 2003. Rafique previously served as Chief Executive Officer of Trade and Investment South Africa, a division of the Department of Trade and Industry. He was tasked with the responsibility of promoting, developing and coordinating exports from and direct investment into South Africa. Rafique serves as Chief Executive Officer of Morning-Tide Investments (Pty) Ltd. He was appointed as Chairman of the Risk & Sustainability Committee in 2010 and is a member of Aspen's Transformation Committee.

Sindi Zilwa, an independent non-executive director, was appointed to the Board in September 2006 and serves on the Audit and Transformation Committees. In 1990 Sindi made history by becoming only the second black, female chartered accountant in South Africa. She currently serves in the position of Chief Executive of Nkonki Chartered Accountants and past Chairman of the Standing Committee on Transformation at Business Unity South Africa. Sindi holds non-executive directorships with Woolworths Ltd, Discovery Ltd, Strate Ltd, and Institute of Directors.

Employment equity

Aspen's South African business prioritises the advancement of historically disadvantaged groups and promotes the achievement of employment equity objectives in its recruitment and employee development policies. The status of employment equity targets are reported to the South African Department of Labour on an annual basis. Career advancement and skills development programmes are aligned with each department's employment equity targets.

As verified by Empowerdex, black employees constitute 76,7% of Aspen's total employee base in South Africa, with black female representation constituting 40,9%. Female representation is currently more than 57% of the employee base, of which 33% hold senior management and executive positions.

Functional employment equity committees represent operational and support staff at each site in the South African business. Meetings take place bi-monthly and a standard agenda is used to steer discussions in accordance with the recommended criteria per the BBBEE Codes for employment equity.

The Department of Labour concluded an audit of employment equity practices applied in the Group during May 2010. Aspen's compliance in this regard was considered to be satisfactory. Corrective action has been taken in response to recommendations arising from the audit.

Skills development

Refer to the section on "continuous training and skills development" on page 82 of the Sustainability Report.

Preferential procurement

Aspen's commitment towards increasing procurement of goods and services from 50% black-owned and/or 30% black female-owned businesses was reaffirmed during the year and concerted endeavours to grow this supplier base will continue, despite the obstacles which prevent foreseeable achievement of the Department of Trade and Industry's 15% target.

Aspen increased its preferential procurement from qualifying suppliers to 79,2%, approximating R1,9 billion. Aspen's Level 4 contributor status enables its South African-based customers to claim 100% BBBEE preferential procurement credits for the full value of purchases made from Aspen.

Approved suppliers are categorised in accordance with the BBBEE Codes and their status is monitored on a continuous basis. Aspen has made steady progress in the procurement of packing materials and supply chain services from accredited South African suppliers. Relevant BBBEE criteria were also applied in the selection of suppliers and consultants for the capital expansion, upgrade and restoration projects undertaken at the South African manufacturing facilities.

The Group continues to conduct supplier awareness sessions in an attempt to encourage its South African suppliers to seek accreditation and further their BBBEE compliance levels, failing which Aspen would take steps towards finding an alternative qualifying supplier.

The status of preferential procurement objectives for the year is set out below:

	Verified scorecard rating 2010	Verified scorecard rating 2009	Five-year target per DTI codes
Spend on all suppliers	79%	61%	50%
Spend on QSEs and EMEs	12%	12%	10%
Spend on 50% black-owned/30% black female-owned	4%	1%	15%
Total preferential procurement score (points)	16,5	15,3	20,0

Aspen's current spend with 50% black-owned and/or 30% black female-owned businesses has improved to 4%.

Enterprise development

Enterprise development seeks to promote the development of black-owned and small, medium and micro businesses in South Africa in support of expanding the pool of entrepreneurial skills in the country and increase the base of qualified suppliers in South Africa. The Transformation Committee pledged its commitment towards such initiatives in the pharmaceutical industry. Active plans are in place to structure and implement enterprise development objectives with identified suppliers and service providers. Senior executives have taken responsibility to accelerate enterprise development with selected partners.

CSI

Refer to the CSI section on pages 88 to 90 of the Sustainability Report.

Stephen Saad
Transformation Committee Chairman
21 October 2010

Corporate governance report

Aspen's Board of Directors has a resolute commitment to upholding strong corporate governance in the Group. The Codes of Corporate Practices and Conduct as set out in the King II report were applied during the year. The Board further supports the recommendations of the recently introduced King III Report ("King III") which becomes effective for financial years commencing on or after 1 March 2010. To this end, concerted steps have been taken towards considering the King III principles and progress has been made in applying these, as appropriate, to the business. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices. Aspen strives to maintain high standards of business ethics and integrity throughout the Group.

The Group aims to enhance its corporate governance protocols each year. Key developments during the year included:

> an action plan has been implemented to bridge the gap between current corporate governance practice and King III principles;
> establishment of a Risk & Sustainability Committee to strengthen the focus on risk and sustainability matters impacting the Group's expanded business;
> update of the Board Charter and Board subcommittees' Terms of Reference to reflect the amendments to protocol made for King III and for other amendments in regulatory and/or legislative frameworks;
> re-election of the Lead Independent Director as required by King III, following the Company's annual general meeting;
> extension of legal compliance management processes to benefit internal control assurance systems;
> review and update of the Group's risk management policy by management and approval by the Board;
> development of the Group's IT governance policy by management and approval by the Board;
> review of the business continuity plan;
> introduction of a structured programme to stagger the rotation of non-executive directors; and
> review and update of the Group's Code of Conduct.

THE BOARD

Structure

In accordance with Aspen's Memorandum of Incorporation, the majority of directors are non-executive directors. Aspen has a unitary Board of 11 directors comprising two executive directors and nine non-executive directors, five of whom are independent. Judy Dlamini, a non-executive director, chairs the Board. Independent non-executive director, Roy Andersen, serves as the Lead Independent Director in line with King III recommendations.

Each independent non-executive director was assessed during the year to determine whether any business or other relationships interfered materially with the director's capacity to act in an independent manner. The Board has satisfied itself that no such relationships exist and that the classification of its independent non-executive directors is appropriate.

Following the conclusion of a series of strategic, inter-dependent transactions with GSK on 1 December 2009, whereby 68,5 million Aspen ordinary shares (representing a 16% shareholding) were issued to GSK, Abbas Hussain (GSK President: Emerging Markets and Asia Pacific) was appointed to the Board. His extensive international pharmaceutical expertise is a valuable contribution to Board deliberations.

A brief curriculum vitae of each director is set out on page 34 to 35 of this annual report.

The Board meets at least once every quarter. Five Board meetings were held during the year, including one special and one strategic meeting. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board meetings to enable effective discharge of their responsibilities. The Board compiles an annual work plan to ensure all relevant matters for Board consideration are prioritised and addressed. Members of senior management, assurance providers and professional advisers may attend meetings by invitation only, but they do not form part of the quorum of any meeting.

Attendance at Board and subcommittee meetings in respect of the financial year is set out below:

Directors	Status	Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings	Transformation Committee meetings
Archie Aaron	Independent non-executive	5/5			
Roy Andersen	Lead independent non-executive	4/5	5/6	4/4	
Gus Attridge*	Deputy Group Chief Executive	5/5	6/6	4/4	2/2
Rafique Bagus	Independent non-executive	3/5			2/2
John Buchanan	Independent non-executive	5/5	6/6	4/4	
Judy Dlamini	Non-executive Chairman	5/5		3/4	2/2
Abbas Hussain (appointed 7 December 2009)	Non-executive	3/3			
Chris Mortimer	Non-executive	5/5			
David Nurek	Non-executive	4/5			
Stephen Saad**	Group Chief Executive	5/5		3/4	2/2
Sindi Zilwa	Independent non-executive	5/5	6/6		2/2

* *Executive directors attend meetings of the Audit and Remuneration & Nomination Committees by invitation only.*
The newly established Risk & Sustainability Committee held its first meeting subsequent to year-end.

In accordance with Aspen's Articles of Association, Judy Dlamini, John Buchanan, Rafique Bagus and Abbas Hussain will retire by rotation at the upcoming annual general meeting and, being available, stand for re-election. The Board Charter provides for the automatic retirement of a director at the age of 70, but at the Board's discretion the retiree can be invited to serve as a non-executive director on a year-on-year basis. Archie Aaron has indicated that he will not stand for re-election at the forthcoming annual general meeting.

The roles and responsibilities of the non-executive Chairman, Lead Independent Director and Group Chief Executive are strictly separated. The Chairman provides leadership and firm guidance to the Board while encouraging proper deliberation on matters requiring the Board's attention with input from other directors. The Lead Independent Director assumes the responsibilities of the Chairman solely when the latter is unable to attend relevant Board and committee meetings, where there is a conflict of interest or when the Chairman's performance is being appraised or term of office is being reviewed. The Group Chief Executive and the Deputy Group Chief Executive are responsible for implementing strategy and operational decisions in respect of daily Group operations.

The non-executive directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of the Company. All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at the Company's expense, are able to seek independent professional or expert advice on any matters pertaining to the Group.

In assisting the Board to discharge its collective duties, certain Board responsibilities have been delegated to the Audit Committee, Risk & Sustainability Committee, Remuneration & Nomination Committee and Transformation Committee. In so doing, the Board is cognisant of its ultimate responsibility for leading and directing the affairs of the Group. The Board and sub-committees have each established an annual work plan to ensure that relevant matters are addressed as appropriate.

The Board Charter

The Board is governed by a Board Charter which sets out its composition, appointments, responsibilities and Board processes. The fiduciary duties and role of each director are also defined.

The Charter states the Board's responsibility to its shareholders for monitoring key risk areas, performance indicators and the effectiveness of management. It further tasks the Board with the following responsibilities:

- ensuring that the policies and procedures of the Charter are complied with;
- reviewing and assessing the strategic direction of the Group;

- ensuring that the Group is a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group, but also the impact that business operations have on the environment and the society within which it operates;
- ensuring the Group's ethics are managed effectively;
- evaluating the Group's performance in terms of appropriate key performance criteria;
- ensuring the development and maintenance of effective succession plans;
- monitoring Board plans in accordance with economic, environmental and social factors relevant to the Group;
- annually evaluating the Chairman's performance prior to the annual general meeting;
- assessing regulatory and legislative compliance;
- evaluating the adequacy and effectiveness of the Group's system of internal controls, including IT governance; and
- securing the validity of the annual report.

The role of the Lead Independent Director is clearly outlined and defined in the Charter. Roy Andersen is currently serving in this position. The Lead Independent Director is elected annually at the first meeting of the Board following the Company's annual general meeting.

BOARD PROCESSES

New appointments

New Board appointments are proposed by the Remuneration & Nomination Committee, taking into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, the Committee submits a formal proposal to the Board for its consideration.

A formal induction programme is in place for new Board members. This sets out directors' responsibilities, fiduciary duties and includes information relating to the relevant statutory and regulatory frameworks as well as Group protocol in order to maximise their understanding of the Group. This enables the new appointee to immediately provide input and make informed decisions. The Chairman and Company Secretary together manage the implementation of this induction programme which includes introductions to key management and visits to Aspen's local manufacturing sites. New appointees receive copies of the latest interim announcements and annual financial statements and are provided with details on the Group strategy, current budget, Group structure, Board and sub-committee composition as well as upcoming Board meetings. The Company Secretary is further responsible for ensuring that directors are kept abreast of relevant information impacting the Group's operating environment and that directors participate in continuing professional development programmes. Briefing sessions for directors are presented by senior management to keep directors updated of developments in the Group and the territories in which it operates.

Succession planning

Aspen promotes succession planning for all key positions. Succession plans are integrated into the key performance areas at management and executive levels. Succession plans are reviewed by the Remuneration & Nomination Committee twice per annum and report-backs are given to the Board at the subsequent meetings.

Self-evaluation

Self-evaluation exercises are conducted annually for the Board as well as for each sub-committee. The results of the 2010 annual evaluations were considered by the Remuneration & Nomination Committee and communicated to the Board at the first meeting following the evaluation.

During the evaluation, the Board assessed the directors' understanding of the Terms of Reference of the respective Charters. It was further evaluated whether directors were able to differentiate between the roles of the committees and those of the Board. The required mix of required experience and qualifications within the Group was evaluated as well as the effectiveness orientation programmes for new appointees to Board sub-committees. The strength of the relationship between the committees and management was gauged and the quality of sub-committee reports was assessed.

Self-assessments for individual directors were completed during the year. A summary was presented to the Remuneration & Nomination Committee for disclosure to the Board. Further, an evaluation of the Group Chairman was also completed by each director and the findings were communicated to the Remuneration & Nomination Committee Chairman. A summary of these findings was reported back to the Board at the meeting following the evaluation.

The results of the appraisals and evaluations were positive.

Conflicts of interest and share dealings

Directors are obliged to disclose their shareholdings, additional directorships and any potential conflicts of interest, direct or indirect that may arise, at every meeting of the Board. These are recorded in the minutes of the Board meetings.

In accordance with the JSE's Listings Requirements and the prohibitions contained in the Insider Trading Act, all directors and all employees are barred from dealing in Aspen's shares during "closed periods". Aspen's two formal closed periods commence 24 hours prior to the close of the interim reporting period (31 December) and the financial year-end (30 June) and end 24 hours after the announcement of the respective results. The "closed period" is also effective upon the release of a cautionary announcement, ending 24 hours after the withdrawal of such announcement.

Further, directors are compelled to disclose their intended share dealings and obtain written approval from the Chairman, and in her absence, from the Lead Independent Director prior to dealing in the shares of the Company. The Company Secretary is notified of any share dealings and, in conjunction with the corporate sponsor, publishes details of the transaction on the JSE's stock exchange news service.

Directors' interests and shareholdings are disclosed on page 115 of this annual report.

The Company Secretary

The Company Secretary plays a pivotal role in the corporate governance of the Group. He acts as adviser to the Board, guiding individual directors and committees in areas such as corporate governance, updates on legal and statutory amendments, and the effective execution of directors' responsibilities and fiduciary duties.

The Company Secretary attends Board meetings and is responsible for compiling a comprehensive agenda and Board pack in advance of Board and committee meetings and for accurately recording the minutes of these meetings for distribution to relevant members.

The Company Secretary also assists the Nomination & Remuneration Committee in ensuring that the correct procedure is followed for the appointment of directors.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the directors have adequate insight to discharge their responsibilities efficiently. Furthermore, the Company Secretary assists in the annual evaluation of the Board, its sub-committees and individual directors and compiles summaries of findings to be presented to the Remuneration & Nomination Committee.

A brief curriculum vitae of the Group Company Secretary, Hymie Shapiro, can be found on page 35.

BOARD SUB-COMMITTEES

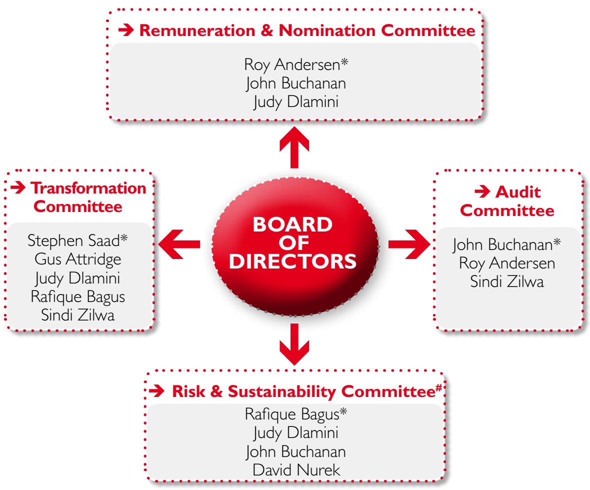
The Audit Committee, Remuneration & Nomination Committee and the Transformation Committee are established sub-committees which assist the Board in performing its duties. In accordance with King III, the Risk & Sustainability Committee was established at the end of the 2010 financial year to direct specific focus to broader factors impacting the Group's risk management and sustainability.

Each sub-committee is governed by formalised Terms of Reference which are reviewed annually for adequate alignment to prevailing legislation, regulations and best corporate governance trends. The Terms of Reference for all sub-committees were updated and approved by the Board during the year to reflect amendments made for King III compliance.

Based on the outcome of sub-committee self evaluation exercises, the Board is of the opinion that the sub-committees have effectively discharged their responsibilities in accordance with their specific Terms of Reference.

In line with King III and as mandated by the individual Terms of Reference, the chairmen of all sub-committees attended the annual general meeting.

Composition of the Board's sub-committees is as follows:



** Committee Chairman.*

 # The Risk & Sustainability Committee was established in June 2010 and met for the first time in August 2010.

AUDIT COMMITTEE

The Audit Committee was responsible for oversight of risk management in the Group until the Risk & Sustainability Committee was established at the end of the 2010 financial year.

Audit Committee report

The information below constitutes the report of the Audit Committee in respect of the year under review, as required by section 270A of the Corporate Laws Amendment Act.

The Audit Committee is constituted as a statutory Committee and has an independent role with accountability to both the Board and shareholders. The Board has reviewed and amended membership of the Committee to reflect current legislation and recommendations by King III, which dictates that all members of the Committee be independent non-executive directors. The Board elects the Chairman of the Audit Committee. The Committee was chaired by independent non-executive director John Buchanan, and further comprises two independent non-executive directors.

The Committee members are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the Group. The Board has satisfied itself that all members of the Committee act independently in compliance with the Corporate Laws Amendment Act. The Committee members are recommended to the Board for approval on an annual basis.

The Committee meets at least four times annually, but more often if necessary, and during the year met six times. Attendance at meetings is set out in the table on page 106. The Committee has unrestricted access to the external and internal auditors. The Company Secretary is also the Secretary of the Committee. The Chairman of the Committee represents the Audit Committee at the annual general meeting each year.

The Charter tasks the Committee with overseeing all factors and risks that may impact on the integrity of the annual report. Interim and annual results are reviewed to ensure that the financial results are valid, accurate and fairly represent the Group's performance. Further, disclosure of sustainability issues in the annual report is reviewed by the Committee to ensure that it is accurately represented and does not conflict with the financial information. The Committee also assesses internal controls governing accounting, auditing and financial reporting. The Committee has the responsibility to review and monitor the structure, performance and activities of the Internal Audit Department, the external auditors and the adoption of internal control procedures including accounting policies, legislative compliance, regulatory matters and governance. It also sets the criteria for recommending the engagement of the external auditors for non-audit purposes. It approves the internal audit plan and oversees the external audit process.

The Committee is responsible for recommending the appointment of the external auditors. It is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement and monitoring and reporting on the independence of the external auditors in the annual financial statements.

The Committee assists the Board with all financial reporting and reviews the annual financial statements as well as the preliminary announcements and interim financial information. It further provides the Board with its views on a quarterly assessment of the going concern status of the Group and regularly reviews the appropriateness of the capital structure.

The Committee has representation on the Risk & Sustainability Committee, ensuring that key risks facing the Group are brought to the attention of the Audit Committee. The Committee specifically oversees financial reporting risks, internal financial controls and fraud and IT risks as they relate to financial reporting. No independent assessment was made of the risk management process. This will be undertaken by the Internal Audit Department during the forthcoming year. Key issues to be addressed during this review will include risk identification, risk mitigation and follow-up action plans.

The Audit Committee has the additional responsibility of advising and updating the Board on issues ranging from accounting standards to published financial information and IT governance. The Group's whistle-blowing arrangements are approved and monitored by the Committee.

Findings by the external auditors arising from their annual statutory audit are tabled and presented at an Audit Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. In subsequent meetings, management reports on actions taken until all issues are fully resolved. This process highlights areas requiring improvement and helps to enhance the Group's financial control processes. In order to report annually to the Group's stakeholders and the Board, the

Committee has access to the Company's records, facilities, employees and any other resources necessary to discharge its responsibilities effectively.

The Committee has considered and is satisfied with the expertise and experience of the Deputy Group Chief Executive, Gus Attridge, who performs the duties of a financial director. Further, the Committee has considered and is satisfied with the independence of the external auditors and with the effectiveness of the Group's internal audit function.

The Audit Committee has recommended the annual financial statements for approval to the Board.

JF Buchanan
Audit Committee Chairman

21 October 2010

REMUNERATION & NOMINATION COMMITTEE

Remuneration report

The Remuneration & Nomination Committee is chaired by lead independent non-executive director, Roy Andersen, and further comprises two non-executive directors, one of whom is independent. The Board has satisfied itself with the level of experience and competency of the Committee members.

The Committee meets a minimum of three times annually and during the year met four times. Attendance at meetings is set out in the table on page 106.

The Committee's Terms of Reference, which are reviewed and approved by the Board each year, outlines its composition, objectives, processes and remuneration guidelines and describes the Committee's responsibilities and duties. The Committee is responsible for ensuring that the Company's executive directors and management are rewarded fairly in accordance with their individual contribution to the Group's overall performance objectives. Further, the Committee makes recommendations to the Board on non-executive directors' fees which are subsequently submitted to shareholders for approval at the annual general meeting.

The Committee's responsibilities are aimed at ensuring that the Board has sufficient resources with the prerequisite mix of expertise, experience and diversity to set the strategic direction for the Group which, in turn, aims to secure the interests of stakeholders. In accordance with its Terms of Reference, the Committee is responsible for the following:

> identifying and recommending to the Board suitably qualified candidates to serve as Board and/or sub-committee members;

> regularly evaluating the Board's performance, undertaking, performance appraisals of the Chairman and directors, evaluating the effectiveness of Board committees and making recommendations to the Board;

> ensuring the existence of effective succession plans for the Group Chief Executive, Deputy Group Chief Executive and key senior executives;

> overseeing the development and continuing professionals development programme for directors;

> establishing a remuneration policy which aligns individual performance to the Group's strategic objectives;

> annually assessing the performance of the Group Chief Executive and Deputy Group Chief Executive;

> annually reviewing and evaluating directors' and senior employees' remuneration and bonuses;

> annually approving the average annual increase per employee for each operating division of the Group with due consideration of management's recommendations; and

> annually evaluating the annual management incentive bonus scheme and share incentive scheme and recommending awards to the Board in respect of each operating region.

Remuneration policy

The Group strives to retain its competitive advantage in the global pharmaceutical industry through the attraction and retention of high-calibre individuals, who not only have the required technical qualifications and experience, but who also demonstrate the desired behavioural traits which fit the Group's entrepreneurial and dynamic culture.

Executive and management remuneration principles

Executive and management remuneration is formulated in a manner which aligns the rewards of these employees with changes in the value delivered to the Group's stakeholders and further recognises exceptional individual contributions. Executive and management remuneration comprises the following elements:

> **Base salary:** Payable in cash, reviewed annually and in circumstances where the executive or manager is promoted.

> **Annual incentive:** This variable portion of remuneration increases as a proportion of maximum potential earnings as the employee reaches higher levels of seniority. Payable

in cash, the annual incentive is determined according to the achievement of predetermined performance targets by the employee and by the company of employment. A further discretionary bonus is paid in cash to employees who are adjudged by the Remuneration & Nomination Committee to have rendered exceptional service in any given year.

> **Medium-term incentive:** This is applicable to selected employees in companies which exceed minimum performance criteria. The medium-term incentive vests three years after award on condition that the executive or manager concerned remains in the employ of the Group. The medium-term incentive is determined according to the achievement of predetermined performance targets by the employee and by the company of employment. In South Africa the medium-term incentive is payable in cash or shares, at the employee's election. In all other qualifying territories, the medium-term incentive is payable in cash under the principles of a phantom share scheme. Three offshore executives receive awards under the Share Appreciation Plan in terms of their existing contractual obligations. In respect of all share schemes operated by the Company, the maximum number of shares issued to any single employee is limited to 6 474 161 shares. The following schemes, under which these incentives are awarded, were introduced during the year:

- *The Aspen South African Management Deferred Incentive Bonus Scheme*

  The scheme is designed to acknowledge performance and reward individuals for both achievement of the eligible employee's employer company and functional individual performance. The eligible employee is given the option at the date of the award to elect to receive the deferred incentive bonus in cash or Aspen shares. To the extent that an employee elects to receive shares pursuant to the award, these shares will be awarded in terms of the existing Aspen Share Incentive Scheme. A three-year vesting period applies to the scheme.
- *The Aspen International Phantom Share Scheme*

  In order to incentivise the management of Aspen's international operations for the medium term, it has been decided to introduce a phantom share scheme for selected international employees. Awards are linked to performance of the employee, the businesses and growth in the Aspen share price. The scheme has been designed to incentivise managers for the medium term, align their goals with those of the Aspen Group, and allow employees to benefit in the growth of the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme will be operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares. The phantom shares will entitle eligible employees to receive a bonus based on increases in the Aspen share price. As this scheme does not result in the issue of shares, it is not regulated by the JSE and does not require shareholder approval.

All grants and awards made under the Group's management incentive schemes are approved by the Remuneration & Nomination Committee.

> **Benefits:** Benefits vary from country to country depending on customs and regulations. Benefits include retirement fundings, medical insurance and life and disability insurance. A limited number of employees in South Africa are entitled to post-retirement health benefits (as a consequence of contractual obligations assumed from predecessor companies). Aspen has never offered post-retirement health benefits, but has assumed obligations for retirement health benefits through various acquisitions.

Surveys conducted by independent consultants indicated that basic salaries paid by the Group are industry and market related. In awarding annual increases to employees, consideration is given to an employee's performance as well as economic conditions impacting the industry and geographical market in which the employee is based. Employees are entitled to receive long-service awards at various service milestones, starting at 10 years.

Executive directors

Executive directors' incentive bonuses are approved by the Remuneration & Nomination Committee based on the following predetermined targets:

> the three-year compound growth of the Group's headline earnings per share, the target being the South African Consumer Price Index (CPI) +7%. The weighting of this portion of the incentive is 70% of the total incentive;

> a weighting of 15% on their key performance indicators; and

> a weighting of 15% at the discretion of the Remuneration & Nomination Committee.

During the year under review, all three categories were achieved, entitling the executive directors to 100% incentive bonuses.

In addition to the annual incentive, executive directors are awarded a deferred incentive bonus under the terms and conditions of the South African Management Deferred Incentive Bonus Scheme referred to above, capped at a maximum of 37,5% of their all-inclusive package.

Retirement fund contributions

The Group's policy is to contribute to retirement funds by payment to separate funds which are statutorily independent from the Group.

In South Africa, employees, other than those required by legislation to be members of various industry-related 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.

Australian law controls the requirement for Aspen Australia to contribute a minimum payment to superannuation funds of the employee's choice. Aspen Australia complies with its legal obligations in this regard.

In Mauritius, it is a prerequisite of employees' employment contracts that the employee independently procures adequate retirement assurance. It is necessary for the employee to cover the costs and expenses in relation to his/her retirement requirements.

In Brazil, employees are covered by the Brazilian Social Security Scheme whereby they receive a retirement, retrenchment or disability benefit depending on their age and period of contribution. Aspen Pharma contributes 27,8% of the employee's salary while the employee will contribute between 8% and 11% of their salary depending on their remuneration level.

In Kenya, retirement benefits are covered by the Retirement Benefits Act, 1997. The current average contribution by employees is approximately 5% to 10%. The employer's contribution is between 1,5 and 2,0 times the employee's contribution.

In Uganda, there is a statutory requirement that all permanent employees must belong to a provident fund. The employee contributes 5% and the employer 10% of the employee's gross salary.

In Tanzania, retirement benefits are generally covered by the Employment and Labour Relations Act, 2004. Contribution to a selected fund is 20% of either basic or gross salary depending on the Pension Fund Act. Employers are obliged to register their employees with a pension fund. Further, legislation allows additional separate industrial arrangements between employers and employee, provided such arrangements do not contravene the governing laws.

In Mexico and Venezuela, the Salary and Labour Benefit Scheme in place does not yet include a private pension plan or retirement funding. However, companies are subject to the mandatory occupational pension programme ("Sistema de Ahorro para el Retiro") for which the employer absorbs 100% of the contribution, calculated on 2% of each employee's salary.

In Germany, a compulsory state pension fund affords the employee a pension equivalent to approximately 80% of the employees' last salary prior to retirement. The Company pension fund serves as a top-up for the shortfall in earnings after retirement. As part of existing terms of employment, Aspen Bad Oldesloe contributes on average 2,5% of the income of the employee with a corresponding contribution of the employee not being required. The return on the fund is based on the AAA Euro Bonds yield. In terms of the scheme rules surpluses are reviewed every 10 years and credited to the employee's pension fund.

Non-executive directors

Following research into trends in non-executive director remuneration, non-executive directors' fees are proposed by the Remuneration & Nomination Committee, other than fees for services on this Committee, to the Board. The proposal endorsed by the Board is tabled for approval by shareholders at the annual general meeting.

Non-executive directors' fees are fixed for the year. For the 2011 financial year the recommendations of King III have been adopted and a base fee will be payable to each non-executive annually, as well as a fee per meeting attended, except for the Chairman who receives a flat annual fee in respect of Board meetings and for her role as Chairman. Further fees will be paid for attendance at unscheduled meetings dependent on the number of hours spent at the meeting, up to a maximum of the set fee per meeting. In the instance of non-attendance, non-executive directors are obliged to continue to participate in meetings by providing the Chairman or the Committee Chairman with detailed inputs for all agenda items. The Remuneration & Nomination Committee has discretion to pay such fees to a non-executive director notwithstanding his/her absence from a meeting in special circumstances.

Non-executive directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives.

The Group's remuneration philosophy is consistently applied across all its businesses.

Details of the non-executive directors' remuneration for the year under review and as proposed for the 2011 financial year are set out below. Detailed information in this regard is set out in note 27 to the Group annual financial statements:

Type of fee	Existing fee June 2010 R	Proposed base fee June 2011 R	Proposed fee per meeting June 2011 R	Estimated number of meetings
Board				
Chairman	**540 000**	584 000*	n/a	5
Board member	**190 000**	105 000	20 000	5
Audit Committee				
Chairman	**220 000**	123 000	23 000	5
Member	**100 350**	58 000	10 000	5
Risk & Sustainability Committee				
Chairman	**n/a**	71 000	23 000	3
Member	**n/a**	40 000	10 000	3
Remuneration & Nomination Committee				
Chairman	**65 350**	42 000	10 000	3
Member	**32 670**	21 000	5 000	3
Transformation Committee				
Member	**32 670**	20 000	8 000	2

The Chairman does not receive any additional fee for her role as Chairman or attending Board meetings. She receives a separate fee for attendance of sub-committee meetings where she is a member.

Fees paid to non-executive directors during the year were as follows:

Non-executive directors	2010 R'000	2009 R'000
Archie Aaron	**190**	176
Roy Andersen	**250**	164
Rafique Bagus	**240**	223
John Buchanan	**443**	382
Judy Dlamini	**623**	577
Pasco Dyani	**—**	149
Abbas Hussain	**110**	—
Chris Mortimer	**290**	264
David Nurek	**190**	176
Sindi Zilwa	**341**	311
	2 677	2 422

Amounts paid to executive directors during the year were as follows:

Executive directors	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Total R'000
2010				
Gus Attridge	**3 654**	**453**	**4 103**	**8 210**
Stephen Saad	**4 427**	**538**	**4 964**	**9 929**
	8 081	**991**	**9 067**	**18 139**
2009				
Gus Attridge	3 151	380	3 526	7 057
Stephen Saad	3 810	448	4 255	8 513
	6 961	828	7 781	15 570

Refer to note 27 of the Group financial statements for more detail.

Directors' interests in Aspen shares

Shares under option offered to and accepted by executive directors in terms of the Aspen Share Incentive Scheme totalled 1 200 000 shares (2009: 1 200 000 shares) as follows:

	Grant price (R)	Expiry date	Options outstanding on 30 June 2009 ('000)	Options outstanding on 30 June 2010 ('000)	Vested ('000)
Gus Attridge	9,20	Aug 2011	400	**400**	400
Stephen Saad	9,20	Aug 2011	800	**800**	800
			1 200	**1 200**	**1 200**

No share options were exercised, lapsed or cancelled during the year.

Share appreciation rights offered to and accepted by executive directors in terms of the Aspen Share Appreciation Plan totalled 1 029 593 rights (2009: 1 029 593 rights) as follows:

	Grant price (R)	Expiry date	Rights outstanding on 30 June 2009 ('000)	Rights outstanding on 30 June 2010 ('000)	Vested ('000)	Non-vested ('000)
Gus Attridge	32,82	Sept 2011	159	**159**	159	—
	35,53	Sept 2012	157	**157**	—	157
	41,03	Sept 2013	150	**150**	—	150
			466	**466**	159	307
Stephen Saad	32,82	Sept 2011	193	**193**	193	—
	35,53	Sept 2012	190	**190**	—	190
	41,03	Sept 2013	181	**181**	—	181
			564	**564**	193	371
			1 030	**1 030**	**352**	**678**

No share appreciation rights were exercised, lapsed or cancelled during the year.

Shares offered to and accepted by executive directors in terms of the South African Management Deferred Incentive Bonus Scheme totalled 52 896 shares (2009: nil) as follows:

	Price (R)	Maturity date	Shares outstanding on 30 June 2010 ('000)
Gus Attridge	64,70	Oct 2012	24
Stephen Saad	64,70	Oct 2012	29
			53

The deferred incentive bonus shares have a maturity date of three years after acceptance of the bonus.

At 30 June 2010, the direct and indirect interests of the directors in the shares of the Company were:

	Beneficial – number of shares ('000)			
	Direct		Indirect	
Director	2010	2009	2010	2009
Archie Aaron	47	47	—	—
Roy Andersen	40	40	—	—
Gus Attridge	3 154	3 154	15 169	15 169
Rafique Bagus	—	—	—	—
John Buchanan	—	—	30	30
Judy Dlamini	—	—	1 316	1 339
Abbas Hussain	—	—	—	—
Chris Mortimer	58	58	—	—
David Nurek	—	—	19	19
Stephen Saad	2 747	2 747	51 303	51 303
Sindi Zilwa	—	—	—	—
	6 046	6 046	67 837	67 860

Of the directors only Archie Aaron held 439 646 (2009: 439 646) indirect non-beneficial shares in the Company at 30 June 2010.

Board and committee appraisal

An internal appraisal of the effectiveness of the Board, its committees, individual directors and the Chairman were conducted during the year. The results of these appraisals, which were positive, were considered by the Committee and their recommendations are being followed through for implementation. Further details of the process are contained earlier in the Corporate Governance Report.

Board succession

Succession planning was addressed, with reference to the strategy of the Group and future retirements from the Board. The Committee takes cognisance of the importance of institutional memory to a developing Board and the need to balance this with the introduction of new ideas and experience.

Details of the change in directors during the year are contained in the Directors' Report on page 122.

The Committee reviewed the performance of directors who, in terms of the Articles of Association, retire by rotation at the 2010 annual general meeting. The Committee recommends their re-election to the Board.

The Remuneration & Nomination Committee conducted an assessment of the independence of its non-executive directors. All non-executive directors, classified as independent, meet the criteria set out in King III for determining their independence in fulfilling their duties towards the Company.

The average length of service of non-executive directors was less than seven years during the year under review.

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

Amendments to share schemes

The Aspen share incentive schemes, which were all adopted some time ago, have become outdated, no longer meet the Listings Requirements of the JSE and fall short of prevailing governance principles. Accordingly, Aspen proposes amending the schemes to ensure that they are aligned to prevailing standards and can continue to be used in a manner which balances the interest of employees with the interest of shareholders. Approval of the amendments to the schemes is required at the annual general meeting. Details of the salient amendments to the schemes are contained in the annexure to the notice to shareholders.

RC Andersen
Remuneration & Nomination Committee Chairman
21 October 2010

TRANSFORMATION COMMITTEE

The Transformation Committee independently supports the Board in implementing and monitoring its BBBEE and employment equity programmes as well as directing diversity management in the Group. In accordance with its Terms of Reference, the Committee makes recommendations to the Board on the Group's desired empowerment rating target with due consideration of factors such as equity ownership, management control, employment equity, skills development, preferential procurement, enterprise development and CSI programmes. These targets are benchmarked against industry standards and the status of the implementation strategy is formally monitored. The Group's BBBEE status is annually reviewed by an independent and accredited assurer, Empowerdex.

The Transformation Committee consists of five members. This Committee is chaired by the Group Chief Executive and further comprises the Deputy Group Chief Executive, Group Chairman and two independent non-executive directors. The Chairman of the Committee reports to the Board at the next succeeding Board meeting. The Committee meets a minimum of twice annually and is granted adequate access to management, Company resources and facilities necessary to discharge its duties effectively.

A detailed report on the activities of the Committee and of the Group in this regard is set out in the Transformation Report on page 102.

RISK & SUSTAINABILITY COMMITTEE

In accordance with King III principles, Aspen established a Risk & Sustainability Committee during the year. In this way, Aspen pledged its commitment to steps taken globally towards integrating risk management and broader sustainability factors into overall corporate governance protocols. The Chairman of the Audit Committee is a member of this Committee to ensure that all issues affecting both committees are considered.

The Committee, which convened for the first time in August 2010, is chaired by independent non-executive director, Rafique Bagus, and further comprises two non-executive directors, one of whom is independent, as well as the Group Chairman.

The Terms of Reference for this Committee requires the Committee to:

- ensure that the Group conducts its business as a responsible corporate citizen with due recognition and management of economic, environmental and social factors relevant to the business;
- ensure that the Group's desired residual risk is set at levels which facilitate achievement of its strategic objectives while meeting stakeholder expectations; and
- ensure the sustainability factors disclosed in the Group's annual report are relevant, reliable and do not conflict with the financial results reported.

Legal compliance

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated to management responsibility for the implementation of an effective compliance framework and processes as envisaged by King III. Aspen has appointed a Group Legal Officer who fulfills the function of Group Compliance Officer in providing the Board with assurance that the Group is compliant with applicable laws and regulations. This is an independent, objective assurance and consulting activity designed to give operational effect to the principles of King III.

The Group Compliance Officer's function includes:

- identifying and advising the Group on existing and new legislation applicable to the Group's business; and
- developing and implementing the annual Legislative Compliance Audit Plan.

A compliance policy has been implemented and will be reviewed annually.

Summary of new legislation considered to impact on Aspen

South Africa

During the financial year several bills, statutes and reports were tabled in Parliament, passed by Parliament and/or introduced to the business sector. The most significant of these are the Companies Act 71 of 2008, the King Report on Corporate Governance for South Africa published in 2009, the Consumer Protection Act 68 of 2008 and the Protection of Personal Information Bill of 2009.

Companies Act 71 of 2008

The Companies Act of 2008 will come into effect on 1 April 2011. Briefly, the Act amends the Companies Act, 61 of 1973 and the Close Corporations Act, 69 of 1984. The Act intends to minimise requirements for incorporation, maximise flexibility with regard to design and structure and restrict the ambit of regulatory oversight on matters relating to company formation and design.

King Report on Corporate Governance for South Africa

King III was motivated by the anticipated introduction of the new Companies Act and changing trends in international governance. The key principles of the report focus on good governance emanating from effective leadership and on sustainability as the primary moral and economic imperative. King III has opted for an "apply or explain" governance approach. Some of the requirements introduced by King III include aspects such as the need for an annual integrated report that focuses on the impact of the organisation in the economic, environmental and social spheres, a statement by the Audit Committee on the effectiveness of internal financial controls to be included in the integrated report, the consideration of the strategic role of IT and its importance from a governance perspective, the strategic positioning of internal audit and the governance of risk through formal risk management processes.

Consumer Protection Act 68 of 2008

The new Consumer Protection Act consolidates the rights of consumers and attempts to promote what has been termed a fair, accessible and sustainable market place for consumer products and services. The Act sets national standards for consumer protection and deals with the protection of consumers from injuries or hazards caused to such consumers from the sale of defective and inferior goods. The consumer's right to fair value, good quality and safety of products purchased will now be entrenched by the new legislation. Debate continues in respect of implications to pharmaceuticals having regard to the regulatory framework which controls pharmaceuticals. This Act is scheduled to be implemented on 1 April 2011.

Protection of Personal Information Bill of 2009

If passed by Parliament, the Bill will give effect to the constitutional right to privacy of personal information and will require all individuals, entities and particularly businesses to establish new methods of operating with regard to the collection and/or dissemination of any personal information stored in any manner. The Bill will further require businesses to review their arrangements with agencies and intermediaries and necessitate the amendment of all contracts to include consent provisions. It will require businesses to implement policies on privacy and information security.

International territories

Australia

Pricing and regulatory reforms are expected to be legislated shortly, commencing early 2011. This is anticipated to have the effect of lowering prices of many generic drugs that are currently being reimbursed.

Mauritius

- Finance Act 2009 – In terms of the amended legislation, Aspen Global required that annual salary adjustments be made in respect of employees, effective on 1 January 2010.
- Data Protection Act 2004 – the effect was to require Aspen Global to register with the Mauritian Information Commissioner by 1 February 2010, and to ensure there is adequate protection for employee information.

Conclusion

The development and implementation of new legislation is monitored by the Aspen Legal Department. The Group Compliance Officer reports to the Risk & Sustainability Committee quarterly, and annually to the Board. The Group Compliance Officer has unrestricted access to management, employees, activities and all information considered necessary for the proper execution of legislative compliance.

Based on the principal laws effective during the year, there are no material areas of non-compliance within the Group. No fines were incurred nor were there any prosecutions of Group companies or directors and officers for failure to comply with any applicable legislation or code of conduct.

IT governance and compliance

The Board is ultimately responsible for IT governance. Responsibility for the implementation and monitoring of the IT Governance Framework has been delegated to an IT Governance Steering Committee which will oversee adequate management of IT governance across the Group. The Chief Information Officer was appointed by the Board during the year, in terms of King III requirements. The Chief Information Officer is entrusted with the task of ensuring that the IT infrastructure supports the achievement of the Group's operational objectives, including the evaluation of the Group's IT investments. The Chief Information Officer will present a formal IT compliance report to the Board on a quarterly basis and the IT governance management plan to the Board annually.

Intellectual property

Aspen has a forum which manages compliance with legislation for intellectual property. Each manufacturing facility's department head signs off completed checklists and prepares a summary compliance report. A consolidated report is compiled on risks and strategic issues which are reviewed and tabled at the appropriate management meetings for resolution. Areas of non-compliance, if necessary, are communicated to the Risk & Sustainability Committee which, in turn, has a responsibility to report these to the Board.

Reputation management

Internal and external matters that could impact the Group's reputation are regularly monitored and, where necessary, announcements published on the Stock Exchange News Service of the JSE to inform shareholders of the Group's position. The Group conducts its activities on principles of good corporate governance which are incorporated in the Aspen Code of Conduct. Identified reputational risks are reported, through the Risk & Sustainability Committee, to the Board. Corporate communication is managed in a structured manner to ensure that accurate and valid information is disseminated consistently to all stakeholders. Moreover, the Group prides itself on supplying high quality products and customer service to the market through the application of GMP, strong business relationships, competent staff and strict adherence to regulations. The staff recruitment process includes rigorous evaluation and reference checks of candidates to ensure that high-calibre individuals of strong moral standing are employed.

All product-related complaints and recalls are tracked and appropriate corrective action is implemented immediately.

Wherever relevant, the Group adheres to industry-regulated codes of conduct in the countries within which it is represented.

Accounting and auditing

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards. Their audit also includes an assessment of select internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remains the responsibility of the directors.

Where permissible, independent external auditors are appointed to provide non-audit services. Non-audit services are disclosed in note 25 of the Group financial statements. The Group's policy is to use its external auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where good corporate governance is not compromised by the engagement. The terms of engagement for such services require the prior written consent of the Chairman of the Audit Committee.

Internal audit and internal controls

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. The Charter is updated and approved by the Audit Committee annually.

The Chief Audit Executive is responsible for implementing the internal audit strategy and reports functionally to the Audit Committee which, in turn, reports on internal audit matters to the Board. The Board is ultimately responsible for the Group's system of internal controls as set out in the approval of the annual financial statements on page 120.

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

aspen HOLDINGS

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2010

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 concern 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 121.

The financial statements were approved by the Board of Directors on 21 October 2010 and are signed on its behalf:

Judy Dlamini
Chairman

Gus Attridge
Deputy Group Chief Executive

Johannesburg
21 October 2010

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 2010, the Company has lodged with the Companies and Intellectual Property and Registration Office 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.

H Shapiro

Hymie Shapiro
Company Secretary

Johannesburg
21 October 2010

Independent auditors' report to the members of Aspen Pharmacare Holdings Ltd

We have audited the Group annual financial statements and annual financial statements of Aspen Pharmacare Holdings Ltd, which comprise the consolidated and separate statements of financial position at 30 June 2010, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors' Report, as set out on pages 122 to 124.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Aspen Pharmacare Holdings Ltd at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate 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.

PricewaterhouseCoopers Inc.
Director: Eric MacKeown
Registered Auditor
Johannesburg

21 October 2010

Directors' report

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 2010.

NATURE OF BUSINESS

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of pharmaceutical, branded consumer, OTC and nutritional products, operating primarily in the healthcare industry. Aspen supplies medicines to approximately 100 countries worldwide. It is the leading supplier of medicines in South Africa.

FINANCIAL RESULTS AND REVIEW OF OPERATIONS

The financial results of the Group are set out on pages 125 to 218 and of the Company on pages 219 to 243 of this report. The segmental analysis is included on page 134.

The consolidated earnings attributable to equity holders of the parent amounted to R1 989,6 million for the year, compared with R1 340,4 million for the previous year, an increase of 48%. Headline earnings per share from continuing operations increased by 25% from 378,1 cents to 470,8 cents.

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

Share capital

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

The authorised ordinary and preference share capital of Aspen is 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 (million)	Share capital (R'million)	Share premium (R'million)
Opening balance	361,3	50,2	459,6
Issue of shares – GSK transactions	68,5	9,6	4 566,2
Share options and appreciation rights exercised	2,5	0,3	16,7
Treasury shares cancelled	(0,7)	(0,1)	—
	431,6	60,0	5 042,5

Further details of the authorised and issued share capital of the Group and Company are given in notes 13 and 16 of the Group financial statements and notes 8 and 9 of the Company financial statements.

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

DIRECTORATE AND SECRETARY

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

Appointment: Shah Abbas Hussain appointed on 7 December 2009.

The names of the directors in office at the date of this report are set out on pages 34 and 35. The name and address of the Company Secretary are set out on page 256.

In terms of the Company's Articles of Association, Judy Dlamini, John Buchanan, Rafique Bagus and Abbas Hussain, retire and being eligible, offer themselves for re-election. Archie Aaron has not availed himself for re-election.

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

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 the interests of directors in the shares of the Company since 30 June 2010 up to the date of this report.

GROUP SHARE TRADING POLICY

It is Group policy that all directors and employees should not deal in shares or exercise share options and/or share appreciation rights 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. During periods that the Group trades under cautionary, restrictions are also placed on directors and employees.

ACQUISITIONS

In May 2009, Aspen announced that it had concluded a series of agreements between a number of companies forming part of the Aspen Group and companies forming part of GSK. The transaction was concluded on 1 December 2009.

The agreement comprised the following interdependent transactions:

(a) the acquisition of the rights to distribute GSK's pharmaceutical products in South Africa;

(b) the formation of a collaboration arrangement between Aspen and GSK in relation to the promotion, marketing, distribution and selling of prescription pharmaceutical products in SSA;

(c) the acquisition of GSK's manufacturing business in Bad Oldesloe, Germany, as a going concern; and

(d) the acquisition by Aspen's wholly owned subsidiary, Aspen Global, of GSK's worldwide business of registering, formulating, packaging and commercialising eight specialist pharmaceutical products; and

e) the issue by Aspen of 68,5 million ordinary shares to GSK at R66,80 per share, amounting to a total value of R4,576 billion.

DISPOSALS

The Group restructured its oncology arrangements with Strides Arcolab Ltd. Aspen has entered into agreements to sell its interest in the Onco Therapies Ltd and Onco Laboratories Ltd joint ventures to Strides Arcolab Ltd for USD117 million. Aspen has in turn secured a licence for existing and future oncology products from Strides Arcolab Ltd in specified territories. The sale of Onco Therapies Ltd was completed prior to 30 June 2010, giving rise to a profit on disposal of R155 million. Conditions precedent relating to the sale of Onco Laboratories Ltd remain to be fulfilled, completion being expected during the year ahead. The Onco Laboratories Ltd net assets have been classified as held-for-sale.

PROPOSED SIGMA TRANSACTION

Aspen shareholders are referred to the detailed cautionary announcement released on the JSE's stock exchange news service on 21 May 2010, and to the related renewal and further cautionary announcements dated 7 July 2010 and 12 July 2010, respectively (cautionary announcements). Subsequent to the completion by Aspen of the due diligence process referred to in the cautionary announcements, Aspen Global submitted, to the Board of Directors of Sigma (Sigma Board), an offer (the offer) to acquire the pharmaceutical business conducted by Sigma (pharmaceutical business). The offer, which the Sigma Board has undertaken to support, is subject to limited conditions precedent.

In terms of the offer, Aspen Global, or an entity nominated by Aspen Global, will acquire the pharmaceutical business, by acquiring either the business conducted by the pharmaceutical business or the shares in the subsidiaries of Sigma that carry on the pharmaceutical business and/or hold assets of the pharmaceutical business, or a combination of the aforementioned, for a cash consideration of AUD900 million (approximately R5 871 million) on a debt-free basis.

In terms of the offer, Sigma, which has agreed to deal exclusively with Aspen until 29 October 2010, will also accept a non-compete clause with the pharmaceutical business for a period of two years.

The offer will be funded out of Aspen's available cash resources as well as cash to be raised from its bankers.

The effective date of the implementation of the offer will be upon completion of the conditions precedent.

The completion of the offer is subject to the satisfactory conclusion of limited conditions precedent which are normal for a transaction of this nature, including:

- conclusion of a Business and/or Share Purchase Agreement between Aspen and Sigma;
- all requisite regulatory approvals; and
- the approval of Sigma shareholders.

CAPITAL DISTRIBUTION

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

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

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

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

POST YEAR-END EVENTS

No event which is material to the understanding of this report, other than what has been disclosed in this report, has occurred between the year-end and the date of this report.

GOING CONCERN

The annual financial statements contained in this annual report have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the availability of unutilised funding and the budgets for the period to June 2011, the Board believes that the Company and the Group have adequate resources to continue in operation for the forthcoming year.

SPECIAL RESOLUTIONS

At the annual general meeting of Aspen shareholders convened on 4 December 2009, the following special resolutions were 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. 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.

> The Board of Directors of the Company was authorised, by way of a specific authority, to approve the purchase in terms of section 85 of the Companies Act, 1973, as amended, by Aspen of 681 301 treasury shares from Pharmacare Ltd, a wholly owned subsidiary of Aspen, at a price of R62,50 per share, being the closing share price for Aspen on the JSE on 22 October 2009.

The abovementioned special resolutions have been registered with Companies and Intellectual Property and Registration Office.

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

AUDITORS

The Board of Directors recommends that PricewaterhouseCoopers Inc. be reappointed as auditors of the Company and the Group in terms of the resolution to be proposed at the annual general meeting in accordance with section 270 (2) of the Companies Act, 1973.

INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The financial information in respect of the Group's and the Company's interests in its subsidiaries, joint ventures and associates is set out in note 4 of the Group financial statements and note 3 of the Company 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 38 of the Group financial statements and note 19 of the Company financial statements.

BORROWINGS

Borrowings at year-end (net of cash and cash equivalents) amounted to R3,041 billion (2009: R4,039 billion).

The level of borrowings is authorised in terms of the Company's and its subsidiaries' Articles of Association.

A detailed list of borrowings is set out in note 18 of the Group financial statements and note 11 of the Company financial statements.

Group statement of financial position

at 30 June 2010

	Notes	2010 R'million	Restated 2009 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	3 012,4	2 373,5
Goodwill	2	456,1	398,4
Intangible assets	3	8 609,9	4 103,6
Investments in associates	4	2,0	22,5
Other non-current financial receivables	5	32,4	5,2
Deferred tax assets	6	65,5	17,8
Total non-current assets		12 178,3	6 921,0
Current assets			
Inventories	7	2 041,4	1 434,6
Trade and other receivables	8	2 302,2	2 091,5
Current tax assets		57,2	9,4
Derivative financial instruments	9	0,1	—
Cash and cash equivalents	10	2 939,8	2 065,3
Cash restricted for use	11	21,8	—
		7 362,5	5 600,8
Assets classified as held-for-sale	12	260,1	—
Total current assets		7 622,6	5 600,8
Total assets		19 800,9	12 521,8
SHAREHOLDERS' EQUITY			
Share capital and share premium	13	5 102,5	509,8
Treasury shares	14	(13,5)	—
Non-distributable reserves		(182,3)	(166,7)
Share-based compensation reserve	15	42,7	53,3
Retained income		5 719,6	3 628,7
Ordinary shareholders' equity		10 669,0	4 025,1
Preference shares – equity component	16	162,0	162,0
		10 831,0	4 187,1
Non-controlling interests	17	55,2	75,9
Total shareholders' equity		10 886,2	4 263,0
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	16	386,6	392,2
Borrowings	18	2 260,2	3 433,8
Deferred revenue	19	159,4	—
Deferred tax liabilities	6	263,2	203,0
Retirement benefit obligations	20	15,4	9,4
Total non-current liabilities		3 084,8	4 038,4
Current liabilities			
Trade and other payables	21	1 913,9	1 300,2
Borrowings	18	3 720,8	2 670,3
Deferred-payables	22	—	0,7
Deferred revenue	19	8,6	—
Current tax liabilities		43,4	70,8
Derivative financial instruments	23	143,2	178,4
Total current liabilities		5 829,9	4 220,4
Total liabilities		8 914,7	8 258,8
Total equity and liabilities		19 800,9	12 521,8

Group statement of comprehensive income

for the year ended 30 June 2010

	Notes	2010 R'million	Restated 2009 R'million
CONTINUING OPERATIONS			
Revenue	24	10 146,6	8 441,4
Cost of sales		(5 542,3)	(4 564,1)
Gross profit		4 604,3	3 877,3
Selling and distribution expenses		(1 189,4)	(997,7)
Administrative expenses		(736,0)	(587,5)
Other operating income		179,9	3,6
Other operating expenses		(243,9)	(121,0)
Operating profit	25	2 614,9	2 174,7
Investment income	28	187,9	224,2
Financing costs	29	(558,3)	(699,2)
		2 244,5	1 699,7
Share of after-tax net losses of associates		(1,7)	(3,3)
Profit before tax		2 242,8	1 696,4
Tax	30	(467,5)	(358,9)
Profit after tax from continuing operations		1 775,3	1 337,5
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	33	203,2	16,1
Profit for the year		1 978,5	1 353,6
OTHER COMPREHENSIVE INCOME			
Cash flow hedges realised		(4,8)	6,5
Amounts recognised in equity due to hedge accounting of interest rate swaps		—	(126,5)
Currency translation differences		(25,1)	(399,9)
Acquisition of subsidiary		—	4,8
Onco Therapies Ltd transaction		0,8	—
Total comprehensive income		1 949,4	838,5
Profit for the year attributable to			
Equity holders of the parent		1 989,6	1 340,4
Non-controlling interests		(11,1)	13,2
		1 978,5	1 353,6
Total comprehensive income attributable to			
Equity holders of the parent		1 969,3	824,1
Non-controlling interests		(19,9)	14,4
		1 949,4	838,5
EARNINGS PER SHARE	31		
Basic earnings per share (cents)			
From continuing operations		444,4	370,1
From discontinued operations		50,5	4,5
		494,9	374,6
Diluted earnings per share (cents)			
From continuing operations		427,0	358,7
From discontinued operations		47,7	4,2
		474,7	362,9

	Notes	2010 R'million	Restated 2009 R'million
HEADLINE EARNINGS PER SHARE	31		
Headline earnings per share (cents)			
From continuing operations		470,8	378,1
From discontinued operations		12,1	11,3
		482,9	389,4
Headline earnings per share – diluted (cents)			
From continuing operations		452,0	366,1
From discontinued operations		11,4	10,6
		463,4	376,7
CAPITAL DISTRIBUTION	32		
Capital distribution per share (cents)		70,0*	—

** The capital distribution relates to the distribution declared after year-end.*

Group statement of changes in equity

for the year ended 30 June 2010

	Share capital R'million	Share premium R'million	Treasury shares R'million
BALANCE AT 1 JULY 2008	54,4	439,4	(571,6)
Total comprehensive income	—	—	—
Profit for the year	—	—	—
Other comprehensive income	—	—	—
Dividends paid	—	—	—
Issue of ordinary share capital	1,2	20,2	—
Shares issued – share schemes	0,2	21,2	—
Capitalisation issue	1,0	(1,0)	—
Treasury shares cancelled	(5,4)	—	571,6
Share options and appreciation rights expensed	—	—	—
Transfer from share-based compensation reserve	—	—	—
Reversal of accumulated losses in subsidiary	—	—	—
Contribution by non-controlling interests	—	—	—
Equity portion of tax claims in respect of share schemes	—	—	—
BALANCE AT 30 JUNE 2009	50,2	459,6	—
Total comprehensive income	—	—	—
Profit for the year	—	—	—
Other comprehensive income	—	—	—
Dividends paid	—	—	—
Issue of ordinary share capital	**9,9**	**4 582,9**	—
Shares issued – share schemes	**0,3**	**16,7**	—
Shares issued – GSK transactions	**9,6**	**4 566,2**	—
Treasury shares purchased	—	—	**(13,5)**
Treasury shares cancelled	**(0,1)**	—	—
Share options and appreciation rights expensed (including deferred incentive bonus)	—	—	—
Transfer from share-based compensation reserve	—	—	—
Equity portion of tax claims in respect of share schemes	—	—	—
Hyperinflationary adjustment – Venezuela	—	—	—
BALANCE AT 30 JUNE 2010	**60,0**	**5 042,5**	**(13,5)**

The other non-distributable reserve in 2009 represented accumulated losses of Aspen Nutritionals (Pty) Ltd that arose on the acquisition of this company. The total amount was reversed to retained income as a result of a satisfactory solvency ratio in the 2009 financial year.

Non-distributable reserves								
Hedging reserve R'million	Foreign currency translation reserve R'million	Other non-distributable reserve# R'million	Share-based compensation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
87,6	262,0	112,4	62,5	2 649,0	162,0	3 257,7	61,1	3 318,8
(120,0)	(396,3)	—	—	1 340,4	—	824,1	14,4	838,5
—	—	—	—	1 340,4	—	1 340,4	13,2	1 353,6
(120,0)	(396,3)	—	—	—	—	(516,3)	1,2	(515,1)
—	—	—	—	—	—	—	(0,8)	(0,8)
—	—	—	—	—	—	21,4	—	21,4
—	—	—	—	—	—	21,4	—	21,4
—	—	—	—	—	—	—	—	—
—	—	—	—	(566,2)	—	—	—	—
—	—	—	28,5	—	—	28,5	—	28,5
—	—	—	(37,7)	37,7	—	—	—	—
—	—	(112,4)	—	112,4	—	—	—	—
—	—	—	—	—	—	—	1,2	1,2
—	—	—	—	55,4	—	55,4	—	55,4
(32,4)	(134,3)	—	53,3	3 628,7	162,0	4 187,1	75,9	4 263,0
(4,0)	(14,8)	—	—	1 988,1	—	1 969,3	(19,9)	1 949,4
—	—	—	—	1 989,6	—	1 989,6	(11,1)	1 978,5
(4,0)	(14,8)	—	—	(1,5)	—	(20,3)	(8,8)	(29,1)
—	—	—	—	—	—	—	(0,8)	(0,8)
—	—	—	—	—	—	4 592,8	—	4 592,8
—	—	—	—	—	—	17,0	—	17,0
—	—	—	—	—	—	4 575,8	—	4 575,8
—	—	—	—	—	—	(13,5)	—	(13,5)
—	—	—	—	0,1	—	—	—	—
—	—	—	25,4	—	—	25,4	—	25,4
—	—	—	(36,0)	36,0	—	—	—	—
—	—	—	—	56,2	—	56,2	—	56,2
—	3,2	—	—	10,5	—	13,7	—	13,7
(36,4)	(145,9)	—	42,7	5 719,6	162,0	10 831,0	55,2	10 886,2

Group statement of cash flows

for the year ended 30 June 2010

	Notes	2010 R'million	2009 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**2 925,1**	2 160,6
Financing costs paid	B	**(609,1)**	(759,3)
Investment income received	C	**182,0**	224,2
Tax paid	D	**(465,0)**	(333,4)
Cash generated from operating activities		**2 033,0**	1 292,1
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(632,0)**	(626,7)
Replacement		**(190,5)**	(97,0)
Expansion		**(441,5)**	(529,7)
Proceeds on disposal of property, plant and equipment		**9,8**	9,1
Capital expenditure – intangible assets		**(660,5)**	(3 279,9)
Expansion		**(659,5)**	(626,8)
GSK brands		**—**	(2 653,0)
Replacement		**(1,0)**	(0,1)
Proceeds on disposal of intangible assets		**0,3**	15,5
Acquisition of subsidiaries, businesses and joint ventures	E	**33,4**	102,9
Disposal of joint ventures	F	**274,1**	326,3
Increase in other non-current financial receivables		**(27,1)**	(0,4)
Payment of outstanding oncology business purchase consideration	G	**(18,7)**	(103,5)
Cash used in investing activities		**(1 020,7)**	(3 556,7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**385,0**	6 256,2
Repayment of borrowings		**(863,0)**	(3 134,6)
Repayment of deferred-payables		**(0,7)**	(12,2)
Dividends paid		**(0,8)**	(0,8)
Proceeds from issue of ordinary shares		**16,1**	20,4
Acquisition of treasury shares		**(13,5)**	—
Increase in cash restricted for use as security for borrowings		**(21,8)**	—
Cash (used in)/generated from financing activities		**(498,7)**	3 129,0
MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECTS OF FOREIGN OPERATIONS		**513,6**	864,4
Translation effects on cash and cash equivalents of foreign operations		**(23,8)**	(486,4)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**489,8**	378,0
Cash and cash equivalents at the beginning of the year		**1 322,9**	944,9
Cash and cash equivalents at the end of the year	H	**1 812,7**	1 322,9

Discontinued operations are included in both the 2010 and 2009 statements of cash flows above. Refer to note 33 for more detail on discontinued operations.

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

Notes to the Group statement of cash flows
for the year ended 30 June 2010

		2010 R'million	2009 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	2 823,5	2 226,8
	Amortisation of intangible assets	101,9	104,4
	Depreciation of property, plant and equipment	167,8	119,2
	Impairment charges	302,3	167,9
	Reversal of impairment losses on intangible assets	—	(0,1)
	Loss on disposal of property, plant and equipment	3,4	4,4
	(Profit)/loss on disposal of intangible assets	(0,1)	0,9
	Share-based payment expense – employees (including equity and cash-settled deferred incentive bonus)	29,8	29,5
	Deferred revenue – recognised in the statement of comprehensive income	(4,3)	(2,8)
	Profit on sale of Onco Therapies Ltd	(154,7)	—
	Loss on sale of Astrix Laboratories Ltd	—	19,9
	Other non-cash items	(0,1)	(1,8)
	Cash operating profit	3 269,5	2 668,3
	Working capital movements	(344,4)	(507,7)
	Increase in inventories	(561,1)	(152,5)
	Increase in trade and other receivables	(428,5)	(714,5)
	Increase in trade and other payables	645,2	359,3
		2 925,1	2 160,6
B.	**FINANCING COSTS PAID**		
	Interest paid	(553,1)	(619,0)
	Preference shares dividends paid – liability component	(27,9)	(38,3)
	Net foreign exchange losses	(19,0)	(8,4)
	Hyperinflationary adjustment on financing costs – Venezuela	2,8	—
	Borrowing costs capitalised to property, plant and equipment	(11,9)	(93,6)
		(609,1)	(759,3)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	187,9	224,2
	Interest receivable from Revenue authorities	(5,9)	—
		182,0	224,2
D.	**TAX PAID**		
	Amounts owing at the beginning of the year	(61,4)	(111,1)
	Tax charged to the statement of comprehensive income (excluding deferred tax)	(428,1)	(303,2)
	Acquisition of subsidiaries	—	(3,0)
	Disposal of joint ventures	(0,8)	3,2
	Amount transferred to held-for-sale	5,0	—
	Tax claims credited to equity in respect of share incentive schemes	32,1	12,9
	Translation of foreign operations	(3,9)	6,4
	Amounts owing at the end of the year	43,4	70,8
	Amounts receivable at the end of the year	(57,2)	(9,4)
	Interest receivable from Revenue authorities	5,9	—
		(465,0)	(333,4)

Notes to the Group statement of cash flows
for the year ended 30 June 2010 *continued*

	2010 GSK transactions R'million
E. ACQUISITION OF SUBSIDIARIES, BUSINESSES AND JOINT VENTURES	
Fair value of assets and liabilities acquired in businesses	
Property, plant and equipment	402,9
Intangible assets	4 054,9
Deferred tax asset	7,4
Inventories	234,8
Cash and cash equivalents	33,4
Deferred revenue	(171,6)
Retirement benefit obligations	(3,1)
Trade and other payables	(44,5)
Fair value of assets acquired	4 514,2
Goodwill acquired	61,6
Purchase consideration	4 575,8
Shares issued to GSK as purchase consideration	(4 575,8)
Cash and cash equivalents in acquired companies	(33,4)
Cash inflow on acquisition	(33,4)

	2009		
	PharmaLatina Holdings Ltd R'million	FCC R'million	Total R'million
Fair value of assets and liabilities acquired in subsidiaries			
Property, plant and equipment	248,4	43,5	291,9
Intangible assets	66,5	14,1	80,6
Inventories	111,1	34,5	145,6
Trade and other receivables	236,8	14,4	251,2
Cash and cash equivalents	286,9	27,3	314,2
Borrowings	(188,2)	—	(188,2)
Deferred tax liabilities	(20,9)	(4,8)	(25,7)
Trade and other payables	(147,0)	(24,5)	(171,5)
Derivative financial instruments	—	(4,5)	(4,5)
Current tax liabilities	(2,0)	(1,0)	(3,0)
Fair value of assets acquired	591,6	99,0	690,6
Non-controlling interests	(4,8)	—	(4,8)
Fair value of assets acquired – Aspen's share	586,8	99,0	685,8
Deferred-receivable converted to consideration	(440,1)	—	(440,1)
Goodwill acquired	(124,8)	90,4	(34,4)
Purchase consideration	21,9	189,4	211,3
Cash and cash equivalents in acquired companies	(286,9)	(27,3)	(314,2)
Cash (inflow)/outflow on acquisition	(265,0)	162,1	(102,9)

	2010 Onco Therapies Ltd R'million	2009 Astrix Laboratories Ltd R'million
F. DISPOSAL OF JOINT VENTURES		
Carrying values of assets and liabilities disposed		
Property, plant and equipment	130,7	62,5
Intangible assets	—	61,1
Inventories	0,3	84,4
Trade and other receivables	2,7	155,8
Current tax assets/(liabilities)	0,8	(3,2)
Cash and cash equivalents	8,8	(1,9)
Borrowings	—	(69,1)
Deferred tax liabilities	(2,6)	(19,4)
Trade and other payables	(17,3)	(65,1)
Derivative financial instruments	—	(0,3)
Carrying value of assets disposed	123,4	204,8
Goodwill disposed	4,8	139,5
Profit/(loss) on disposal	154,7	(19,9)
Total consideration received	282,9	324,4
Cash and cash equivalents in disposed companies	(8,8)	1,9
Cash inflow on disposal	274,1	326,3
G. PAYMENT OF OUTSTANDING ONCOLOGY BUSINESS PURCHASE CONSIDERATION		
Onco Laboratories Ltd	—	44,3
Onco Therapies Ltd	18,7	59,2
	18,7	103,5
These amounts relate to the payment of a portion of the outstanding purchase price in respect of the investments made in Onco Laboratories Ltd and Onco Therapies Ltd in the 2008 financial year.		
H. CASH AND CASH EQUIVALENTS		
Bank balances	1 485,3	1 447,2
Short-term bank deposits	1 426,3	603,4
Cash-in-transit	15,1	13,1
Cash-on-hand	13,1	1,6
Cash and cash equivalents per the statement of financial position	2 939,8	2 065,3
Less: Bank overdrafts#	(1 127,1)	(742,4)
Cash and cash equivalents per the statement of cash flows	1 812,7	1 322,9

#Bank overdrafts are included within current borrowings in the statement of financial position.

Segmental analysis
for the year ended 30 June 2010

	2010 R'million	2010 % of total	Restated 2009 R'million	Restated 2009 % of total	% change
REVENUE FROM CONTINUING OPERATIONS					
South Africa	5 652,1	53	4 309,1	51	31
SSA#	910,0	9	931,2	11	(2)
International	4 053,3	38	3 201,1	38	27
Total gross revenue	10 615,4	100	8 441,4	100	26
Adjustment*	(468,8)		—		
Total revenue	10 146,6		8 441,4		20
OPERATING PROFIT BEFORE AMORTISATION, DISPOSALS AND IMPAIRMENT OF ASSETS FROM CONTINUING OPERATIONS					
South Africa	1 632,2	58	1 102,0	48	48
Operating profit	1 587,9		1 045,1		52
Amortisation of intangible assets	45,3		37,8		
Impairment of deferred-receivable	17,1		—		
Insurance compensation – capital component	(38,5)		—		
Impairment of property, plant and equipment	0,6		—		
Impairment of intangible assets	19,8		19,1		
SSA	72,3	3	178,4	8	(59)
Operating profit	66,4		173,2		(62)
Amortisation of intangible assets	4,2		5,2		
Impairment of property, plant and equipment	1,2		—		
Impairment of intangible assets	0,5		—		
International	1 114,0	39	1 014,1	44	10
Operating profit	960,6		956,4		
Amortisation of intangible assets	52,4		52,0		
Impairment of property, plant and equipment	35,8		—		
Impairment of intangible assets	65,2		5,7		
	2 818,5	100	2 294,5	100	23
ENTITY-WIDE DISCLOSURE – REVENUE					
Analysis of revenue in accordance with customer geography					
Domestic Brands					
South Africa – pharmaceutical	4 391,2	43	3 136,3	37	40
South Africa – consumer	1 160,8	12	1 100,8	13	5
SSA#	910,0	9	931,2	11	(2)
Asia Pacific	1 015,6	10	915,4	11	11
Latin America	813,3	8	841,3	10	(3)
Rest of the world	316,9	3	6,4	—	>100
Total gross revenue from domestic brands	8 607,8	85	6 931,4	82	24
Adjustment*	(468,8)		—		
Total revenue from domestic brands	8 139,0	80	6 931,4	82	17
Global Brands					
Asia Pacific	452,6	5	318,9	4	42
Latin America	336,7	3	302,8	4	11
EMENAC	1 036,4	10	771,7	9	34
Rest of the world	181,9	2	116,6	1	56
Total revenue from Global Brands	2 007,6	20	1 510,0	18	33
Total revenue	10 146,6	100	8 441,4	100	20

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

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

Accounting policies

for the year ended 30 June 2010

GENERAL INFORMATION

Aspen Pharmacare Holdings Ltd is the holding company of the Group and is domiciled and incorporated in the Republic of South Africa.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Except as otherwise disclosed, these policies are consistent in all material respects with those applied in previous years.

FINANCIAL REPORTING TERMS

These definitions of financial reporting terms are provided to ensure clarity of meaning as certain terms may not always have the same meaning or interpretation in all countries.

Group structures

Associate: An entity in which the Group has significant influence, but not control or joint control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Business unit: An operation engaged in providing similar goods or services that are different to those provided by other operations. The primary business units are:

> South Africa
> Sub-Saharan Africa
> International.

Company: A legal business entity registered in terms of the applicable legislation of that country.

Entity: Aspen Pharmacare Holdings Ltd or a subsidiary, joint venture, associate or special-purpose entity within the Group.

Foreign operation: An entity whose activities are based or conducted in a country or currency other than that of the reporting entity (Aspen Pharmacare Holdings Ltd).

Group: The Group comprises Aspen Pharmacare Holdings Ltd, its subsidiaries and its interest in joint ventures, associates and special-purpose entities.

Joint venture: An economic activity over which the Group exercises joint control established under a contractual arrangement.

Operation: A component of the Group:

> that represents a separate major line of business or geographical area of operation; and
> is distinguished separately for financial and operating purposes.

Subsidiary: Any entity over which the Group has the power to exercise control. This is usually accompanied by a shareholding of more than one half of the voting rights.

Special-purpose entity (SPE): An entity established to accomplish a narrow and well defined objective. At this stage limited to the share trusts. An SPE is consolidated when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by that entity.

GENERAL ACCOUNTING TERMS

Acquisition date: The date on which control in subsidiaries, special-purpose entities, joint ventures and significant influence in associates commences.

Assets under construction: A non-current asset which includes expenditure capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment and intangible assets.

Cash generating unit: The smallest identifiable group of assets which can generate cash inflows independently from other assets or groups of assets.

Control: The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. When assessing the ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.

Discontinued operation: An operation that, pursuant to a single plan, has been disposed of or abandoned or is classified as an operation held-for-sale.

Disposal date: The date on which control of subsidiaries and special-purpose entities, joint control in joint ventures and significant influence in associates ceases.

Financial results: Comprise the financial position (assets, liabilities and equity), results of operations (income and expenses) and cash flows of an entity and of the Group.

Functional currency: The currency of the primary economic environment in which the entity operates.

Non-current: A period longer than 12 months from reporting date.

Other comprehensive income: Comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of comprehensive income and includes the effect of translation of foreign operations, cash flow hedges and changes in revaluation reserves.

Presentation currency: The currency in which financial results of an entity are presented.

Qualifying asset: An asset that necessarily takes a substantial period of time (normally in excess of 12 months) to get ready for its intended use or sale.

Recoverable amount: The amount that reflects the greater of the asset's fair value less costs to sell and the value in use that can be attributed to an asset as a result of its ongoing use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

Share-based payment transaction: A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including share options, appreciation rights and deferred incentive bonus shares), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

Significant influence: The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity so as to obtain economic benefits from its activities.

Revenue: Comprises revenue generated by operating activities and includes sales of products, services rendered, licence fees and royalties net of indirect taxes, rebates and trade discounts.

FINANCIAL INSTRUMENT TERMS

Cash and cash equivalents: Comprise cash-on-hand, demand deposits and other short-term highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments typically have a maturity period of three months or less at date of purchase.

Cash flow hedge: A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could affect profit or loss.

Derivative instrument: A financial instrument:

> whose value changes in response to changes in a specified interest rate, commodity price, foreign exchange rate or similar variable (the "underlying"), provided that in the case of a non-financial variable that variable is not specific to a party to the contract;
> that requires minimal initial net investment; and
> whose terms require or permit settlement at a future date.

Equity instrument: Any contract (including investments) that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial asset: Cash and cash equivalents, a contractual right to receive cash, an equity instrument of another entity or a right to exchange a financial instrument under favourable conditions. A contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments.

Financial liability: A contractual obligation to deliver cash or an obligation to exchange a financial instrument under unfavourable conditions or a contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments. This includes debt.

Financial guarantee: A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.

Loans and receivables: A non-derivative financial asset with fixed or determinable repayments that are not quoted in an active market, other than those that the entity intends to sell in the near term, which shall be classified as held for trading.

Monetary item: A unit of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Transaction date: The date an entity commits itself to purchase or sell a financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial results

The consolidated financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparation, and applicable legislation. The financial statements have been prepared under the historical cost convention, except for specific financial instruments as set out in the notes to the financial statements, which are stated at fair value.

The consolidated financial statements are prepared on the going concern basis. These accounting policies are applied throughout the Group.

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 155.

Group accounting

The consolidated financial statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis except for investments in associates, which are included in the Group's results as set out below. A listing of the Group's principal subsidiaries and joint ventures are set out in note 23 of the separate financial statements of Aspen Pharmacare Holdings Ltd.

Subsidiaries

The financial results of subsidiaries (including special-purpose entities, at this stage limited to the share trusts) 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 by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and 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 non-controlling 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 statement of comprehensive income. Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the separate financial statements of Aspen Pharmacare Holdings Ltd. None of the investments in subsidiaries are listed.

When the end date of the reporting period of the parent is different to that of the subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The proportionate share of the financial results of joint ventures is consolidated into the Group's results from acquisition date until disposal date.

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. When the end date of the reporting period of the parent is different to that of the joint venture, the joint venture prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent.

Investments in joint ventures are accounted for at cost less any accumulated impairment losses in the separate financial statements of Aspen Pharmacare Holdings Ltd. None of the investments in joint ventures are listed.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

The financial results of associates are included in the Group's results according to the equity method from acquisition date until disposal date. The Group's investments in associates includes goodwill identified at acquisition, net of any accumulated impairment losses.

Under this method, subsequent to the acquisition date, the Group's share of post-acquisition profits or losses of associates is recognised in the statement of comprehensive income as equity-accounted earnings and its share of movements in post-acquisition equity reserves is recognised in the statement of changes in equity. Investments in associates are initially recognised at cost, and all cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the Group's share of losses in associates equals or exceeds its interest in those associates the Group does not recognise further losses, unless the Group has incurred a legal or constructive obligation or made payments on behalf of those associates. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

The total carrying value of associates is evaluated annually for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the Group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of comprehensive income as part of equity-accounted earnings of those associates.

Investments in associates are accounted for at cost less accumulated impairment losses in the separate financial statements of Aspen Pharmacare Holdings Ltd. None of the investments in associates are listed.

When the end date of the reporting period of the parent is different to that of the associate, the associate prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions and balances

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the statement of comprehensive income.

In respect of joint ventures and associates, unrealised gains and losses are eliminated to the extent of the Group's interest in these entities.

Unrealised gains and losses arising from transactions with associates are eliminated against the investment in associates.

Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains or losses for the Group that are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Business combinations and goodwill

The purchase method of accounting is used when a business is acquired. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities.

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. Costs attributable to the acquisition are charged to the statement of comprehensive income. 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 non-controlling interests. 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 statement of comprehensive income. Non-controlling interests at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired.

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 or joint ventures at the date of acquisition. Goodwill on the acquisition of subsidiaries, businesses and joint ventures is capitalised and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

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 business combination 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 at fair value at the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt, the amount will have to be re-measured at each reporting period to fair value with changes being recognised in the statement of comprehensive income. If the arrangement is classified as equity, then re-measurement is allowed. Existing contingent consideration arrangements are, however, grandfathered under the standard that was in existence at the time of the acquisition, being IFRS 3.

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.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in South African Rand, which is the functional and presentation currency of Aspen Pharmacare Holdings Ltd.

Foreign currency transactions (except for hyperinflationary economies)

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date. To the extent that transactions occur regularly throughout the year, they are translated at the average rate of exchange for the year since this is deemed to provide a reasonable approximation of the actual exchange rates prevailing at the dates on which those transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the rates of exchange ruling at year-end. Foreign exchange gains or losses resulting from the translation and settlement of monetary assets and liabilities are recognised in the statement of comprehensive income, except when they relate to cash flow hedging activities and are deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as derivative financial instruments are recognised in profit or loss as part of the fair value gain or loss.

Foreign operations (except for hyperinflationary economies)

The results and financial position of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. The basis for the translation is as follows:

- income and expenditure 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 expenditure transactions are translated at the rates on the dates of the transactions;

- assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the closing rate at year-end; and
- exchange differences arising on translation are recognised as currency translation differences in the foreign currency translation reserve in the statement of changes in equity and the statement of comprehensive income.

On consolidation, 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.

On disposal of part or all of the foreign operation, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve through the statement of changes in equity is included in determining the profit or loss on disposal of that foreign operation in the statement of comprehensive income.

Hyperinflationary economies

The results and financial position of foreign subsidiaries whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency as follows:

- all amounts (assets, liabilities, equity items, income and expenses, including comparatives) are translated at the closing rate at the date of the most recent statement of financial position; except
- when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. Costs capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under capital work-in-progress.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 statement of comprehensive income in the period in which they are incurred.

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over their expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year-end date.

Land and buildings comprise mainly factories and office buildings. Owned 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*. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying value 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 qualifying assets 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.

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 on the statement of comprehensive income.

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised. Expenditure incurred to extend the term of the patents or trademarks is capitalised. All other expenditure is charged to the statement of comprehensive income when incurred. Intellectual property is recognised at cost and amortised on a straight-line basis over its estimated remaining useful lives, which ranged from 8 to 70 years during the financial year. Estimated useful lives are reviewed annually. In addition, some intangible assets included in this category are 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 charged to the statement of comprehensive income when incurred.

Development costs directly attributable to the production of new or substantially improved products or processes controlled by the Group are capitalised if the costs can be measured reliably, the products and processes are technically feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. All the remaining development costs are charged to the statement of comprehensive income.

The amounts that are recognised as intangible assets consist of all direct costs relating to the intellectual property and also include the cost of intellectual property development employees and an approximate portion of relevant overheads. Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs are capitalised until the date of commercial production and are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met, on a straight-line basis over the remaining useful lives, which ranged from 1 to 15 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 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 and accumulated impairment losses. Drug master files are amortised over their expected remaining useful lives, which are estimated to be five 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 estimated remaining useful lives.

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 one year, are recognised as intangible assets if they meet the following criteria:

- the costs can be measured reliably;
- the software is technically feasible;
- future economic benefits are probable;
- the Group intends to and has sufficient resources to complete development; and
- the Group intends to use or sell the asset.

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 3 and 10 years for the financial year.

Financial instruments

Financial assets

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; or
- derivative instruments designated as hedges.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition.

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument or secures 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 assets at fair value through profit or loss

Financial instruments are classified under this category if held-for-trading, or if designated at fair value through profit or loss at inception. A financial instrument is classified as held-for-trading if acquired or incurred principally for the purpose of selling it in the short-term. For the purpose of these financial statements short-term is defined as three months. Derivatives are also classified as held-for-trading unless they are designated as hedges. Financial instruments in this category are classified as current assets and liabilities. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the statement of comprehensive income during the period in which they arise. Financial derivative instruments on the statement of financial position are classified in this category.

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 current assets, except for maturities greater than 12 months from year-end, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. Loans and receivables comprise the other non-current financial assets, trade and other financial receivables, amounts due by Group companies, cash restricted for use and cash and cash equivalents.

Financial liabilities

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at the time of initial recognition.

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. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities at amortised cost

This category of financial liabilities comprises preference shares (liability component), borrowings, deferred earn-out consideration, trade and other financial payables and amounts due to Group companies. These financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Accounting for derivative financial instruments and hedging activities

The Group's criteria for a derivative instrument to be designated as a hedging instrument require that:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecast that is the subject of the hedge must be highly probable.

The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

- a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income as financing 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 statement of comprehensive income over the period to maturity. The Group did not designate any derivative instruments as fair value hedges during the year.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The ineffective portion is recognised immediately in the statement of comprehensive income within financing costs. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial cost or other carrying amount of the asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of comprehensive income and classified as gains or losses in the same periods during which the hedged firm commitment or forecast transaction affects the statement of comprehensive income.

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 statement of comprehensive income. 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 statement of comprehensive income.

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 ongoing 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.

Movements on the hedging reserves in shareholders' equity are shown under non-distributable reserves in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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 statement of comprehensive income within financing costs.

Fair value estimation

The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate 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 year-end.

Financial instruments that are measured at fair value in the statement of financial position are classified into the following levels of the fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly, as prices, or indirectly, derived from prices (level 2); and
- inputs for the assets or liabilities that are not based on observable market data, unobservable inputs (level 3).

Quoted market prices or dealer quotes for the specific or similar instruments are used for non-current debt. The fair values of non-current financial assets and deferred-payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group at year-end. 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.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group makes assumptions that are based on market conditions existing at each year-end.

The carrying amounts of the following financial assets and financial liabilities approximate their fair values:

> trade and other financial receivables;
> cash and cash equivalents;
> cash restricted for use;
> other non-current financial receivables;
> amounts due to Group companies;
> amounts due by Group companies;
> trade and other financial payables;
> current borrowings; and
> non-current borrowings.

Information on the fair value of financial instruments is included in the respective notes.

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 borrowings. The interest element is charged to the statement of comprehensive income 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 is 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.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. The carrying 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.

Trade receivables

Trade receivables are recognised initially at fair value (fair value is deemed to equal cost) and subsequently measured at amortised cost using the effective interest rate method, less the allowance account for 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 of the asset, being the present value of the estimated future cash flow discounted at the original effective interest rate. This provision is recognised through the use of an allowance account for losses. The amount of the loss is included in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for losses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position.

Assets classified as held-for-sale

Assets (or disposal groups) are classified as held-for-sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in their present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held-for-sale the carrying value of assets and liabilities is measured in accordance with the applicable standard. After classification as held-for-sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Assets (or disposal groups) that are classified as held-for-sale are not depreciated.

Tax

The current and deferred 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, using substantively enacted tax rates in the countries where the Group companies operate and generate taxable income. Income tax comprises current tax, deferred tax and dividend taxes, including secondary tax companies.

Current tax

The current tax charge is the expected tax payable on taxable income for the year, and any adjustments to tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method, at currently enacted or substantively enacted tax rates in operation at 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 statement of financial position carrying value.

No deferred tax asset or 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 are 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, joint ventures 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend taxes, including secondary tax on companies

Dividend taxes are recognised as a part of the income tax charge in the statement of comprehensive income 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.

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.

Compound financial instruments

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 statement of financial position presentation, such instruments comprise two components:

> 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 statement of financial position.

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 initially 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.

The cumulative convertible preference shares and the deferred incentive bonuses are both compound financial instruments. Refer to notes 15 and 16 of the Group financial statements.

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 interest rate method, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment against the loan for liquidity services and amortised over the period of the facility to which it relates.

The entity presents separately current and non-current borrowings on the face of the statement of financial position. 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 year-end.

Borrowing costs directly attributable to major projects that necessarily take a substantial period of time to get ready for the intended use (qualifying assets) 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 statement of comprehensive income in the period in which they are incurred.

Employee benefits

Short-term obligations

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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 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 20 and 27 of the Group financial statements.

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 statement of financial position 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 service 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 statement of comprehensive income 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 year-end 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 the entity is contractually obliged or where there is a past practice that has created a constructive obligation 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 prior to issuing 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.

Share-based payments

The Group has equity-settled and cash-settled share-based compensation plans.

Share options, share appreciation rights and deferred incentive bonuses are granted to management and key employees. The schemes in operation are classified as equity-settled share-based compensation plans (except for the South African Management Deferred Incentive Bonus Scheme which is a compound financial instrument with both an equity and a cash-settled portion) under which the entity receives services from employees as consideration for equity instruments (options/rights) or cash amounts of the Group.

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 Share Incentive Trusts regulate the operation of the share incentive schemes, and are consolidated into the Group financial statements. Refer to note 15 of the Group financial statements for more details on the schemes.

Equity-settled schemes

The equity-settled schemes (Aspen Share Incentive Scheme, Aspen Share Appreciation Plan and Aspen South African Workers' Share Plan) allows certain employees the option or rights to acquire ordinary shares in Aspen Pharmacare Holdings Ltd. Such equity share-based payments are measured at fair value at the date of the grant. The fair value determined at grant date of the equity-settled share-based payment is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the options, rights or shares, based on management's estimate of the shares that will vest and adjusted for the effect of non-market vesting conditions. These share options, rights and equity portion of the deferred incentive bonus are not subsequently revalued.

Fair value is determined using the binomial pricing model where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services to the reporting date.

Compound financial instrument share scheme

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt component and an equity component.

On measurement date management has measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in profit or loss over the period that the employee provides services to the Company.

Deferred revenue

Deferred revenue is stated separately on the statement of financial position and is recognised in the statement of comprehensive income over the period of the agreement. The amount expected to be realised within 12 months from year-end is shown as current and the amounts expected to be realised 12 months after year-end date is shown as non-current on the statement of financial position.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method.

Directors' emoluments

The directors' emoluments disclosed in note 27 of the Group financial statements 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 shares exercised 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 is 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:

> 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;
> 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; 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.

The Group assesses at each year-end date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note 39 of the Group financial statements.

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, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. 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 and other agreements are recognised as deferred revenue and released to the statement of comprehensive income 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 investment 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 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 Listings Requirements and Circular 3 of 2009.

An itemised reconciliation of the adjustments to profit attributable to equity holders of the parent is provided in note 31 of the Group financial statements.

Discontinued operations

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced. The profit or loss includes operating results from this date as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised. Profits or losses in respect of the discontinued operations are included in attributable profits of the Group until date of discontinuance.

The results of discontinued operations are presented separately in the statement of comprehensive income.

Segmental reporting

Reporting segments

The Group has three main reportable segments that comprise the structure used by the chief operating decision-maker to make key operating decisions and assess performance. The Group's reportable segments are operating segments that are differentiated by geographical areas with each segment having different market dynamics and market strategies.

The Group evaluates the performance of its reportable segments based on operating profit. The Group accounts for inter-segment sales and transfers as if the sales and the transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information of the Group's reportable segments is reported to the chief operating decision-maker for purposes of allocating resources to the segment and assessing its performance.

In addition to the main reportable segments, the Group also includes a geographical analysis of revenue. The following segments have been identified:

- Domestic Brands
  - South Africa – pharmaceutical
  - South Africa – consumer
  - Asia Pacific
  - Latin America
  - Rest of the world
- Global Brands
  - Asia Pacific
  - Latin America
  - EMENAC
  - Rest of the world

The South African pharmaceutical business comprises prescription generic and ethical pharmaceutical products, OTC products and APIs. All Schedule 2 medicines and upwards are included in the pharmaceutical business.

The South African consumer business comprises self-medication OTC products, personal care products and nutritional products. Schedule 0 and 1 medicines are included in the consumer business.

Rest of the world consists of all operations in geographical areas that do not have a specific segment allocated to it.

Global Brands consist of all sales related to the following brands:

- Eltroxin;
- Lanoxin;
- Imuran;
- Zyloric;
- Indocid;
- Aldomed;
- Aggrastat;
- Kemadrin;
- Alkeran;
- Leukeran;
- Purinethol;
- Lanvis;
- Myleran;
- Septrin; and
- Trandate.

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 Board.

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

Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

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

Convenience translation from South African Rand to US Dollar

The presentation currency of the Group is South African Rand.

Supplementary unaudited US Dollar information is provided for convenience only. Refer to page 244.
The conversion to US Dollar is performed as follows:

- assets and liabilities are translated at the closing rate of exchange ruling at year-end;
- income and expenses are translated at average rates of exchange for the years presented except for significant transactions which are translated at rates of exchange ruling on the transaction dates; and
- the resulting translation differences are included in shareholders' equity.

New standards, amendments and interpretations

The following amendments and interpretations are effective for the first time for the year ended June 2010:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 1 (Amendment), First-Time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements	The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.	Financial years beginning on or after 1 January 2009	No impact on the Group's financial statements
IFRS 2, Share-based Payment: Cash-Settled Share-Based Payment Transactions (Amendment)	The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Financial years beginning on or after 1 January 2009	No material impact on the Group's financial statements
IFRS 3, Business Combinations (Revised)	The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.	Financial years beginning on or after 1 July 2009	The Group applied this revised standard prospectively to all business combinations from 1 July 2009
IAS 27, Consolidated and Separate Financial Statements (Revised)	The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.	Financial years beginning on or after 1 July 2009	The Group applied this revised standard prospectively to transactions with non-controlling interests from 1 July 2009
IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements, Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)	The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: > puttable financial instruments; and > instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation. Additional disclosures are required in respect of the instruments affected by the amendments.	Financial years beginning on or after 1 January 2009	No impact on the Group's financial statements
IFRIC 15, Agreements for the Construction of Real Estate	IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11, *Construction Contracts* or IAS 18, *Revenue* and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.	Financial years beginning on or after 1 January 2009	Not relevant to the Group's operations

Accounting policies

for the year ended 30 June 2010 *continued*

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRIC 16, Hedges of a Net Investment in a Foreign Operation	IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as hedged risks (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.	Financial years beginning on or after 1 October 2008	No impact on the Group's financial statements
IFRIC 17, Distributions of Non-cash Assets to Owners	IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as "dividends *in specie*") to the owners of the entity. The interpretation clarifies that: > a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; > an entity should measure the dividend payable at the fair value of the net assets to be distributed; and > an entity should recognise the difference between the dividend paid and the carrying value of the net assets distributed in profit or loss.	Financial years beginning on or after 1 July 2009	No impact on the Group's financial statements
IFRIC 18, Transfers of Assets from Customers	IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.	Financial years beginning on or after 1 July 2009	Not applicable to the Group's financial statements

The following accounting standards, amendments and interpretations are not mandatory for the year ended June 2010 and have been published prior to the date of signature of this report:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IFRS 2, Group Cash-Settled Share-Based Payment Transactions	The amendment clarifies the accounting for Group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash settled.	Financial years beginning on or after 1 January 2010	The Group will apply this amendment for all cash-settled share-based payment transactions to financial years beginning on or after 1 January 2010
Amendments to IAS 32, Classification of Rights Issued	The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued *pro rata* to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	Financial years beginning on or after 1 February 2010	No impact on the Group's financial statements

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 24, Related Party Disclosures	This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.	Financial years beginning on or after 1 January 2011	No impact on the Group's financial statements
IFRS 9, Financial Instruments (Revised)	This IFRS is part of the International Accounting Standards Board's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to all financial instruments for financial years on or after 1 January 2013
Amendment to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.	Financial years beginning on or after 1 July 2010	Not applicable to the Group's financial statements
IFRIC 19 (AC 452), Extinguishing Financial Liabilities with Equity Instruments	This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.	Financial years beginning on or after 1 July 2010	No impact on the Group's financial statements
IFRIC 14, Pre-payments of a Minimum Funding Requirement (Amendment)	This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement.	Financial years beginning on or after 1 January 2011	No impact on the Group's financial statements

Improvements to IFRS

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the International Accounting Standards Board reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs. Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2010.

The following standards were amended:

> *IFRS 2, Share-Based Payments (effective for periods beginning on or after 1 July 2009);*
> *IFRS 5, Non-current Assets Held-For-Sale and Discontinued Operations;*
> *IAS 23, Borrowings Costs;*
> *IFRS 8, Operating Segments;*
> *IAS 1, Presentation of Financial Statements;*
> *IAS 7, Statement of Cash Flows;*
> *IAS 17, Leases;*
> *IAS 18, Revenue;*
> *IAS 36, Impairment of Assets;*
> *IAS 38, Intangible Assets (effective for periods beginning on or after 1 July 2009);*
> *IAS 39, Financial Instruments: Recognition and Measurement;*
> *IFRIC 9, Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 July 2009); and*
> *IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for periods beginning on or after 1 July 2009).*

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 values 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 and residual values

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 estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for intangible assets and property, plant and equipment. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment the following factors are taken into account:

- external residual value information (if available); and
- internal technical assessments for complex plant and machinery.

Refer to notes 1 and 3 of the Group financial statements and notes 1 and 2 of the Company financial statements.

Indefinite useful life intangible assets

Judgement is applied when assessing whether an intangible asset has a finite or an indefinite useful life.

Significant judgement is needed by management when determining the classification of intangible assets as indefinite useful life assets. The following factors are taken into account when this classification is made:

- the ability to use the asset efficiently. Historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy (2011 budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- redundancy of a similar medication/device due to changes in market preferences; and
- development of new drugs treating the same disease.

Refer to note 3 of the Group financial statements and note 2 of the Company financial statements.

Impairment of assets

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least annually, as more fully described in the accounting policy in respect of impairment and note 39 of the Group financial statements. 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, 2 and 3 of the Group financial statements and notes 1 and 2 of the Company financial statements.

Valuation of derivative financial instruments

The valuation of derivative financial instruments is based on the market values at year-end. The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. The present value of these net market values was then discounted using the appropriate currency-specific discount curve. The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. 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 statement of financial position.

Refer to notes 9 and 23 of the Group financial statements.

Allowance account for losses

The Group insures debts due by private market customers where possible and provision is made for the uninsured balance of long-outstanding debtors where it considers the recoverability to be doubtful.

A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not.

The following factors are taken into account when considering whether a debtor is impaired:
> default of payments;
> history of the specific customer with the Group;
> indications of financial difficulties of the specific customer;
> credit terms specific to the customer; and
> general economic conditions.

Refer to note 8 of the Group financial statements.

Calculation of IFRS 2 charge
The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. The calculation of the share-based payment expense in respect of share options and share appreciation rights is based on the valuation of instruments at grant date, determined with the use of the binomial model. This model requires the use of several assumptions, among which the expected volatility of the Aspen share price, expected dividend yield and assumptions regarding percentages of instruments expected to vest. These assumptions are reviewed on an annual basis to take account of changes in circumstances.

Refer to note 15 of the Group financial statements.

Recognition of deferred tax assets in respect of assessed losses
Deferred tax assets have been recognised for the carry-forward amount of unused tax losses relating to the Group's operations where, among other things, tax losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward. Deferred tax assets are not recognised for carry-forward of unused tax losses when it cannot be demonstrated that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

The likelihood of a deferred tax asset being recognised is based on the future profitability of the underlying business. In determining whether a business will have future taxable profits to utilise against assessed losses, management will take into account budgets as well as updated forecasts for future periods.

Refer to note 6 of the Group financial statements.

Determination of net realisable value of inventories
Net realisable value is the estimate of the selling price of inventories 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.

Management is also required to exercise significant judgement in estimating the provision for obsolete stock. Such judgement would take into account the following:
> change in technology;
> regulatory requirements; and
> stock nearing expiry dates.

Refer to note 7 of the Group financial statements.

Accounting for compound financial instruments
Transactions involving compound financial instruments are accounted for under IFRS 2, IAS 32 and 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 notes 15 and 16 of the Group financial statements.

Fair value determination in business combinations
IFRS 3 revised 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. Judgement is applied in determining the allocation of goodwill to different cash generating units. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

Initial accounting for business combination determined provisionally
The initial accounting for the GSK transactions has been reported on a provisional basis in respect of intangible assets and goodwill and will only be finalised in the year ending 30 June 2011.

Refer to note 37 of the Group financial statements.

Determination of contingent consideration in respect of deferred-payables and deferred-receivables
This relates to amounts that are only to be settled in the future based on the underlying contractual obligations. Management is required to exercise considerable judgement in determining the estimate of the amount payable or receivable, specifically relating to the forecasting of future financial information as well as determining an appropriate discount rate.

Refer to notes 8 and 22 of the Group financial statements.

Determination of average translation rates
Income and expenditure transactions are translated using the average rate of exchange for the year. Management considers the average rate to approximate the actual rates prevailing on the dates on which these transactions occur.

Fair value determination
The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Notes to the Group annual financial statements

for the year ended 30 June 2010

Non-current assets

	Notes	2010 R'million	2009 R'million
Property, plant and equipment	1	3 012,4	2 373,5
Goodwill	2	456,1	398,4
Intangible assets	3	8 609,9	4 103,6
Investments in associates	4	2,0	22,5
Other non-current financial receivables	5	32,4	5,2
Deferred tax assets	6	65,5	17,8
		12 178,3	6 921,0

1. PROPERTY, PLANT AND EQUIPMENT

2010	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	1 284,2	1 502,5	64,4	84,6	663,5	3 599,2
Accumulated depreciation	(88,2)	(417,5)	(44,3)	(43,5)	—	(593,5)
Accumulated impairment losses	(18,8)	(16,2)	—	(1,4)	—	(36,4)
Carrying value at the end of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
Movement in property, plant and equipment						
Carrying value at the beginning of the year	570,9	704,0	14,4	36,6	991,6	2 317,5
Additions – expansion	22,8	60,1	5,2	10,8	339,7	438,6
Additions – replacement	2,1	15,2	6,4	0,4	166,4	190,5
Additions – borrowing costs capitalised	—	—	—	—	11,9	11,9*
Additions – GSK transactions	268,6	98,9	0,5	1,0	33,9	402,9
Disposals	(4,4)	(6,3)	(0,1)	(1,4)	—	(12,2)
Disposal of Onco Therapies Ltd	(17,8)	(78,6)	(0,2)	(1,3)	(31,4)	(129,3)
Depreciation	(29,9)	(102,8)	(9,8)	(11,9)	—	(154,4)
Reclassification between categories	421,0	401,4	3,6	8,6	(824,1)	10,5
Reclassification to intangible assets	—	—	—	—	(15,6)	(15,6)
Impairment	(18,6)	(16,1)	—	(2,0)	(0,9)	(37,6)
Reclassification to held-for-sale	(1,6)	—	—	—	—	(1,6)
Translation of foreign operations	(35,9)	(7,2)	—	(1,4)	(8,0)	(52,5)
Hyperinflationary adjustment – Venezuela	—	0,2	0,1	0,3	—	0,6
Carrying value at the end of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
LEASED						
Carrying value						
Cost	18,3	40,5	14,7	—	—	73,5
Accumulated depreciation	(5,5)	(17,5)	(7,4)	—	—	(30,4)
Carrying value at the end of the year	12,8	23,0	7,3	—	—	43,1
Movement in property, plant and equipment						
Carrying value at the beginning of the year	13,3	38,7	4,0	—	—	56,0
Reclassification between categories	1,4	(11,9)	—	—	—	(10,5)
Additions – expansion	2,9	0,7	3,1	—	—	6,7
Additions – replacement	—	—	4,4	—	—	4,4
Disposals	(0,7)	(0,3)	—	—	—	(1,0)
Disposal of Onco Therapies Ltd	(1,4)	—	—	—	—	(1,4)
Depreciation	(2,5)	(6,7)	(4,2)	—	—	(13,4)
Translation of foreign operations	(0,2)	2,5	—	—	—	2,3
Carrying value at the end of the year	12,8	23,0	7,3	—	—	43,1
TOTAL OWNED AND LEASED	1 190,0	1 091,8	27,4	39,7	663,5	3 012,4

** Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 9,1% (2009: 12,5%).*

Non-current assets *continued*

1. PROPERTY, PLANT AND EQUIPMENT *continued*

2009	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	630,6	1 033,6	52,4	73,1	991,6	2 781,3
Accumulated depreciation	(59,7)	(329,6)	(38,0)	(36,5)	—	(463,8)
Carrying value at the end of the year	570,9	704,0	14,4	36,6	991,6	2 317,5
Movement in property, plant and equipment						
Carrying value at the beginning of the year	313,0	458,2	12,2	28,0	862,3	1 673,7
Additions – expansion	26,2	29,7	6,8	8,3	452,8	523,8
Additions – replacement	0,8	17,9	2,3	1,1	74,9	97,0
Additions – borrowing costs capitalised	—	—	—	—	93,6	93,6*
Acquisition of subsidiaries	34,1	61,8	0,6	3,8	188,9	289,2
Disposals	(2,5)	(10,6)	(0,1)	(0,2)	—	(13,4)
Disposal of joint venture	(21,2)	(38,2)	(0,4)	(1,6)	(1,1)	(62,5)
Depreciation	(16,2)	(81,4)	(8,3)	(8,9)	—	(114,8)
Reclassification between categories	257,9	288,4	2,0	9,2	(597,5)	(40,0)
Reclassification to intangible assets	—	—	—	—	(3,2)	(3,2)
Translation of foreign operations	(21,2)	(21,8)	(0,7)	(3,1)	(79,1)	(125,9)
Carrying value at the end of the year	570,9	704,0	14,4	36,6	991,6	2 317,5
LEASED						
Carrying value						
Cost	16,5	54,2	7,9	—	—	78,6
Accumulated depreciation	(3,2)	(15,5)	(3,9)	—	—	(22,6)
Carrying value at the end of the year	13,3	38,7	4,0	—	—	56,0
Movement in property, plant and equipment						
Carrying value at the beginning of the year	8,2	—	3,8	—	—	12,0
Acquisition of subsidiary	2,7	—	—	—	—	2,7
Reclassification between categories	—	40,0	—	—	—	40,0
Additions – expansion	5,9	1,8	1,1	—	—	8,8
Additions – replacement	—	—	2,0	—	—	2,0
Depreciation	(1,5)	—	(2,9)	—	—	(4,4)
Translation of foreign operations	(2,0)	(3,1)	—	—	—	(5,1)
Carrying value at the end of the year	13,3	38,7	4,0	—	—	56,0
TOTAL OWNED AND LEASED	584,2	742,7	18,4	36,6	991,6	2 373,5
2008						
OWNED						
Carrying value						
Cost	356,3	726,9	42,7	56,4	862,3	2 044,6
Accumulated depreciation	(43,3)	(268,7)	(30,5)	(28,4)	—	(370,9)
Carrying value at the end of the year	313,0	458,2	12,2	28,0	862,3	1 673,7
LEASED						
Carrying value						
Cost	9,9	—	9,5	—	—	19,4
Accumulated depreciation	(1,7)	—	(5,7)	—	—	(7,4)
Carrying value at the end of the year	8,2	—	3,8	—	—	12,0
TOTAL OWNED AND LEASED	321,2	458,2	16,0	28,0	862,3	1 685,7

** Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 9,1% (2009: 12,5%).*

1. PROPERTY, PLANT AND EQUIPMENT continued

Property, plant and equipment (carrying values)

	2010 R'million	2009 R'million
The breakdown of the land and buildings amounts is as follows		
Land	151,2	28,9
Buildings	1 038,8	555,3
	1 190,0	584,2

As the Group has more than five items of land and buildings, a register is maintained in terms of paragraph 22(3) of Schedule 4 of the South African Companies Act. This register is available for inspection by members at the registered office of the Company.

Depreciation rates	Ranging between
The estimated remaining useful life information for 2010 was as follows	
Buildings (including leasehold improvements)	5 and 60 years
Plant, equipment and major spare parts	1 and 30 years
Computer equipment	1 and 9 years
Office equipment and furniture	1 and 16 years

The Group has reviewed the residual values and useful lives of the assets. No material adjustment resulted from such review in the current year.

The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. These depreciation rates represent management's current best estimate of the useful lives of these assets.

Depreciation

Non-current assets *continued*

	2010 R'million	2009 R'million
1. PROPERTY, PLANT AND EQUIPMENT continued		
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approvals have been obtained up to the reporting date. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following:		
Authorised and contracted for	61,4	87,3
Authorised but not yet contracted for	502,8	226,9
Funding		
Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.		
Other disclosures		
Carrying value of assets committed as security for debt (refer to note 18)	106,3	63,7
Expenditure capitalised in the construction of qualifying assets (included in capital work-in-progress)	73,9	97,6
Impairment of property, plant and equipment		
The impairment of property, plant and equipment can be split as follows		
South Africa	0,6	—
SSA	1,2	—
International	35,8	—
	37,6	—

The carrying value of property, plant and equipment has been determined based on value-in-use calculations.

International

The Vittória facility in Brazil is currently operating at below capacity and while processes are in place to increase the use of this plant, the cash flows expected to be generated in the foreseeable future indicated that an impairment was appropriate. The discount rate used to determine the value-in-use was 13,4%.

2. GOODWILL

	2010 R'million	2009 R'million
Reconciliation of movement		
Carrying value at the beginning of the year	398,4	603,0
Acquisition of subsidiaries	—	(34,4)
GSK transactions	61,6	—
Disposal of joint ventures	(4,8)	(139,5)
Reclassification to held-for-sale	(0,2)	—
Translation of foreign operations	1,1	(30,7)
Carrying value at the end of the year	456,1	398,4

For the purposes of impairment testing, goodwill is allocated to the smallest cash generating unit. Impairment testing in respect of goodwill is performed at each reporting date by comparing the recoverable amount based on value in use of the cash generating unit to the carrying value. Refer to note 39 for detail.

Goodwill (carrying value)

Non-current assets *continued*

3. INTANGIBLE ASSETS

2010	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	**Total R'million**
Carrying value						
Cost	7 199,8	234,0	2 591,8	67,0	98,1	**10 190,7**
Accumulated amortisation	(992,6)	(29,6)	(214,1)	(44,2)	(56,2)	**(1 336,7)**
Accumulated impairment losses	(240,8)	(1,0)	—	(1,8)	(0,5)	**(244,1)**
Carrying value at the end of the year	5 966,4	203,4	2 377,7	21,0	41,4	**8 609,9**
Movement in intangible assets						
Carrying value at the beginning of the year	3 563,4	139,7	353,3	26,3	20,9	**4 103,6**
Additions – expansion	517,5	5,8	1,2	—	16,0	**540,5**
Additions – replacement	—	—	—	—	1,0	**1,0**
Development costs capitalised	—	119,0	—	—	—	**119,0**
Additions – GSK transactions	2 002,8	—	2 052,1	—	—	**4 054,9**
Disposals	(0,1)	—	—	—	—	**(0,1)**
Amortisation	(52,7)	(9,0)	(24,3)	(5,3)	(10,6)	**(101,9)**
Reclassification between categories	(8,7)	8,7	—	—	—	**—**
Reclassification from property, plant and equipment	—	—	—	—	15,6	**15,6**
Impairment	(75,7)	(9,3)	—	—	(0,5)	**(85,5)**
Translation of foreign operations	19,9	0,3	(4,6)	—	(1,0)	**14,6**
Reclassification to held-for-sale	—	(51,8)	—	—	—	**(51,8)**
Carrying value at the end of the year	5 966,4	203,4	2 377,7	21,0	41,4	**8 609,9**

3. INTANGIBLE ASSETS continued

2009	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	4 670,1	160,0	542,6	67,0	67,7	5 507,4
Accumulated amortisation	(940,9)	(20,3)	(189,3)	(38,9)	(46,8)	(1 236,2)
Accumulated impairment losses	(165,8)	—	—	(1,8)	—	(167,6)
Carrying value at the end of the year	3 563,4	139,7	353,3	26,3	20,9	4 103,6
Movement in intangible assets						
Balance at the beginning of the year	3 330,8	94,9	170,7	89,4	19,9	3 705,7
Acquisition of subsidiary	56,4	10,1	—	13,4	0,7	80,6
Disposal of joint venture	—	—	—	(60,9)	(0,2)	(61,1)
Reclassification between categories	2,2	(2,2)	—	—	—	—
Reclassification from property, plant and equipment	—	—	—	—	3,2	3,2
Additions – expansion	329,6	3,6	238,7	—	7,0	578,9
Additions – replacement	—	—	—	—	0,1	0,1
Development costs capitalised	—	47,9	—	—	—	47,9
Disposals	(15,6)	(0,7)	—	—	(0,1)	(16,4)
Amortisation	(54,5)	(8,4)	(23,5)	(12,1)	(5,9)	(104,4)
Impairment	(19,4)	(2,1)	—	—	(3,3)	(24,8)
Reversal of impairment	0,1	—	—	—	—	0,1
Translation of foreign operations	(66,2)	(3,4)	(32,6)	(3,5)	(0,5)	(106,2)
Carrying value at the end of the year	3 563,4	139,7	353,3	26,3	20,9	4 103,6
2008						
Carrying value						
Cost	4 386,6	110,7	341,2	131,2	60,7	5 030,4
Accumulated amortisation	(908,5)	(12,3)	(170,5)	(40,9)	(40,8)	(1 173,0)
Accumulated impairment losses	(147,3)	(3,5)	—	(0,9)	—	(151,7)
Carrying value at the end of the year	3 330,8	94,9	170,7	89,4	19,9	3 705,7

All intangible assets were acquired from third parties, except for development costs that are both internally generated and outsourced to third party development companies.

Non-current assets *continued*

3. INTANGIBLE ASSETS continued

Intangible assets (carrying value)

	2010 R'million	2009 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset, is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	5 333,5	2 825,1
Indefinite useful life intangible assets as a percentage of total intangible assets	62%	69%

Intellectual property which is classified as an indefinite useful life intangible asset, will reflect historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base. Where such intangible assets constitute a new acquisition, a projected trend of continuing positive contribution must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible assets' base;
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset; and
- its estimated indefinite life cycle and hence future growth prospects for the intangible assets.

A number of brands have been classified as indefinite useful life intangible assets, the most material being the Global Brands. These brands had a carrying value of R4 609,0 million at the end of June 2010 (2009: R2 635,6 million).

Refer to note 39 for detail on impairment testing of indefinite useful life intangible assets.

3. INTANGIBLE ASSETS continued

Impairment of intangible assets

The impairment of intangible assets is split as follows

	2010 R'million	2009 R'million
South Africa	19,8	19,1
SSA	0,5	—
International	65,2	5,7
	85,5	24,8

The carrying value of intangible assets impaired has been determined based on value in use calculations.

South Africa

Rescheduling and risk review of older generation products in the South African pharmaceutical portfolio were the main contributors. Discount rates used for the determination of the value in use were in the range of 17,0% to 25,0%.

International

The main driver of the impairment was intangible assets in Brazil. Certain consumer brands acquired in Brazil have performed below expectations due to strong competitor activity. The discount rate used to determine the value in use was 13,4%. Certain pharmaceutical products are to be disposed of as part of a conditional agreement to sell the Campos facility in Brazil. Based on initial indicative values, these products will not realise their carrying value and consequently have been impaired.

	2010 R'million	2009 R'million
Product participation and other contractual rights		
Product participation and other contractual rights is split into the following categories for the purposes of amortisation		
– Amortised on a straight-line basis		
Carrying value	2 362,8	330,6
Amortisation	16,5	13,9
– Amortised using the reverse sum of the digits method		
Carrying value	14,9	22,7
Amortisation	7,8	9,6
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approval have not yet been obtained are excluded from the following:		
Authorised and contracted for	20,9	5,8
Authorised but not yet contracted for	33,6	12,1
Funding		
Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.		

Non-current assets *continued*

	2010 R'million	2009 R'million
4. INVESTMENTS IN ASSOCIATES		
Balance at the beginning of the year	**22,5**	25,8
Share of after-tax net losses of associates	**(1,7)**	(3,3)
Reclassification to held-for-sale	**(18,8)**	—
Total investments in associates	**2,0**	22,5
Key financial information of associates*		
Total assets	**9,4**	24,1
Total liabilities	**0,4**	7,4
Total revenues	**29,3**	32,1
Net after-tax losses	**(1,7)**	(3,3)

** The financial information provided represents the Group's share of results of the associates.*

At 30 June 2009, details of the Group's associates were as follows

Name	Country of incorporation	Nature of business	Percentage interest	Carrying value 2010 R'million	Carrying value 2009 R'million
Co-pharma Ltd	United Kingdom	Distributes commodity generics into the United Kingdom pharmaceutical market.	49	—	21,1
Formule Naturelle (Pty) Ltd	South Africa	Procures and supplies complementary medicines, as well as traditional African medicines and oils to the South African market	20	**2,0**	1,4

The associate companies had no significant contingencies or commitments at year-end.

None of the Group's investments in associates are publicly traded.

There are no significant restrictions on the ability of the associates to transfer funds to Aspen in the form of cash dividends.

The investment in Co-pharma Ltd has been transferred to held-for-sale. Refer to note 12 for more detail.

Acquisition of Formule Naturelle (Pty) Ltd

The Group entered into a conditional agreement to repurchase its 80% interest in Formule Naturelle (Pty) Ltd for a consideration of R35 million. The suspensive conditions were fulfilled subsequent to year-end and the transaction became effective on 1 July 2010.

	2010 R'million	2009 R'million
5. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
Long-term bank bonds	29,8	—
Avid Brands SA (Pty) Ltd	4,7	6,6
Current portion included in trade and other receivables	(2,1)	(1,4)
	32,4	5,2

Long-term bank bonds

This represents investments by Aspen Pharma in Brazilian bonds which are used to secure non-current borrowings. Refer to note 18 for detail.

These bonds bear interest at the Brazilian prime rate plus a margin of 0,5%. The average effective rate for the year was 8,75%.

The maturity date of these bonds is 24 June 2013 and is equivalent to the maturity profile of the borrowings they secure. The amount is denominated in Brazilian Real.

Avid Brands SA (Pty) Ltd

An agreement was entered into with Avid Brands SA (Pty) Ltd, in terms of which the Group disposed of certain intellectual property and inventories. The repayment profile is set out below:

	2010 R'million	2009 R'million
Year ended 30 June 2010	—	1,4
Year ending 30 June 2011	2,1	2,9
Year ending 30 June 2012	2,6	2,3
	4,7	6,6

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime rate minus 1%. No interest is charged on the outstanding balance in respect of inventories.

Management considers the credit risk associated with these financial receivables to be low, as there has been no default on repayments.

The Group holds no collateral over the other non-current financial receivables.

Non-current assets *continued*

	2010 R'million	2009 R'million
6. DEFERRED TAX		
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.		
Deferred tax balance		
Deferred tax liabilities – opening balance	203,0	148,5
Deferred tax assets – opening balance	(17,8)	(1,0)
Net deferred tax liabilities – opening balance	185,2	147,5
Statement of comprehensive income charge – prior year adjustment	24,6	4,7
Statement of comprehensive income charge	18,3	75,1
Charged to equity	(24,1)	(42,4)
Translation of foreign operations	3,7	(6,0)
Acquisition of subsidiaries	(7,4)	25,7
Disposal of joint ventures	(2,6)	(19,4)
Balance at the end of the year	197,7	185,2
Balance split as follows		
Deferred tax liabilities	263,2	203,0
Deferred tax assets	(65,5)	(17,8)
Balance at the end of the year	197,7	185,2
The statement of comprehensive income charge comprises		
Property, plant and equipment	80,6	59,5
Intangible assets	0,9	1,0
Inventories	(32,2)	18,3
Trade and other receivables	5,4	(2,6)
Retirement benefit obligations	(1,7)	(0,1)
Leave pay	(2,4)	(3,5)
Preference shares issued	1,6	2,8
Tax claims in respect of share incentive schemes	(0,5)	(6,5)
Tax losses	(8,7)	(4,8)
Other	(0,1)	15,7
Statement of comprehensive income charge	42,9	79,8

	2010 R'million	2009 R'million
6. DEFERRED TAX continued		
Deferred tax balance comprises		
Property, plant and equipment	225,3	148,4
Intangible assets	114,8	113,7
Inventories	(26,4)	5,1
Trade and other receivables	81,9	75,3
Retirement benefit obligations	(4,3)	(2,6)
Leave pay	(12,5)	(10,1)
Royalties received in advance	(22,3)	(21,7)
Preference shares issued	(2,7)	(4,3)
Tax claims in respect of share incentive schemes	(98,1)	(73,2)
Tax losses	(49,7)	(39,8)
Other	(8,3)	(5,6)
Balance at the end of the year	197,7	185,2

No significant unrecognised tax losses or secondary tax on companies credits exist at year-end.

Tax jurisdiction – deferred tax liabilities

Tax jurisdiction – deferred tax assets

Current assets

	Notes	2010 R'million	2009 R'million
Inventories	7	2 041,4	1 434,6
Trade and other receivables	8	2 302,2	2 091,5
Current tax assets		57,2	9,4
Derivative financial instruments	9	0,1	—
Cash and cash equivalents	10	2 939,8	2 065,3
Cash restricted for use	11	21,8	—
		7 362,5	5 600,8
Assets classified as held-for-sale	12	260,1	—
		7 622,6	5 600,8

7. INVENTORIES

	2010 R'million	2009 R'million
Carrying values		
Raw materials	550,1	450,0
Work-in-progress	218,2	180,9
Finished goods	1 243,6	785,1
Consumables	29,5	18,6
	2 041,4	1 434,6
Key ratios relating to inventories		
Inventories as a percentage of revenue	20%	17%
Inventories as a percentage of cost of sales	37%	31%

	2010 R'million	2009 R'million
7. INVENTORIES continued		
Impairment of inventories (included in cost of sales)		
The impairment charge included in the statement of comprehensive income is split as follows		
Write-down of inventories recognised as an expense	155,5	94,7
Movement in the provision for impairment	7,6	37,9
	163,1	132,6
The write-down is split as follows		
South Africa	125,0	74,3
SSA	15,9	—
International	14,6	20,4
	155,5	94,7
The impairment relates mainly to expired inventories in the pharmaceutical segment. Due to the finite shelf life of pharmaceutical products they are more susceptible to impairment.		
Reconciliation of provision for impairment		
Balance at the beginning of the year	134,4	93,0
Raised during the year	220,8	167,7
Released during the year	(213,2)	(129,8)
Acquisition of subsidiary	—	5,5
Disposal of joint venture	—	(0,1)
Translation of foreign operations	(0,4)	(1,9)
Balance at the end of the year	141,6	134,4

Management is required to use significant judgement in estimating the provision for impairment of inventories. Refer to page 156 for more detail.

Other disclosures

No inventories were carried at net realisable value at year-end.

No inventories were encumbered during the year.

Current assets *continued*

	2010 R'million	2009 R'million
8. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Trade receivables	1 924,1	1 511,2
Allowance account for losses	(44,7)	(34,3)
Net trade receivables	1 879,4	1 476,9
Current portion of other non-current financial receivables	2,1	1,4
Interest accrued	10,6	13,3
Formule Naturelle (Pty) Ltd receivable	—	11,5
Other	247,4	273,1
Total financial instruments*	2 139,5	1 776,2
Non-financial instruments		
Indirect taxes	51,0	37,7
Prepayments	75,7	235,4
Formule Naturelle (Pty) Ltd deferred-receivable (contingent consideration)	—	17,1#
Other	36,0	25,1
Total non-financial instruments	162,7	315,3
Total trade and other receivables	2 302,2	2 091,5

* *This amount is classified as "loans and receivables" in terms of IAS 39, Financial Instruments: Recognition and Measurement.*

At 30 June 2009, this amount was recorded as a deferred-receivable and arose following the disposal of the Group's 80% interest in Formule Naturelle (Pty) Ltd, being an amount which was estimated to be received from the purchaser in terms of the contractual earn out formula. During 2010, the Group entered into a conditional agreement to repurchase its 80% interest in Formule Naturelle (Pty) Ltd. The suspensive conditions were fulfilled subsequent to year-end and the transaction became effective on 1 July 2010. The repurchase price was lower than the original transaction by R17,1 million and this amount was impaired in full in the current year.

Net trade receivables

Age analysis of trade and other receivables (financial instruments only)

	2010 Gross R'million	2010 Allowance account for losses R'million	2009 Gross R'million	2009 Allowance account for losses R'million
Fully performing	1 722,5	—	1 607,2	—
Past due by 1 to 60 days	320,9	(3,6)	105,4	—
Past due by 61 to 90 days	59,5	(3,3)	27,7	(1,3)
Past due by 91 to 120 days	10,9	(0,5)	20,2	(6,3)
Past due by more than 120 days	70,4	(37,3)	50,0	(26,7)
	2 184,2	(44,7)	1 810,5	(34,3)

The trade and other receivables which are fully performing relate to customers who have a good track record with the Group in terms of recoverability.

8. TRADE AND OTHER RECEIVABLES continued

Age analysis of trade and other receivables (financial instruments only) continued

The total amount of trade and other receivables is exposed to credit risk, except for certain fully performing and past due balances which were covered by credit guarantee insurance to the value of R514,7 million (2009: R446,2 million).

Amounts past their due dates, not provided for, are considered by the Group to be recoverable.

The only significant concentration of credit risk relates to an amount of R331,1 million (2009: R200,3 million) owing by the South African government. This balance constitutes 17,2% (2009: 13,3%) of the total gross trade receivables.

There is no other single customer who represents more than 10% of total gross trade receivables for the years ended 30 June 2010 and 2009.

Impairment of trade and other receivables

	2010 R'million	2009 R'million
The impairment charge to the statement of comprehensive income can be split as follows		
Bad debts written off	3,5	3,9
Movement in the allowance account for losses	12,6	6,6
	16,1	10,5
Reconciliation of allowance account for losses		
Balance at the beginning of the year	34,3	25,7
Raised during the year	34,7	17,7
Utilised during the year	(22,1)	(11,1)
Acquisition of subsidiary	—	7,1
Translation of foreign operations	(2,2)	(5,1)
Balance at the end of the year	44,7	34,3

Receivables are reviewed for impairment on an individual basis and significant judgement is applied by management in determining whether a trade receivable is impaired or not. A number of factors are taken into account when this assessment is made. Refer to page 155 for more detail.

Trade receivables given as security for liabilities

Trade receivables in Aspen Pharma were pledged as security to the extent of the liability for a working capital facility with various banks in Brazil to the value of R252,4 million (2009: R82,6 million). Refer to note 18 for more detail.

Trade receivables in Aspen Global, to the extent of the total value of receivables which amounted to R627,1 million (2009: R170,4 million), were pledged as security for the US Dollar term loan. Refer to note 18 for more detail.

Securities were given under normal commercial terms and conditions.

Currency analysis of trade and other receivables (financial instruments only)

	2010 R'million	2009 R'million
Australian Dollar	150,0	158,5
Pound Sterling	293,5	138,7
US Dollar	481,4	141,6
Euro	412,9	6,2
Brazilian Real	20,6	377,5
Venezuelan Bolivares Fuertes	16,5	25,4
South African Rand	637,9	846,5
Other currencies	126,7	81,8
	2 139,5	1 776,2

Other disclosures

The Group holds no security over any trade and other receivables.

Trade and other receivables are predominantly non-interest bearing.

Current assets *continued*

		2010 R'million	2009 R'million
9.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Assets		
	Balance at the beginning of the year	—	0,7
	Fair value gains/(losses) recognised in the statement of comprehensive income	0,1	(0,7)
	Balance at the end of the year	0,1	—
	This balance consists of derivatives where hedge accounting is not applied. The entire balance is attributable to forward exchange contracts.		
	The forward exchange contracts are classified as "level 2" assets in the fair value measurement hierarchy.		
10.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	1 485,3	1 447,2
	Short-term bank deposits	1 426,3	603,4
	Cash-in-transit*	15,1	13,1
	Cash-on-hand	13,1	1,6
		2 939,8	2 065,3
	**Comprises receipts from customers only banked after year-end.*		
	General disclosures		
	The maturity profile of all cash and cash equivalent balances is less than three months.		
	The average effective interest rate on short-term bank deposits was 3,3% (2009: 7,7%).		
	The total amount of cash and cash equivalents is exposed to credit risk, and is placed with high quality financial institutions.		
	Total cash and cash equivalents is classified as "loans and receivables" in terms of IAS 39, *Financial Instruments: Recognition and Measurement.*		
	Currency analysis of cash and cash equivalents		
	Australian Dollar	161,3	73,1
	US Dollar	1 019,7	649,7
	Euro	83,0	—
	Brazilian Real	21,9	24,4
	South African Rand	1 605,9	1 285,7
	Other currencies	48,0	32,4
		2 939,8	2 065,3

Cash and cash equivalents

	2010 R'million	2009 R'million
11. CASH RESTRICTED FOR USE		
Cash held by Brazilian banks as security for borrowings	21,8	—

Aspen Pharma raises loans from financial institutions for the funding of working capital using its receivables as security. As the funding is in the form of fixed term facilities, it is often the case that the receivables being used as security are received from the customers prior to the facility being repaid. In this instance, in order to maintain the quality of its security, the financial institution requires that such cash receipts are invested with it in an instrument that expires concurrently with the repayment of the facility.

This amount can be withdrawn at any time if necessary but an equivalent amount of receivables needs to be given up as security.

This balance is deposited in a non-interest bearing account and is denominated in Brazilian Real.

As the amount is maintained by financial institutions of a high quality, management considers the credit risk associated with this balance to be low.

12. ASSETS CLASSIFIED AS HELD-FOR-SALE

	2010 R'million	2009 R'million
Onco Laboratories Ltd	239,7	—
Co-pharma Ltd	18,8	—
Decommissioned Beta Healthcare OTC manufacturing facility	1,6	—
	260,1	—

Onco Laboratories Ltd

The net assets of Onco Laboratories Ltd were reclassified to held-for-sale as conditions precedent relating to the sale remain to be fulfilled, completion being expected during the year ahead.

Details of net assets transferred to held-for-sale

	2010 R'million	2009 R'million
Assets		
Intangible assets	52,0	—
Trade and other receivables	194,2	—
Liabilities		
Trade and other payables	(1,5)	—
Current tax liabilities	(5,0)	—
Net assets	239,7	—

Co-pharma Ltd

In terms of the shareholders' agreement governing the management of Co-pharma Ltd, between 1 June 2009 and 1 December 2010, Aspen had a put option for its 49% holding in the share capital of that company. The option's exercise price is a multiple of Co-pharma Ltd's earnings before interest, tax, depreciation and amortisation, adjusted for debt, as shown in the last audited annual financial statements prior to the exercise of the option, but with a minimum price of GBP2,3 million and a maximum price of GBP8,0 million. Aspen has exercised its put option and disposed of its 49% investment in Co-pharma Ltd for a consideration of GBP2,3 million with effect from 1 July 2010. As such, the investment was classified as held-for-sale at year-end.

Decommissioned Beta Healthcare OTC manufacturing facility

Beta Healthcare moved to a newly constructed GMP-compliant facility towards the end of the financial year. This new facility is based in Nairobi. Negotiations are underway with a potential buyer for the disposal of the land and buildings relating to the old facility. The total balance relates to property, plant and equipment and is split as follows

	2010 R'million	2009 R'million
Land	0,2	—
Buildings	1,4	—
	1,6	—

Shareholders' equity

	Notes	2010 R'million	Restated 2009 R'million
Share capital and share premium	13	5 102,5	509,8
Treasury shares	14	(13,5)	—
Non-distributable reserves		(182,3)	(166,7)
Share-based compensation reserve	15	42,7	53,3
Retained income		5 719,6	3 628,7
Preference shares – equity component	16	162,0	162,0
Non-controlling interests	17	55,2	75,9
		10 886,2	4 263,0

13. SHARE CAPITAL AND SHARE PREMIUM

	2010 R'million	2009 R'million
Authorised		
700 000 000 (2009: 700 000 000) ordinary shares of 13,90607 cents each	97,3	97,3
Issued		
431 610 738 (2009: 361 346 918) ordinary shares of 13,90607 cents each	60,0	50,2
Share premium	5 042,5	459,6
	5 102,5	509,8

	Million	Million
Shares in issue at the beginning of the year	361,3	391,3
Shares issued – share incentive schemes	2,5	2,0
Shares issued – Workers' Share Plan*	—	—
Shares issued – GSK transactions	68,5	—
Capitalisation issue	—	6,9
Treasury shares cancelled	(0,7)	(38,9)
Shares in issue at the end of the year	431,6	361,3

The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.

All shares are fully paid up, and no amounts are outstanding in terms of shares issued during the year.

** In the current year 15 782 shares were issued (2009: 27 260 shares).*

	2010 R'million	2009 R'million
14. TREASURY SHARES		
At the beginning of the year	—	(571,6)
Treasury shares purchased	(13,5)	—
Treasury shares cancelled	—	571,6
Balance at the end of the year	(13,5)	—
	Million	**Million**
Number of treasury shares at the beginning of the year	0,7	38,9
Treasury shares purchased	0,2	—
Treasury shares cancelled	(0,7)	(38,9)
Capitalisation issue	—	0,7
Number of treasury shares at the end of the year	0,2	0,7*

**The treasury shares consist of shares acquired for no consideration in a capitalisation issue.*

15. SHARE-BASED COMPENSATION RESERVE

During the year the following share-based payment expenses were recognised in the statement of comprehensive income regarding share-based arrangements that existed

	2010 R'million	2009 R'million
Equity settled – recognised directly in equity		
South African Management Deferred Incentive Bonus Scheme	3,3	—
Aspen Share Incentive Scheme and Aspen Share Appreciation Plan	22,1	28,5
Aspen South African Workers' Share Plan	0,9	1,0
Cash settled – recognised in trade and other payables		
South African Management Deferred Incentive Bonus Scheme	3,5	—
	29,8	29,5

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 128.

The Group currently operates the following share-based payment schemes

Aspen Share Incentive Scheme

Share options were 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 were released in five equal annual tranches, commencing on the second anniversary of an offer date and expire after eight years. The scheme is equity settled. The last tranche in terms of this scheme was awarded in September 2007. Refer to note 15.1 for detail of shares issued in terms of this scheme.

In October 2009, the South African Management Deferred Incentive Bonus Scheme was adopted and now operates under the terms and conditions of this scheme.

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 five years and vesting takes place three years from the allocation date. For employees who had 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 took place as follows: 20% after two years and the remainder after three years. Share appreciation rights are no longer awarded, other than to three offshore employees, who continue on the scheme under legacy arrangements. The scheme is equity settled. Refer to note 15.2 for detail of shares issued in terms of this scheme.

Shareholders' equity *continued*

15. SHARE-BASED COMPENSATION RESERVE continued

South African Management Deferred Incentive Bonus Scheme

In October 2009, the Aspen Board, acting through its Remuneration & Nomination Committee, proposed that the remuneration structure of management and key employees be amended. As part of this change in the remuneration structure the award of share appreciation rights under the Aspen Share Appreciation Plan was discontinued (except for three offshore employees) and replaced by the South African Management Deferred Incentive Bonus Scheme. The deferred incentive bonus will be payable in cash or shares, at the election of the employee. There is a three-year vesting period. The employee to whom the award is made must remain in the employ of Aspen at the time vesting. The deferred incentive bonus amount will be calculated based on the performance of the Aspen Group company which employs the relevant employee and individual performance targets. Refer to note 15.3 for detail of shares issued in terms of this scheme.

Election of cash

Should an employee elect to receive cash at the time of the award, the cash amount will be payable to the employee three years after the date of the award, provided that the employee is still employed by Aspen at that date. Notional interest at Aspen's overnight call rate will be added to the deferred incentive bonus amount at the end of the three-year period.

Election of shares

Should an employee elect to receive shares at the time of the award, the deferred incentive bonus amount granted is increased by 10%. These shares will be issued in terms of the Aspen Share Incentive Scheme and held by the Aspen Share Incentive Trust until the three-year vesting period has expired. Employees will, on vesting date, receive any dividends/capital distributions that were paid to the Trust during the vesting period.

Accounting treatment

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt and an equity component.

On measurement date management measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in profit or loss for the period.

The equity component will be accounted for as an equity-settled share-based payment arrangement. The fair value of the services shall be measured at the fair value of the equity instruments on grant date. The services shall then be recognised over the vesting period, with a corresponding increase in equity. Shares lapsed or cancelled will be held in the Trust for future grants.

General – Share appreciation rights, share options and/or deferred incentive bonus (cash and shares)

The total number of shares that could be issued to employees in terms of all the above schemes (including the Aspen South African Workers' Share Plan) is 64,7 million shares, which equates to approximately 15% of the Company's issued share capital. To date the number of shares awarded in terms of these schemes is 30,3 million shares, representing 7% of the Company's issued share capital.

Should an employee resign from the Group prior to the vesting date as indicated above, the shares or cash will not be issued and will be forfeited.

Should an employee be retrenched or retire, all shares or cash will become due to the employee.

Should an employee become deceased, all the shares or cash will vest in the estate of the deceased.

All employees are barred from dealing in Aspen's shares during "closed periods". Aspen's two formal closed periods commence 24 hours prior to the close of the interim reporting period (31 December) and the financial year-end (30 June) and end 24 hours after the announcement of the respective results. The "closed period" is also effective upon the release of a cautionary announcement, ending 24 hours after the withdrawal of such announcement.

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. Refer to page 156 for more detail.

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 had a minimum of one year's continuous service with the Company, qualified for Aspen shares to a value of R9 000, awarded over a three-year period. The last tranche in terms of this plan was issued in July 2009. This scheme is equity settled. Refer to note 13 for shares issued in terms of this plan.

15. SHARE-BASED COMPENSATION RESERVE continued

15.1 Aspen Share Incentive Scheme

Grant price (R)	Expiry date	Options out-standing on 30 June 2009 '000	Vested '000	Non-vested '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Options out-standing on 30 June 2010 '000	Vested '000	Non-vested '000
*R5,00	Apr 2009	100	100	—	100	—	—	—	—
R6,50	Jan 2011	199	199	—	74	—	125	125	—
R7,77	Jul 2011	77	10	67	71	—	6	6	—
R8,28	Aug 2011	3	—	3	2	—	1	1	—
R9,01	Oct 2011	4	—	4	4	—	—	—	—
R9,20	Aug 2011	1 200	800	400	—	—	1 200	1 200	—
R9,46	Sep 2011	5	2	3	—	—	5	5	—
R9,85	Nov 2011	58	41	17	58	—	—	—	—
R11,11	Feb 2012	3	—	3	1	—	2	1	1
R11,20	Jan 2012	274	158	116	70	2	202	202	—
R11,42	Feb 2012	3	—	3	3	—	—	—	—
R11,46	Feb 2012	8	6	2	5	—	3	3	—
R12,00	Dec 2012	3	2	1	3	—	—	—	—
R12,07	Mar 2012	3	—	3	2	—	1	1	—
R12,23	May 2012	6	—	6	—	—	6	6	—
R12,30	Jun 2012	200	120	80	—	—	200	160	40
R12,40	Mar 2012	6	—	6	6	—	—	—	—
R12,46	Apr 2012	3	1	2	—	—	3	3	—
R12,67	Jul 2012	1 030	297	733	398	16	616	280	336
R14,86	Sep 2012	18	6	12	12	—	6	—	6
R14,96	Oct 2012	13	2	11	7	—	6	—	6
R15,75	Nov 2012	3	—	3	2	—	1	—	1
R16,93	Sep 2012	3	—	3	2	—	1	—	1
R18,23	Oct 2012	103	60	43	62	—	41	20	21
R20,73	Sep 2012	6	3	3	—	—	6	4	2
R21,49	Mar 2012	19	5	14	6	—	13	6	7
R22,13	May 2012	30	18	12	—	—	30	24	6
R23,92	Jul 2012	381	76	305	160	28	193	46	147
R23,93	Jun 2013	6	3	3	3	—	3	1	2
R24,57	Jun 2013	48	24	24	24	—	24	12	12
R32,89	Sep 2014	394	61	333	66	—	328	78	250
R35,09	Sep 2015	209	—	209	15	—	194	27	167
		4 418	1 994	2 424	1 156**	46	3 216	2 211	1 005

* *At the time of expiry, Aspen was under cautionary announcement and these share options could not be exercised. The exercise of these share options took place subsequent to year-end during the open period, as provided for in the Aspen Share Incentive Scheme Trust Deed.*

** *Options exercised during the year resulted in 1,2 million shares (2009: 1,4 million shares) being issued yielding proceeds of R16,1 million (2009: R20,4 million).*

The weighted average share price at which shares were exercised during the year was R67,18 (2009: R43,31).

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:

	Number of shares '000	Consideration R'million
2011	2 850	37,9
2012	199	6,0
2013	125	4,2
2014	42	1,5
	3 216	49,6

Shareholders' equity *continued*

15. SHARE-BASED COMPENSATION RESERVE continued

15.2 Aspen Share Appreciation Plan

Grant price (R)	Expiry date	Rights out-standing on 30 June 2009 '000	Vested '000	Non-vested '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Rights out-standing on 30 June 2010 '000
R23,92	Jul 2010	1 286	1 286	—	—	855	—	431
R30,04	Sep 2010	4	4	—	—	4	—	—
R30,53	Oct 2010	26	26	—	—	—	—	26
R31,52	Oct 2012	8	—	8	—	4	4	—
R31,94	Nov 2012	42	—	42	—	33	—	9
R31,96	Nov 2010	8	8	—	—	4	—	4
R32,16	Jan 2012	16	—	16	—	16	—	—
R32,39	Jan 2012	8	—	8	—	4	—	4
R32,59	Dec 2010	8	8	—	—	4	—	4
R32,82	Sep 2011	2 431	—	2 431	—	1 121	—	1 310
R33,24	Dec 2010	4	4	—	—	—	—	4
R33,41	Jan 2011	16	16	—	—	15	—	1
R33,64	Sep 2011	8	—	8	—	—	—	8
R33,60	Feb 2012	58	—	58	—	58	—	—
R34,55	Oct 2012	28	—	28	—	24	—	4
R34,75	Feb 2012	11	—	11	—	4	—	7
R35,53	Sep 2011	2 690	—	2 690	—	144	132	2 414
R35,61	Mar 2012	8	—	8	—	4	—	4
R36,03	Jan 2014	69	—	69	—	—	—	69
R36,67	Jun 2011	7	7	—	—	7	—	—
R37,16	Jun 2012	7	—	7	—	3	—	4
R37,47	Jul 2012	105	—	105	—	—	—	105
R37,97	Apr 2012	7	—	7	—	4	3	—
R38,15	May 2012	14	—	14	—	—	—	14
R38,60	Apr 2012	4	—	4	—	4	—	—
R41,03	Oct 2013	1 660	—	1 660	—	—	155	1 505
R42,63	Mar 2011	3	3	—	—	3	—	—
R43,37	Apr 2011	3	3	—	—	3	—	—
R43,41	May 2011	3	3	—	—	—	—	3
R60,28	Sep 2014	—	—	—	135	—	—	135
		8 542	1 368	7 174	135	2 318*	294	6 065

The fair value was determined with the use of a binomial model. Volatility was based on historical data, taking into account the expected life of the appreciation rights.

** During the year 2,3 million rights were exercised which resulted in 1,3 million shares (2009: 0,6 million shares) being issued. The weighted average share price at which shares were exercised during the year was R67,36 (2009: R44,36).*
The vesting profile of the share appreciation rights is as follows

	Number of rights '000
2011	4 356
2012	1 574
2013	135
	6 065

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

Vested '000	Non-vested '000	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility (%)	Dividend yield (%)	Risk-free rate (%)
431	—	10,96	30,54	25,43	2,54	7,55
—	—	8,36	30,54	24,87	2,54	7,55
26	—	8,86	31,70	24,62	2,54	7,55
—	—	9,38	31,80	27,54	2,30	8,46
9	—	9,82	33,00	27,45	2,30	8,09
4	—	8,43	32,08	24,66	2,54	7,55
—	—	10,42	31,75	28,01	1,95	8,94
4	—	10,58	32,10	28,00	1,95	8,94
4	—	12,46	37,99	24,70	2,34	7,30
1 310	—	9,64	33,19	27,44	2,30	8,72
4	—	12,11	37,99	24,70	2,34	7,30
1	—	12,88	39,17	24,79	2,34	7,30
—	8	11,36	34,60	27,43	2,39	9,42
—	—	12,73	35,90	28,09	1,95	8,94
4	—	10,05	34,94	27,43	2,30	8,63
7	—	10,59	33,57	28,06	1,95	8,94
—	2 414	11,46	35,99	27,44	2,39	9,42
4	—	11,40	35,25	28,23	1,95	8,94
—	69	14,55	39,02	33,84	2,30	7,37
—	—	8,58	34,28	26,53	2,34	7,30
4	—	12,48	37,76	27,46	1,95	8,94
—	105	11,31	37,00	27,64	2,39	9,42
—	—	12,71	38,45	27,84	1,95	8,94
14	—	13,39	39,61	27,73	1,95	8,94
—	—	12,14	38,06	27,85	1,95	8,94
—	1 505	13,78	41,40	31,69	2,32	7,32
—	—	10,24	42,19	25,88	2,34	7,30
—	—	8,58	43,72	25,27	2,34	7,30
3	—	11,43	38,10	25,50	2,34	7,30
—	135	20,96	61,86	35,52	2,30	8,03
1 829	4 236					

Shareholders' equity *continued*

15. SHARE-BASED COMPENSATION RESERVE continued

15.3 South African Management Deferred Incentive Bonus Scheme

Grant price (R)	Expiry date	Granted during the year '000	Re-allocated during the year* '000	Lapsed/ cancelled during the year '000	Shares outstanding on 30 June 2010 '000#	Fair value at measurement date (R)	Share price at measurement date (R)
R64,70	Oct 2012	204	—	9	195	61,86	64,00
R77,92	Oct 2012	—	4	—	4	61,86	64,00
		204	4	9	199		

The fair value was determined by reference to the share price on the grant date.

** Lapsed/cancelled shares, held by the Aspen Share Incentive Scheme Trust, are re-allocated to future grants.*

 # The total number of shares are not vested at 30 June 2010.

During the year the Group bought 203 822 shares that will be held in the Aspen Share Incentive Scheme Trust until vesting date. These shares are accounted for as treasury shares in the financial statements of the Group.

	2010 R'million	2009 R'million
For accounting purposes the deferred incentive bonus has been split into an equity and a liability component. Refer to the accounting policy on page 147 for more detail.		
Share-based payment amount (included in the statement of changes in equity)	3,3	—
Bonus provision – liability component (included in other payables in the statement of financial position)	3,5	—
Cumulative notional interest on liability component	0,1	—
	6,9	—

16. PREFERENCE SHARE CAPITAL

	2010 R'million	2009 R'million
Authorised		
17 600 000 (2009: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each	2,4	2,4
20 000 000 (2009: 20 000 000) non-redeemable, non-participating variable rate B preference shares of 13,90607 cents each	2,8	2,8
Issued		
17 600 000 (2009: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each, issued at R21,41 during June 2005	2,4	2,4
Share premium	374,4	374,4
	376,8	376,8

16. PREFERENCE SHARE CAPITAL continued

Rights attached to the A preference shares

Dividend rights

Preference share dividends are calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand 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 dividends rate was 7,2% at year-end (2009: 7,9%).

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

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 146 for more detail.

	2010 R'million	Restated 2009 R'million
Preference shares – equity component (per the statement of changes in equity)	162,0	162,0
Deferred tax effect	(8,7)	(8,7)
Net equity component	153,3	153,3
Preference shares – liability component (per the statement of financial position)	386,6	392,2
Amount expensed in 2005	(183,2)	(183,2)
Cumulative notional interest on liability component	20,1	14,5
Opening balance	14,5	4,6
For the year	5,6	9,9
	376,8	376,8

The fair value of the liability component of the preference shares is R386,8 million (2009: R392,5 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component was 10,0% (2009: 11,0%).

17. NON-CONTROLLING INTERESTS

	2010 R'million	Restated 2009 R'million
Balance at the beginning of the year	75,9	61,1
Acquisition of subsidiary	—	4,8
(Loss)/profit for the year	(11,1)	13,2
Contribution by non-controlling interests	—	1,2
Non-controlling interests portion of foreign currency translation reserve	(8,8)	(3,6)
Dividends paid to non-controlling interests	(0,8)	(0,8)
Balance at the end of the year	55,2	75,9

Non-current liabilities

	Notes	2010 R'million	2009 R'million
Preference shares – liability component	16	386,6	392,2
Borrowings	18	2 260,2	3 433,8
Deferred revenue	19	159,4	—
Deferred tax liabilities	6	263,2	203,0
Retirement benefit obligations	20	15,4	9,4
		3 084,8	4 038,4

18. BORROWINGS

	2010 R'million	2009 R'million
Non-current borrowings		
Secured loans	2 006,5	2 800,6
Finance lease and instalment credit liabilities	3,7	8,2
Unsecured loans	250,0	625,0
Non-current borrowings	2 260,2	3 433,8
Current borrowings		
Secured loans	1 082,9	303,3
Finance lease and instalment credit liabilities	10,8	18,5
Bank overdrafts	1 127,1	742,4
Unsecured loans	1 500,0	1 606,1
Current borrowings	3 720,8	2 670,3
Total borrowings		
Secured loans	3 089,4	3 103,9
Finance lease and instalment credit liabilities	14,5	26,7
Bank overdrafts	1 127,1	742,4
Unsecured loans	1 750,0	2 231,1
Total borrowings	5 981,0	6 104,1

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings

	2010 <1 year R'million	2010 1 – 5 years R'million	2010 Total R'million	2009 <1 year R'million	2009 1 – 5 years R'million	2009 Total R'million
Secured loans						
US Dollar*	878,9	1 938,8	2 817,7	295,1	2 748,0	3 043,1
Brazilian Real	203,3	49,0	252,3	8,2	52,6	60,8
Euro	0,7	—	0,7	—	—	—
Kenyan Shilling	—	18,7	18,7	—	—	—
	1 082,9	2 006,5	3 089,4	303,3	2 800,6	3 103,9
Finance lease and instalment credit liabilities						
US Dollar	1,4	—	1,4	2,4	1,4	3,8
Brazilian Real	5,1	0,2	5,3	13,9	4,6	18,5
South African Rand	4,3	3,5	7,8	2,2	2,2	4,4
	10,8	3,7	14,5	18,5	8,2	26,7
Bank overdrafts						
US Dollar	40,9	—	40,9	10,4	—	10,4
Kenyan Shilling	5,0	—	5,0	2,8	—	2,8
Tanzanian Shilling	—	—	—	10,5	—	10,5
South African Rand	1 081,2	—	1 081,2	718,7	—	718,7
	1 127,1	—	1 127,1	742,4	—	742,4
Unsecured loans						
US Dollar	50,1	—	50,1	42,7	—	42,7
Kenyan Shilling	3,6	—	3,6	8,1	—	8,1
South African Rand	1 446,3	250,0	1 696,3	1 555,3	625,0	2 180,3
	1 500,0	250,0	1 750,0	1 606,1	625,0	2 231,1

** Included in this amount is the US Dollar term loan with a carrying value of R2,7 billion (2009: R3,0 billion). The profile and repayment terms of this loan are set out in detail on page 186.*

Non-current liabilities *continued*

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings continued

The US Dollar term loan comprises:

(1) An A loan which is a five-year amortising loan of USD255,0 million in respect of which quarterly equal repayments of capital and interest are to be made. Two capital payments were made during the 2010 financial year amounting to USD30,3 million.

Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,7%.

A swap agreement was entered into on 6 October 2008, in terms of which all future payments of interest have been fixed at an interest rate of 6,11% per annum.

Capital repayments to be made are as follows

	2010 USD'million	2009 USD'million
Year ended 30 June 2010	—	28,6
Year ending 30 June 2011	61,7	59,8
Year ending 30 June 2012	63,7	63,6
Year ending 30 June 2013	65,7	67,6
Year ending 30 June 2014	33,6	35,4
	224,7	255,0

(2) A B loan of USD130,0 million which is repayable at the end of the five-year period, however cash sweeps of excess cash flows from October 2010 may be called for at the election of the consortium of banks.

Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,8%.

Quarterly interest payments in respect of this loan have been hedged to 10 April 2012 by means of entering into a swap agreement on 6 October 2008, at a fixed rate of 6,11% per annum.

The hedge entered into is based on the expectation that the consortium will exercise their right to sweep excess cash based on cash flows generated to this date by Aspen Global.

The quarterly interest payments subsequent to 10 April 2012 have not been hedged and will bear interest at a rate of three-month LIBOR plus a margin of 2,8%.

Refer to page 210 for more detail on the interest rate swaps.

Definitions

JIBAR – Johannesburg Interbank Agreed Rate
LIBOR – London Interbank Offer Rate
T-Bill – Treasury Bill Rate

18. BORROWINGS continued

Interest rate profile of total borrowings

	2010 Total R'million	2010 Interest rate %	2010 Average effective interest rate %	2009 Total R'million	2009 Interest rate %	2009 Average effective interest rate %
Secured loans	3 089,4			3 103,9		
Fixed rate	98,8	Rates ranging between 6,0% and 15,5%	7,0	60,8	6,0	6,0
Floating rate	2 990,6			3 043,1		
Linked to 3-month LIBOR	2 698,3	+ margins ranging between 0,9% and 5,5%	3,1	2 956,9	+ margins ranging between 2,7% and 2,8%	3,8
Linked to 6-month LIBOR	10,7	+ margins ranging between 1,0% and 4,3%	3,4	86,2	+ margins ranging between 1,3% and 6,0%	4,8
Linked to 12-month LIBOR	68,6	+ margins ranging between 0,9% and 5,5%	4,3	—	—	—
Linked to Brazilian prime rate	194,4	+ margins ranging between 4,9% and 9,4%	14,8	—	—	—
Linked to Stanbic reference rate (Kenya)	18,6	Stanbic reference rate	12,5	—	—	—
Finance lease and instalment credit liabilities	14,5			26,7		
Fixed rate	6,8	Rates ranging between 12,0% and 19,9%	15,1	22,3	Rates ranging between 12,0% and 16,5%	15,7
Floating rate	7,7	Linked to South African prime overdraft rate	5,9	4,4	Linked to South African prime overdraft rate	6,0
Bank overdrafts	1 127,1			742,4		
Fixed rate	—	—	—	2,8	12,0	12,0
Floating rate	1 127,1			739,6		
Linked to 3-month LIBOR	40,9	+ margin 2,3%	2,6	10,4	+ margin 3,0%	5,5
Linked to Stanbic reference rate (Kenya)	5,0	Stanbic reference rate	12,5	—	—	—
Linked to 3-month T-Bill rate	—	—	—	10,5	+ margin 2,3%	13,0
Linked to South African prime overdraft rate	1 081,2	Less 1,0%	9,4	718,7	Less 1,0%	14,2
Unsecured loans	1 750,0			2 231,1		
Fixed rate	—	—	—	350,0	Rates ranging between 10,5% and 11,4%	11,1
Floating rate	1 750,0			1 881,1		
Linked to 3-month LIBOR	53,6	+ margin 3,0%	3,3	50,8	+ margin 3,0%	4,1
Linked to 3-month JIBAR	625,0	+ margins ranging between 2,4% and 3,0%	9,9	525,0	+ margins ranging between 2,4% and 3,0%	13,0
Linked to overnight call rate	1 071,4	Overnight call	8,7	1 305,3	Overnight call	12,5

Non-current liabilities *continued*

18. BORROWINGS continued

Security given	Secured loans R'million	Finance lease and instalment credit liabilities R'million	Bank overdrafts R'million	Total R'million
Security for borrowings can be split as follows				
US Dollar term loan	2 686,1	—	—	2 686,1
Latin America	384,6	6,8	—	391,4
Kenya	18,7	—	—	18,7
Tanzania	—	—	40,9	40,9
South Africa	—	7,7	—	7,7
	3 089,4	14,5	40,9	3 144,8

US Dollar term loan

The following security has been given to the security trustee on behalf of a consortium of banks, comprising The Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd

> Guarantee by Aspen Pharmacare Holdings Ltd, Pharmacare Ltd, Aspen Nutritionals (Pty) Ltd and Aspen Australia and any other subsidiary which becomes wholly owned and contributes more than 5% of Group earnings before interest, tax, depreciation and amortisation or net asset value.

> Pledge of shares by Aspen Pharmacare Holdings Ltd of all its current and future shareholding in Aspen Global.

> Pledge of shares by Aspen Global of its shareholding in Aspen Australia.

> Floating and fixed charge of all movable and immovable property by Aspen Global to a value not exceeding USD462 million, including
- stock-in-trade;
- all current and future receivables;
- specified trademarks; and
- any other assets.

> A charge over receivables of Aspen Australia as security of the guarantee given above.

> Grant of cession of rights and title to the GSK acquisition agreement.

Latin America

> Guarantee by Aspen Pharmacare Holdings Ltd to financial institutions to the value of R100,0 million.

> Receivables and long-term bonds in Brazil to the value of R252,4 million.

> Campos Facility to the value of R32,2 million.

> Property, plant and equipment with a carrying value of R6,8 million.

Kenya

> Guarantee by Aspen Pharmacare Holdings Ltd as well as the manufacturing facility to the value of R18,7 million.

Tanzania

> Guarantee by Aspen Pharmacare Holdings Ltd as well as land and buildings to the value of R40,9 million.

South Africa

> Property, plant and equipment with a carrying value of R7,8 million.

> Cross-guarantees between Aspen Pharmacare Holdings Ltd and its subsidiaries exist in respect of the Group's local unsecured borrowings and bank overdrafts.

Default and breaches

There were no defaults or breaches of the contractual terms of the non-current borrowings during the year. Refer to note 36 for more detail.

	2010 R'million	2009 R'million
18. BORROWINGS continued		
Finance leases		
Finance lease liabilities: minimum lease payments		
Not later than one year	11,0	22,0
Later than one year but not later than five years	4,2	8,5
	15,2	30,5
Future finance charges on finance leases	(0,7)	(3,8)
	14,5	26,7
The present value of finance lease liabilities is as follows		
Not later than one year	10,8	18,5
Later than one year but not later than five years	3,7	8,2
	14,5	26,7

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

– Local facilities of R2,0 billion

– An offshore facility of R20,4 million (Tanzanian Shilling denominated)

– A foreign exchange facility of R391,0 million (US Dollar denominated)

All facilities negotiated are reviewed annually.

19. DEFERRED REVENUE

	2010 R'million	2009 R'million
Balance at the beginning of the year	—	2,5
GSK transactions	171,6	—
Recognised in the statement of comprehensive income	(4,3)	(2,8)
Translation of foreign operations	0,7	0,3
Balance at the end of the year	168,0	—
Analysis of total deferred revenue		
Non-current	159,4	—
Current	8,6	—
	168,0	—

In terms of the GSK transactions, the Group sold its rights for the commercialisation of selected Aspen products to GSK. The amount will be released to the statement of comprehensive income over the term of the contract.

20. 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 Group's policy of accounting for post-retirement medical obligations, an independent actuarial valuation was performed in June 2010 and provision made in the statement of financial position. Principal assumptions used incorporate the following:

> A discount rate of 9,4% per annum (2009: 8,3% per annum).

> A medical inflation rate of 6,9% per annum (2009: 5,8% per annum).

> An expected return on plan assets of 8,4% (2009: 9,8%), versus the actual return achieved of 6,5% (2009: 11,5%).

> Salary rate assumptions were not required for 2010 or 2009, as there were no salary-related contributions during either 2010 or 2009.

This valuation has been performed using the projected unit credit funding method to determine the past service liabilities at valuation date.

Non-current liabilities *continued*

	2010 R'million	2009 R'million
20. RETIREMENT BENEFIT OBLIGATIONS *continued*		
Amounts recognised in the statement of financial position		
Post-retirement medical obligation	15,4	9,4
Deferred tax effect	(4,3)	(2,6)
	11,1	6,8
Post-retirement medical obligation comprises		
Present value of unfunded obligations	25,1	19,0
Fair value of plan assets	(9,7)	(9,6)
Retirement benefit obligations	15,4	9,4
The movement in the liability recognised in the statement of financial position is as follows		
At the beginning of the year	19,0	18,6
Interest cost	1,6	1,8
Current service cost	0,6	0,6
Contributions paid to the scheme on behalf of pensioners	(0,2)	—
Actuarial losses/(gains)	1,0	(1,7)
GSK transactions	3,1	—
Other	—	(0,3)
	25,1	19,0
The movement in the fair value of plan assets recognised in the statement of financial position is as follows		
At the beginning of the year	9,6	9,2
Actuarial losses	(0,7)	(0,5)
Expected returns on plan assets	0,8	0,9
	9,7	9,6
The amounts recognised in the statement of comprehensive income		
Current service cost	0,6	0,6
Interest cost	1,6	1,8
Expected return on plan assets	(0,8)	(0,9)
Actuarial losses/(gains)	1,7	(1,2)
Total included in staff costs	3,1	0,3
The charge was classified as follows in the statement of comprehensive income		
Selling and distribution expenses	1,4	0,1
Administrative expenses	1,7	0,2
	3,1	0,3
The actual return on plan assets was R0,6 million (2009: R0,9 million).		
Mortality rate		
Assumptions regarding future mortality experience are set out based on advice, published statistics and experience in each territory.		
The average life expectancy in years of a pensioner retiring at age 65 on the year-end date is as follows		
Male	17,1	17,1
Female	19,7	19,7
The mortality assumptions remained unchanged from 2009.		

20. RETIREMENT BENEFIT OBLIGATIONS continued

	Increase R'million	Decrease R'million
The effect of a 1% movement in the assumed medical inflation rate is as follows		
Effect on the aggregate of the current service cost and interest cost	0,5	(0,4)
Effect on the post-retirement medical obligation	3,6	(2,9)

Aspen's plan assets are invested in a Group insurance annuity policy. All funds in this policy are invested in the South African money market. The fair value equals the book value.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current insurance policy.

No contributions were paid to the plan for the year ended 30 June 2010.

At 30 June	2010 R'million	2009 R'million	2008 R'million	2007 R'million
Present value of post-retirement medical obligation	22,0	19,0	18,6	15,9
Fair value of plan assets	(9,7)	(9,6)	(9,2)	(8,7)
Deficit	12,3	9,4	9,4	7,2
Experience adjustments on plan liabilities	1,5	(0,8)	—	—
Experience adjustments on plan assets	—	0,2	0,5	0,5

Current liabilities

	Notes	2010 R'million	2009 R'million
Trade and other payables	21	1 913,9	1 300,2
Borrowings	18	3 720,8	2 670,3
Deferred-payables	22	—	0,7
Deferred revenue	19	8,6	—
Current tax liabilities		43,4	70,8
Derivative financial instruments	23	143,2	178,4
		5 829,9	4 220,4

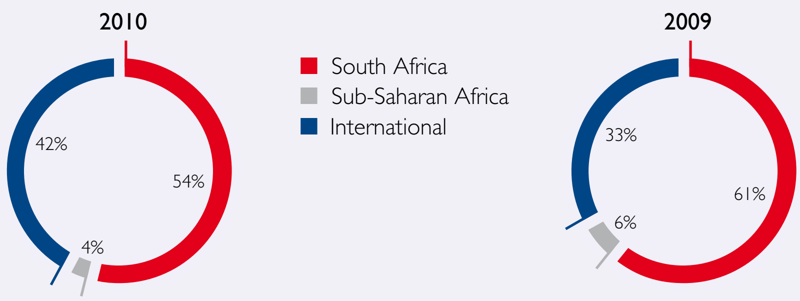
21. TRADE AND OTHER PAYABLES

	2010 R'million	2009 R'million
Financial instruments		
Trade payables	1 088,2	697,9
Accrued expenses	266,7	231,0
Other	196,1	155,3
Total financial instruments*	1 551,0	1 084,2
Non-financial instruments		
Indirect taxes	63,7	52,7
Leave pay	54,7	38,4
Bonuses	81,8	44,8
Other	162,7	80,1
Total non-financial instruments	362,9	216,0
Total trade and other payables	1 913,9	1 300,2

** This amount is classified as "financial liabilities at amortised cost" in terms of IAS 39, Financial Instruments: Recognition and Measurement.*

Currency analysis of trade and other payables (financial instruments only)	2010 R'million	2009 R'million
Australian Dollar	92,7	49,5
Pound Sterling	139,0	7,9
Euro	247,4	43,1
US Dollar	566,7	373,8
Brazilian Real	112,9	101,9
Tanzanian Shilling	5,1	21,6
Kenyan Shilling	38,4	3,0
South African Rand	316,7	443,1
Indian Rupee	—	11,7
Other currencies	32,1	28,6
	1 551,0	1 084,2

Trade payables



	2010 R'million	2009 R'million
21. TRADE AND OTHER PAYABLES continued		
Age analysis of trade and other payables (financial instruments only)		
Not past due date	1 093,1	911,2
Past due by 1 to 30 days	361,8	144,6
Past due by 31 to 151 days	92,5	20,0
Past due by 151 days to 1 year	3,6	8,4
	1 551,0	1 084,2

All trade and other payables are non-interest bearing.

No individual vendor represents more than 10% of the Group's trade payables.

22. DEFERRED-PAYABLES

	2010 R'million	2009 R'million
Current deferred-payables		
Current portion of deferred earn-out consideration	—	0,7

Terms of repayment

The amount initially recognised in respect of the deferred earn-out liability was determined by discounting future payments to their present values using the appropriate discount rate on initial recognition. The liabilities were subsequently carried at amortised cost, with interest being calculated at a fixed rate. The deferred earn-out liability in respect of the Eli Lilly SA (Pty) Ltd agreement was unsecured. The payment in respect of this deferred earn-out was made at the end of January 2010.

Fair value of deferred-payable

The fair value of the deferred-earn out consideration amounted to R0,7 million in the prior year. The fair value was estimated by discounting expected future cash flows using the appropriate market-related discount rate.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 R'million	2009 R'million
Liabilities		
Balance at the beginning of the year	178,4	1,2
Acquisition of subsidiary	—	4,5
Disposal of joint venture	—	(0,3)
Movements on forward exchange contracts recognised in the statement of comprehensive income	(38,0)	52,3
Fair value gains	(38,0)	(5,8)
Fair value losses	—	58,1
Movements on interest rate swaps recognised in equity	4,8	120,0
Fair value gains	(0,8)	—
Fair value losses	5,6	120,0
Translation of foreign operations	(2,0)	0,7
Balance at the end of the year	143,2	178,4
The amount above is analysed as follows		
Forward exchange contracts	20,2	58,4
Interest rate swaps	123,0	120,0
	143,2	178,4

Both the forward exchange contracts and interest rate swaps are classified as 'Level 2' liabilities in the fair value measurement hierarchy.

Statement of comprehensive income

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
24. REVENUE						
Sale of goods						
South Africa	5 592,8	4 250,7	—	—	5 592,8	4 250,7
SSA	440,9	931,2	—	—	440,9	931,2
International	4 006,7	3 159,5	10,9	295,0	4 017,6	3 454,5
Other revenue						
Royalties – South Africa	0,4	2,9	—	—	0,4	2,9
– SSA	0,3	—	—	—	0,3	—
Co-marketing fees – South Africa	58,9	55,6	—	—	58,9	55,6
– International	46,6	41,5	—	—	46,6	41,5
Licensing fees – International	—	—	45,8	—	45,8	—
	10 146,6	8 441,4	56,7	295,0	10 203,3	8 736,4
Revenue by segment						
South Africa	5 652,1	4 309,1	—	—	5 652,1	4 309,1
SSA	441,2	931,2	—	—	441,2	931,2
International	4 053,3	3 201,1	56,7	295,0	4 110,0	3 496,1
	10 146,6	8 441,4	56,7	295,0	10 203,3	8 736,4
25. OPERATING PROFIT						
Operating profit has been arrived at after crediting						
Profit on disposal of intangible assets	0,1	—	—	—	0,1	—
Reversal of impairment losses on intangible assets (included in other operating income)	—	0,1	—	—	—	0,1
Operating lease rentals received (operating leases where the Company is the lessor)	—	—	—	0,9	—	0,9
Land and buildings	—	—	—	0,6	—	0,6
Plant and equipment	—	—	—	0,3	—	0,3
After charging						
Loss on disposal of property, plant and equipment	3,4	4,1	—	0,3	3,4	4,4
Loss on disposal of intangible assets	—	0,9	—	—	—	0,9
Auditors' remuneration	19,5	13,4	—	0,3	19,5	13,7
Audit fees	13,7	11,1	—	0,3	13,7	11,4
– Current year	13,7	9,8	—	0,2	13,7	10,0
– Prior year under-provision	—	1,3	—	0,1	—	1,4
Other services – tax consulting	0,2	0,3	—	—	0,2	0,3
Other services – accounting consulting	0,4	1,7	—	—	0,4	1,7
Other services – Sigma transaction	5,0	—	—	—	5,0	—
Other services	0,2	0,3	—	—	0,2	0,3
Impairment charges	302,3	167,0	—	0,9	302,3	167,9
Impairment of intangible assets (included in other operating expenses)	85,5	24,8	—	—	85,5	24,8
Impairment charge – inventories (included in cost of sales)	163,1	131,7	—	0,9	163,1	132,6
Impairment of property, plant and equipment (included in administrative expenses)	37,6	—	—	—	37,6	—
Trade receivables – impairment charge for bad and doubtful debts (included in administrative expenses)	16,1	10,5	—	—	16,1	10,5
Repairs and maintenance expenditure on property, plant and equipment	98,9	62,0	—	1,7	98,9	63,7
Research and development costs	6,0	3,3	—	—	6,0	3,3
Operating lease rentals	47,4	42,1	—	—	47,4	42,1
Land and buildings	40,0	34,2	—	—	40,0	34,2
Plant and equipment	6,0	5,1	—	—	6,0	5,1
Office and computer equipment and furniture	1,4	2,8	—	—	1,4	2,8
Managerial fees	9,8	5,6	—	—	9,8	5,6
Technical fees	20,8	11,8	—	—	20,8	11,8
Secretarial fees	0,2	0,2	—	—	0,2	0,2

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
26. EXPENSES BY NATURE						
Depreciation of property, plant and equipment	166,8	115,7	1,0	3,5	167,8	119,2
Amortisation of intangible assets	101,9	95,0	—	9,4	101,9	104,4
Impairment charges	302,3	166,9	—	1,0	302,3	167,9
Repairs and maintenance expenditure on property, plant and equipment	98,9	62,0	—	1,7	98,9	63,7
Personnel costs and other staff-related costs	1 413,5	984,8	0,5	8,5	1 414,0	993,3
Share-based payment expense – employees	29,8	29,5	—	—	29,8	29,5
Changes in inventories of finished goods and work-in-progress	(651,1)	(173,4)	(0,2)	11,6	(651,3)	(161,8)
Purchases of finished goods	2 700,0	1 265,8	—	8,8	2 700,0	1 274,6
Other production expenses	419,9	162,8	—	22,8	419,9	185,6
Raw materials and consumables used	1 926,3	2 406,8	—	157,4	1 926,3	2 564,2
Transport and warehousing costs	465,9	432,2	—	—	465,9	432,2
Advertising and marketing expenses	237,4	285,1	—	—	237,4	285,1
Royalties paid	53,7	66,7	—	—	53,7	66,7
Property costs	47,9	34,2	—	—	47,9	34,2
Other	398,4	336,2	2,0	21,1	400,4	357,3
	7 711,6	6 270,3	3,3	245,8	7 714,9	6 516,1
Classified as						
Cost of sales	5 542,3	4 564,1				
Selling and distribution expenses	1 189,4	997,7				
Administrative expenses	736,0	587,5				
Other operating expenses	243,9	121,0				
	7 711,6	6 270,3				

Statement of comprehensive income *continued*

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
27. DIRECTORS AND EMPLOYEES						
Staff costs						
Wages and salaries	1 229,7	822,0	0,4	6,0	1 230,1	828,0
Provident fund contributions – defined contribution plans	86,2	61,4	—	0,3	86,2	61,7
Medical aid contributions	55,0	50,5	—	0,1	55,0	50,6
Post-retirement medical aid benefits	2,1	0,3	—	—	2,1	0,3
Other long-term benefits	0,4	—	—	—	0,4	—
Termination benefits	12,1	8,6	—	0,4	12,1	9,0
Share-based payment expense – options and appreciation rights	22,1	28,5	—	—	22,1	28,5
Share-based payment expense – Workers' Share Plan	0,9	1,0	—	—	0,9	1,0
Share-based payment expense – deferred incentive bonus	6,8	—	—	—	6,8	—
Other company contributions	32,1	41,4	—	1,7	32,1	43,1
	1 447,4	1 013,7	0,4	8,5	1 447,8	1 022,2
Amount included in cost of sales	768,7	495,2	—	8,5	768,7	503,7
Wages and salaries	679,6	419,2	—	6,0	679,6	425,2
Benefits	89,1	76,0	—	2,5	89,1	78,5
Amount included in selling and distribution expenses	290,5	190,7	—	—	290,5	190,7
Wages and salaries	228,4	151,1	—	—	228,4	151,1
Benefits	62,1	39,6	—	—	62,1	39,6
Amount included in administrative expenses	388,2	327,8	0,4	—	388,6	327,8
Wages and salaries	321,7	251,7	0,4	—	322,1	251,7
Benefits	66,5	76,1	—	—	66,5	76,1
Total number of employees at year-end	6 067	5 302	—#	—#	6 067	5 302
Full-time employees	4 583	3 975	—	—	4 583	3 975
Part-time employees	1 484	1 327	—	—	1 484	1 327

#The total number of employees for discontinued operations has not been disclosed as they were not deemed part of the total number of employees at year-end.

27. DIRECTORS AND EMPLOYEES continued

Directors' emoluments

	Fees R'million	Remuneration R'million	Retirement and medical aid benefits R'million	Performance bonus R'million	Total R'million
2010					
Non-executive directors					
Archie Aaron	0,2	—	—	—	0,2
Roy Andersen	0,3	—	—	—	0,3
Rafique Bagus	0,2	—	—	—	0,2
John Buchanan	0,5	—	—	—	0,5
Judy Dlamini	0,6	—	—	—	0,6
Abbas Hussain	0,1	—	—	—	0,1
Chris Mortimer*	0,3	—	—	—	0,3
David Nurek	0,2	—	—	—	0,2
Sindi Zilwa	0,3	—	—	—	0,3
Total (A)	2,7	—	—	—	2,7
Executive directors					
Gus Attridge	—	3,6	0,5	4,1	8,2
Stephen Saad	—	4,4	0,5	5,0	9,9
Total (B)	—	8,0	1,0	9,1	18,1
Total emoluments (A+B)					20,8
Less paid by subsidiary companies (C)					4,5
Total emoluments paid by Aspen (A+B-C)					16,3
2009					
Non-executive directors					
Archie Aaron	0,2	—	—	—	0,2
Roy Andersen	0,2	—	—	—	0,2
Rafique Bagus	0,2	—	—	—	0,2
John Buchanan	0,4	—	—	—	0,4
Judy Dlamini	0,6	—	—	—	0,6
Pasco Dyani	0,1	—	—	—	0,1
Chris Mortimer*	0,3	—	—	—	0,3
David Nurek	0,2	—	—	—	0,2
Sindi Zilwa	0,3	—	—	—	0,3
Total (A)	2,5	—	—	—	2,5
Executive directors					
Gus Attridge	—	3,2	0,4	3,5	7,1
Stephen Saad	—	3,8	0,4	4,3	8,5
Total (B)	—	7,0	0,8	7,8	15,6
Total emoluments (A+B)					18,1
Less paid by subsidiary companies (C)					4,3
Total emoluments paid by Aspen (A+B-C)					13,8

** Refer to note 38 for detail on other amounts paid to Chris Mortimer.*

Statement of comprehensive income *continued*

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
28. INVESTMENT INCOME						
Interest on bank balances and short-term deposits	178,6	222,6	—	—	178,6	222,6
Revenue authorities	6,1	0,9	—	—	6,1	0,9
Other	3,2	0,7	—	—	3,2	0,7
	187,9	224,2	—	—	187,9	224,2
29. FINANCING COSTS						
Interest paid	(553,1)	(614,9)	—	(4,1)	(553,1)	(619,0)
Non-current borrowings	(193,7)	(191,7)	—	—	(193,7)	(191,7)
Bank overdrafts and current borrowings	(347,2)	(407,2)	—	(4,1)	(347,2)	(411,3)
Finance leases	(3,0)	(6,3)	—	—	(3,0)	(6,3)
Revenue authorities	(0,1)	(0,2)	—	—	(0,1)	(0,2)
Other	(9,1)	(9,5)	—	—	(9,1)	(9,5)
Preference shares dividends paid – liability component	(27,9)	(38,3)	—	—	(27,9)	(38,3)
Notional interest income on financial instruments	3,8	7,3	—	—	3,8	7,3
Net foreign exchange losses	(19,0)	(0,9)	—	(7,5)	(19,0)	(8,4)
Fair value gains/(losses) on derivative financial instruments	37,9	(52,4)	—	(0,3)	37,9	(52,7)
Cross-currency swap	—	0,9	—	—	—	0,9
Forward exchange contracts	37,9	(53,3)	—	(0,3)	37,9	(53,6)
	(558,3)	(699,2)	—	(11,9)	(558,3)	(711,1)

Net financing costs above exclude financing costs of R11,9 million which were capitalised during 2010 to capital work-in-progress (2009: R93,6 million). Refer to note 1 for more detail.

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
30. TAX						
South African tax						
Current tax						
– current year	324,2	208,3	—	—	324,2	208,3
– prior year	(27,7)	(5,2)	—	—	(27,7)	(5,2)
Deferred tax						
– current year	62,7	70,8	—	—	62,7	70,8
– prior year	22,9	4,7	—	—	22,9	4,7
Secondary tax on companies and other dividend taxes	3,0	3,7	—	—	3,0	3,7
Capital gains tax	20,7	—	—	—	20,7	—
Withholding tax	1,8	—	—	—	1,8	—
Total South African tax	407,6	282,3	—	—	407,6	282,3
International tax						
Current tax						
– current year	103,7	78,8	5,3	11,2	109,0	90,0
– prior year	(1,1)	2,2	—	—	(1,1)	2,2
Deferred tax						
– current year	(44,4)	(4,4)	—	8,7	(44,4)	4,3
– prior year	1,7	—	—	—	1,7	—
Capital gains tax	—	—	—	4,2	—	4,2
Total international tax	59,9	76,6	5,3	24,1	65,2	100,7
Total tax charge	467,5	358,9	5,3	24,1	472,8	383,0
	%	%	%	%	%	%
Reconciliation of the tax rate						
Effective tax rate	20,8	21,1	2,6	59,9	19,3	22,1
Capital and exempt income	0,5	—	20,8	1,8	2,3	—
Prior year adjustments	0,2	—	—	—	0,2	—
Foreign rates of tax	5,8	4,5	3,7	(8,8)	5,6	4,2
Disallowable expenses	(6,3)	(0,6)	0,9	(14,4)	(5,7)	(1,1)
Non-deductible portion of share-based payment expense – employees	(0,4)	(0,4)	—	—	(0,4)	(0,4)
Non-deductible amortisation of intangible assets	(0,4)	(0,1)	—	—	(0,4)	(0,1)
Loss on sale Astrix Laboratories Ltd	—	—	—	(13,8)	—	—
Other disallowable expenses	(5,5)	1,1	0,9	(0,6)	(4,9)	(0,6)
Secondary tax on companies and other dividend taxes	(0,1)	(0,2)	—	—	(0,1)	(0,2)
Capital gains tax	(0,9)	—	—	(10,5)	(0,8)	(0,2)
Deemed foreign tax credit	4,0	4,1	—	—	3,6	4,1
Tax losses utilised in current year	1,1	(0,9)	—	—	1,0	(0,9)
Strategic project allowance	2,1	—	—	—	1,9	—
Development cost allowance	0,3	0,3	—	—	0,2	—
Other reconciling items	0,5	(1,5)	—	—	0,5	—
Tax at the statutory rate	28,0	28,0	28,0	28,0	28,0	28,0
	R'million	R'million	R'million	R'million	R'million	R'million
Unutilised tax benefits						
Opening balance	(1,9)	(0,4)	—	—	(1,9)	(0,4)
Unutilised against current profits	0,4	—	—	—	0,4	—
Applied to increase deferred tax asset	0,3	—	—	—	0,3	—
Current losses incurred	(2,6)	(1,5)	—	—	(2,6)	(1,5)
Tax losses available to reduce future taxable income	(3,8)	(1,9)	—	—	(3,8)	(1,9)

Statement of comprehensive income *continued*

31. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the 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.

Weighted average number of shares in issue is calculated as 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 profit of the Group. Shares which were subject to a specific share buy-back and which are held by a subsidiary company as treasury shares have been adjusted on a time basis in determining the weighted average number of shares in issue.

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
Profit attributable to equity holders of the parent	1 786,4	1 324,3	203,2	16,1	1 989,6	1 340,4
Weighted average number of shares in issue ('000)*	401 987	357 860	401 987	357 860	401 987	357 860
Earnings per share (cents)	444,4	370,1	50,5	4,5	494,9	374,6

Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares, namely share options, share appreciation rights and convertible preference shares. 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 share appreciation rights. Fair value is calculated as the average share price for the year for share options. The closing 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 shares dividends paid and the notional interest on the liability component of preference shares.

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
Profit attributable to equity holders of the parent	1 786,4	1 324,3	203,2	16,1	1 989,6	1 340,4
Adjusted for						
– Preference shares dividends paid	27,9	38,3	—	—	27,9	38,3
– Notional interest – liability component of preference shares	5,6	9,9	—	—	5,6	9,9
	1 819,9	1 372,5	203,2	16,1	2 023,1	1 388,6
Weighted average number of shares for diluted earnings per share ('000)	426 163	382 662	426 163	382 662	426 163	382 662
Adjustment for share options and share appreciation rights ('000)	6 576	7 202	6 576	7 202	6 576	7 202
Total number of convertible preference shares ('000)	17 600	17 600	17 600	17 600	17 600	17 600
Weighted average number of shares in issue ('000)*	401 987	357 860	401 987	357 860	401 987	357 860
Diluted earnings per share (cents)	427,0	358,7	47,7	4,2	474,7	362,9

** After deduction of weighted number of treasury shares.*

31. EARNINGS PER SHARE continued

Headline earnings per share

	Continuing operations 2010 R'million	Continuing operations Restated 2009 R'million	Discontinued operations 2010 R'million	Discontinued operations Restated 2009 R'million	Total 2010 R'million	Total 2009 R'million
Reconciliation of headline earnings						
Profit attributable to equity holders of the parent	1 786,4	1 324,3	203,2	16,1	1 989,6	1 340,4
Adjusted for**						
– Profit on disposal of property, plant and equipment (net of tax)	2,6	3,1	—	0,3	2,6	3,4
– Impairment of property, plant and equipment (net of tax)	25,3	—	—	—	25,3	—
– Impairment of deferred-receivable (net of tax)	17,1	—	—	—	17,1	—
– Impairment of intangible assets (net of tax)	68,4	24,8	—	—	68,4	24,8
– Insurance compensation – capital component	(27,7)	—	—	—	(27,7)	—
– Capital gains tax on transfer of intellectual property rights	20,7	—	—	—	20,7	—
– (Profit)/loss on disposal of intangible assets (net of tax)	(0,1)	0,7	—	—	(0,1)	0,7
– Reversal of impairment losses on intangible assets (net of tax)	—	0,1	—	—	—	0,1
– Profit on sale of Onco Therapies Ltd (net of tax)	—	—	(154,7)	—	(154,7)	—
– Loss on sale of Astrix Laboratories Ltd (net of tax)	—	—	—	24,1	—	24,1
Headline earnings	1 892,7	1 353,0	48,5	40,5	1 941,2	1 393,5
Weighted average number of shares in issue ('000)*	401 987	357 860	401 987	357 860	401 987	357 860
Headline earnings per share (cents)	470,8	378,1	12,1	11,3	482,9	389,4

* *After deduction of weighted treasury shares.*
** *None of the headline earnings adjustments includes non-controlling interests.*

Statement of comprehensive income *continued*

	Continuing operations		Discontinued operations		Total	
	2010 R'million	Restated 2009 R'million	2010 R'million	Restated 2009 R'million	2010 R'million	2009 R'million
31. EARNINGS PER SHARE continued						
Headline earnings per share continued						
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	1 892,7	1 353,0	48,5	40,5	1 941,2	1 393,5
Adjusted for						
– Preference shares dividends paid	27,9	38,3	—	—	27,9	38,3
– Notional interest – liability component of preference shares	5,6	9,9	—	—	5,6	9,9
Adjusted headline earnings	1 926,2	1 401,2	48,5	40,5	1 974,7	1 441,7
Weighted average number of shares for diluted headline earnings per share ('000)	426 163	382 662	426 163	382 662	426 163	382 662
Adjustment for share options and share appreciation rights ('000)	6 576	7 202	6 576	7 202	6 576	7 202
Total number of convertible preference shares ('000)	17 600	17 600	17 600	17 600	17 600	17 600
Weighted average number of shares in issue ('000)*	401 987	357 860	401 987	357 860	401 987	357 860
Diluted headline earnings per share (cents)	452,0	366,1	11,4	10,6	463,4	376,7

* *After deduction of weighted number of treasury shares.*

32. CAPITAL DISTRIBUTION PER SHARE

A capital distribution of 70 cents per share (2009: nil) was declared after year-end. This capital distribution will be accounted for in the statement of comprehensive income for the year ending 30 June 2011, in accordance with IAS 10, *Events After Balance Sheet Date.*

	2010 R'million	Restated 2009 R'million

33. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

During the year, the Group entered into conditional agreements for the disposal of its 50% shareholding in the oncology business (Onco Therapies Ltd and Onco Laboratories Ltd). From 1 January 2010 the results for these joint ventures were not consolidated and the net asset values of the companies were transferred to assets held-for-sale. The conditions precedent were fulfilled on 10 May 2010 for the sale of Onco Therapies Ltd and the profit on the sale of this joint venture has been recognised in the statement of comprehensive income. Various conditions precedent remain to be fulfilled in respect of the sale of Onco Laboratories Ltd at year-end. These conditions are expected to be fulfilled during the year ahead. In both 2010 and 2009 the oncology business was disclosed as a discontinued operation.

On 31 May 2009 the Group disposed of its 50% shareholding in Astrix Laboratories Ltd. This joint venture was classified as a discontinued operation in the prior year.

	2010 R'million	Restated 2009 R'million
Abridged statement of comprehensive income		
Revenue	56,7	295,0
Profit before tax	208,5	40,2
Profit for the year	203,2	16,1
Abridged statement of cash flows		
Cash generated from/(used in) operating activities	61,8	(8,8)
Cash used in investing activities	(62,3)	(43,0)
Cash generated from financing activities	—	(54,8)
Translation effects on cash and cash equivalents of foreign operations	0,2	7,4
Movement in cash and cash equivalents	(0,3)	10,4
Cash and cash equivalents at the beginning of the year	0,3	(10,4)
Cash and cash equivalents at the end of the year	—	—

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	2010 R'million	2009 R'million
34. COMMITMENTS UNDER LEASES		
Minimum future lease payments – operating leases		
The Group rents buildings under non-current, non-cancellable operating leases and also rents offices, warehouses, parking and other equipment under operating leases that are cancellable at various short-term notice periods by either party.		
Operating lease commitments		
Land and buildings	99,2	157,2
Plant and equipment	4,7	5,6
Other	2,3	1,5
	106,2	164,3
The future minimum operating lease payments are as follows		
Less than one year	30,5	29,1
Between one and five years	75,7	110,6
Later than five years	—	24,6
	106,2	164,3

Operating leases comprise a number of individually insignificant leases.

These leasing arrangements do not impose any significant restrictions on the Group.

Finance lease commitments

Finance leases comprise a number of individually insignificant leases. Refer to note 18 for finance lease liabilities.

	2010 R'million	2009 R'million
34. COMMITMENTS UNDER LEASES continued		
Other commitments		
During the 2003 financial year Aspen entered into a 12-year agreement with GlaxoSmithKline SA (Pty) Ltd to distribute and market a range of their products. This contract was superseded by the GSK transactions on 1 December 2009.		
In terms of this agreement Aspen was committed to pay the following amounts to GlaxoSmithKline SA (Pty) Ltd:		
– payable within one year	—	8,0
– payable thereafter	—	24,7
	—	32,7
During the 2005 financial year Aspen Australia entered into a 10-year agreement with Novartis Australia Pty Ltd to distribute and market a range of their products. In terms of this agreement Aspen is committed to spend the following amounts on promotion of the products		
– payable within one year	6,1	7,0
– payable thereafter	18,6	26,3
	24,7	33,3
35. CONTINGENT LIABILITIES		
Additional payments in respect of the Quit worldwide intellectual property rights	7,6	7,7
Guarantees covering loan and other obligations to third parties	3,4	23,8
Tax duty contingencies	8,3	17,0
	19,3	48,5

Put and call options

In terms of transactions involving the sale and purchase of businesses, the Group is a party to the following put and call options

Brimpharm Australia Pty Ltd

The other joint shareholders of Brimpharm Australia Pty Ltd have a put option to sell the remaining 50% of the share capital of Brimpharm Australia Pty Ltd to Aspen which will become effective at any time from 1 May 2011. Aspen has a call option on the same shares that it can exercise at any time with effect from 1 May 2013. Both the put option and the call option are calculated on the same predetermined contractual formula which is based on a multiple of earnings before interest, tax, depreciation and amortisation.

Brimpharm SA (Pty) Ltd

The other joint shareholders of Brimpharm SA (Pty) Ltd have a put option to sell the remaining 50% of the share capital of Brimpharm SA (Pty) Ltd to Aspen at any time effective from 1 May 2009. Aspen has a call option on the same shares that it can exercise at any time with effect from 1 May 2011. Both the put option and the call option are calculated on the same predetermined contractual formula which is based on a multiple of earnings before interest, tax, depreciation and amortisation.

	2010 R'million	2009 R'million
Guarantees to financial institutions		
Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions		
US Dollar term loan	2 717,9	2 996,8
Brazil	99,5	101,2
Shelys	57,5	—
	2 874,9	3 098,0

Other disclosures *continued*

36. FINANCIAL RISK MANAGEMENT

36.1 Introduction

The Group does not trade in financial instruments, but in the ordinary course of business operations, the Group is exposed to a variety of financial risks arising from the use of financial instruments. These risks include:

> Market risk (comprising interest rate risk and foreign currency risk)
> Liquidity risk
> Credit risk.

The Group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits and reporting structures. The Audit Committee has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial risk management is carried out by the Group Treasury Management Department in close co-operation with operational units, using guidance provided by the Audit Committee. A formal treasury policy, approved by the Audit Committee, setting out the role and responsibility of the Group Treasury Management Department and the management of risk, is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management Department identifies, evaluates and hedges financial risks. The Audit Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Risk management and measurement relating to each of these risks is discussed under the headings below. The Group's objective in using derivative financial instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency and interest rate exposures.

36.2 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risks that the Group is primarily exposed to includes foreign currency risk and interest rate risk. Market risk is managed by identifying and quantifying risks on the basis of current and future expectations and ensuring that all trading occurs within defined parameters. This involves the review and implementation of methodologies to reduce risk exposure. The reporting on the state of the risk and risk practices to executive management is part of this process. The processes set up to measure, monitor and mitigate these market risks are described below. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk since the previous period.

36.3 Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the individual operations. However, the Group's operations utilise various foreign currencies (currencies other than the operations' functional currencies) in respect of sales, purchases and borrowings and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currency. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, is not taken into account when considering foreign currency risk. Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company. Economic risk is not handled by the Group Treasury Management Department, as it is a strategic matter managed directly by the Aspen Board.

Foreign currency risks are managed through the Group's financing policies and selective use of forward exchange contracts.

Forward exchange contracts

Forward exchange contracts are utilised primarily to reduce foreign currency exposure arising from imports and exports.

All forward exchange contracts are supported by underlying commitments or transactions which have already occurred.

At 30 June 2010 and 2009 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments.

As hedge accounting was not applied, fair value adjustments were recognised directly in the statement of comprehensive income.

36. FINANCIAL RISK MANAGEMENT continued

36.3 Foreign currency risk continued

The table below reflects the fair values of outstanding forward exchange contracts at year-end.

	Foreign amount Million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2010				
Imports*				
Swiss Franc	0,3	2,5	2,6	0,1
Euro	18,5	189,6	177,2	(12,4)
Pound Sterling	1,3	16,6	15,3	(1,3)
Japanese Yen	15,6	1,3	1,4	0,1
US Dollar	47,6	377,1	370,2	(6,9)
		587,1	566,7	(20,4)
Exports*				
Euro	0,8	8,4	7,9	0,5
US Dollar	2,9	22,3	22,5	(0,2)
		30,7	30,4	0,3
June 2009				
Imports*				
Swiss Franc	0,6	5,5	4,7	(0,8)
Euro	7,9	94,9	87,8	(7,1)
Pound Sterling	1,8	26,4	23,3	(3,1)
Japanese Yen	20,4	1,8	1,7	(0,1)
US Dollar	46,9	417,6	369,6	(48,0)
Swedish Kronor	0,3	0,5	0,4	(0,1)
		546,7	487,5	(59,2)
Exports*				
Euro	0,1	0,6	0,5	0,1
US Dollar	1,5	12,4	11,7	0,7
		13,0	12,2	0,8

** Includes forward exchange contracts that represent imports and exports being managed on a net basis.*

Definitions

Marked-to-market value – Foreign notional amount translated at the market forward rate at 30 June.

Forward cover value – Foreign notional amount translated at the contracted rate.

Other disclosures *continued*

36. FINANCIAL RISK MANAGEMENT continued

36.3 Foreign currency risk continued

The maturity profiles of the foreign exchange contracts at year-end (including those contracts for which the underlying transactions were recorded but payment not reflected by year-end) are summarised as follows

	Marked-to-market value	
	2010 **R'million**	2009 R'million
July	**206,2**	229,4
August	**105,7**	119,5
September	**72,8**	54,4
October	**64,8**	22,9
November	**48,4**	16,9
December	**15,0**	16,0
January	**17,1**	8,9
February	**4,3**	4,8
March	**1,1**	0,9
April	**0,9**	1,6
May	**—**	0,2
	536,3	475,5

Exposure to currency risk

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the South African Rand against all other currencies, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the South African Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Kenyan Shilling, Pound Sterling, Australian Dollar, Venezuelan Bolivares Fuertes and Tanzanian Shilling. The analysis considers the impact of changes in foreign exchange rates on profit or loss, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to a direct debit to equity of R14,8 million at 30 June 2010 (2009: R396,3 million).

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2009.

36. FINANCIAL RISK MANAGEMENT continued

36.3 Foreign currency risk continued

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

	Change in exchange rate %	Weakening in functional currency 2010 R'million	2009 R'million
Denominated : Functional currency			
South African Rand : US Dollar	10	(55,4)	(35,2)
South African Rand : Euro	10	(20,4)	(12,0)
South African Rand : Pound Sterling	10	0,3	(3,0)
US Dollar : Pound Sterling	10	15,4	14,0
US Dollar : Australian Dollar	10	4,3	6,5
US Dollar : Euro	10	23,8	—
Brazilian Real : US Dollar	10	(2,7)	(16,3)
Tanzanian Shilling : US Dollar	10	(2,2)	(3,7)
Tanzanian Shilling : Kenyan Shilling	10	(0,9)	(2,4)
Mexican Peso : US Dollar	10	3,5	(2,0)
Other exposures	10	4,0	(10,4)
		(30,3)	(64,5)

A 10% strengthening in the South African Rand against the above currencies at 30 June would have the equal but opposite effect on profit before tax, on the basis that all other variables remain constant.

The following significant exchange rates against the South African Rand applied at year-end

	Spot rate 2010	Spot rate 2009	Average rate 2010	Average rate 2009
Australian Dollar	6,42	6,25	6,71	6,52
Brazilian Real	4,25	3,99	4,21	4,30
Euro	9,42	10,92	10,53	12,09
Kenyan Shilling (inverse)	10,70	9,86	10,12	8,65
Mexican Peso	0,60	0,59	0,59	0,69
Pound Sterling	11,48	12,76	11,98	14,11
Tanzanian Shilling (inverse)	192,00	168,42	178,25	142,87
US Dollar	7,66	7,78	7,60	8,90

36.4 Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis. The debt of the Group is structured on a combination of floating and fixed interest rates. The benefits of fixing or capping interest rates on the Group's various financing activities are considered on a case-by-case and project-by-project basis, taking the specific and overall risk profile into consideration.

Other disclosures *continued*

36. FINANCIAL RISK MANAGEMENT continued

36.4 Interest rate risk continued

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows

	Carrying value 2010 R'million	Carrying value 2009 R'million
Variable rate instruments		
Financial assets	(1 786,3)	(1 402,5)
Financial liabilities	3 474,4	2 928,5
Variable rate exposure	1 688,1	1 526,0
Fixed rate instruments		
Financial assets	(1 013,8)	(325,8)
Financial liabilities	2 921,7	3 567,8
Fixed rate exposure	1 907,9	3 242,0
Interest profile (variable : fixed rate as a percentage of total interest-bearing)	47:53	32:68

The following interest rate derivative contracts were in place at 30 June 2010

Interest rate swaps

The Group has entered into interest rate swaps to hedge the cash flow interest rate risk of certain non-current borrowing amounts. Details of the pay fixed rate, receive floating rate swaps are

	Contract amount R'million	Fixed interest rate %	Expiry date	Fair value losses R'million
US Dollar – Loan A	1 720,8	6,11% (3-month US Dollar LIBOR)	10 October 2013	81,7
US Dollar – Loan B	995,3	6,11% (3-month US Dollar LIBOR)	10 April 2012	36,7
South African Rand	525,0	8,33% (3-month JIBAR)	23 December 2010	4,6
	3 241,1			123,0

The above interest rate swaps were designated in cash flow hedge relationships. The nature of the risks being hedged (interest rate risk) is the variability of the quarterly interest payments on the hedged loans, attributable to movements in the three-month US Dollar LIBOR rate and the three-month JIBAR rate respectively. Gains and losses recognised in the hedging reserve in equity at 30 June 2010 will be continuously released to the statement of comprehensive income as the interest (finance costs) on the hedged loan is recognised in the statement of comprehensive income.

The interest rate swap taken out in respect of the US Dollar – Loan B was settled on 13 July 2010. The net outflow resulting from settlement of this interest rate swap was USD3,9 million.

The maturity profile of gross contract amounts for the US Dollar – Loan A interest rate swap, as well as the South African Rand interest rate swap at 30 June 2010, were all between one and five years.

Interest rate sensitivity

The Group is exposed mainly to fluctuations in the following market interest rates: US Dollar LIBOR, JIBAR, Brazilian prime rate and the Stanbic reference rates. Changes in market interest rates affect the interest income and expense of floating rate financial instruments. Changes in market interest rates affect profit or loss only in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

An increase of 100 basis points in interest rates at 30 June would have decreased profit before tax by R16,9 million in 2010 and R15,3 million in 2009. A decrease of 100 basis points will have an equal and opposite effect on profit before tax. Changes in market interest rates also affect equity (hedging reserve) through the impact of such changes on the fair values of the interest rate swaps designated in effective hedge relationships and the extent of the hedge effectiveness. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase of 1% in the yield curve at 30 June 2010 would result in a decrease of R33,0 million (2009: R60,6 million) in the fair value of the derivative liability in the statement of comprehensive income. A decrease of 1% in the yield curve would result in an increase in the derivative liability of R33,0 million (2009: R60,7 million).

36. FINANCIAL RISK MANAGEMENT continued

36.5 Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Group finances its operations through a mixture of retained income, short-term and long-term bank funding. Adequate banking facilities and reserve borrowing capacities are maintained. The Group is in compliance with all of the financial covenants in its loan documents. The Group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 18 for more detail.

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

The following are the undiscounted contractual maturities of financial assets and liabilities

	Undiscounted cash flows			
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2010				
Financial assets				
Other non-current financial receivables	—	5,4	39,1	44,5
Trade and other receivables (financial instruments only)	—	2 139,5	—	2 139,5
Cash and cash equivalents	1 513,5	1 426,3	—	2 939,8
Cash restricted for use	—	21,8	—	21,8
Total financial assets (A)	1 513,5	3 593,0	39,1	5 145,6
Financial liabilities				
Preference shares – liability component	—	(27,1)	(404,0)	(431,1)
Secured loans	—	(1 209,0)	(2 152,7)	(3 361,7)
Unsecured loans	(1 446,3)	(53,7)	(262,9)	(1 762,9)
Finance lease and instalment credit liabilities	—	(11,2)	(4,0)	(15,2)
Bank overdrafts	(1 127,1)	—	—	(1 127,1)
Trade and other payables (financial instruments only)	—	(1 551,0)	—	(1 551,0)
Forward exchange contracts (gross settled)*	—	(20,2)	—	(20,2)
Gross cash inflows	—	536,3	—	536,3
Gross cash outflows	—	(556,5)	—	(556,5)
Interest rate swaps (net settled)	—	(41,4)	(81,6)	(123,0)
Total financial liabilities (B)	(2 573,4)	(2 913,6)	(2 905,2)	(8 392,2)
Net exposure before financial guarantees (A+B)	(1 059,9)	679,4	(2 866,1)	(3 246,6)
Non-derivative financial liabilities – financial guarantees	—	(914,0)	(1 960,9)	(2 874,9)
Net exposure after financial guarantees	(1 059,9)	(234,6)	(4 827,0)	(6 121,5)

** For the purpose of the above table foreign currency cash (in)/outflows was translated into South African Rand using the relevant forward rates.*

Other disclosures *continued*

36. FINANCIAL RISK MANAGEMENT continued

36.5 Liquidity risk continued

	Undiscounted cash flows			
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2009				
Financial assets				
Other non-current financial receivables	—	1,5	4,6	6,1
Trade and other receivables (financial instruments only)	—	1 776,1	—	1 776,1
Cash and cash equivalents	1 461,9	603,4	—	2 065,3
Total financial assets (A)	1 461,9	2 381,0	4,6	3 847,5
Financial liabilities				
Preference shares – liability component	—	(29,8)	(436,5)	(466,3)
Secured loans	—	(303,3)	(3 223,0)	(3 526,3)
Unsecured loans	(1 606,1)	—	(729,1)	(2 335,2)
Finance lease and instalment credit liabilities	—	(18,5)	(13,0)	(31,5)
Bank overdrafts	(742,4)	—	—	(742,4)
Deferred-payables – deferred earn-out consideration	—	(0,7)	—	(0,7)
Trade and other payables (financial instruments only)	—	(1 084,1)	—	(1 084,1)
Forward exchange contracts (gross settled)*	—	(58,4)	—	(58,4)
Gross cash inflows	—	475,3	—	475,3
Gross cash outflows	—	(533,7)	—	(533,7)
Interest rate swaps (net settled)	—	—	(120,0)	(120,0)
Total financial liabilities (B)	(2 348,5)	(1 494,8)	(4 521,6)	(8 364,9)
Net exposure before financial guarantees (A+B)	(886,6)	886,2	(4 517,0)	(4 517,4)
Non-derivative financial liabilities – financial guarantees	—	(319,4)	(2 778,6)	(3 098,0)
Net exposure after financial guarantees	(886,6)	566,8	(7 295,6)	(7 615,4)

** For the purpose of the above table foreign currency cash (in)/outflows was translated into South African Rand using the relevant forward rates.*

36. FINANCIAL RISK MANAGEMENT continued

36.6 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by the application of credit approvals, limits and monitoring procedures. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary Boards.

Credit risk primarily arises from trade and other receivables, other non-current financial receivables, derivative financial instruments, cash restricted for use and cash and cash equivalents. The Group's maximum exposure to credit risk is represented by the carrying amount of these financial assets, with the exception of financial guarantees granted by the Group for which the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantees are called on.

Trade and other receivables

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations on the financial condition of customers are performed and where appropriate credit guarantee insurance cover is purchased. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. The only significant concentration of credit risk relates to an amount of R331,1 million (2009: R200,3 million) owing by the South African government. This balance constitutes 17,2% (2009: 13,3%) of the total gross trade receivables. There is no other single customer representing more than 10% of total gross trade receivables for the years ended 30 June 2010 and 2009. For the year ended 30 June 2010, sales of the Global Brands made up 13,8% of the Group's total revenue. During the transition period the business is managed by the GSK Group and comprises sales in approximately 100 territories. The risk profile changes once the distribution arrangements for the Global Brands are transitioned to the Aspen network. This transition will occur on a phased basis over the next two years.

The Group has made allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 95% of the trade receivables balance relates to customers that have a long-standing insurable history with the Group and there has been no default on payments.

Impairment losses are recorded in the allowance account for losses until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset.

The risk profiles listed below reflect the different markets that the Group services. These markets have different payments patterns, risk profiles and insurance risks.

	2010 R'million	2009 R'million
Risk profile of gross trade receivables		
Private sector debtors	1 029,9	1 145,2
Public sector debtors	395,1	252,6
Export debtors	490,5	110,7
Sundry debtors	8,6	2,7
	1 924,1	1 511,2

Cash and cash equivalents and derivative financial instruments

Treasury counterparties consist of a diversified group of prime financial institutions. Cash balances are placed and derivative financial instruments are entered into with different financial institutions to minimise risk. The Group does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All cash balances and derivative financial instruments are held with highly reputable banks having been rated by Fitch at AA+ or higher on a long-term basis.

Other financial assets

The recoverability of other non-current financial receivables is monitored as appropriate.

Other disclosures *continued*

36. FINANCIAL RISK MANAGEMENT continued

36.7 Capital risk disclosures

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, more specifically non-current and current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, non-distributable reserves, preference shares and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Group will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Group's approach to capital management during the year. The gearing ratio has improved since the prior year from 52% to 24%. This was mainly due to the issue of shares in respect of the GSK transactions and the reduction in borrowings resulting from strong operating cash flows.

In terms of the Group's funding arrangements with its lenders, the Group is subject to the following financial covenants:

(a) Group covenants

- The capacity to increase interest-bearing debt is restricted to three times Group earnings before interest, tax, depreciation and amortisation.
- Group net finance charges will be covered by Group earnings before interest, tax, depreciation and amortisation by at least three times.
- Total shareholders' equity will not be less than R3,5 billion.

(b) Aspen Global covenants

- The capacity to increase interest-bearing debt is restricted to 4,5 times earnings before interest, tax, depreciation and amortisation.
- Aspen Global net finance charges will be covered by earnings before interest, tax, depreciation and amortisation by at least three times.
- On an annual basis the cumulative debt service cover ratio will not be less than 1,4 times. Cumulative debt service cover ratio is defined as free cash flows plus opening cash divided by the aggregate payment of capital plus interest.

The Group is entitled to make distributions to its shareholders provided that the lenders of the US Dollar term loan are satisfied, acting reasonably, that specified covenants will be met for a period of 12 months after such a distribution.

At 30 June 2010, all the above covenants were complied with.

37. ACQUISITIONS

GSK transactions

The Group concluded a series of interdependent transactions with GSK in the reporting period to promote its strategic objectives in South Africa, SSA and internationally. These transactions have been accounted for as a business combination in terms of IFRS 3 revised.

The effective date of the transactions was 1 December 2009.

The acquisitions being:

> the acquisition of the rights by Pharmacare Ltd to distribute GSK's pharmaceutical products in South Africa;

> the formation of a collaboration between Pharmacare Ltd and GSK in relation to the marketing and selling of prescription pharmaceuticals in SSA;

> the acquisition by Aspen Global of eight specialist branded products for worldwide distribution; and

> the acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany.

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

	2010 R'million
Cost of the acquisition	
Shares issued	4 575,8
Fair value of assets acquired	(4 514,2)
Goodwill	61,6
Fair value of assets and liabilities acquired in businesses	
Property, plant and equipment	402,9
Intangible assets	4 054,9
Deferred tax assets	7,4
Inventories	234,8
Cash and cash equivalents	33,4
Deferred revenue	(171,6)
Retirement benefit obligations	(3,1)
Trade and other payables	(44,5)
Fair value of assets acquired	4 514,2
Goodwill acquired	61,6
Purchase consideration	4 575,8
Shares issued to GSK	(4 575,8)
Cash consideration paid	—

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

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

Goodwill

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

Other disclosures *continued*

38. RELATED PARTY TRANSACTIONS

Transactions with shareholders

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

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 23 of the Company financial statements for a detailed list of subsidiaries and joint ventures and their balances. None of the balances are secured.

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:

David Nurek, a non-executive director of Aspen, holds an executive position with Investec Bank Ltd. At year-end, the Group had facilities of R315 million (2009: R325 million) with Investec Bank Ltd, none of which were utilised at year-end.

David is also the non-executive Chairman of Clicks Group Ltd, which is a key account customer for the Group.

All transactions between the Group, Investec Ltd and Clicks Group Ltd are done on an arms-length basis, and David has not had any direct dealings in these transactions.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates and provides legal services to the Group.

The following material transactions were carried out with the aforementioned related parties

	2010		2009	
	Transaction R'million	Balance owing R'million	Transaction R'million	Balance owing R'million
Interest received from Investec Bank Ltd	—	—	0,2	—
Interest paid to Investec Bank Ltd	1,9	—	13,9	—
Legal fees paid to Chris Mortimer & Associates	3,3	0,4	4,0	0,2
Sales to Clicks Group Ltd	57,7	8,5	47,6	9,1
	62,9	8,9	65,7	9,3

Directors' remuneration is disclosed in note 27.

38. RELATED PARTY TRANSACTIONS continued

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

	2010 R'million	2009 R'million
Short-term employee benefits	38,8	33,2
Post-employment benefits	1,6	—
Gains on shares exercised	1,7	1,1
Total key management remuneration paid	42,1	34,3
Number of employees included above	32	23

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

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 value of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the Group's total carrying value of goodwill or intangible assets with indefinite useful lives.

The Group tests goodwill and indefinite useful life intangible assets annually for impairment, or more frequently if there are any indications that the goodwill or the indefinite useful life intangible assets might be impaired.

The recoverable amount of cash generating units is determined as the lower of value in use and fair value less costs to sell. Goodwill and intangible assets with indefinite useful lives were tested for impairment by comparing the recoverable amount based on value in use of the cash generating unit to the carrying value.

Value in use

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering periods between 4 and 10 years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are post-tax based on assessment of the current risks applicable to the specific entity and country in which it operates. Discounting post-tax cash flows at a post-tax discount rate yields the same result as the discounting pre-tax cash flows at a pre-tax discount rate.

Management determines the expected performance of the assets 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 budgets and forecasts take into account the long-term average rates of the industry in which the cash generating unit is operating. Estimations are based on a number of key assumptions such as volume, price, product mix which will create a basis for future growth and gross margin. These assumptions are set in relation to historic figures and external reports on market growth. If necessary, these cash flows are then adjusted to take into account any changes in assumptions or operating conditions that have been identified subsequent to the preparation of the budgets.

The weighted average cost of capital rate is derived from a pricing model based on credit risk and the cost of the debt. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter.

Other disclosures *continued*

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS *continued*

	2010 R'million	2009 R'million
Goodwill		
The carrying value of goodwill can be split as follows		
FCC	188,2	188,7
Shelys	134,0	134,0
Tanzanian business	68,4	68,4
Kenyan business	65,6	65,6
GSK transactions – allocated to Pharmacare Ltd*	61,6	—
Other	72,3	75,7
Carrying value of goodwill	456,1	398,4

** This amount has been tested for impairment as part of the at acquisition calculations. Refer to note 37 for detail on the acquisition.*

Key assumptions on the impairment test for significant goodwill balances were as follows

Assumption	FCC	Tanzanian business	Kenyan business
Carrying value of goodwill	188,2	68,4	65,6
Period covered by forecasts and budgets	5 years	10 years	10 years
Growth in turnover (% per annum)	Ranging between 5% and 31%	Ranging between 9% and 21%	Ranging between 8% and 51%
Gross profit (% per annum)	Varying between 28% and 39%	Varying between 41% and 51%	Varying between 43% and 52%
Annual capital expenditure (R'million per annum)	Ranging between R35 million and R89 million	Ranging between R3 million and R6 million	Ranging between R3 million and R8 million
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	5%	2%	5%
Annual pre-tax discount rate applied to cash flows (% per annum)	21%	23%	26%

The periods covered by forecasts and budgets exceeded 5 years for both the Tanzanian and Kenyan businesses to better reflect the expected introduction schedule and growth of new products into the East African market over the medium term.

Based on the calculations no impairment was needed for any amount of goodwill.

	2010 R'million	2009 R'million
Intangible assets with indefinite useful lives		
The carrying value of indefinite useful life intangible assets can be split as follows		
ELIZ products#	2 592,3	2 635,6
Specialist Global Brands^	2 016,7	—
Other	724,5	189,5
Carrying value of indefinite useful life intangible assets	5 333,5	2 825,1

Key assumptions on the impairment tests for significant indefinite useful life intangible assets were as follows

Assumption	ELIZ products#	Specialist^ Global Brands
Carrying value of intangible assets	2 592,3	2 016,7
Period covered by forecasts and budgets	10 years	10 years
Growth in turnover (% per annum)	Ranging between 0% and 5%	Ranging between (1%) and 5%
Gross profit (% per annum)	Average of 57%	Average ranging between 47% and 60%
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	(5%)	(5%)
Annual pre-tax discount rate applied to cash flows (% per annum)	12%	12%

Management has used a forecast period greater than five years to better reflect the impact of a gradual slowing in growth over the medium term.

Based on the calculations no impairment was needed for these indefinite useful life intangible assets.

#Eltroxin, Lenoxin, Imuran and Zyloric.
^Alkeran, Lanvis, Leukeran, Myleran, Purithenol, Kemadrin, Septrin and Trandate.

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HOLDINGS

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Company statement of financial position

at 30 June 2010

	Notes	2010 R'million	2009 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**4,2**	2,1
Intangible assets	2	**217,0**	224,8
Investments in subsidiaries	3	**9 468,7**	4 613,7
Other non-current financial receivables	4	**1,7**	3,3
Deferred tax assets	5	**29,4**	12,9
Total non-current assets		**9 721,0**	4 856,8
Current assets			
Receivables and prepayments	6	**5,5**	23,6
Amounts due by Group companies	3	**113,4**	102,9
Cash and cash equivalents	7	**902,1**	814,2
Total current assets		**1 021,0**	940,7
Total assets		**10 742,0**	5 797,5
SHAREHOLDERS' EQUITY			
Share capital and share premium	8	**5 439,9**	699,9
Hedging reserve		**146,5**	146,5
Share-based compensation reserve		**42,7**	53,4
Retained income		**4 079,4**	3 857,3
Ordinary shareholders' equity		**9 708,5**	4 757,1
Equity component of preference shares	9	**162,0**	162,0
Total shareholders' equity		**9 870,5**	4 919,1
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	9	**386,6**	392,2
Total non-current liabilities		**386,6**	392,2
Current liabilities			
Other payables	10	**148,2**	119,4
Borrowings	11	**4,5**	—
Current tax liabilities		**22,5**	29,2
Amounts due to Group companies	3	**309,7**	337,6
Total current liabilities		**484,9**	486,2
Total liabilities		**871,5**	878,4
Total equity and liabilities		**10 742,0**	5 797,5

Company statement of comprehensive income

for the year ended 30 June 2010

	Notes	2010 R'million	2009 R'million
Revenue	12	157,3	153,9
Administrative expenses		(86,9)	(66,1)
Other operating income		168,9	181,2
Other operating expenses		(73,1)	(55,6)
Operating profit	13	166,2	213,4
Investment income	16	118,6	2 735,5
Financing costs	17	(22,8)	(30,7)
Profit before tax		262,0	2 918,2
Tax	18	(48,6)	(61,6)
Profit for the year		213,4	2 856,6

There are no other comprehensive income adjustments, therefore profit for the year equals total comprehensive income.

Company statement of changes in equity

for the year ended 30 June 2010

	Share capital R'million	Share premium R'million	Hedging reserve R'million	Share-based compensation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total R'million
Balance at 30 June 2008	54,4	559,4	146,5	62,6	2 143,7	162,0	3 128,6
Profit for the year	—	—	—	—	2 856,6	—	2 856,6
Issue of ordinary share capital	1,2	90,3	—	—	—	—	91,5
Shares issued – share schemes	0,2	91,3	—	—	—	—	91,5
Capitalisation issue	1,0	(1,0)	—	—	—	—	—
Treasury shares cancelled	(5,4)	—	—	—	(1 194,1)	—	(1 199,5)
Share options and appreciation rights expensed	—	—	—	28,4	—	—	28,4
Transfer from share-based compensation reserve	—	—	—	(37,6)	37,6	—	—
Equity portion of tax claims in respect of share schemes	—	—	—	—	13,5	—	13,5
Balance at 30 June 2009	50,2	649,7	146,5	53,4	3 857,3	162,0	4 919,1
Profit for the year	—	—	—	—	**213,4**	—	**213,4**
Issue of ordinary share capital	**9,9**	**4 730,2**	—	—	—	—	**4 740,1**
Shares issued – share schemes	**0,3**	**164,0**	—	—	—	—	**164,3**
Shares issued – GSK transactions	**9,6**	**4 566,2**	—	—	—	—	**4 575,8**
Treasury shares cancelled	**(0,1)**	—	—	—	**(42,5)**	—	**(42,6)**
Share options and appreciation rights expensed (including deferred incentive bonus)	—	—	—	**25,4**	—	—	**25,4**
Transfer from share-based compensation reserve	—	—	—	**(36,1)**	**36,1**	—	—
Equity portion of tax claims in respect of share schemes	—	—	—	—	**15,1**	—	**15,1**
Balance at 30 June 2010	**60,0**	**5 379,9**	**146,5**	**42,7**	**4 079,4**	**162,0**	**9 870,5**

Company statement of cash flows

for the year ended 30 June 2010

	Notes	2010 R'million	2009 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	A	218,4	(906,9)
Financing costs paid	B	(28,4)	(39,3)
Investment income received	C	118,6	2 735,5
Tax paid	D	(55,0)	(62,1)
Cash generated from operating activities		253,6	1 727,2
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		(2,7)	(0,5)
Replacement		(1,8)	(0,2)
Expansion		(0,9)	(0,3)
Expansion capital expenditure – intangible assets		(27,0)	(8,1)
Decrease in non-current financial receivables		1,6	1,4
Increase in investments in subsidiaries		(4 842,7)	(1 594,1)
Movement in amounts due by Group companies		(10,5)	(28,3)
Cash used in investing activities		(4 881,3)	(1 629,6)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		4 739,1	90,6
Treasury shares cancelled		(0,1)	(5,4)
Movement in amounts due to Group companies		(27,9)	(8,5)
Cash generated from financing activities		4 711,1	76,7
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		83,4	174,3
Cash and cash equivalents at the beginning of the year	E	814,2	639,9
Cash and cash equivalents at the end of the year		897,6	814,2

Company notes to the statement of cash flows

for the year ended 30 June 2010

		2010 R'million	2009 R'million
A.	**CASH GENERATED FROM/(USED IN) OPERATIONS**		
	Operating profit	166,2	213,4
	Amortisation of intangible assets	27,3	36,3
	Depreciation of property, plant and equipment	0,6	0,6
	Impairment charges	14,9	13,6
	Reversal of impairment losses	—	(0,1)
	Share-based payment expense – employees (including equity and cash-settled deferred incentive bonus)	7,7	6,4
	Treasury shares cancelled	(42,5)	(1 194,1)
	Other non-cash items	(1,8)	—
	Cash operating profit/(loss)	172,4	(923,9)
	Working capital movements	46,0	17,0
	Decrease in receivables and prepayments	18,1	5,2
	Increase in other payables	27,9	11,8
		218,4	(906,9)
B.	**FINANCING COSTS PAID**		
	Interest paid	(0,1)	—
	Preference share dividends paid – liability component	(27,9)	(38,3)
	Net foreign exchange losses	(0,4)	(1,0)
		(28,4)	(39,3)
C.	**INVESTMENT INCOME RECEIVED**		
	Dividends received from subsidiaries and joint ventures	70,5	2 665,6
	Interest received	48,1	69,9
		118,6	2 735,5
D.	**TAX PAID**		
	Amounts owing at the beginning of the year	(29,2)	(24,2)
	Tax charged to the statement of comprehensive income (excluding deferred tax)	(50,2)	(67,8)
	Tax claims credited to equity in respect of share schemes	1,9	0,7
	Amounts owing at the end of the year	22,5	29,2
		(55,0)	(62,1)
E.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents per the statement of financial position	902,1	814,2
	Less: Bank overdrafts	(4,5)	—
	Cash and cash equivalents per the statement of cash flows	897,6	814,2

Notes to the Company annual financial statements
for the year ended 30 June 2010

1. PROPERTY, PLANT AND EQUIPMENT

2010	Buildings (leased)* R'million	Plant and equipment (owned) R'million	Computer equipment (owned) R'million	Office equipment and furniture (owned) R'million	Total R'million
Carrying value					
Cost	1,2	0,3	4,3	2,2	8,0
Accumulated depreciation	(0,5)	(0,1)	(2,3)	(0,9)	(3,8)
Carrying value at the end of the year	0,7	0,2	2,0	1,3	4,2
Movement in property, plant and equipment					
Carrying value at the beginning of the year	0,4	0,2	0,5	1,0	2,1
Additions – expansion	0,5	—	—	0,4	0,9
Additions – replacement	—	—	1,7	0,1	1,8
Depreciation	(0,2)	—	(0,2)	(0,2)	(0,6)
Carrying value at the end of the year	0,7	0,2	2,0	1,3	4,2
2009					
Carrying value					
Cost	0,7	0,3	2,6	1,7	5,3
Accumulated depreciation	(0,3)	(0,1)	(2,1)	(0,7)	(3,2)
Carrying value at the end of the year	0,4	0,2	0,5	1,0	2,1
Movement in property, plant and equipment					
Carrying value at the beginning of the year	0,5	0,3	0,7	0,7	2,2
Additions – expansion	—	—	—	0,3	0,3
Additions – replacement	—	—	0,1	0,1	0,2
Depreciation	(0,1)	(0,1)	(0,3)	(0,1)	(0,6)
Carrying value at the end of the year	0,4	0,2	0,5	1,0	2,1
2008					
Carrying value					
Cost	0,7	0,3	2,5	1,3	4,8
Accumulated depreciation	(0,2)	—	(1,8)	(0,6)	(2,6)
Carrying value at the end of the year	0,5	0,3	0,7	0,7	2,2

** All these amounts comprise leasehold improvements on leased buildings.*

Security

No item of property, plant and equipment was pledged or committed as security for any debt.

Capital commitments

Capital commitments include all projects for which specific Board approvals have been obtained up to the reporting date.

The Company had no capital commitments at year-end, for which specific Board approvals were obtained.

Funding

Future capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities.

2. INTANGIBLE ASSETS

2010	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
Carrying value				
Cost	**932,6**	**57,8**	**1,6**	**992,0**
Accumulated amortisation	**(694,2)**	**(57,8)**	**(0,5)**	**(752,5)**
Accumulated impairment losses	**(22,5)**	**—**	**—**	**(22,5)**
Carrying value at the end of the year	**215,9**	**—**	**1,1**	**217,0**
Movement in intangible assets				
Carrying value at the beginning of the year	**215,4**	**8,1**	**1,3**	**224,8**
Additions – expansion	**26,8**	**—**	**0,2**	**27,0**
Amortisation	**(18,8)**	**(8,1)**	**(0,4)**	**(27,3)**
Impairment	**(7,5)**	**—**	**—**	**(7,5)**
Carrying value at the end of the year	**215,9**	**—**	**1,1**	**217,0**
2009				
Carrying value				
Cost	905,8	57,8	1,4	965,0
Accumulated amortisation	(675,4)	(49,7)	(0,1)	(725,2)
Accumulated impairment losses	(15,0)	—	—	(15,0)
Carrying value at the end of the year	215,4	8,1	1,3	224,8
Movement in intangible assets				
Carrying value at the beginning of the year	245,0	20,3	1,2	266,5
Additions – expansion	8,0	—	0,1	8,1
Amortisation	(24,1)	(12,2)	—	(36,3)
Impairment	(13,6)	—	—	(13,6)
Reversal of impairment	0,1	—	—	0,1
Carrying value at the end of the year	215,4	8,1	1,3	224,8
2008				
Carrying value				
Cost	897,7	57,8	1,3	956,8
Accumulated amortisation	(651,3)	(37,5)	(0,1)	(688,9)
Accumulated impairment losses	(1,4)	—	—	(1,4)
Carrying value at the end of the year	245,0	20,3	1,2	266,5

All intangible assets were acquired from third parties.

2. INTANGIBLE ASSETS continued

	2010 R'million	2009 R'million
Indefinite useful life in intangible assets		
An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the intangible asset is expected to generate inflows for the Company.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	141,2	118,9

Intellectual property which is classified as an indefinite useful life intangible asset, will reflect a historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base, where such intangible assets constitutes a new acquisition, a projected trend of future positive growth must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible asset's base;
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset; and
- its estimated indefinite life cycle and hence future growth prospects for the intangible asset.

3. INVESTMENTS IN SUBSIDIARIES

	2010 R'million	2009 R'million
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	9 468,7	4 613,7
Reflected as current assets		
Amounts due by Group companies	113,4	102,9
Reflected as current liabilities		
Amounts due to Group companies	(309,7)	(337,6)
Net investments in subsidiaries	9 272,4	4 379,0

For further details of interests in subsidiaries please refer to page 240.

4. OTHER NON-CURRENT FINANCIAL RECEIVABLES

	2010 R'million	2009 R'million
Avid Brands SA (Pty) Ltd	3,2	4,8
Current portion included in other receivables	(1,5)	(1,5)
	1,7	3,3
An agreement was entered into with Avid Brands SA (Pty) Ltd, in terms of which the Company disposed of certain intellectual property. The repayment profile is set out below		
Year ended 30 June 2010	—	1,5
Year ending 30 June 2011	1,5	1,6
Year ending 30 June 2012	1,7	1,7
	3,2	4,8

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime overdraft rate less 1%.

Management considers the credit risk associated with these financial receivables to be low as there has been no default on these payments.

The Company holds no collateral over this financial receivable.

Notes to the Company annual financial statements

for the year ended 30 June 2010 *continued*

	2010 R'million	2009 R'million
5. DEFERRED TAX		
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.		
Deferred tax balance		
Deferred tax liabilities – opening balance	—	6,1
Deferred tax assets – opening balance	(12,9)	—
Deferred tax (assets)/liabilities – opening balance	(12,9)	6,1
Statement of comprehensive income charge	(3,4)	(6,2)
Charged to equity	(13,1)	(12,8)
Balance at the end of the year	(29,4)	(12,9)
The statement of comprehensive income charge comprises		
Intangible assets	(3,1)	(5,7)
Leave pay	(0,3)	(0,2)
Royalties received in advance	(0,6)	(0,2)
Preference shares issued	1,6	2,8
Tax claims in respect of share incentive schemes	(1,2)	(2,7)
Other	0,2	(0,2)
Statement of comprehensive income charge	(3,4)	(6,2)
Deferred tax asset comprises		
Property, plant and equipment	0,2	0,2
Intangible assets	33,8	36,9
Leave pay	(0,9)	(0,6)
Royalties received in advance	(22,3)	(21,7)
Preference shares issued	(2,7)	(4,3)
Tax claims in respect of share incentive schemes	(37,4)	(23,1)
Other	(0,1)	(0,3)
Balance at the end of the year	(29,4)	(12,9)

	2010 R'million	2009 R'million
6. RECEIVABLES AND PREPAYMENTS		
Financial instruments		
Current portion of other non-current financial receivables	**1,5**	1,5
Interest accrued	**3,2**	4,2
Other	**0,5**	0,5
Total financial instruments	**5,2**	6,2
Non-financial instruments		
Prepayments	**0,3**	0,3
Formule Naturelle (Pty) Ltd deferred-receivable (contingent consideration)	**—**	17,1*
Total non-financial instruments	**0,3**	17,4
Total receivables and prepayments	**5,5**	23,6

** At 30 June 2009, this amount was recorded as a deferred-receivable and arose following the disposal of the Company's 80% interest in Formule Naturelle (Pty) Ltd, being an amount which was estimated to be received from the purchaser in terms of a contractual earn-out formula. During 2010, the Company entered into a conditional agreement to repurchase its 80% interest in Formule Naturelle (Pty) Ltd. The suspensive conditions were fulfilled subsequent to year-end and the transaction became effective on 1 July 2010. The repurchase price was lower than the original transaction by R17,1 million and this amount, was impaired in full in the current year.*

All receivables and prepayments (financial instruments only) are classified as fully performing.

The credit quality of receivables and prepayments is considered to be satisfactory.

All receivables and prepayments are non-interest bearing, except the current portion of other non-current financial receivables that bears interest at a floating rate of the South African prime overdraft rate less 1%. Refer to note 4 for more detail.

The Company holds no collateral over receivables and prepayments and no amounts were pledged as security for liabilities.

	2010 R'million	2009 R'million
Currency analysis of receivables and prepayments (financial instruments only)		
South African Rand	**2,9**	6,2
US Dollar	**2,3**	—
	5,2	6,2
7. CASH AND CASH EQUIVALENTS		
Bank balances	**902,1**	814,2

The average effective interest rate on bank balances was 4,7% (2009: 7,1%).

The maturity profile of the bank balances is less than one month.

All cash and cash equivalents are denominated in South African Rand.

Cash and cash equivalents are placed with high quality financial institutions.

Notes to the Company annual financial statements

for the year ended 30 June 2010 *continued*

	2010 R'million	2009 R'million
8. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
700 000 000 (2009: 700 000 000) ordinary shares of 13,90607 cents each	**97,3**	97,3
Issued		
431 610 738 (2009: 391 346 918) ordinary shares of 13,90607 cents each	**60,0**	50,2
Share premium	**5 379,9**	649,7
	5 439,9	699,9

	Million	Million
Shares in issue at the beginning of the year	**361,3**	391,3
Shares issued – share incentive schemes	**2,5**	2,0
Shares issued – GSK transactions	**68,5**	—
Shares issued – Workers' Share Plan*	**—**	—
Capitalisation issue	**—**	6,9
Treasury shares cancelled	**(0,7)**	(38,9)
Shares in issue at the end of the year	**431,6**	361,3

** In the current year 15 782 shares were issued (2009: 27 260 shares).*

The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.

All shares are fully paid up, and no amounts are outstanding in terms of shares issued during the year.

Reconciliation of share premium for Companies Act purposes

	2010 R'million	2009 R'million
Share premium under IFRS	**5 379,9**	649,7
Intangibles assets reinstated#	**19,3**	19,3
Ordinary shares issued in terms of BBBEE transaction – amount expensed	**(99,2)**	(99,2)
Share premium for the purposes of the Companies Act	**5 300,0**	569,8

#High Court approval received for the revocation of former special resolutions relating to the write-off of intangible assets against share premium.

	2010 R'million	2009 R'million
9. PREFERENCE SHARE CAPITAL		
Authorised		
17 600 000 (2009: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each	2,4	2,4
20 000 000 (2009: 20 000 000) non-redeemable, non-participating variable rate B preference shares of 13,90607 cents each	2,8	2,8
Issued		
17 600 000 (2009: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each, issued at R21,41 during June 2005	2,4	2,4
Share premium	374,4	374,4
	376,8	376,8

Rights attached to the A preference shares

Dividend rights

Preference share dividends are calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand 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 dividends rate was 7,2% at year-end (2009: 7,9%).

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

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 146 for more detail.

	2010 R'million	2009 R'million
Preference shares – equity component (per the statement of changes in equity)	162,0	162,0
Deferred tax effect	(8,7)	(8,7)
Net equity component	153,3	153,3
Preference shares – liability component (per the statement of financial position)	386,6	392,2
Amount expensed in 2005	(183,2)	(183,2)
Cumulative notional interest on liability component	20,1	14,5
Opening balance	14,5	4,6
Current year	5,6	9,9
	376,8	376,8

The fair value of the liability component of the preference shares is R386,9 million (2009: R392,5 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component was 10,0% (2009: 11,0%).

	2010 R'million	2009 R'million
10. OTHER PAYABLES		
Financial instruments		
Accrued expenses	7,7	10,3
Preference share dividends payable	29,5	1,6
Other	0,6	2,8
Total financial instruments	37,8	14,7
Non-financial instruments		
Indirect taxes	11,7	14,0
Leave pay	3,2	2,3
Bonuses	12,4	8,5
Royalties received in advance	79,6	77,3
Other	3,5	2,6
Total non-financial instruments	110,4	104,7
Total other payables	148,2	119,4
All other payables (financial instruments only) are not past their due dates, are non-interest bearing and are all denominated in South African Rand.		
11. BORROWINGS		
Current borrowings		
Bank overdrafts	4,5	—
Bank overdrafts bear interest at a floating rate of the South African prime overdraft rate less 1% and the average effective interest rate on bank overdrafts was 9,1%.		
Bank overdrafts are denominated in South African Rand.		
No security has been given for this amount.		
12. REVENUE		
Other revenue		
Royalties	157,3	153,9
13. OPERATING PROFIT		
Operating profit has been arrived at after crediting		
Reversal of impairment losses – intangible assets (included in other operating income)	—	0,1
Profit on share capital reduction – Aspen Pharmacare International Ltd	—	45,6
Profit on sale of Astrix Laboratories Ltd	—	91,4
Restructuring of intra-group loans	120,8	—
– Twincor Investments (Pty) Ltd	1,4	—
– Krok Brothers Holdings (Pty) Ltd	47,7	—
– Pharmacare Ltd	72,5*	—
– Aspen Pharmacare South Africa (Pty) Ltd	(0,8)	—

** This loan was owed by Twincor Investments (Pty) Ltd to Pharmacare Ltd. The balance was ceded from Pharmacare Ltd to the Company.*

	2010 R'million	2009 R'million
13. OPERATING PROFIT continued		
After charging		
Auditors' remuneration	4,1	4,3
Audit fees	3,9	3,2
– Current year	5,3	2,3
– Prior year (over)/under-provision	(1,4)	0,9
Other services – tax consulting	—	0,2
Other services – accounting consulting	—	0,7
Other services – commercial paper regulations	0,1	0,2
Impairment charges	14,9	13,6
Impairment of intangible assets (included in other operating expenses)	7,5	13,6
Write-down of investment in Krok Brothers Holdings (Pty) Ltd	2,2	—
Write-down of investment in Twincor Investments (Pty) Ltd	5,2	—
Repairs and maintenance expenditure on property, plant and equipment	0,2	0,3
Operating lease rentals	2,0	1,5
Land and buildings	2,0	1,3
Office equipment and furniture	—	0,2
Secretarial fees	0,2	0,2
14. EXPENSES BY NATURE		
Depreciation of property, plant and equipment	0,7	0,6
Amortisation of intangible assets	27,3	36,3
Impairment charges	14,9	13,6
Repairs and maintenance expenditure on property, plant and equipment	0,2	0,3
Personnel costs and other staff-related costs	49,1	33,3
Share trust contributions	14,0	5,6
Share-based payment expense – employees (including deferred incentive bonus)	7,7	6,4
Property costs	2,4	1,5
Other	43,7	24,1
	160,0	121,7
Classified as		
Administrative expenses	86,9	66,1
Other operating expenses	73,1	55,6
	160,0	121,7
15. DIRECTORS AND EMPLOYEES		
Staff costs		
Wages and salaries	41,4	29,4
Provident fund contributions – defined contribution plans	4,2	2,6
Medical aid contributions	0,6	0,8
Share-based payment expense – options and appreciation rights	5,4	6,4
Share-based payment expense – deferred incentive bonus	2,3	—
Other company contributions	0,5	0,5
	54,4	39,7

The total amount of staff costs is included in administrative expenses on the statement of comprehensive income.

The total number of full-time employees at year-end was 47 (2009: 36).

Refer to note 27 in the Group financial statements for directors paid by the Company.

Notes to the Company annual financial statements

for the year ended 30 June 2010 *continued*

	2010 R'million	2009 R'million
16. INVESTMENT INCOME		
Dividends received from subsidiaries and joint ventures	70,5	2 665,6
Interest received	48,1	69,9
Interest on bank balances	44,9	65,6
Interest from subsidiaries	2,4	4,0
Other	0,8	0,3
	118,6	2 735,5
17. FINANCING COSTS		
Interest paid	(0,1)	—
Preference shares dividends paid – liability component	(27,9)	(38,3)
Net foreign exchange losses	(0,4)	(1,0)
Notional interest income on financial instruments	5,6	8,6
	(22,8)	(30,7)
18. TAX		
Current tax – current year	47,4	60,0
Deferred tax – current year	(3,4)	(6,2)
Secondary tax on companies and other dividend taxes	2,8	3,6
Withholding tax	1,8	—
Capital gains tax	—	4,2
Total tax charge	48,6	61,6
	%	%
Reconciliation of the tax rate		
Effective tax rate	18,5	2,1
Capital and exempt income	7,5	26,9
Disallowable expenses	(8,3)	(0,8)
Non-deductible portion of share-based payment expense – employees (including deferred incentive bonus)	(0,8)	(0,1)
Non-deductible amortisation of intangible assets	(0,4)	—
Impairment of intangible assets	(0,7)	(0,1)
Other disallowable expenses	(6,4)	(0,6)
Restructuring of intra-group loans	12,9	—
Secondary tax on companies and other dividend taxes	(1,1)	(0,1)
Write-down of investments in subsidiaries	(0,8)	—
Withholding tax	(0,7)	—
Capital gains tax	—	(0,1)
Tax at the statutory rate	28,0	28,0

19. RELATED PARTY TRANSACTIONS

Transactions with shareholders

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

Intra-group transactions and balances

During the year, the Company entered into arm's-length transactions with other companies in the Group.

Refer to note 23 for a detailed list of subsidiaries, joint ventures and trusts and their balances.

None of the balances are secured.

	2010 R'million	2009 R'million
19. RELATED PARTY TRANSACTIONS continued		
The following intra-group transactions took place between Aspen Pharmacare Holdings Ltd and Group companies during the current year		
Royalties received in advance	157,3	153,9
Pharmacare Ltd	157,3	153,0
Aspen Nutritionals (Pty) Ltd	—	0,9
Administration fee received	27,9	22,8
Pharmacare Ltd	24,4	22,2
Beta Healthcare	0,8	—
FCC	0,6	0,6
Shelys Pharmaceuticals Ltd	2,1	—
Guarantee fee received – Aspen Global	18,5	19,7
Interest received on shareholders' loans	2,4	4,0
Beta Healthcare	0,4	0,7
Shelys Pharmaceuticals Ltd	2,0	3,3
Dividends received (and paid to the Company)	70,5	2 665,6
Aspen Pharmacare International Ltd	5,5	1 465,4
Brimpharm SA (Pty) Ltd	0,8	0,8
FCC	20,0	—
Pharmacare Ltd	42,6	1 199,4
SAD Overseas Ltd	1,6	—
Share capital reduction – Aspen Pharmacare International Ltd	—	271,1
Decrease in investment	—	225,5
Profit on share capital reduction	—	45,6
Proceeds on sale of Astrix Laboratories Ltd	—	324,3
Decrease in investment	—	232,9
Profit on sale	—	91,4
Expenses paid by the Company on behalf of Group companies	18,7	5,9
Aspen Europe GmbH	0,1	—
Aspen Global	—	5,9
Aspen Health Care FZ LLC	0,4	—
Aspen Labs	0,1	—
Pharmacare Ltd	18,1	—
Expenses paid by Group companies on behalf of the Company	(56,5)	22,9
Brimpharm SA (Pty) Ltd	(2,1)	—
Pharmacare Ltd	(54,4)	22,9
Repayments of outstanding amounts to the Company	(110,4)	—
Aspen Global	(17,4)	—
Beta Healthcare	(0,7)	—
FCC	(0,6)	—
Pharmacare Ltd	(88,6)	—
Shelys Pharmaceuticals International Ltd	(2,9)	—
Shelys Pharmaceuticals Ltd	(0,2)	—
Restructuring of loans to Group companies as part of deregistration process	48,3	—
Aspen Pharmacare South Africa (Pty) Ltd	(0,8)	—
Krok Brothers Holdings (Pty) Ltd	47,7	—
Twincor Investments (Pty) Ltd	1,4	—
Shareholders' loan to Shelys bearing interest at three-month LIBOR +a margin of 3%	73,6	74,0
Beta Healthcare	12,8	12,3
Shelys Pharmaceuticals International Ltd	60,8	61,7

	2010 R'million	2009 R'million
19. RELATED PARTY TRANSACTIONS continued		
Interest-free loan received from Pharmacare Ltd during the year	—	143,9
Other movements	(81,8)	(35,4)
Aspen Share Incentive Scheme (deferred incentive bonus contributions)	5,7	—
Aspen USA Inc. (receivable ceded by Aspen USA Inc. to the Company)	(3,4)	—
Brimpharm Australia Pty Ltd	2,4	0,2
Pharmacare Ltd*	(72,5)	—
Pharmacare Ltd (capitalisation issue)	—	(30,0)
Share trust contributions made by the Company to the share trusts	(14,0)	(5,6)

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 Company 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.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates and provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R0,9 million (2009: R1,2 million) and the balance outstanding at year-end was R0,4 million (2009: R0,2 million).

Transactions with key management personnel

Key management personnel consist of directors (including executive directors).

Key management personnel compensation consists of

	2010 R'million	2009 R'million
Short-term employee benefits	15,4	12,9
Post-employment benefits	1,0	0,8
Total key management remuneration paid	16,4	13,7
Number of employees included above	11	11

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

** This loan was owed by Twincor Investments (Pty) Ltd to Pharmacare Ltd. The balance was ceded from Pharmacare Ltd to the Company.*

	2010 R'million	2009 R'million
20. COMMITMENTS		
Operating lease commitments		
Land and buildings	7,8	9,4
The future minimum operating lease payments are as follows		
Less than one year	1,8	1,6
Between one and five years	6,0	7,8
	7,8	9,4

The lease for the Durban head office has a remaining term of four years with a five-year renewal option.

The lease is subject to an annual escalation of 9%.

21. CONTINGENT LIABILITIES

The Company had no material contingent liabilities at 30 June 2010.

22. FINANCIAL RISK MANAGEMENT

Introduction

The Company is exposed to liquidity, credit, foreign currency and interest rate risk arising from its financial instruments.

The Audit Committee has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company'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 Company.

Financial risk management is carried out by the Group Treasury Management Department, using guidance provided by the Audit Committee.

A formal treasury policy, approved by the Audit Committee, setting out the role and responsibility of the Group Treasury Management Department and the management of risk is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management Department identifies, evaluates and hedges financial risks.

The Audit Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Risk management and measurement relating to each of these risks is discussed under the headings below.

Foreign currency risk

The Company's operations utilise one foreign currency (currency other than the functional currency of the Company), US Dollar, in respect of other receivables and amounts due by/to Group companies and consequently the Company is exposed to exchange rate fluctuations that have an impact on cash flows.

Foreign currency risks are managed through the Company's financing policies, however no forward exchanges contracts are entered into.

Exposure to currency risk

The Company has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the South African Rand against the US Dollar, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

At 30 June, if the South African Rand had strengthened or weakened by 10% against the US Dollar, with all other variables held constant, profit before tax for the year would have increased or decreased by R10,0 million (2009: R7,4 million), mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated receivables and amounts due by/to Group companies.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2009.

Interest rate risk

The Company's interest rate risk arises from interest on bank overdrafts, shareholders' loans, cash and cash equivalents and other financial receivables. Exposure to interest rate risk is not hedged, but is monitored on a continuous and proactive basis.

22. FINANCIAL RISK MANAGEMENT continued

Interest rate sensitivity

The Company is exposed mainly to fluctuations in the following market interest rates: South African prime overdraft rate and LIBOR.

Changes in market interest rates affect the interest income and expense of floating rate financial instruments.

An increase of 100 basis points in interest rates at 30 June would have decreased profit before tax by R9,7 million in 2010 and R8,9 million in 2009.

A decrease of 100 basis points will have an equal and opposite effect on profit before tax.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due.

The Company manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

The Company finances its operations through a mixture of retained earnings, short-term bank funding and financing from Group companies.

Adequate banking facilities and reserve borrowing capacities are maintained.

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

The following are the undiscounted contractual maturities of financial assets and liabilities

		Undiscounted cash flows		
June 2010	On demand	< 1 year	1 – 5 years	Total
Financial assets				
Other non-current financial receivables	—	—	1,7	1,7
Receivables and prepayments (financial instruments only)	—	5,2	—	5,2
Cash and cash equivalents	902,1	—	—	902,1
Amounts due by Group companies	39,8	73,6	—	113,4
Total financial assets	941,9	78,8	1,7	1 022,4
Financial liabilities				
Preference shares – liability component	—	(27,1)	(404,0)	(431,1)
Bank overdrafts	(4,5)	—	—	(4,5)
Other payables (financial instruments only)	—	(37,8)	—	(37,8)
Amounts due to Group companies	(309,7)	—	—	(309,7)
Total financial liabilities	(314,2)	(64,9)	(404,0)	(783,1)
Net exposure before financial guarantees	627,7	13,9	(402,3)	239,3
Non-derivative financial liabilities – financial guarantees	—	(914,0)	(1 960,9)	(2 874,9)
Net exposure after financial guarantees	627,7	(900,1)	(2 363,2)	(2 635,6)
June 2009				
Financial assets				
Other non-current financial receivables	—	—	3,3	3,3
Receivables and prepayments (financial instruments only)	—	6,2	—	6,2
Cash and cash equivalents	814,2	—	—	814,2
Amounts due by Group companies	28,9	74,0	—	102,9
Total financial assets	843,1	80,2	3,3	926,6
Financial liabilities				
Preference shares – liability component	—	(29,8)	(436,5)	(466,3)
Other payables (financial instruments only)	—	(14,7)	—	(14,7)
Amounts due to Group companies	(337,6)	—	—	(337,6)
Total financial liabilities	(337,6)	(44,5)	(436,5)	(818,6)
Net exposure before financial guarantees	505,5	35,7	(433,2)	108,0
Non-derivative financial liabilities – financial guarantees	—	(319,4)	(2 778,6)	(3 098,0)
Net exposure after financial guarantees	505,5	(283,7)	(3 211,8)	2 990,0

22. FINANCIAL RISK MANAGEMENT continued

Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.

Credit risk primarily arises from receivables and prepayments, non-current financial receivables and cash and cash equivalents.

The Company's maximum exposure to credit risk is represented by the carrying values of these financial assets.

Receivables and prepayments

Receivables and prepayments are carefully monitored for impairment.

Cash and cash equivalents

Treasury counter-parties consist of prime financial institutions. The Company does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All cash balances are held with highly reputable banks having been rated by Fitch at AA+ or higher on a long-term basis.

Other financial assets

The recoverability of other non-current financial receivables are monitored as appropriate.

Capital risk disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of borrowings, more specifically current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, preference shares and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Company's approach to capital management during the year.

Notes to the Company annual financial statements

for the year ended 30 June 2010 *continued*

23. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Country of incorporation	Company
Subsidiaries	
Direct	
Germany	Aspen Bad Oldesloe GmbH*
Mauritius	Aspen Global Inc.
South Africa	Aspen OSD (Pty) Ltd
United Kingdom	Aspen Pharmacare International Ltd
South Africa	Aspen Pharmacare International (Pty) Ltd**
United States	Aspen USA Inc.
Australia	Brimpharm Australia Pty Ltd
South Africa	Brimpharm SA (Pty) Ltd
United Kingdom	Brimpharm UK Ltd
South Africa	Fine Chemicals Corporation (Pty) Ltd
South Africa	Pharmacare Ltd
Jersey, CI	SAD Overseas Ltd
Kenya	Shelys Africa Ltd
South Africa	Twincor Investments (Pty) Ltd**
Indirect	
South Africa	Abkro Investments (Pty) Ltd**
South Africa	Abe Krok Investments (Pty) Ltd**
Brazil	Agila Especialidades Farmacêuticas Ltda
Hong Kong	Aspen Asia Company Ltd
South Africa	Aspen Chemicals (Pty) Ltd**
Germany	Aspen Europe GmbH
United Arab Emirates	Aspen Health Care FZ LLC
South Africa	Aspen International Distribution (Pty) Ltd**
Mexico	Aspen Labs S.A. de C.V. (previously Strides Mexicana, S.A. de C.V.)
South Africa	Aspen Nutritionals (Pty) Ltd
South Africa	Aspen Pharmacare Africa (Pty) Ltd**
Australia	Aspen Pharmacare Australia Pty Ltd
South Africa	Aspen Pharmacare East London (Pty) Ltd**
Brazil	Aspen Pharma – Indústria Farmacêutica Ltda (previously Cellofarm Ltda)
United Kingdom	Aspen Pharmacare Resources Ltd
South Africa	Aspen Pharmacare South Africa (Pty) Ltd**
South Africa	Aspen Port Elizabeth (Pty) Ltd
South Africa	Aspen SVP (Pty) Ltd
Venezuela	Aspen Venezuela C.A. (formerly Sumifarma C.A.)
Kenya	Beta Healthcare International Ltd
Kenya	Beta Healthcare (Kenya) Ltd
Uganda	Beta Healthcare (Uganda) Ltd
South Africa	Brand & Company (Pty) Ltd**
South Africa	Brovar S&P (Pty) Ltd**
South Africa	Krok Brothers Holdings (Pty) Ltd**
South Africa	Lennon Trademarks (Pty) Ltd**
South Africa	Malcomess Leasing Company (Pty) Ltd**
Cyprus	PharmaLatina Holdings Ltd
Tanzania	Shelys Pharmaceuticals Ltd
Mauritius	Shelys Pharmaceuticals International Ltd
South Africa	Skay Investments (Pty) Ltd**
Mexico	Solara, S.A. de C.V.
South Africa	Sol Krok Investments (Pty) Ltd**
South Africa	Solo Ethicals (Pty) Ltd**
Uruguay	Strides Latina S.A.

**This investment was made as part of the GSK transactions with an effective date of 1 December 2009.*

***These companies are in the process of being deregistered, as part of the process, amounts due by/to these companies are being restructured and investments in these companies were impaired.*

Currency	Issued capital	Effective Group holding		Investment		Amounts (due to)/due by Group companies	
		2010	2009	2010	2009	2010	2009
	'000	%	%	R'million	R'million	R'million	R'million
EUR	50	100	—	685,1	—	—	—
USD	656 161	100	100	6 150,6	3 373,4	27,4	26,3
ZAR	—#	100	100	9,8	9,8	(27,1)	(27,1)
GBP	—#	100	100	—	—	—	—
ZAR	—#	100	100	25,4	25,4	(29,1)	(29,1)
USD	1 270	100	100	8,1	8,1	(3,4)	—
AUD	—#	50	50	—	—	4,2	1,8
ZAR	4	50	50	40,5	40,5	(2,1)	—
GBP	—#	50	50	—	—	—	—
ZAR	—#	100	100	329,2	328,4	—	—
ZAR	1 395	100	100	1 988,5	589,2	(248,0)	(232,3)
GBP	19	100	100	—	—	—	—
KES	196 198	60	60	231,5	231,5	—	—
ZAR	260	100	100	—	5,2	—	(1,4)
ZAR	—#	100	100	—	—	—	—
ZAR	—#	100	100	—	—	—	—
BRL	10	100	—	—	—	—	—
HKD	77	100	100	—	—	—	—
ZAR	—	—	—	—	—	—	—
EUR	13	100	100	—	—	0,1	—
USD	82	100	100	—	—	0,4	—
ZAR	1	100	100	—	—	—	—
MXN	11 096	100	100	—	—	0,1	—
ZAR	1	100	100	—	—	—	—
ZAR	1	100	100	—	—	—	—
AUD	17 373	100	100	—	—	—	—
ZAR	1	100	100	—	—	—	—
BRL	214 537	100	100	—	—	—	—
GBP	—#	100	100	—	—	—	—
ZAR	—#	100	100	—	—	—	0,8
ZAR	400	100	100	—	—	—	—
ZAR	—	—	—	—	—	—	—
VEF	3 718	80	80	—	—	—	—
KES	30 000	60	60	—	—	12,8	12,3
KES	20 000	60	60	—	—	—	—
UGX	40 000	60	60	—	—	—	—
ZAR	—	—	—	—	—	—	—
ZAR	—#	100	100	—	—	—	—
ZAR	—#	100	100	—	2,2	—	(47,7)
ZAR	—	—	—	—	—	—	—
ZAR	—#	100	100	—	—	—	—
USD	12 927	100	100	—	—	—	—
TZS	6 723 843	60	60	—	—	1,9	—
USD	—#	60	60	—	—	60,8	61,7
ZAR	—#	100	100	—	—	—	—
MXN	93 124	100	100	—	—	—	—
ZAR	—#	100	100	—	—	—	—
ZAR	1	100	100	—	—	—	—
USD	2 926	100	100	—	—	—	—

 # Less than 1 000.

23. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES continued

Country of incorporation	Company
Trusts (special purpose entities)* **	
South Africa	Aspen Share Appreciation Plan
South Africa	Aspen Share Incentive Scheme
Total investments in subsidiaries	
Joint ventures	
Indirect	
India	Onco Therapies Ltd****
Cyprus	Onco Laboratories Ltd[#]
Total investments in joint ventures	
Total investments in subsidiaries and joint ventures	

**** These trusts are special-purpose entities which are consolidated into the Group financial statements.*

***** During the year, the Company entered into conditional agreements for the disposal of its 50% shareholding in the oncology business (Onco Therapies Ltd and Onco Laboratories Ltd). The Onco Therapies Ltd investment was sold with an effective date of 31 December 2009. Refer to page 133 for detail on this disposal. From 1 January 2010 the results for this joint venture were not consolidated and the net asset value of the Company was transferred to held-for-sale.*

[#] Various conditions precedent remain to be fulfilled in respect of the sale of Onco Laboratories Ltd at year-end. These conditions are expected to be fulfilled during the year ahead. From 1 January 2010 the results for this joint venture were not consolidated and the net asset value of the Company was transferred to assets held-for-sale.

The Company maintains a register of all subsidiaries and incorporated joint ventures, available for inspection at the registered office of Aspen Pharmacare Holdings Ltd.

Definitions

AUD:	Australian Dollar	INR:	Indian Rupee	USD:	US Dollar
BRL:	Brazilian Real	KES:	Kenyan Shilling	VEF:	Venezuelan Bolivares Fuertes
EUR:	Euro	MXN:	Mexican Peso	ZAR:	South African Rand
GBP:	Pound Sterling	TZS:	Tanzanian Shilling		
HKD:	Hong Kong Dollar	UGX:	Ugandan Shilling		

Currency	Issued capital	Effective Group holding		Investment		Amounts (due to)/due by Group companies	
		2010	2009	2010	2009	2010	2009
	'000	%	%	R'million	R'million	R'million	R'million
ZAR	n/a	100	100	—	—	—	—
ZAR	n/a	100	100	—	—	5,7	—
				9 468,7	4 613,7	(196,3)	(234,7)
INR	20 256	—	49	—	—	—	—
USD	6	50	50	—	—	—	—
				—	—	—	—
				9 468,7	4 613,7	(196,3)	(234,7)

Group currency conversion (unaudited) – annexure I

CURRENCY OF FINANCIAL STATEMENTS

The financial statements are expressed in South African Rand.

The closing exchange rates at 30 June were as follows

	2010	2009
US Dollar	**7,66**	7,78
Pound Sterling	**11,48**	12,76
Euro	**9,42**	10,92
Australian Dollar	**6,42**	6,25
Brazilian Real	**4,25**	3,99
Mexican Peso	**0,60**	0,59

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLAR

Statement of comprehensive income and statement of cash flows information was translated at an average rate of R7,60 (2009: R8,90).

The statement of financial position information was translated at a closing rate of R7,66 (2009: R7,78).

	% growth	2010 USD'million	Restated 2009 USD'million
STATEMENT OF COMPREHENSIVE INCOME			
for the year ended 30 June 2010			
CONTINUING OPERATIONS			
Revenue	40,8	**1 335,2**	948,4
Cost of sales		**(729,3)**	(512,8)
Gross profit	39,1	**605,9**	435,6
Net operating expenses		**(248,4)**	(179,8)
Operating profit before amortisation	39,8	**357,5**	255,8
Amortisation of intangible assets		**(13,4)**	(11,5)
Operating profit	40,8	**344,1**	244,3
Investment income		**24,7**	25,2
Financing costs		**(73,5)**	(78,6)
		295,3	190,9
Share of after-tax net losses of associates		**(0,2)**	(0,4)
Profit before tax	54,9	**295,1**	190,5
Tax		**(61,5)**	(40,3)
Profit after tax from continuing operations	55,5	**233,6**	150,2
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		**26,7**	1,8
Profit for the year	71,3	**260,3**	152,0
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		**(3,8)**	(57,9)
Total comprehensive income		**256,5**	94,1
Profit for the year attributable to			
Equity holders of the parent		**261,8**	150,5
Non-controlling interests		**(1,5)**	1,5
		260,3	152,0
Total comprehensive income attributable to equity holders of the parent			
Equity holders of the parent		**259,1**	92,5
Non-controlling interests		**(2,6)**	1,6
		256,5	94,1

	% growth	2010 USD'million	Restated 2009 USD'million
STATEMENT OF FINANCIAL POSITION			
at 30 June 2010			
ASSETS			
Non-current assets			
Property, plant and equipment		393,5	304,9
Intangible assets		1 184,1	578,4
Other non-current financial assets		13,1	5,9
Total non-current assets	78,9	1 590,7	889,2
Current assets			
Inventories		266,6	184,3
Trade and other receivables		308,2	269,9
Cash and cash equivalents		384,0	265,3
Cash restricted for use		2,9	—
	33,7	961,7	719,5
Assets classified as held-for-sale		34,0	—
Total current assets		995,7	719,5
Total assets	60,8	2 586,4	1 608,7
SHAREHOLDERS' EQUITY			
Ordinary shareholders' equity	169,7	1 393,4	516,7
Preference shares – equity component		21,2	20,8
Non-controlling interests		7,4	10,3
Total shareholders' equity	159,6	1 422,0	547,8
LIABILITIES			
Non-current liabilities			
Preference shares – liability component		50,5	50,4
Borrowings		295,2	441,1
Deferred-payables and other non-current financial liabilities		22,8	1,2
Deferred tax liabilities		34,4	26,1
Total non-current liabilities	(22,3)	402,9	518,8
Current liabilities			
Trade and other payables		250,0	167,0
Borrowings		486,0	343,0
Other current financial liabilities		25,5	32,1
Total current liabilities	40,5	761,5	542,1
Total equity and liabilities	60,8	2 586,4	1 608,7
STATEMENT OF CASH FLOWS			
for the year ended 30 June 2010			
Cash generated from operating activities	84,2	267,5	145,2
Cash used in investing activities		(134,3)	(399,6)
Cash (used in)/generated from financing activities		(65,6)	351,5
Translation effects on cash and cash equivalents of foreign operations		1,0	(47,7)
Movement in cash and cash equivalents		68,6	49,4
Cash and cash equivalents at the beginning of the year		169,9	120,5
Cash and cash equivalents at the end of the year		238,5	169,9

Share statistics (unaudited) – annexure 2

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2010

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding
Size of holding				
1 – 2 500	11 367	77,2	8 883 829	2,1
2 501 – 12 500	2 561	17,4	13 302 266	3,1
12 501 – 25 000	321	2,2	5 765 512	1,3
25 001 – 50 000	169	1,1	6 039 412	1,4
50 001 – and over	306	2,1	397 619 719	92,1
	14 724	100,0	431 610 738	100,0

Major shareholders

Beneficial shareholders

According to the register of shareholders at 30 June 2010, the following are the only registered beneficial shareholders, other than directors of the Company, who held in excess of 2% of the shareholding of the Company at that date. The directors' shareholdings are disclosed on page 115.

Shareholder	Number of shares	% of total shareholding
Glaxo Group Ltd	81 703 136	18,9
Government Employees Pension Fund	43 055 367	10,0
Fidelity Funds Sicav	18 872 060	4,4
Imithi Investments (Pty) Ltd	13 400 000	3,1
	157 030 563	36,4

Shareholders' spread

In terms of paragraph 4.29(e) of the JSE's Listings Requirements, the spread of the ordinary shareholding at close of business on 30 June 2010 was as follows

	Number of shares	% of total shareholding
Non-public shareholders	15 785 514	3,7
Empowerment groups – CEPPWAWU Investments (Pty) Ltd	2 385 514	0,6
– Imithi Investments (Pty) Ltd	13 400 000	3,1
Public shareholders	415 825 224	96,3
Total shareholding	431 610 738	100,0
Foreign shareholding	191 836 454	44,4

Included in the total issued shares are 203 824 treasury shares.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Aspen Pharmacare Holdings Ltd will be held at Building Number 1, Healthcare Park, Woodlands Drive, Woodmead, Johannesburg, Gauteng, on Friday, 26 November 2010 at 09:30.

The following business will be transacted and resolutions proposed, with or without amendment:

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 2010.

2. **Ordinary resolution number 2**

   Re-election of directors

   To re-elect the following directors who retire by rotation in terms of the Articles of Association of the Company:

   (a) Judy Dlamini

   (b) John Buchanan

   (c) Rafique Bagus

   (d) Abbas Hussain

   all of whom are eligible and offer themselves for re-election.

   Abbreviated biographical details of the directors are set out in the directorate, on pages 34 and 35 of this annual report.

3. **Ordinary resolution number 3**

   Re-appointment of external auditors

   To re-appoint the auditors, PricewaterhouseCoopers Inc., as auditors of the Company and the Group; and Eric MacKeown as the audit partner, 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 2011 on the following basis:

Type of fee	Existing fee for the year ended 30 June 2010 R	Proposed base fee for the year ending 30 June 2011 R	Proposed fee per meeting June 2011 R
Group Board			
Chairman*	540 000	584 000	n/a
Member	190 000	105 000	20 000
Audit Committee			
Chairman	220 000	123 000	23 000
Member	100 350	58 000	10 000
Risk & Sustainability Committee			
Chairman	n/a	71 000	23 000
Member	n/a	40 000	10 000
Remuneration & Nomination Committee			
Chairman	65 350	42 000	10 000
Member	32 670	21 000	5 000
Transformation Committee			
Member	50 500	20 000	8 000

**The Chairman does not receive any additional fees for her role as Chairman. She receives a separate fee for attendance at sub-committee meetings where she is a member.*

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 ("the Act"), Article 30.2 of the Company's Articles of Association and in terms of the Listings Requirements of the JSE, 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 non-controlling 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, and they 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."

If the directors recommend a distribution to shareholders on publication of the preliminary results for the year ending June 2011, the above authority will be used.

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 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 Act, and the Listings Requirements of the JSE, 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

Approval of restated share schemes

"Resolved that the restated deeds of the Aspen Share Incentive Scheme, the Aspen Share Appreciation Plan and the Aspen South African Workers' Share Plan, copies of each of which have been tabled at this annual general meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved."

The schemes have been restated to consolidate past amendments that have been made to the scheme, to bring the schemes into line with Schedule 14 of the Listings Requirements of the JSE, and to take account of recent changes in South African Company Law. The salient features of the amendments to the schemes are set out in the annexure 1 of the notice to shareholders on page 253.

In terms of the Listings Requirements of the JSE, 75% of the votes cast by shareholders present or represented at this annual general meeting must be cast in favour of this ordinary resolution for it to be approved.

9. Ordinary resolution number 9

Authority to place shares under control of the directors for the purpose of the share schemes

"Resolved that 64 741 611 shares in the authorised but unissued share capital of the Company be hereby placed at the disposal and under the control of the directors who are hereby specifically authorised in terms of sections 221 and 222 of the Companies Act, 61 of 1973 to allot and issue such shares to employees of the Group (including executive directors) in accordance with the provisions of the schemes referred to in ordinary resolution number 8 to be proposed at the annual general meeting at which this ordinary resolution is proposed."

10. Ordinary resolution number 10

Authorisation of an executive director to sign necessary documents

"Resolved that any one executive director of the Company be 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 ordinary and special 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 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. 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 trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- acquisitions in the aggregate in any one financial year may not exceed 20% of the Company'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 the Company 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 before entering the market to proceed with the repurchase; and
- the Company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE's Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over the JSE's stock exchange news service prior to the commencement of the prohibited period."

Opinion of the directors

The directors have no specific intention, at present, for the Company or its subsidiaries to repurchase any of the Company's shares, but 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 the best interests of the Company require it to do so.

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;
- 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; and
- 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 before entering the market to proceed with the repurchase.

The reasons and effects of the ordinary resolutions and the special resolutions are set out in the explanatory notes that form part of this notice.

12. Other

To transact such other business as may be transacted at an annual general meeting of shareholders.

Voting 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/her 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 (Pty) Ltd by no later than 09:30 on 25 November 2010.

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 letter of representation 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

H Shapiro

Hymie Shapiro
Company Secretary

Johannesburg
21 October 2010

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 Independent Auditors' Report for the year ended 30 June 2010. 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. Refer to pages 34 and 35 for a brief curricula vitae of each director standing for re-election.

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., and the audit partner, as the external auditors of the Company and the Group.

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 Act for the distribution of share capital and share premium by the Company to its shareholders. Such general authority will, subject to the requirements of the Act and the JSE, 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 of the Company, provided that it shall not extend beyond 15 months from the date of passing of this ordinary resolution.

Ordinary resolution number 7: Directors' control of unissued ordinary shares

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. This authority is due to expire at the next annual general meeting.

Ordinary resolution number 8: Approval of restated share schemes

The key objectives of these amendments are to bring these schemes in line with Schedule 14 of the Listings Requirements of the JSE, as well as to take account of recent changes in South African Company Law. The amendments will take the form of restated trust deeds. Amendments are proposed in respect of The Aspen Share Appreciation Rights Scheme, The Aspen Share Incentive Scheme and The Aspen South African Workers' Share Plan.

Ordinary resolution number 9: Authorisation to place shares under the control of the directors for the purpose of the share schemes

The reason for proposing ordinary resolution number 9 is to grant the directors authority to allot and issue such shares to employees of the Group in accordance with provisions of the schemes referred to in ordinary resolution number 8.

Ordinary resolution number 10: Authorisation for 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 ordinary and special 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 the Company and/or any subsidiaries 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 Act and the JSE, 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.

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's Listings Requirements for purposes of the general authority to repurchase the Company's shares as applicable:

- Directors and management — pages 34 to 35;
- Major beneficial shareholders — page 246;
- Directors' interests in ordinary shares — page 115;
- Share capital of the Company — page 230;
- Directors' report — page 122.

Litigation statement

In terms of section 11.26 of the JSE's Listings Requirements, the directors, whose names appear in the directorate 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 in the directorate 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 these special resolutions contain 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 Independent Auditors' 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.

Annexure to notice to shareholders

Salient features of amendments to the Aspen Share Incentive Schemes

1.1 Aspen, in accordance with international best practice in respect of remuneration, operates a number of share incentive schemes. These schemes include –

1.1.1 The Aspen Share Incentive Scheme ("Aspen SIS") which was initially adopted in 1999;

1.1.2 The Aspen Share Appreciation Plan ("Aspen SAP") which was initially adopted in 2005; and

1.1.3 The South African Workers' Share Plan ("Aspen Workers' Plan"), which was initially adopted in 2005.

1.2 The Aspen SIS, the Aspen SAP and Aspen Workers' Plan (collectively, the "Schemes"), which were all adopted some time ago, are becoming outdated, no longer meet the Listings Requirements of the JSE and fall short of prevailing governance principles. Accordingly, Aspen proposes amending the Schemes to ensure that they align with the Listings Requirements of the JSE and prevailing norms and can continue to be used to ensure an alignment of the interest of employees with the interest of shareholders.

1.3 The salient features of the amendments are the following

1.3.1 each of the Schemes have been amended to –

1.3.1.1 limit the number of shares in the capital of Aspen which are made available for the purpose of all share incentive schemes operated by it to 64 741 611 shares (excluding shares acquired on the JSE), which equates to approximately 15% of Aspen's current issued ordinary share capital. The aforesaid aggregate number of shares may be adjusted on a proportionate basis to take account of capitalisation issues, rights offers, sub-divisions, consolidations, reductions of capital or repayments to shareholders and in other circumstances where appropriate, provided that auditors nominated by Aspen (or other independent advisors acceptable to the JSE) certify that the adjustments are properly calculated on a reasonable and equitable basis and entitle employees to the same proportion of Aspen's capital. Adjustments will be reported in Aspen's annual financial statements;

1.3.1.2 limit the maximum number of shares allocated to any single participant in terms of all share schemes operated by Aspen to 6 474 161 shares representing approximately 1,5% of Aspen's issued ordinary share capital;

1.3.1.3 set out the basis upon which awards will be made;

1.3.1.4 provide that trustees may not participate in the Scheme;

1.3.1.5 set out the treatment of options and other rights in the instance of mergers, takeovers or corporate actions in a manner that complies with the JSE's Listings Requirements. In particular, the Aspen SIS and the Aspen SAP have been amended to provide that if an offer in respect of an affected transaction (as defined in Securities Regulation Panel Code) is received and that offer provides for the participants to receive replacement options and rights the participants shall be obliged to accept such replacement options and rights. If the offer does not provide for such replacement options and rights, the existing options and rights will automatically vest so that the participants will be able to participate in the affected transaction;

1.3.1.6 provide that the schemes may acquire shares on the JSE provided that

1.3.1.6.1 equity securities may only be issued or purchased by the schemes once a participant or group of participants to whom they will be allocated, has been formally identified (e.g. applicants to whom options over securities have been issued);

1.3.1.6.2 equity securities held in trust may only be sold:

1.3.1.6.2.1 once the employment of a participant has been terminated or a participant is deceased; or

1.3.1.6.2.2 on behalf of the participant, once the rights of ownership have vested;

1.3.2 the combined option/deferred sale component in the Aspen SIS has been amended to provide that –

1.3.2.1 the shares to be allocated to participants must be acquired by the trust on the JSE;

1.3.2.2 the price for the shares allocated to participants shall be the price at which such shares were acquired on the JSE by the trust;

1.3.2.3 the shares shall vest on the third anniversary of the date of grant; and

1.3.2.4 participants will on the vesting date in respect of their shares be paid the dividends that were paid to the trust during the vesting period.

2. GENERAL

2.1 In terms of the Listings Requirements of the JSE, the amendments to the Aspen SIS, the Aspen SAP and the Aspen Workers' Plan must be approved by a 75% majority of the votes cast at a general meeting of shareholders, as well as by the JSE. The requisite resolutions in this regard are contained on page 248.

2.2 The existing deeds of each of the Aspen SIS, the Aspen SAP and the Aspen Workers' Plan as well as all of the documents required to amend same will be available for inspection during normal business hours at the Company's registered office on 26 November 2010.

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 subregister maintained by their CSDP or broker). Such shareholders should provide their CSDP or broker with their voting instructions.

ASPEN PHARMACARE HOLDINGS LTD
Registration number 1985/002935/06
JSE code: APN ISIN: ZAE 000066692

I/We *(please print name in full)* ____

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 1, Healthcare Park, Woodlands Drive, Woodmead, Gauteng on Friday, 26 November 2010, at 09:30 or at any adjournment thereof.

I/We desire to vote as follows:

Voting instructions	For	Against	Abstain
Ordinary business			
1. To adopt the Company and Group annual financial statements for the year ended 30 June 2010			
2. (a) to re-elect Judy Dlamini as a director of the Company			
(b) to re-elect John Buchanan as a director of the Company			
(c) to re-elect Rafique Bagus as a director of the Company			
(d) to re-elect Abbas Hussain 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 the annual general meeting			
6. To distribute to shareholders part of the Company's share premium			
7. To place unissued shares under the control of the directors			
8. To approve the restated deeds of the Aspen Share Incentive Scheme, the Aspen Share Appreciation Plan and the Aspen South African Workers' Share Plan			
9. To place 64 741 611 unissued shares under the control of the directors to allot and issue in terms of the provisions of the share schemes			
10. To authorise an executive director to sign documents necessary for or incidental to the ordinary and special resolutions proposed at the annual general meeting			
Special business Special resolutions to: 1. Give authority until the next annual general meeting for the Company or any of its subsidiaries to repurchase the Company's shares			

Signed this ________________ day of ____________________ 2010

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 Thursday, 25 November 2010.

To be completed and mailed to: Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

Shareholders' diary

Financial year-end	30 June 2010
Annual general meeting	26 November 2010
Reports and Group results announcement for the 2011 financial year	
Interim financial results	March 2011
Profit announcement for the year	September 2011
Annual financial statements	November 2011

Administration

Secretary
Hymie Aaron Shapiro
CA(SA), HDipTax Law

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1985/002935/06

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ISIN: ZAE 000066692

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Werksmans Inc. Attorneys
Chris Mortimer & Associates

Auditors
PricewaterhouseCoopers Inc.

Bankers
First National Bank, a division of FirstRand Bank Ltd
Investec Bank Ltd
The Standard Bank of South Africa Ltd
Absa Bank Ltd
Rand Merchant Bank, a division of FirstRand Bank Ltd
Old Mutual Specialised Finance
Nedbank Ltd

Sponsors
Investec Securities Ltd

Transfer secretaries
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Disclaimer

We may have made statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific. There are risks or uncertainties that predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements will be discussed in each year's annual report. Forward-looking statements apply only as of the date on which they are made, and we do not undertake other than in terms of the Listings Requirements of JSE Ltd, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. All profit forecasts published in this announcement are unaudited.

BASTION GRAPHICS

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2010