Ten years of success

aspen
HOLDINGS

Annual Report 2008

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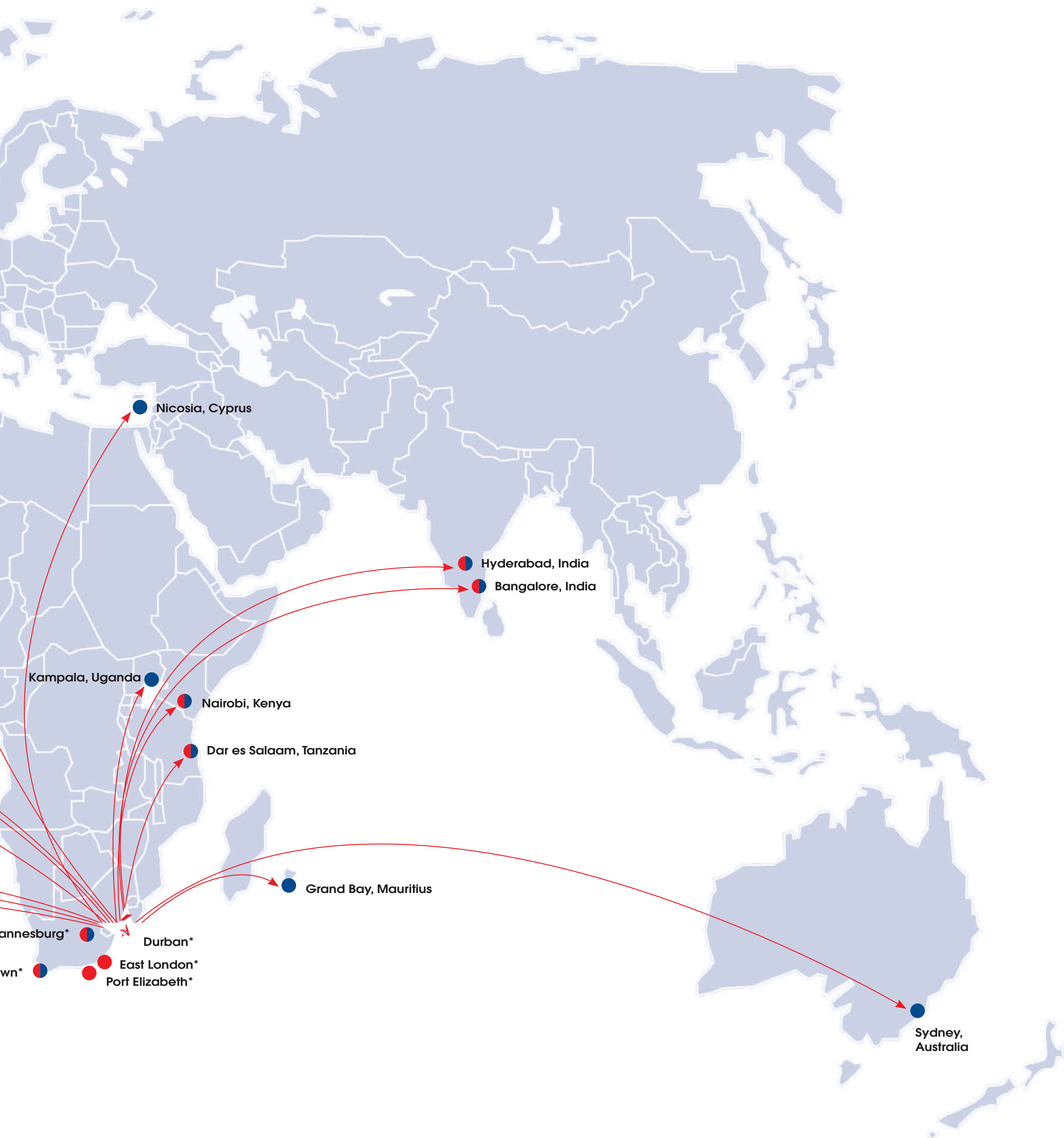


Sales, marketing and distribution centres

Manufacturing centres

Combined sales, marketing, distribution and manufacturing centres

Group office

* South Africa

Aspen corporate profile

Aspen has businesses in South Africa, Australia, India, Brazil, Mexico, Venezuela, Kenya, Tanzania, Uganda, Mauritius and the United Kingdom and exports to many other territories across the globe.

Aspen, listed on JSE Ltd, is Africa's largest pharmaceutical manufacturer, a major supplier of branded and generic pharmaceutical, healthcare and nutritional products to the southern African and selected international markets.

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

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

Aspen has fifteen pharmaceutical manufacturing facilities on eleven pharmaceutical manufacturing sites on three continents. Four of the sites are located in South Africa, two in India, two in East Africa and three in Latin America.

Aspen has production capabilities for a wide variety of product types including tablets, capsules, steriles, injectables, penicillins, penems, infant milk formulations, liquids and creams.

Aspen is one of the leading global players in generic antiretrovirals ("ARVs").

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.

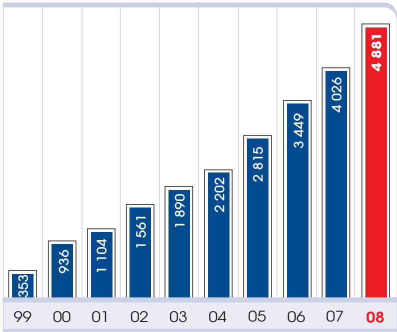
Aspen products are renowned for their quality, efficacy and affordability. The Group's extensive basket includes branded, generic, over-the-counter ("OTC"), self medication, personal care and infant nutritional products.

The four branded products recently acquired from GlaxoSmithKline Group Limited ("GSK") for R2,7 billion will be distributed to more than 100 countries globally.

Aspen Australia is ranked sixth in terms of scripts written by doctors and generates more prescriptions than several of the major multinationals in that market.

Financial highlights

Revenue from continuing operations
10-year CAGR# = 52%
(R'million)

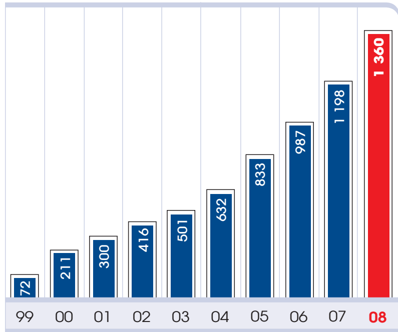


+21%

2008: R4,881 billion

2007: R4,026 billion

Operating profit before amortisation
10-year CAGR# = 58%
(R'million)

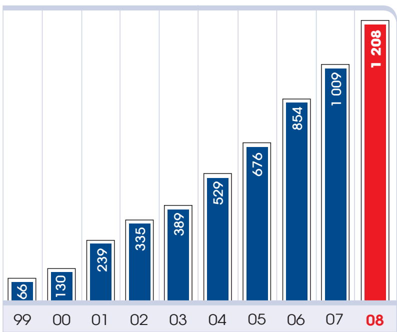


+14%

2008: R1,360 billion

2007: R1,198 billion

Net profit before tax
10-year CAGR# = 117%
(R'million)

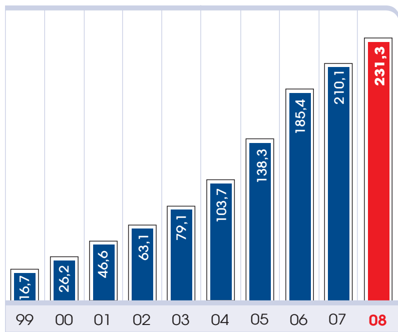


+20%

2008: R1,208 billion

2007: R1,009 billion

Headline earnings per share
10-year CAGR# = 50%
(cents)



+10%

2008: 231,3 cents

2007: 210,1 cents

#Ten-year compound annual growth rate ("CAGR"), calculated for the period 1998 to 2008.

A decade of deals that **shaped Aspen's growth ...**

1998:

Aspen was listed on JSE Ltd through the reverse take-over of Medhold Ltd.

1999:

South African Druggists, including its pharmaceutical business, was acquired by Aspen in a transaction valued at R2,4 billion.

ASPEN
has acquired
South African Druggists Limited
for
R2,420 billion

The undersigned acted as merchant bank to Aspen

INVESTEC
CORPORATE FINANCE

March 1999

2001:

Aspen Australia Pty Ltd ("Aspen Australia") commenced trading as a start-up operation.

2001:

An intellectual property transfer and co-operation agreement was entered into with Merck Generics.

2002:

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU") Investments, the investment arm of COSATU Affiliated Union CEPPWAWU, concluded an empowerment deal with Aspen.

2003:

GlaxoSmithKline SA (Pty) Ltd ("GSK") entered into an arrangement with Aspen allowing for the distribution and management of 40 GSK products in the South African private sector.

2004:

Aspen acquired Fine Chemicals Corporation (Pty) Ltd ("FCC"), the only South African manufacturer of active pharmaceutical ingredients ("APIs").

2004:

Dutch-based Royal Numico sold their South African Infacare business to Aspen and a long-term licence agreement was concluded with Wyeth, to form Aspen Nutritionals (Pty) Ltd ("Aspen Nutritionals").

2008:

Transactions were entered into with Strides Acrolab Ltd ("Strides") to acquire 51% of its joint ventures in Latin America and 50% of an oncology development and production business in India.

2005:

Aspen and Imithi Investments (Pty) Ltd ("Imithi"), a broad-based consortium comprising healthcare industry, trade union and community development groups, announced a R645 million Broad-Based Black Economic Empowerment ("BBBEE") deal.

2008:

Aspen concluded a deal for the acquisition of 60% of Shelys Africa Ltd ("Shelys"), with operations in East Africa.

2005:

A joint venture was entered into with Matrix Laboratories Ltd to form Astrix Laboratories Ltd ("Astrix") thereby securing key APIs for Aspen's ARV business.

GSK deal will extend Aspen's reach

Africa's biggest drug maker pays £170m for four products and entrance to 100 markets

Slindile Khanyile
Durban

Aspen Pharmacare, the largest drug maker in Africa, would generate an additional R1 billion in revenue from next year, following the acquisition of four GlaxoSmithKline (GSK) products, group chief executive Stephen Saad said yesterday.

Aspen's international subsidiary, Aspen Global, paid £170 million (R2.7 billion) for the intellectual property rights to Eltroxin, Imuran, Lanoxin and Zyloric for all major markets except the US and Japan.

Saad said this deal was in line with Aspen's international expansion strategy.

It would help the firm to gain entry into new markets.

"These drugs give us a presence in more than 100 markets," he said.

"There are new places that we will now enter, like the Middle East, and then later on introduce the rest of the Aspen products line.

"We will consolidate in countries like Latin America and Australia."

Saad said the transaction would also be positive on the firm's balance sheet.

Fast Facts

June 2007
Revenue – R4 billion
Operating profit – R1.1 billion
Share price high – R40.16
Share price low – R30.55
Market cap – R14.4 billion

June 2006
Revenue – R3.4 billion
Operating profit – R894 million
Share price high – R44.50
Share price low – R23.65
Market cap – R14.1 billion

Operations
Australia, India, US, Latin America

Employees
About 2 749 employees in all its operations worldwide

Source: Aspen annual report 2007

Group chief executive Stephen Saad says Aspen Pharmacare is preparing to enter the Middle East and other new regions

PHOTO: NONHLANHLA KAMBULE-MAKGATI

2008:

Aspen Global Incorporated ("Aspen Global") announced the R2,7 billion acquisition of four branded products, namely Eltroxin®, Imuran®, Lanoxin® and Zyloric® from GSK which Aspen will distribute to more than 100 countries.

Group income statements	9-year compound annual growth rate %	IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million
Revenue	28	4 881,3	4 025,9	3 449,3
Continuing operations	34	4 881,3	4 025,9	3 449,3
Discontinued operations		–	–	–
Gross profit	28	2 222,8	1 941,7	1 660,3
Operating profit before amortisation of intangible assets	36	1 360,2	1 197,7	987,3
Continuing operations	39	1 360,2	1 197,7	987,3
Discontinued operations		–	–	–
Amortisation of intangible assets		(127,7)	(121,1)	(92,6)
Operating profit	35	1 232,5	1 076,6	894,7
Investment income		263,4	139,8	72,9
Financing costs		(287,1)	(207,0)	(113,7)
	38	1 208,8	1 009,4	853,9
Share of after-tax net losses from associates		(1,1)	–	–
Net profit before tax	38	1 207,7	1 009,4	853,9
Tax		(343,2)	(291,7)	(216,4)
Profit for the year	36	864,5	717,7	637,5
Attributable to:				
Equity holders of the parent		862,9	717,4	637,7
Minority interest		1,6	0,3	(0,2)

Group balance sheets at 30 June		2008 R'million	2007 R'million	2006 R'million
Assets				
Non-current assets				
Tangible assets		1 744,6	855,1	613,1
Investments in associates		25,8	–	–
Intangible assets		4 313,0	1 139,7	1 073,8
Preference share investment		–	376,8	376,8
Non-current financial assets		4,8	6,0	11,9
Deferred tax assets		1,0	15,1	34,4
Total non-current assets	23	6 089,2	2 392,7	2 110,0
Current assets				
Inventories	22	1 447,0	936,8	798,3
Trade and other receivables	23	1 790,3	871,2	727,1
Cash and cash equivalents	33	1 522,2	3 331,2	625,2
Total current assets	25	4 759,5	5 139,2	2 150,7
Total assets	24	10 848,7	7 531,9	4 260,7
Equity and liabilities				
Capital and reserves		3 095,8	2 220,4	1 551,0
Equity component of preference shares		162,0	162,0	162,0
Minority interests		61,1	7,0	6,7
Total shareholders' equity	40	3 318,9	2 389,4	1 719,7
Non-current liabilities				
Preference shares – liability component		402,1	403,5	403,3
Borrowings		75,9	25,9	49,0
Deferred payables and other non-current financial liabilities		11,9	17,8	35,9
Deferred tax liabilities		155,1	65,3	99,1
Total non-current liabilities		645,0	512,5	587,3
Current liabilities				
Trade and other payables	8	1 004,8	648,1	712,7
Financial liability at amortised cost		2 653,0	–	–
Borrowings	22	3 103,5	3 801,8	1 173,8
Deferred payables and other current financial liabilities		12,2	65,3	4,8
Current tax liabilities		111,3	114,8	62,4
Total current liabilities	24	6 884,8	4 630,0	1 953,7
Total equity and liabilities	24	10 848,7	7 531,9	4 260,7

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

1 South African Druggists' businesses acquired 1 March 1999.
2 Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.
3 Includes R8,1 million amortisation of goodwill.
4 Includes R13,8 million amortisation of goodwill.
5 Includes a profit on disposal of discontinued operations amounting to R2,3 million.
6 Includes R8,4 million amortisation of goodwill.
7 Includes R6,0 million amortisation of goodwill.
8 Includes a loss on disposal of discontinued operations of R14,0 million and loss on exceptional item (which represents restructuring costs) of R15,9 million.
9 Amortisation of goodwill only.

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	SA GAAP Year ended 30 June 2000 R'million	SA GAAP Year ended 30 June 1999[1] R'million
2 814,6	2 201,7	1 900,8	1 582,9	1 149,1	1 205,5	522,4
2 814,6	2 201,7	1 890,2	1 561,2	1 104,3	936,0	352,7
–	–	10,6	21,7	44,8	269,5	169,7
1 390,6	1 058,1	860,8	736,3	603,8	592,8	245,0
833,0[2]	631,8	499,8	417,1[5]	301,4	219,9[8]	83,5
833,0	631,8	501,3	416,0	299,5	210,5	72,0
–	–	(1,5)	1,1	1,9	9,4	11,5
(94,8)	(78,0)[3]	(54,1)[4]	(34,3)[6]	(14,6)[7]	(3,8)[9]	–
738,2	553,8	445,7	382,8	286,8	216,1	83,5
37,6	27,3	39,2	19,7	18,0	15,2	15,2
(99,4)	(52,6)	(96,1)	(67,9)	(65,5)	(101,8)	(32,5)
676,4	528,5	388,8	334,6	239,3	129,5	66,2
–	–	–	–	–	–	–
676,4	528,5	388,8	334,6	239,3	129,5	66,2
(207,6)	(172,9)	(115,5)	(109,4)	(66,2)	(29,6)	(11,4)
468,8	355,6	273,3	225,2	173,1	99,9	54,8
468,8	355,6	270,5	219,0	171,2	99,9	54,8
–	–	2,8	6,2	1,9	–	–

2005 R'million	2004 R'million	2003 R'million	2002 R'million	2001 R'million	2000 R'million	1999 R'million
481,7	312,8	180,1	145,6	138,3	157,3	265,0
–	–	–	–	–	–	–
861,4	528,1	504,5	290,9	237,7	74,9	397,2
376,8	–	–	–	–	–	–
0,1	7,5	19,4	5,1	9,3	0,1	20,1
57,6	124,5	149,7	185,6	213,9	251,8	252,8
1 777,6	972,9	853,7	626,2	599,2	484,1	935,1
428,2	245,6	213,5	287,0	185,0	166,9	238,1
512,7	425,6	414,1	341,0	254,5	201,9	286,3
439,6	465,5	200,4	184,1	135,2	140,2	116,0
1 380,5	1 136,7	828,0	812,1	574,7	509,0	640,4
3 158,1	2 109,6	1 681,7	1 438,3	1 173,9	993,1	1 575,5
954,3	1 066,5	787,6	599,4	335,3	235,9	164,7
162,0	–	–	–	–	–	–
–	–	7,4	17,1	10,7	–	–
1 116,3	1 066,5	795,0	616,5	346,0	235,9	164,7
406,6	–	–	–	–	–	–
62,7	156,2	144,7	54,0	176,1	280,2	370,1
37,4	50,5	92,4	103,3	49,9	9,9	–
71,6	61,6	42,3	29,1	22,8	35,6	40,1
578,3	268,3	279,4	186,4	248,8	325,7	410,2
571,9	353,4	338,6	383,8	350,9	308,9	484,7
–	–	–	–	–	–	–
761,7	290,0	151,5	160,9	201,8	122,6	515,9
48,6	55,2	66,1	60,5	22,6	–	–
81,3	76,2	51,1	30,2	3,8	–	–
1 463,5	774,8	607,3	635,4	579,1	431,5	1 000,6
3 158,1	2 109,6	1 681,7	1 438,3	1 173,9	993,1	1 575,5

Ten-year review

Group cash flow statements		9-year compound annual growth rate %	IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million
Cash operating profit		36	1 492,9	1 322,0	1 127,5
Changes in working capital			(434,8)	(353,0)	(487,5)
Cash generated from operations		24	1 058,1	969,0	640,0
Net financing costs paid			(347,5)	(193,8)	(128,7)
Investment income received			263,4	139,8	72,9
Tax paid			(321,6)	(206,4)	(182,2)
Net cash from operating activities		20	652,4	708,6	402,0
Net cash (inflow)/outflow from investing activities			(1 456,2)	(431,6)	(442,0)
Net cash inflow/(outflow) from financing activities			1 210,6	(50,8)	(152,1)
Effects of exchange rate changes			40,6	9,0	14,8
Movement in cash and cash equivalents			447,4	235,2	(177,3)
Cash and cash equivalents at the beginning of the year			497,5	262,3	439,6
Cash and cash equivalents at the end of the year			944,9	497,5	262,3
Performance of share					
Earnings per share – basic	cents	33	245,3	205,6	185,3
Earnings per share – diluted	cents	32	240,1	201,8	179,2
Headline earnings per share	cents	32	231,3	210,1	185,4
Headline earnings per share – diluted	cents	31	227,0	206,1	179,3
Headline earnings per share from continuing operations	cents	34	231,3	210,1	185,4
Capital distribution/dividend per share**	cents		70,0	62,0	48,0
Capital distribution/dividend cover**	times		–	2,9	3,0
Net asset value per share	cents	39	878,5	633,3	446,4
Operating cash flow per share	cents	17	185,5	203,1	116,8
Share information					
Number of shares in issue – at the end of the year	millions		391,3	389,6	386,4
Number of shares in issue (net of treasury shares) – at the end of the year	millions		352,4	350,6	347,4
Weighted number of shares in issue	millions		351,8	348,9	344,1
Market capitalisation at year-end	R'million	23	12 444,7	14 413,9	14 102,9
JSE Ltd statistics					
Number of shares traded	millions		271,0	359,2	268,8
Number of shares traded as % of weighted average number of shares	%		77,0	103,0	78,1
Market price per share					
* Year-end	cents		3 180	3 700	3 650
* Highest	cents		3 239	4 016	4 450
* Lowest	cents		2 915	3 055	2 365
Key market performance ratios					
Earnings yield	%		7,3	5,7	5,1
Price: earnings ratio			13,7	17,6	19,7
Capital distribution/dividend yield**	%		–	1,9	1,7
Business performance					
Profitability					
Return on ordinary shareholders' equity	%		32,5	38,0	50,9
Return on total assets	%		11,4	14,3	21,0
Return on net assets	%		43,2	52,4	63,1
Revenue growth from continuing operations	%		21,2	16,7	22,6
Gross margin	%		45,5	48,2	48,1
Operating profit margin	%		25,2	26,7	25,9
Effective tax rate	%		28,4	28,9	25,3
Liquidity and solvency	%				
Current ratio			112,5	111,0	110,1
Quick ratio			78,3	90,8	69,2
Total debt (net of cash): total equity ratio			62,8	41,1	60,6
Financing cost cover, excluding notional interest	times		4,7	5,8	8,7

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

*** The capital distribution of 70,0 cents per share paid in the year ended 30 June 2008 relates to profits earned in the 2007 financial year. No capital distribution is proposed in respect of the earnings for the year ended 30 June 2008. The distributions for the years 1999 to 2003 relate to dividends declared after year-end.*

1 South African Druggists' businesses acquired 1 March 1999.
2 Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.

Financial definitions

Average
Arithmetic average between consecutive year-ends.

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

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

Capital distribution/dividend yield
Capital distribution/dividend per share as a percentage of year-end market price per share.

Compound annual growth percentage
Compound annualised year-on-year growth since 1999.

Current ratio
Current assets divided by current liabilities.

Earnings per share – basic
Earnings attributable to equity holders of the parent divided by the weighted average number of shares in issue during the year (net of treasury shares).

Earnings per share – diluted
The diluted earnings per share is calculated as described in note 32.

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

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

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

Gross margin
Gross profit as a percentage of turnover.

Headline earnings per share
Headline earnings per share is calculated as described in note 32.

Headline earnings per share – diluted
Diluted headline earnings per share is calculated as described in note 32.

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	SA GAAP Year ended 30 June 2000 R'million	SA GAAP Year ended 30 June 1999[1] R'million
929,3	670,5	508,6	424,1	308,8	241,6	96,4
(52,9)	(44,2)	(11,6)	(94,4)	(38,2)	117,6	56,4
876,4	626,3	497,0	329,7	270,6	359,2	152,8
(84,6)	(52,6)	(96,1)	(67,9)	(65,5)	(101,8)	(32,5)
37,6	27,3	39,2	19,7	18,0	15,2	15,2
(176,6)	(102,3)	(54,1)	(50,7)	(20,9)	(32,7)	(10,8)
652,8	498,7	386,0	230,8	202,2	239,9	124,7
(799,8)	(282,6)	(351,3)	(40,6)	(186,6)	267,4	(1 567,3)
115,6	54,3	20,9	(193,9)	(31,1)	(483,1)	1 554,8
5,5	(5,2)	(39,4)	52,6	10,5	–	–
(25,9)	265,2	16,2	48,9	(5,0)	24,2	112,2
465,5	200,3	184,1	135,2	140,2	116,0	3,8
439,6	465,5	200,3	184,1	135,2	140,2	116,0
137,6[2]	99,8	76,6	62,5	46,8	27,2	19,2
133,9[2]	97,2	74,8	60,6	45,6	27,2	19,2
138,3[2]	103,7	79,1	62,7	46,3	33,8	19,5
134,3[2]	101,0	77,1	60,8	45,1	32,8	19,5
138,3[2]	103,7	79,1	63,1	46,6	26,2	16,7
30,0	20,0	11,0	8,0	–	–	–
2,9[2]	3,3	3,8	5,7	5,9	–	–
281,1	297,7	222,1	170,5	96,0	64,2	44,8
191,7	140,0	109,3	65,9	55,3	65,3	43,6
378,4	377,0	373,5	370,3	368,2	367,3	367,3
339,4	358,2	354,6	351,5	349,4	367,3	367,3
340,6	356,2	353,1	350,4	365,8	367,3	285,8
9 005,3	4 788,1	2 894,3	2 759,0	2 191,0	2 112,0	1 873,3
103,4	82,7	128,9	132,1	30,9	28,0	13,9
30,3	23,2	36,5	37,7	8,4	7,6	4,9
2 380	1 270	775	745	595	575	510
2 500	1 410	800	790	695	710	987
1 270	775	640	565	400	350	160
5,8[2]	8,2	10,2	8,4	7,8	5,9	3,8
17,2	12,3	9,8	11,9	12,9	17,0	26,2
2,0	2,4	2,6	1,5	1,3	–	–
46,4	38,4	39,0	46,9	60,0	49,9	59,0
23,4	26,3	26,5	26,6	24,4	21,8	5,4
67,6	59,5	63,1	97,9	49,3	107,9	101,3
27,8	16,5	21,1	41,4	18,0	165,4	384,7
49,4	48,1	45,3	46,5	52,5	17,9	16,0
26,2	25,2	23,5	24,2	25,0	17,9	17,2
30,7	32,7	29,7	32,7	27,7	22,9	17,2
94,3	146,7	136,3	127,8	99,2	118,0	64,0
65,1	115,0	101,2	82,6	67,3	79,3	40,2
78,6	8,1	32,0	31,6	91,1	115,5	467,5
6,0	15,6	6,4	8,6	6,3	2,9	2,6

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

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

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

Operating profit margin
Operating profit as a percentage of revenue.

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

Quick ratio
Current assets less inventories as a percentage of current liabilities.

Return on net assets
Operating profit divided by average total assets less average total liabilities.

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

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

Total debt (net of cash): total equity ratio
Sum of total borrowings, total deferred-payables and other financial liabilities and the liability component of the preference shares less cash and cash equivalents expressed as a percentage of total shareholders' equity.

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

Global leadership in **generic ARVs ...**

2002:

GSK granted Aspen a **voluntary license on their ARV patents** over zidovudine (Retrovir-AZT) and the zidovudine and lamivudine combination (Combivir).

2002:

Boehringer Ingelheim South Africa **granted Aspen a voluntary license** for the production, distribution and sale of the ARV nevirapine.

2003:

Aspen announced the launch of **Aspen Stavudine®**

– the first generic ARV developed and manufactured in Africa.

2003:

Aspen became the first generic company globally to be accredited to the **PEPFAR Fund** (United States President's Emergency Plan for AIDS Relief).

2003:

The **US-based Clinton Foundation** announced that it had selected Aspen, together with two other multinational companies, for the manufacture of ARVs.

2005:

The South African Government awarded Aspen the lion's share of its **first ARV tender** equating to 58% by volume.

2005:

Gilead Sciences, Inc. and Aspen entered into a **licensing and distribution agreement** for Gilead's ARV products Truvada™ and Viread®. The deal enables Aspen to manufacture finished product for the 95 resource-limited countries included in Gilead's Global Access Program and also to distribute the products in Africa.

2005:

Merck Sharp & Dohme SA **granted Aspen a license** to manufacture and supply a generic version of the ARV efavirenz.

Aspen soars on news of AIDS-drug tender

Tamar Kahn

Science and Health Editor

CAPE TOWN — The share price of Aspen Pharmacare, SA's biggest manufacturer of generic medicines, climbed 7.38% yesterday on news it had won the lion's share of the government's new R3,6bn AIDS-drug tender.

Aspen's achievement underscores its strength as a supplier of generic medicines to the state.

Stephen Saad

2008:

Aspen secured more than 70% by volume of the second ARV tender awarded by the South African Government.

2008:

Aspen presently provides **ARVs to an estimated 600 000 HIV/AIDS patients** across the African continent.

Judy Dlamini

A decade of achievement

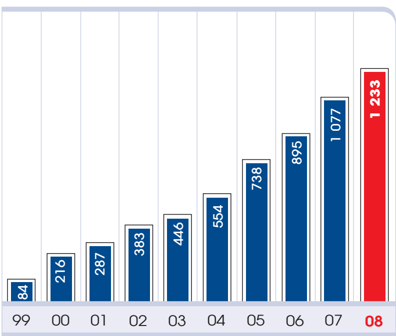
The year ended 30 June 2008 marked the completion of the tenth year since Aspen came to the JSE through a reverse listing in 1998. During that period the Group has evolved from an unknown new entry in the South African pharmaceutical sector to a position of industry leader across the continent.

Ten years of growth

For 10 successive years Aspen has delivered growth in revenue and earnings. The compound annual growth rate for both of these measures exceeds 50%. This performance has been achieved in a time when the industry has faced many challenges and much change, most notably in regulations. The successes recorded have been the result of the effective implementation of carefully considered strategies by a committed team which has been most ably directed.

Operating profit

(R'million)



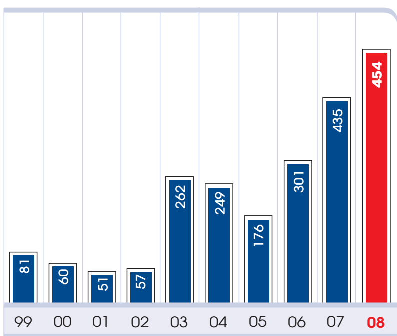
Investment in manufacturing capabilities

Certain of the strategic decisions taken by Aspen over the past ten years have been contrary to the perceived wisdom of the time. One such decision was to invest in manufacturing capabilities in South Africa during a period of widespread divestment. The investments made have positioned the Group as a quality manufacturer of the highest international standards. This status has provided the access point for the Group's engagement with several of the world's leading pharmaceutical corporations from which additional business collaborations have developed. At a time when a number of South African manufacturers have been suspended for failing to reach the increased quality standards following South Africa's adoption of the Pharmaceutical Inspection Convention ("PIC"), Aspen's ongoing investment in its manufacturing facilities provides assurance as to future sustained compliance.

In addition to the Sterile Facility which will commence production in the forthcoming financial year, projects are under way at both the heritage General Facility and the Oral Solid Dosage ("OSD") Facility to bring additional production capacity on stream. Through the period of this investment programme Aspen has continued to prove itself as an internationally competitive producer. This is evidenced by the success achieved in the South African Government tenders where the Group has maintained its position as the leading supplier to the public sector.

Capital expenditure

(R'million)



Trust in Aspen

From an unknown brand a decade ago, Aspen has been rightfully established as a name which is synonymous with trust. This trust has been developed by the consistent quality of Aspen's products and the Group's extensive range of affordable generics which has allowed healthcare providers and patients to rely on Aspen with confidence. This status was endorsed again this year with Aspen being recognised as the most trusted brand in the South African market in surveys conducted of both retail pharmacists and healthcare funders. The Group's ability to provide medication to tackle the significant challenges posed by diseases such as HIV/AIDS and multi-drug resistant tuberculosis has further enhanced Aspen's reputation. As the Group's internationalisation strategy unfolds, trust in Aspen will be an important characteristic to be delivered into new global markets.

Skilled employees

Group Chief Executive, Stephen Saad, and Deputy Group Chief Executive, Gus Attridge, are to be congratulated for what Aspen has achieved for the past 10 years under their leadership. During this time Aspen has had the support of outstanding executives, managers and employees. There is a global shortage of skills which is heightened in specialist industries such as pharmaceuticals. Aspen benefits from the expertise of highly capable professionals. In order to grow this skills base to accommodate the Group's expansion, investment in skills development has increased significantly. There is a particular emphasis placed on investment in previously disadvantaged South Africans as part of the Group's commitment to transformation. Pleasing progress has been made in Aspen's transformation initiatives. This is an ongoing process and future advancements can be expected from the present initiatives.

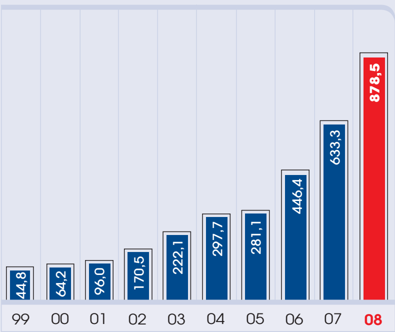
Committed to Corporate Governance

During the course of the past year the Aspen Board lost the significant experience and wisdom of Leslie Boyd who sadly passed away in March 2008. Maxim Krok also left the Board when he emigrated to Australia during the latter part of the year. Maxim was the longest serving member, having been appointed to what was then the Board of Medhold Ltd in 1994. In August 2008 we welcomed Roy Andersen as an independent non-executive director. I have every confidence that Aspen will benefit significantly from Roy's vast business knowledge and exposure. Changes in legislation, particularly the Corporate Law Amendment Act, have placed more responsibility on directors. The Aspen Board is committed to maintaining the high levels of good corporate governance which have been achieved to date. The Aspen Board comprises an effective mix of skills and experience drawn from business, labour and the professions. I am grateful for the support received from my colleagues on the Board since assuming the chairmanship in November 2007.

Uncertainty in global markets

The past few weeks have been tumultuous by any measure as global markets have adjusted to the consequences of the international financial crisis. At a time when valuations of companies around the world have been marked down considerably, Aspen has fared relatively well in preserving shareholder wealth. The pharmaceutical industry is an inherently defensive sector for investors. The reality being that the demand for medicines persists regardless of economic conditions. That is not to say that pharmaceutical companies are immune to the circumstances which have arisen. It is a time for prudent business practice. The Group will nonetheless remain alert to opportunities which may be presented due to the shifts in the markets.

Net asset value per share
(cents)



A significant outcome of the financial crisis has been a substantial contraction in liquidity. The Group is in the fortunate position whereby the lines required to fund the recently completed acquisition of brands from GSK have been secured at a competitive rate.

The next decade

In accordance with stated strategy, the Group has undertaken meaningful steps over the past year to internationalise. In many respects Aspen finds itself in similar circumstances to the emerging business which came to the market 10 years ago. However, today the market is not domestic, but global. This expanded geography will bring the associated challenges and complexities. I am however confident that the strategies have once again been carefully considered. The Group also has the advantage of building its international business off the base of a successful South African operation.

Judy Dlamini
Chairman

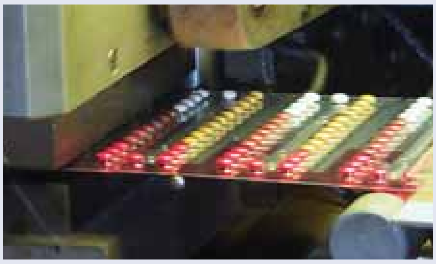
Establishing international **manufacturing capabilities ...**

1999:

Aspen manufactured **2 billion tablets and capsules** (compared to more than 6 billion tablets and capsules in 2008).

2001:

Aspen opened its **Oral Contraceptive Facility** in East London and manufactured in excess of 14 million packs of product in its first year.



2002:

Construction began on Aspen's **world-class OSD Manufacturing Facility.**

2004:

Aspen acquired FCC, a **manufacturer of narcotic and specialist APIs** which are supplied to the South African and numerous international markets.

2005:

Astrix was formed out of the joint venture with Matrix Laboratories Ltd, thereby providing vertical integration into the supply of key APIs.

2005:

Aspen's OSD Facility became the world's first generics manufacturing facility to receive approval by the United States Food and Drug Administration ("FDA") for the production of the generic ARVs Lamivudine/Zidovudine and Nevirapine in a combination pack.

2006:

Construction began on the Port Elizabeth-based **Sterile Facility** which has been built to international standards to manufacture eye drops, hormonal and lyophilised freeze-dried vials and general ampoules for local and global markets.

2006:

Aspen Nutritionals recorded **an exceptional 75% increase** in volumes which was achieved by optimising production capabilities.

2007:

An extensive upgrade to **Aspen's heritage General Facility** in Port Elizabeth commenced on a phased approach which remains in progress.

2008:

Aspen's **manufacturing sites worldwide** increased from six to eleven through the addition of three sites in Latin America and two in East Africa.

Stephen Saad

Internationalisation of the Group

The past year has been one of intense corporate activity as a number of strategies came to fruition within months of one another following lengthy periods of development. The outcome has been a significant move towards the internationalisation of Aspen with a reinforcement of the Group's strength in emerging markets and in the southern hemisphere in particular.

Profit after-tax increased by 20%

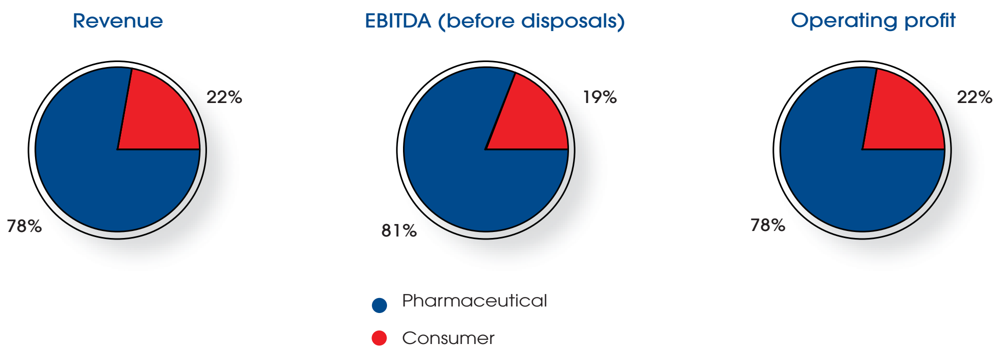
The Group grew profit after tax by 20% to R865 million for the 2008 year. This result was achieved from a 21% increase in revenue to R4,9 billion and operating profit which was 14% up at R1,2 billion. Earnings benefited from after tax profits of R58 million realised from various disposals during the period. The year's performance was characterised by a record contribution from the international businesses and a more subdued return from the South African business. Amongst the international businesses, Aspen Australia turned in another excellent performance and Astrix delivered rapid growth by expanding its customer base. The South African business performance was constrained by a surge in costs which could not be recovered from the market under existing pricing regulations with a resultant contraction in margins in the second half of the year. A multi-faceted approach has been taken to tackling the causes of the pressure on profitability experienced in the second six months which has already yielded positive results.

Growth fundamentals in place for South African pharmaceuticals

The fundamentals of the South African pharmaceutical market remain strong, particularly for generics. In value terms, the total private market grew by 13% over the past year whilst the generic market grew at 23%. The drivers behind these growth levels include an emerging middle class, the expansion of the Government Employee Medical Scheme and, regrettably, a population dealing with the many health challenges posed by the nation's high incidence of HIV/AIDS. Demand for generics has additional impetus arising from the promotion of generic substitution by the regulator and healthcare funders through legislative and economic interventions, respectively.

It is nonetheless a challenging market. Competition amongst generic players is intense. Legislative uncertainty has become a constant factor. International benchmarking and capping of logistics fees are two elements which may have

Secondary segments: business



an impact on the forthcoming year, whilst the dispute in respect of the appropriate level of dispensing fees remains unresolved. It is of no benefit to speculate as to how these matters will ultimately be settled as there are many factors still in play. Aspen's approach remains one of constructive engagement with the Department of Health ("DoH"). Statements from government and the identification of the pharmaceutical sector as a strategic industry have been encouraging. The award of the ARV tender almost exclusively to local manufacturers augurs well for future support of the sector.

Aspen leads the South African market

The Group remains well positioned to succeed in the domestic market. Aspen provides the most extensive product offering and enjoys the largest market share in both the private and public sectors. As the top provider of generics, Aspen commands approximately one third of this sector. The Group's cost effectiveness as a manufacturer was once again proven in the government's ARV tender announced in May 2008 where Aspen was awarded more than 70% by volume of the ARVs to be supplied over a two-year period. Investment in manufacturing over the last few years ensured the Group has production capabilities in South Africa which are internationally accredited.

The future of Aspen in this market is protected by a formidable product pipeline. The contribution by new product launches over the past year was disappointing as the number of new registrations granted was lower than expected. Consultations have been held with the South African Medicines Control Council ("MCC") to ensure that Aspen's submissions are of a standard which will allow for ease of processing. Set out below is Aspen's present product pipeline for the South African market:

	Dossiers sourced	Dossiers in development	Dossiers in compilation	Dossiers in registration	Registered dossiers in launch process	Total
Total number of molecules	101	25	11	103	6	246
Total Private Market Value (R'000)[1]	2 008 407	592 561	99 904	1 311 658	32 679	4 045 209
Total Public Sector Value (R'000)[2]	245 733	34 308	32 921	592 980	14 584	920 526

Notes

1 *Values stated have been derived from IMS Health (Pty) Ltd ("IMS"). IMS is an independent measure of the private pharmaceutical market of South Africa. The IMS value, as set out in the table above, records the annual value of sales of the originator's products to 30 June 2008. In assessing the potential value to Aspen of the dossiers to be launched, the following need to be taken into consideration:*
(i) The generic product of an original trades at a discount to the original product.
(ii) The entry of generic products to the market will result in greater competition.

2 *Values stated represent the annual value of the present public sector tender for the products concerned as estimated in the relevant tender documents. It should be noted that volumes and prices are likely to vary in future tenders and that awards under the tender are made on a competitive basis.*

Expanding into international markets

During the course of the past year the Group has invested over R4 billion in increasing its presence in international markets. This has been a stated strategy for some time. After substantial research and the consideration and rejection of many prospects, certain opportunities which had been identified as meeting Aspen's investment criteria were progressed. Coincidentally, the timing of completion was such that a number of deals closed within a relatively short time span. The transactions concluded have substantially increased the Group's presence in its areas of focus, the emerging markets. Aspen Global is the hub of the international business and a strong management team has been assembled in Mauritius to support this initiative. Regional management teams are also in the process of evolving as the Group's management structure is refined to meet the expanded geographic footprint.

Differentiated products with global demand

Aspen's ability to grow internationally depends on penetration of new markets. In order to gain access to new markets there are advantages to be gained from a product offering which is recognised or different. This was the driver in the conclusion of the deal to acquire four globally branded products from GSK and in the investment into the oncology franchise joint venture with Strides.

The GSK products are for specialist areas of treatment. Additionally, the complexity in the manufacturing of Eltroxin®, Lanoxin® and Imuran® provides natural barriers to competition. The products have established brand equity across over 100 markets which provides an excellent distribution platform through which to introduce additional products. The growth potential of the products in emerging markets is promising whilst generic erosion of the products in certain developed markets will require to be managed.

The oncology joint venture gives the Group access to highly specialist products in a growing therapeutic category where there are a limited number of operators. There is a substantial product pipeline under development which will commence commercialisation in 2010. Product development is being undertaken to allow for the worldwide application of the resultant intellectual property.

Licensing and supply agreements with GSK

The Group concluded agreements with GSK in July 2008 in terms of which GSK will, on an ongoing basis, license selected products from Aspen's product portfolio, from the oncology joint venture product range and from other specialist generic products accessed by Onco Therapies Ltd ("Onco Therapies"). This deal enables Aspen to obtain distribution for its product portfolio in a large number of territories to which it presently does not have access. Furthermore, GSK will use its considerable brand recognition as well as its sales and marketing infrastructure to ensure the effectiveness of distribution. Aspen is responsible for supply under the arrangements which will provide manufacturing opportunities for the Group in South Africa, Brazil and India. The successful roll out of this initiative has the potential to materially enhance Aspen's revenue and profit streams for the next decade.

Australia provides the foundation for the Asia Pacific region

The Australian business has been a success story, developing from a start-up in 2001 to a recognised and respected company in a competitive and challenging market. Revenue of R709 million comprised 14% of the Group's total and reflects seven consecutive years of strong growth. A product pipeline has been established for Australia over the past few years and the first product recently came to market. This pipeline will add organic growth momentum to the Australian business.

The management team which has achieved so much in the Australian market has now been tasked with the furtherance of the Group's interests across the entire Asia Pacific region. Products acquired from GSK will provide a point of entry into many markets in this area. From this base opportunities to add products from Aspen's extensive product portfolio will be pursued.

Developing a presence in Latin America

With effect from March 2008 the Group entered the Latin American market through a 50% investment in the businesses established in Brazil, Mexico and Venezuela by Strides. Management control of these businesses has subsequently been gained with the acquisition of an additional 1% stake. The exercise of a put and call arrangement after the June 2009 financial year-end will lead to Aspen taking full ownership of the businesses with the exception of a 20% local partner in Venezuela. The ultimate purchase consideration is dependent on the results achieved by the businesses over the year to June 2009.

The Group has been seeking a point of entry into the Latin American markets for many years. The large populations and growing economies have created increasing demands for affordable medication in this area. Strong parallels exist between the healthcare needs in the region and those in Aspen's domestic market, providing many opportunities to leverage the Group's intellectual property portfolio. Additional funding introduced at the time of Aspen's initial investment has been used to acquire a range of branded generics and a selection of OTC products in Brazil. This is aligned to the development of a brand driven strategy in these markets which will be further enhanced by the GSK products which have good market presence.

Building the business in Africa

It was previously communicated that Aspen is seeking partners to increase its reach into Africa. The acquisition of a 60% interest in Shelys Africa Ltd ("Shelys") represents the first step in meeting this objective. Shelys has a well established presence in East Africa where it is the largest pharmaceutical business in Tanzania. There is a strong presence in Kenya under the Beta Healthcare (Kenya) Ltd ("Beta") name with representation in Uganda as well as reach into other African markets. Aspen's partner in the business is the Sumaria Group, a leading family owned corporation with diverse business interests across the territory. Aspen will be seeking to provide additional momentum to the Shelys business plan through the introduction of products chosen from the Group's intellectual property portfolio as well as by the provision of expertise in support of the production facilities in Dar es Salaam and Nairobi.

The Group has identified North Africa, the Middle East and Europe as a separate region which will be run from Dubai from the beginning of the 2009 calendar year.

Embracing new challenges

The internationalisation of the Group creates new challenges. The growth in the scale of the businesses, the territories covered and the technologies implemented have provided opportunities for many talented employees to develop and increase their levels of expertise. There is however a constant search for suitably qualified and experienced people which emanates from a worldwide shortage of skills and a limited pool of pharmaceutical capabilities within South Africa caused by the small size of the industry. Consequently Aspen has increased its commitment to skills development within the business. The investment is aligned to the BBBEE initiatives of the Group.

Particular mention should be made of the multi-functional teams which have toiled tirelessly deep into the night on many occasions to ensure execution was achieved in this period of exceptional corporate activity. Once again the quality of our people was endorsed. I also wish to express my gratitude to the Board for the astute guidance provided over the many significant issues that we have debated during the past year.

Excellent prospects

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

Stephen Saad
Group Chief Executive

Nurturing the less **fortunate ...**

1999:

Aspen supported the **Phelophepa train** – the world's first healthcare train providing care to patients in remote rural areas. The onboard pharmacy dispensed desperately needed medication to disadvantaged communities.

2000: Aspen **constructed the Engcobo Clinic** in the Transkei. The clinic included nurses' training facilities, a medicines dispensary, a maternity ward, a delivery room and an IT infrastructure.

2001: Former **President Nelson Mandela** opened the Engcobo Clinic. This facility continues to enjoy valued assistance and support from Aspen.

2002:

Involvement was intensified at the Gauteng-based Fourways Clinic which provides professional counselling for abused children and **HIV/AIDS sufferers.**

2003:

The Emthonjeni Clinic in Zandspruit became a new beneficiary, benefiting from medicines, clothing, blankets and electrical supplies.

2003:

The Tshepo-Hope Care Centre, which provides community and voluntary services relating to HIV/AIDS and tuberculosis, home-based care, voluntary counselling and testing and a day care centre for orphans, was added to Aspen's Corporate Social Investment ("CSI") programme.

2003:

Support continued for inter alia,

the Engcobo Clinic, St Bernard's Hospice, House on the Rocks, the Empilweni Hospital, Topsy Sanctuary and the Health Minister's bursary.

2004:

Sponsorship was introduced to **The Hope Centre in Durban** which trains homecare workers and provides voluntary HIV/AIDS testing, counselling, education and treatment.

2005:

Aspen opened the **R1 million Wellness Centre in the Eastern Cape**

to enhance the primary healthcare services at the Nelson Mandela Bay Municipality's Wells Estate Clinic.

2006:

The children's **orthopaedic ward** at the Livingstone Hospital in Port Elizabeth received much needed electronic equipment.

2008:

Aspen assisted with the **expansion of the Mduku Clinic** in the Umkhanyakude District, KwaZulu-Natal.

2008:

Plans for the **future development of an additional three clinics**

in the Eastern Cape, Free State and KwaZulu-Natal are at an advanced stage.

Gus Attridge

Record contribution from international businesses

The international businesses produced excellent results, increasing revenue by 48% and operating profit by 105%. Whilst acquisitions contributed to the results, the major portion of the growth was delivered by existing operations.

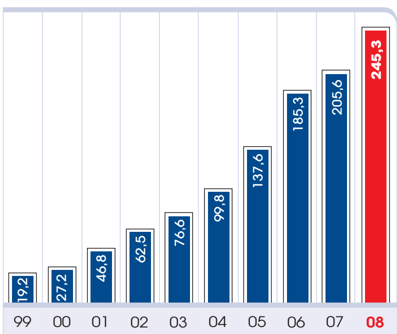
Earnings characteristics

The Group recorded earnings per share of 245,3 cents for the year, growth of 19%. The substantive factors influencing earnings were:

- Revenue increased by 21% to R4,9 billion driven by organic growth in most territories. Acquisitions during the year added to the growth, but this was somewhat neutralised by the disposals.
- Operating margins before amortisation and profits on disposals reduced from 29,7% to 26,6%, primarily due to margin contraction in the South African business.
- A record contribution to operating profit before amortisation from the international businesses of R255 million, 19% of the total.
- Profits before tax of R64 million realised on the disposal of various non-core investments and products.
- Benefits from cover against foreign exchange exposure translated into a positive contribution of R64 million from both foreign exchange gains and fair value gains on financial instruments.
- Amortisation of intellectual property reduced earnings per share by 22,4 cents. Aspen's peers in the South African market do not amortise intellectual property.

Earnings per share

(cents)



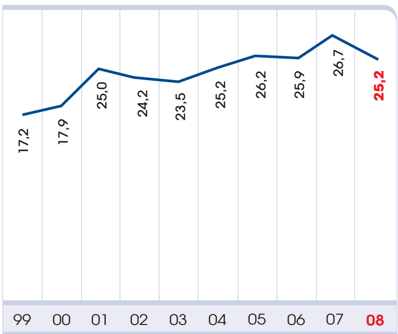
Margin contraction in the South African business

In the South African business, the operating margin before amortisation and profits on disposals reduced from 32,2% in the prior year to 28,2%. The major causes were:

- The delay by the DoH in granting a price increase under the single exit pricing ("SEP") legislation despite rising costs and a weakening currency. The price increase expected in January 2008 was only granted in May 2008. The 6,5% increase granted was less than the rise in costs of goods.
- A worldwide shortage in APIs resulting in extraordinary price increases. The DoH has consented to an increase in prices in the public sector to compensate for the surge in API costs, but this only became effective after the year-end. Application for an extraordinary price increase in the private sector is still under consideration by the DoH. Aspen has continued to manufacture loss-making products in the public's interest, but this is clearly not sustainable.
- The re-scheduling of products containing ephedrine from schedule 2 (over-the-counter) to schedule 6 (the highest schedule, prescription only) by the DoH without any phasing provisions. This has necessitated a substantial stock write-off as the restricted access arising from the re-scheduling has resulted in a significant reduction in demand.
- A decline in the earnings of FCC following record profits in the preceding year.

As certain of the reasons for the margin contraction are non-recurring and due to benefits flowing from steps taken to address other causes, a recovery in margins in the South African business is anticipated. This will however be influenced by the application of the SEP regulations, any changes in legislation and the extent of draw-down under the ARV tender which is supplied at low margins.

Operating profit margin
(Percent)



Changing shape of the Group

The transformation of the Group which has taken place during the past year will change the balance of contributions to future operating performance. In the forthcoming year it is expected that earnings from outside of South Africa will be approximately 40% of the Group's total. As the GSK products are the subject of transitional arrangements with GSK, an established pattern of distribution of the revenue and profits from these products will not be established over the first year of ownership. Initially GSK pays over net profits from the products to Aspen and, during this period, revenue from the products will be the profits received. As the transition is phased in, this will change to reflect revenue from sales of the products and the related costs. Once the one-year transition is fully completed an established pattern of geographic contribution will emerge.

Capital expenditure projects continue

During the past year, Aspen invested R379 million in capital expenditure on tangible fixed assets. This was mainly incurred in South Africa where the upgrade of the heritage General Facility, the completion of the Sterile Facility and the addition of capacity to the OSD Facility were ongoing. These projects will continue in the new year together with the completion of the Campos Facility in Brazil and the building of a new manufacturing facility in Nairobi, Kenya. There is R458 million already committed to capital expenditure for 2009 with the possibility of further projects commencing during the year. It is worth noting that capital work in progress under property, plant and equipment on the balance sheet amounts to R922 million and is effectively unproductive. The commissioning of these facilities should result in an improved return on capital employed.

New funding arrangements in place

During the course of the year the Group committed R1,5 billion to the investments in the oncology franchise, in Latin America and in East Africa. These investments were funded from the Group's cash resources. Available cash at year-end was augmented by the redemption of an investment in preference shares which realised R377 million. At year-end the Group carried a liability to GSK of R2,7 billion in respect of the acquisition of the GSK brands. This was settled by means of a bridging loan. A five-year US Dollar ("USD") denominated funding arrangement with a consortium of banks has been put in place to replace the bridge. The cost of this debt has been fixed at an all-in rate of 6,11% per annum over 90% of its term by means of an interest rate swap. This is considered most favourable, given the present status of global financial markets.

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

Given that the GSK transaction was concluded on the last day of the year, the gearing levels at year-end should be considered against future earnings rather than those reported for 2008.

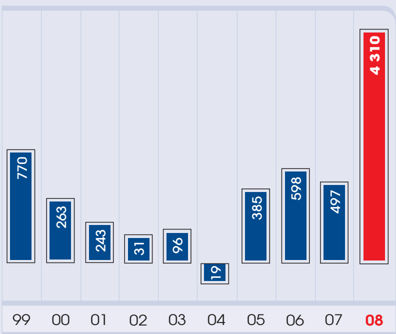
Capital distribution

In view of the higher gearing levels of the Group and the ongoing capital expenditure programme, the Board has resolved that no capital distribution will be paid to shareholders in respect of the current year. In terms of the new banking arrangements to fund the acquisition of the GSK brands, payment of future cash distributions to shareholders may not be declared without the prior consent of the lending banks, which consent may not be withheld provided it can be demonstrated that past and future financial covenants will be maintained.

Capitalisation issue

In order to facilitate the funding structures of the Group's BBBEE partners, Aspen made a capitalisation issue of 1,75 ordinary shares for every 100 ordinary shares held.

Net debt
(R'million)



Gus Attridge
Deputy Group Chief Executive

Aspen Group
Sales, marketing and distribution centres

Aspen

Sales, marketing and

South Africa

Aspen Pharmacare
Supplies an extensive portfolio of branded, generic, OTC, self medication and personal care products, including ARVs, into the private and public sectors in South Africa and exports into Africa.

Aspen Nutritionals
Supplies a range of infant milk formulations to the South African market and exports into parts of Africa.

Fine Chemicals*
A 50% joint venture with Matrix Laboratories Ltd. This FDA-approved facility specialises in post-patent APIs for sale into South Africa and various international markets.

**Agreement has been reached to acquire the remaining 50% of FCC, subject to the fulfilment of certain conditions. Refer to page 89 for further details.*

East Africa

Shelys Africa
The holding company of a group of East African pharmaceutical companies. Aspen owns 60% of Shelys Africa.

Shelys Pharmaceuticals
Supplies a diverse portfolio of branded and generic pharmaceutical and OTC products to the public and private markets in Tanzania and to various East African export markets.

Beta Healthcare
Specialises in established OTC products, and supplies branded pharmaceuticals into Kenya and surrounding export markets. Beta Healthcare Uganda supplies these products to the Ugandan pharmaceutical market.

Latin America

Lakerose
Through a joint venture with Strides, Aspen acquired a 50% shareholding in four Latin American operations. Cellofarm; Solara; Mexicana; and Sumifarma. Subsequent to year end this shareholding increased to 51%.

Cellofarm
Supplies a range of generic products, with a particular focus on sterile products, into the Brazilian hospital market.

Solara and Mexicana
Solara supplies a range of generic products into the Mexican hospital market and Mexicana into the Mexican private market.

Sumifarma
A trading company which markets and supplies a range of generic products to the Venezuelan hospital and private markets. A local shareholder has a 20% shareholding.

Definitions

Aspen Pharmacare:	Pharmacare Ltd
Aspen Nutritionals:	Aspen Nutritionals (Pty) Ltd
Fine Chemicals:	Fine Chemicals Corporation (Pty) Ltd
Shelys Africa:	Shelys Africa Ltd
Shelys Pharmaceuticals:	Shelys Pharmaceuticals Ltd
Beta Healthcare:	Beta Healthcare (Kenya) Ltd
Lakerose:	Lakerose Ltd (to be renamed PharmaLatina Holdings Ltd, hereinafter referred to as PharmaLatina)
Cellofarm:	Cellofarm Ltda
Salara:	Salara, S.A. de C.V.

Group

distribution centres

Asia Pacific

Aspen Australia
Markets and distributes pharmaceutical and consumer brands into the Australian market and to various export markets in the region.

India

Onco Therapies
Through a joint venture with Strides, this business develops and licenses specialist generic products. A supply and licensing agreement for these products has been concluded with GSK. Aspen has an effective shareholding of 50%.

Astrix*
Through a joint venture with Matrix Laboratories Ltd, Aspen holds 50% of Astrix. This facility specialises in the manufacture of ARV APIs, supplying to its largest customer, Aspen, as well as to other manufacturers of ARVs.

**Agreement has been reached to dispose of Astrix subject to fulfilment of certain conditions. Refer to page 89 for further details.*

Rest of the world

Aspen Global
Commercialises a range of branded products through an extensive worldwide distribution network.

Powercliff
This 50% joint venture with Strides will be responsible for global commercialisation of an extensive range of oncology products which are under development.

Co-pharma
Distributes commodity generics into the United Kingdom pharmaceutical market. Aspen holds 49% of Co-pharma.

Definitions

Mexicana:	Strides Mexicana S.A. de C.V.
Sumifarma:	Casa de Revesentaciones Sumifarma, C.A.
Aspen Australia Pty Ltd:	Aspen Australia Pty Ltd
Onco Therapies:	Onco Therapies Ltd
Astrix:	Astrix Laboratories Ltd
Aspen Global:	Aspen Global Incorporated
Powercliff:	Powercliff Ltd (to be renamed Onco Laboratories Ltd, hereinafter referred to as Onco Laboratories)
Co-pharma:	Co-pharma Ltd

Aspen Group
Manufacturing centres

Aspen

Manufacturing

South Africa
4 Manufacturing Sites:
Port Elizabeth, East London, Clayville and Cape Town

OSD Facility, Port Elizabeth
High volume manufacturer of tablets and capsules. Accredited by the FDA, MCC, MHRA, TGA, WHO and others.

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

Sterile Facility, Port Elizabeth
Production capabilities in sterile injectables, eye drops and lyophilised freeze-dried vials. Commercial production scheduled for the 2009 financial year. Seeking accreditation from the FDA, MCC and other International agencies.

Multi-Purpose Facility, East London
Manufacturer of tablets, capsules, ointments, lotions, liquids, tinctures, self medication and personal care. Accredited by the MCC.

Oral Contraceptive Facility, East London
Specialist facility for the manufacture of oral contraceptives. Accredited by the MCC.

Nutritional Formulations Facility, Clayville
Specialist manufacturer of value-added infant milk formulations. Accredited by HACCP.

Fine Chemicals Corporation* Facility, Cape Town
Manufacturer of narcotic and specialist fine APIs. Supplies APIs to the South African market and numerous export territories. Accredited by the FDA, MCC and PMDA.

East Africa
2 Manufacturing Sites:
Dar es Salaam and Nairobi

Shelys Facility, Dar es Salaam, Tanzania
Manufacturer of solids, capsules, liquids and penicillins. Accredited by TFDA.

Beta Healthcare Facility, Nairobi, Kenya
Manufacturer of solid dose forms and liquids. Accredited by PPB and TFDA.

*Agreement has been reached to acquire the remaining 50% of FCC, subject to the fulfilment of certain conditions. Refer to page 89 for further details.

Group

Centres

India
2 Manufacturing Sites:
Hyderabad and Bangalore

- **Onco Therapies Facility, Bangalore**
  Manufacturer of injectable, semi-solid and solid oncology products.
  Accredited by the TGA.
  Seeking accreditation from the FDA, MCC and other International agencies.
- **Astrix Laboratories, Hyderabad***
  Manufacturer and supplier of ARV APIs.
  Accredited by the FDA, MCC and WHO.

Latin America
3 Manufacturing Sites:
Campos, Vitória and Toluca

- **Penicillin Facility, Campos, Brazil**
  Manufacturer of oral solid dosage forms and injectable penicillins.
  Accredited by ANVISA.
- **Penem Facility, Campos, Brazil**
  Manufacturer of penems.
  Accredited by ANVISA. Seeking accreditation from the FDA and other international agencies.
- **Vitória Facility, Vitória, Brazil**
  Manufacturer of generic oral solid dosage forms, creams and ointments.
  Accredited by ANVISA.
- **Solara Facility, Toluca, Mexico**
  Manufacturer of oral solid dosage forms.
  Accredited by COFEPRIS.

**Agreement has been reached to dispose of Astrix subject to fulfilment of certain conditions.*
Refer page 89 for further details.

Definitions

ANVISA:	Brazilian National Health Surveillance Agency
API:	Active pharmaceutical ingredient
ARV:	Antiretroviral
COFEPRIS:	Mexican Direction de Control Medicamentos
FDA:	United States Food & Drug Administration
HACCP:	Hazardous Analysis and Critical Control Points
MCC:	South African Medicines Control Council
MHRA:	United Kingdom Medicine and Healthcare Products Regulatory Authority
PMDA:	Japanese Pharmaceutical and Medical Device Agency
PPB:	Pharmacy & Poisons Board
TFDA:	Tanzanian Food and Drugs Authority
TGA:	Australian Therapeutic Goods Association
WHO:	World Health Organisation

Business unit review

South African business

Pharmaceutical division ➤

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

Growth and distribution of ARVs

Sales for Viread® and Truvada™, two ARV products which were launched in 2007, grew exponentially. Aspen holds more than a 30% share of the South African ARV private market.

	Growth	2008 R'million	2007 R'million
Revenue	+17%	2 808	2 397
Operating profit before amortisation and disposals	+2%	853	839
Operating profit before amortisation and disposals as a percentage of revenue		30%	35%

Moderate profit growth

The pharmaceutical division achieved a satisfactory growth in revenue under challenging market conditions. The DoH granted an annual SEP increase of 6,5% in May 2008, four months later than anticipated, thereby putting profitability under pressure in the second half of the year. Rising manufacturing costs and a surge in the base price of raw materials limited growth in profitability to 2%. New prescription products that were launched during the year and which contributed towards growth included Mometasone cream, Vectoryl® tablets and Augmaxcil injection.

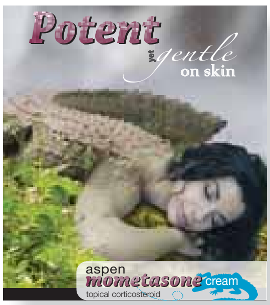
Aspen continued to be a preferred generics supplier to the public sector. At least one in every four tablets dispensed by the State is supplied by Aspen. The potential for preference to be given to local manufacturers in awarding future South African public sector tenders could provide Aspen with a competitive advantage.

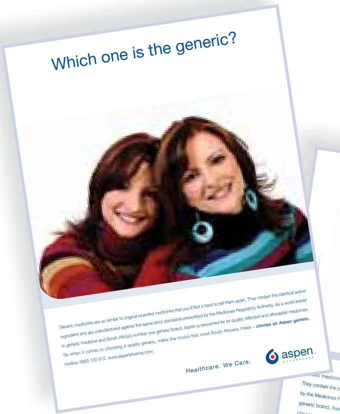
Retaining a strong market share

IMS shows that Aspen has maintained its number one position in the private pharmaceutical market in South Africa, a position it has held since April 2007. As at June 2008, Aspen holds 34% of the market share in South Africa's private generics market. Despite increased competition, a challenging legislative environment, a sub-inflationary annual price increase and the low rate of product registrations, Aspen succeeded in retaining its position as the leading generics supplier to the private and public sectors in South Africa.

Ongoing shift to generics

The legislative reforms in the South African pharmaceutical industry are still in progress, resulting in much uncertainty around the interpretation and implementation of discussion papers and proposed parliamentary bills. Resolution of doctors' dispensing fees remains elusive and regulations governing logistics fees continue to be debated. In spite of the unsettled





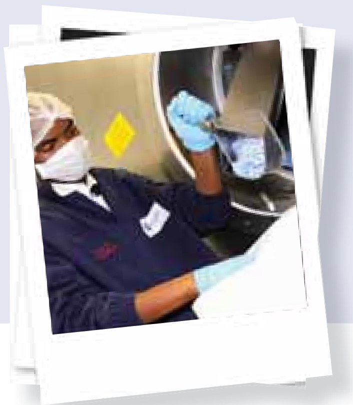
legislative environment, the switch to cost effective generics in the healthcare industry is evident, proving the industry's resilience. In the private market, generic usage represents 55% by volume and 26% by value of the market. The medical aid population has grown to cover in excess of 7 million lives. This, together with government's intentions to improve access to healthcare, bodes well for the future of generics in South Africa.

Leading products

The Aspen brand continues to gain strength in the South African pharmaceutical market through the application of a focused sales and marketing strategy. Challenges with the product registration process in South Africa had an adverse impact on the timing of new product launches. However, products which were launched during the year, performed well.

Leading prescription brands in the pharmaceutical division include:

Product	Description
Aspen Lamzid	For the treatment of HIV/AIDS
Mybulen™	For the treatment of mild to moderate pain
Eltroxin®	For the treatment of patients with hypothyroidism
Altosec®	For the treatment of ulcerative conditions of the gastrointestinal tract
Pharmapress	For the treatment of hypertension
Truvada™	For the treatment of HIV/AIDS
Stilpane	For the treatment of general pain and pain associated with tension
Cilift	For the treatment of depression
Panamor®	For the treatment of pain and inflammations
Flixonase®	For the prevention and treatment of allergic rhinitis



Pharmaceutical division ➤

OTC's performance impacted by legislation

The regulatory reclassification of ephedrine, pseudoephedrine and d-norpseudo-ephedrine to schedule 6, with effect from April 2008, had an adverse impact on the sales for leading OTC products such as Leanor™, Thinz® and Slenz® in the last quarter of the year. These products contributed in excess of R40 million to revenue historically, but are now only available by prescription. Replacement slimming products are in the pipeline and are anticipated to be launched in the first half of 2009. The first of these replacement products, Thinz Alcachofra, has been already been launched. New product launches, including Andosept™-Co Oral Rinse and alcohol-free Vidol® Gripe Water, added to the revenue growth in this segment.

Aspen achieved first place in the nationwide Campbell Belman Confidence Standing Survey, an independent survey of retail pharmacies and buying groups, published in December 2007, improving on its previous ranking of second place. This is the fifth consecutive year in which Aspen has secured a place in the first two positions of this survey.

The Aspen Bear Care Campaign has again proven to be successful in promoting the Aspen winter range of cough, cold and flu products.

The top OTC brands for the year include:

Product	Description
Thinz®	An appetite suppressant
Flusin™	For the treatment of cold and flu symptoms
Lenadol®	For the treatment of mild to moderate pain associated with tension and fever
Leanor™	An appetite suppressant
Somnil®	For the treatment of insomnia
Sinuclear	For the treatment of sinusitis and congestion
Hyospasmol®	For the treatment of gastrointestinal problems
Ulsanic	Gastric acid suppressor for ulcers and gastric reflux
Rinex	For the treatment of colds and flu and allergic rhinitis
Mylocort	For the treatment of itchiness and minor skin irritations

Funder recognition

The 2008 Campbell Belman Confidence Standing Survey ranked Aspen third amongst managed healthcare providers and funders and Aspen was the only generics company to feature in the top 10. This is a commendable achievement. Aspen was rated first in the "Trust in Product", "Future Prospects" and "Communications" sections of the survey.

Rising ARV sales

Demand for ARVs continues to grow despite the entrance of new competitors. The growth received further momentum with the launch of Aspen Efavirenz. Sales for Viread® and Truvada™, two ARV products which were launched in 2007, grew exponentially. Aspen holds more than 30% of the share in the South African ARV private market.

Aspen retained its status as the South African Government's preferred supplier of ARVs, having secured in excess of 70% of the 2008 ARV tender volume. The tender covers a two-year supply period. This award validated government's commitment to supporting locally manufactured pharmaceutical products. Although the tender provides expected volume requirements, the actual volumes supplied to the State will be dependent on the ability of government to meet its ARV distribution targets.

The South African Government's ARV treatment programme is the largest of its kind in the world. To date, Aspen has played a leading role in confronting the severity of the HIV/AIDS pandemic. Aspen is the leading provider of ARVs to the private and public sectors and supports key HIV funders' programmes in supplying low-cost, high quality ARV medicines to Africa.

Consolidation year for FCC

Volumes of the specialist API producer softened relative to the record levels reported in 2007. Margins, particularly in export markets, also contracted. Exports, mainly to the USA and Europe, made up 59% (62% in 2007) of revenue. Core APIs produced by FCC include fentanyl, azathioprine, codeine, paracetomol and baclofen. There is a new executive team in place at FCC which is undertaking a strategic review of the business with a view to ensuring that it is appropriately positioned to support the Group's development initiatives.

Subsequent to year-end, terms were agreed upon with Matrix Laboratories Ltd for the termination of the joint venture agreement in respect of FCC. Subject to the fulfilment of conditions precedent to the transaction, Aspen will acquire Matrix Laboratories Ltd's 50% share in FCC, thereby gaining full control of the Cape Town-based API manufacturer.

Business unit review

South African business

Consumer division ➤

The consumer division comprises an extensive range of products categorised in the self medication, personal care and infant nutritional segments.

Brand loyalty stimulates market growth

Aspen Nutritionals posted record sales, with brands commanding a market share of **25%**. An increased awareness regarding infant nutrition amongst young parents suggests that growth in this market is sustainable.

Business unit review

South African business

Consumer division ➤

	Growth	2008 R'million	2007 R'million
Revenue	+9%	951	869
Operating profit before amortisation and disposals	-4%	206	214
Operating profit before amortisation and disposals as a percentage of revenue		22%	25%

Adverse economic conditions affect performance of the consumer segment

The MCC's prohibition of phenolphthalein, an active ingredient used in laxatives, the general downturn in the retail sector and rising input costs had a negative impact on the consumer division's results. Owing to delays in the registration process, the launch of the replacement laxative range was unable to make a material contribution during the period under review. Replacement products which were launched during the year include Laxador® Senna, Lennon Senna and Lennon Bisacodyl.

Aspen Nutritionals posted record sales, with the brands commanding a market share of 25%. This performance is particularly commendable given the decline in the retail market. Significant increases in the base cost of raw materials during the year put pressure on margins until price increases were eventually passed on to the market. An increased awareness regarding infant nutrition amongst young parents suggests that growth in this market is sustainable. Selected infant milk formulations are also being exported into parts of Africa.

In order to achieve enhanced focus in the consumer division, Aspen took a strategic decision to divest of its nutraceutical range, with effect from December 2007. The Group sold 80% of the Formule Naturelle range for a profit of R41 million.

Leading brands in the consumer division include:

Product	Description
Infacare Infasoy The S26 range SMA	Infant milk formulations
Lennon Dutch Medicines	A range of trusted remedies for assorted ailments found in most South African homes
Mentadent P and Close-up	Toothpaste ranges
Playboy and Playgirl	Deodorant range for men and young women
Safyr Bleu®	Sterile eye drops
Woodwards™ Gripe Water	Treatment to comfort infants with gripes
Hamburg® Tea	Laxative
Prep	Derma protective shaving cream
Flutex®	For the treatment of colds and flu
Guronsan® C	A tonic for fatigue
Lennon Cough Mixture	An expectorant

Operations ➤

Aspen's Operations division is the largest producer of generic pharmaceuticals in the southern hemisphere. Ongoing investment is increasing capacity, diversifying manufacturing capabilities and improving quality standards, thereby strategically enhancing Aspen's competitive advantage as a supplier of choice.

Africa's largest pharmaceutical manufacturer

Since 2002, Aspen's investment in its Port Elizabeth-based manufacturing facilities has exceeded

R1 billion.

This, and other investments, have positioned the Group as a quality manufacturer at the highest international standards.

Upgrade projects for the heritage General Facility

In order to increase production capacities and to provide assurance as to ongoing compliance with PIC standards, the phased upgrade of the heritage General Facility in Port Elizabeth started in early 2007.

Phase 1 of this project comprised the upgrading of the raw material receiving, sampling and storage areas. This included new material handling equipment as well as the installation of additional storage space. Phase 2, comprising the construction of a high-rise structure housing granulation, compression and coating as well as a technical services floor, is due for completion in the second half of the 2009 calendar year.

Best practice was applied in the procurement of new equipment for the upgrade project. Equipment validation and installation procedures have commenced. In order to realise the benefits of the advanced technology and manufacturing standards, a dedicated team of pharmaceutical scientists has been working on process conversion and product re-formulations for selected products. A new pilot plant was installed in the existing facility to test, simulate and validate proposed process optimisation initiatives.

A group of employees has been selected to attend advanced training courses aimed to develop the necessary skills, competence and knowledge base to support the upgraded infrastructure, manufacturing processes and regulatory requirements.

OSD Facility gears up for export

Aspen's ARV portfolio was boosted by the launch of Aspen Efavirenz and a sharp increase in the demand for Viread® and Truvada™ which were launched in 2007. Capital expenditure projects to unlock additional capacity have been necessitated to align manufacturing capabilities with the Group's development strategies. These projects are currently in progress. Two high-speed bottling lines will double throughput in this area. The extended bottling line is scheduled to be completed in the first half of 2009. A tropical blister packing line is also being installed to cater for temperature-specific packaging requirements for the various international markets. Additional investment has been made in the identified constraint areas, including patient-ready packaging, coating, capsule-filling and roller-compaction.

Developments at the East London Site

Ongoing investment in the Multi-Purpose Facility in East London has maintained this

site at PIC standards. The Penicillin Facility was closed in August 2008 as competition from vertically integrated international producers finally rendered the production of penicillin-based products commercially unfavourable. A strategic review of the optimum utilisation of the East London Site as a component of the Group's integrated manufacturing plans is being conducted.

Aspen Nutritionals responds to growing demand

A capacity enhancement project is currently in progress at Aspen Nutritionals. The addition of a blending facility will alleviate the existing capacity constraints and thereby enable the business to respond to the forecast growth in volumes. The project is expected to be completed towards the end of the 2009 financial year.

Sterile Facility to commence production

The Sterile Facility project is on track to commence commercial activity with production of eye drops for Prestige Brands Inc. in the second half of the 2009 financial year. Validation procedures, which are necessary to meet regulatory requirements, are under way. Two products will be manufactured for the US market, Murine® and Clear Eyes®. The hormonal and freeze-dried lyophylised vials area is scheduled to be validated and commissioned in the 2010 calendar year. Inspections by the MCC and other international regulatory authorities, including the FDA, are scheduled to take place within the next year.

Regulatory affairs increases new product submissions

Aspen's regulatory affairs department continues to ensure that dossiers are timeously submitted for registration to the MCC and other regulatory bodies, in order to realise Aspen's strong pipeline. Regulatory capability has been developed to manage an efficient registration process for both the domestic and international markets.

An electronic document management system is being implemented to enhance document compliance management and quality process management across the Group.

Gearing up for growth

The implementation of an integrated forecasting, scheduling and production planning system has reached advanced stages of roll out at the Port Elizabeth and East London sites. This system enables optimised scheduling of the production plan against available capacity to meet forecast demand. The system is now being installed in key support areas. This will deliver integrated planning of the total manufacturing process.

Warehouse capacity for the Port Elizabeth Facilities has been increased to accommodate stock destined for international export territories.

International business ➤

The Group's international business produced record results. During the year, Aspen's international presence was significantly expanded with investments in Latin America and East Africa as well as various product acquisitions which open up numerous new global markets.

Expanding the geographic presence

During the past year the Group has invested over **R4 billion** in increasing its presence in international markets. In the forthcoming year it is expected that earnings from outside of South Africa will be approximately 40% of the Group's total.

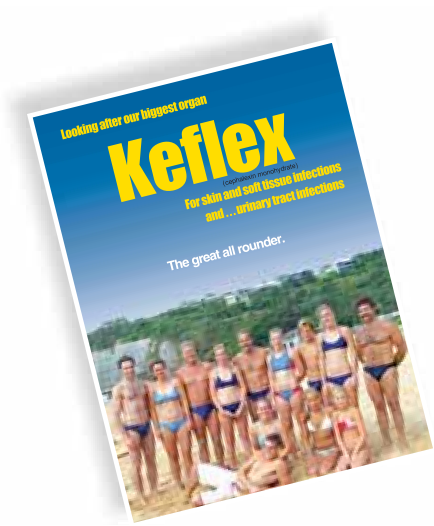
Australia

	Growth	2008 R'million	2007 R'million
Revenue	+39%	709	509
– Pharmaceutical		585	394
– Consumer		124	115
Operating profit before amortisation	+35%	96	71
– Pharmaceutical		71	39
– Consumer		25	32
Operating profit before amortisation as a percentage of revenue		14%	14%
– Pharmaceutical		12%	10%
– Consumer		20%	28%

Strong performance continues

Aspen Australia continued its impressive growth record for a seventh successive year since incorporation. The results were enhanced by a strong Australian Dollar ("AUD") which gained an average of 17% against the Rand for the period under review. During the year, licensing and marketing deals were successfully concluded with Teva, Actavis Australia and Abbott Australasia. These deals add to a strong product portfolio which was strengthened during the year by the registration of the first product from Aspen Australia's development pipeline. Aspen Australia ranks sixth in the volume of scripts generated in Australia, with an average of one in three Australians receiving an Aspen script every year.

The Australian management team has excelled in a pharmaceutical market facing both competitive and regulated pricing pressure. Aspen Australia has responded with innovative marketing and pricing strategies. The anticipated 25% price decrease on selected pharmaceutical products listed on the Pharmaceutical Benefit Scheme was enacted in August 2008. This will add to pricing pressure in this market.



East Africa

	2008* R'million	2007 R'million
Revenue – Pharmaceutical	47	—
Operating profit before amortisation – Pharmaceutical	11	—
Operating profit before amortisation as a percentage of revenue	23%	—

For the period 1 May 2008 to 30 June 2008.

Shelys – expansion into Tanzania, Kenya and Uganda

In May 2008 60% of Shelys was acquired, hence only two months of results have been consolidated. Results are in line with expectations. The experienced management teams in both the Shelys and Beta businesses have been retained to ensure the sustained implementation of successful business plans. The focus for the business has been redirected towards unlocking opportunities in the prescription and OTC private markets in the various East African territories. Positive growth is anticipated in the next year.

Shelys received the 2008 Tanzanian President's Best Manufacturer of the Year in the Chemicals Industry Award, thereby enhancing the Group's credibility in the marketplace. A new manufacturing facility will be constructed in Nairobi in the forthcoming year with capabilities in the production of OTC products.

India

	Growth	2008 R'million	2007 R'million
Revenue – Pharmaceutical	+99%	199	100
Operating profit before amortisation – Pharmaceutical	+124%	47	21
Operating profit before amortisation as a percentage of revenue		24%	21%

Astrix posts a record year

Astrix doubled turnover and profits, mainly derived from sales outside the Group. The forthcoming year can be expected to be more challenging given increasing competition amongst suppliers of Astrix's portfolio of ARV APIs and rising inflation in India.

The high-volume APIs produced by Astrix include lamivudine, nevirapine and zidovudine, lopinivir, ritonivir and atazanivir, used for the manufacture of second-line ARV treatment products.

Subsequent to year-end, terms were agreed with Matrix Laboratories Ltd for the termination of the Astrix joint venture arrangements and the disposal by Aspen of its 50% shareholding. Aspen will retain a shareholding in Astrix through a B share which entrenches Aspen's ongoing rights in its relationship with Matrix Laboratories Ltd. Aspen retains all the commercial rights and strategic advantage it previously enjoyed through Astrix. However, Aspen will no longer share in the profits on sales made by Astrix. This agreement is subject to conditions precedent to the transaction, including regulatory approval.

Onco Therapies – taking Aspen into oncology markets

In December 2007, Aspen entered into a joint venture with Strides whereby Onco Therapies, based in Bangalore, will manufacture and supply a basket of specialist generic products for worldwide markets. The manufacturing facility is currently in the process of being validated and commercialisation of products will commence in the 2010 calendar year. The facility received approval from the Australian Therapeutic Goods Association in October 2008.

In July 2008, an agreement was signed between Onco Therapies and GSK for the licensing and supply of a selection of oncology and specialist generic products for distribution into GSK's global markets.

Latin America

	2008* R'million	2007 R'million
Revenue	82,9	—
– Pharmaceutical	77,8	—
– Consumer	5,1	—
Operating profit before amortisation	2,4	—
– Pharmaceutical	2,1	—
– Consumer	0,3	—
Operating profit before amortisation as a percentage of revenue	3%	—
– Pharmaceutical	3%	—
– Consumer	6%	—

For the period 1 March 2008 to 30 June 2008.

Establishing a footprint

The acquisition of a 50% interest in the Latin American businesses was effective March 2008. Profitability has been below expectations, primarily due to delays in the opening of a new penem and penicillin manufacturing facilities in Brazil as a result of elevated regulatory requirements. This new facility offers reduced costs and hence improved competitiveness as well as greater supply flexibility. Commissioning of the facility is expected to be completed in October 2008.

With low levels of generic penetration, the Latin American generics market is growing by more than 10% per annum. The Mexican and Brazilian pharmaceutical markets are ranked tenth and eleventh amongst the world pharmaceutical markets and are valued at USD14 billion and USD13 billion respectively. The Venezuelan market is similar in value to the South African pharmaceutical market. These markets are expected to offer good opportunities for future growth.

Since the year-end, Aspen has increased its holding in the Latin American business to 51% and has assumed management control. In a change from the established business strategy, steps have been taken towards redirecting the focus of the operations to the branded generic, ethical and OTC markets as opposed to the hospital and tender markets. For this purpose, Cellofarm has concluded two transactions with established, local pharmaceutical manufacturers, acquiring an additional portfolio of branded generic and OTC products. As a consequence, Cellofarm Ltd has also gained access to a skilled pharmaceutical sales force which will create the platform for Aspen to promote the products acquired from GSK and Iroko Pharmaceuticals ("Iroko"). These acquisitions were funded using the amount of USD40 million which was allocated for this purpose at the time of the initial investment in Latin America.

International business ➤

Rest of the world

	Growth	2008 R'million	2007 R'million
Revenue	-43%*	86	152
– Pharmaceutical		70	142
– Consumer		16	10
Operating profit before amortisation and disposals	+57%	83	53
– Pharmaceutical		69	50
– Consumer		14	3
Operating profit before amortisation and disposals as a percentage of revenue		97%	35%
– Pharmaceutical		99%	35%
– Consumer		88%	30%

**Disposal of 51% of Co-pharma Ltd took place on 1 December 2007. Consequently, growth in revenue and operating profit percentage margin has been distorted.*

Aspen Global – expanding Aspen's international business

A new Group entity, Aspen Global, was set up during the year to manage the intellectual property and commercial activities of Aspen's international ventures. At year-end, the business of UK-based Aspen Pharmacare Resources Ltd ("Aspen Resources") was transferred to Aspen Global. Through this new structure, focus will be given to effective implementation of Aspen's internationalisation strategy.

Aspen Global's initial deal, concluded in April 2008, secured the rights to distribute two former Merck products, Aldomet® and Indocid®, in emerging markets in an arrangement with a USA-based company, Iroko. This necessitated the establishment of a distribution network across the developing world.

On 30 June 2008, Aspen Global acquired the intellectual property rights to four branded products from GSK. Three of the four products are in niche areas of highly specialised treatments. The acquired products are:

- Eltroxin® – indicated for the treatment of hypothyroidism;
- Imuran® – an immunosuppressant indicated, inter alia, for the survival of organ transplants;
- Lanoxin® – indicated for chronic cardiac failure; and
- Zyloric® – indicated for the treatment of gout.

These recognised products, which have good market representation in emerging markets including Latin America, provide a strong base for the introduction of the Aspen brand into more than 100 new global markets. The distribution network established for the Iroko products provides the base from which an even more extensive distribution capability will be developed.

A one-year transitional distribution arrangement is in place with GSK to enable Aspen to implement its international distribution platform whilst earning profits from the distribution of these products by GSK during the interim period.

An advanced information technology infrastructure is in the process of implementation at Aspen Global for the effective integration and management of Aspen's offshore sales and distribution. This project is scheduled to be completed in the first quarter of the 2009 calendar year.

Onco Laboratories – commercialising a specialist generics portfolio

Onco Laboratories Ltd (previously Powercliff Ltd) ("Onco Laboratories"), is a 50% joint venture with Strides which, together with Onco Therapies, represents Aspen's investment in a global oncolytics franchise. Onco Laboratories will commercialise a range of oncology products which are currently under development. At the time of Aspen's investment, the rights to 32 products in development were acquired and this pipeline has subsequently been expanded.

Co-pharma Ltd and Aspen USA Inc. – shifting focus to the emerging markets

In December 2007, Aspen divested of 51% in the UK-based Co-pharma Ltd as focus was shifted to developing the Group's presence in emerging markets. Aspen's satellite office in the USA is in the process of being discontinued.

Directorate

Executive Directors

Stephen Bradley Saad *(44)*
CA(SA)

Group Chief Executive.

Chairman Transformation Committee.

Appointed 1999.

Michael Guy (Gus) Attridge *(47)*
CA(SA)

Deputy Group Chief Executive.

Transformation Committee Member.

Appointed 1999.

Non-Executive Directors

#Independent

Nobuhle Judith (Judy) Dlamini *(49)*
MBChB, DOH, MBA

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 Discovery Holdings Ltd, Woolworths Holdings Ltd, Northern Platinum and GijimaAst Ltd.

Transformation Committee Member and Remuneration & Nomination Committee Member.

Chairman from November 2007.

Appointed 2005.

Arthur (Archie) Jacob Aaron *(76)*
BCom, LLB

Consultant to Werksmans Inc. Attorneys.

Directorships include Gold Reef Casino Resorts Ltd and Transpaco Ltd.

Chairman from 1999 to November 2007.

Appointed 1994.

Christopher (Chris) Nattle Mortimer *(48)*
BA, LLB

Full-time practising attorney.

Audit & Risk Committee Member.

Appointed 1999.

Pasco Paliso Dyani *(46)*

Non-executive Chairman of CEPPWAWU Investments (Pty) Ltd.

COSATU Executive Committee Member, South African delegate to International Federation of CEPPWAWU.

Transformation Committee Member.

Appointed 2006.

Mogammed Rafique Bagus# *(45)*
BA, BA (Hons) (Economics), MA (Economics and Econometrics)

Chief Executive Officer of Ehlobo Group.

Directorships include Samancor Chrome. Past Chief Executive Officer of Trade and Investment South Africa, a division of the Department of Trade and Industry.

Transformation Committee Member.

Appointed 2003.

John Frederick Buchanan# *(64)*
CA(SA), BTh

Former Group Finance Director of Cadbury Schweppes SA Ltd.

Directorships include Business Connexion.

Chairman Audit & Risk Committee and Interim Chairman Remuneration & Nomination Committee.

Appointed 2002.

Roy Cecil Andersen# *(60)*
CA(SA), CPA (Texas)

Former Chairman and Chief Executive Officer of Ernst & Young, former President of JSE Ltd, former Chief Executive Officer of Liberty Group Ltd.

Directorships include Sanlam Ltd and Murray & Roberts Holdings Ltd.

Appointed 2008.

David Morris Nurek *(58)*
DipLaw, Grad Dip Company Law

Executive of Investec Bank Ltd.

Directorships include New Clicks Holdings Ltd, Foschini Ltd, Sun International Ltd and Distell Group Ltd.

Appointed 2001.

Sindiswa (Sindi) Victoria Zilwa# *(41)*

CA(SA) BCompt (Hons), CTA, Advanced Taxation Certificate, CFP, Advanced Diploma in Financial Planning.

Chief Executive of Nkonki Chartered Accountants.

Directorships include Discovery Ltd, Ethos Private Equity Ltd, Airports Company South Africa Ltd, Strate Ltd and Woolworths Ltd.

Audit & Risk Committee Member and Transformation Committee Member.

Appointed 2006.

Alternate Non-Executive Director

Derek Thomas *(38)*
MSc (Economics), MCOM (Economics), BCom (Hons) (Economics), BCom (Finance & Economics)

Alternate Director to Pasco Dyani.

Chief Executive Officer of CEPPWAWU Investments (Pty) Ltd.

Directorships include Barloworld Logistics Africa and Transpaco Ltd.

Appointed 2007.

Company Secretary

Hymie Aaron Shapiro *(53)*
CA(SA), HDip Tax Law

Appointed 1999.

Senior Executives

Aspen Holdings

Sean Capazorio
Group Business Analyst.
Appointed July 1996.

Lorraine Hill
Strategic Business Development and Pharmaceutical Affairs Executive.
Appointed January 1994.

Mohammed Lorgat
Group Chief Risk Officer.
Appointed January 1995.

Aspen Global

Samer Kassem
Chief Operating Officer
Appointed May 2008.

Aspen Pharmacare

Vincent Alexander
National Human Resources Executive.
Appointed February 2007.

Andrew King
Commercial Director.
Appointed July 2001.

Bert Marais
Finance and Domestic Production Senior Executive.
Appointed June 2000.

Stavros Nicolaou
Strategic Trade Senior Executive.
Appointed February 1994.

Aspen Australia

Gregory Lan
Managing Director.
Appointed May 2001.

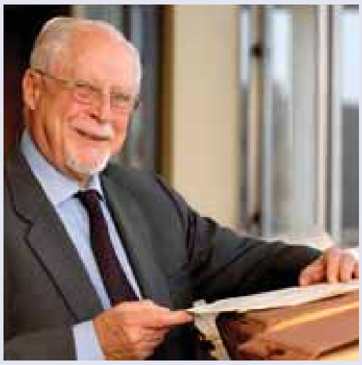
Trevor Ziman
Finance and Commercial Director.
Appointed May 2001.

East Africa

Rahul Malhotra
Chief Executive, Shelys Africa.
Appointed August 2006.

Latin America

Madhusudhan Venkatachari
Regional Director, Latin American operations.
Appointed June 2002.



Stephen Saad Judy Dlamini Gus Attridge Archie Aaron

John Buchanan Pasco Dyani David Nurek Rafique Bagus Hymie Shapiro

Derek Thomas Sindi Zilwa Chris Mortimer Roy Andersen

Tribute to **Leslie Boyd** (1937 – 2008)

Leslie was appointed to the Aspen Board as an independent non-executive director in 2003. His wealth of experience and insightful contributions were of significant value to the Aspen Group. Leslie's commitment to the business will be remembered and we remain grateful for his wise counsel over the past five years.

Employment equity

Aspen is committed to non-discriminatory employment practices which recognise and reward initiative, effort and merit without prejudice. In South Africa the Group's overall succession planning programme emphasises the development of historically disadvantaged employees who demonstrate potential.

New employment equity targets were submitted to the South African Department of Labour by the 30 September 2008 deadline. Set out in the table below are the employment equity statistics of Aspen's South African operations.

New recruitment strategies have been implemented in an attempt to increase the intake of employment equity candidates. Every recruitment, promotion and skills development decision is made with reference to the relevant department's employment equity targets. Furthermore, the National Human Resources Executive reviews all appointments and employee advancement applications to ensure that these are consistent with employment equity objectives. Such decisions are made based on a Total Capability Index Framework, which considers the following criteria:

- qualification;
- depth of related work experience;
- demonstrated performance; and
- results of psychometric assessments.

Aspen strives to attract candidates through increasing the Group's visibility in the national and international business and academic arenas. Processes which effectively facilitate learning and development, performance management and succession planning have been implemented to enhance the Group's talent acquisition and retention practices.

Human resources development initiatives are aligned to the Group's overall employment equity strategy.

Talent development and management

Managing a robust and efficient talent pipeline is one of the Group's strategic imperatives. To this end a Talent Development and Engagement Committee was established in 2007 to ensure that talented candidates are identified, developed and retained. In addition, the Committee is tasked with prioritising capability building projects which are required to support the Group's international growth initiatives. In this way, Aspen's talent development and management programmes will optimise internal talent and leverage skills and competence across its global operations.

Employment Equity Statistics: South African Operations

	Actual 30 June 2007		Actual 31 August 2008		Target# 31 August 2008
Category/Level	Number*	%*	Number*	%*	Number
Top management	4	0,2	5	0,3	4
Senior management	36	2,1	52	2,7	33
Professionally qualified	134	7,7	167	8,6	141
Skilled	514	29,6	672	34,4	376
Semi-skilled	272	15,7	283	14,5	319
Unskilled	770	44,4	764	39,1	699
Disabled	5	0,3	8	0,4	5
Total	1 735	100,0	1 951	100,0	1 577

**Number of employees who are historically disadvantaged individuals as defined by the Employment Equity Act.*

#Targets submitted to Department of Labour on 30 September 2007.

In order to provide management with the necessary skills to identify and recruit the right candidates to meet the Group's human resources requirements, 51 managers attended the Targeted Selection Methodology training course, a proven and accurate behaviour-based selection system, endorsed by Deloitte.

Skills development

Skills development and training strengthens the Group's competitive advantage.

The Group's Human Resources function identifies and assesses training requirements for employees in order to develop the necessary technical, functional and professional skills and competencies for the business. In addition, learnership programmes which are run in partnership with universities, technikons, colleges and private learning institutions enable Aspen to build and sustain its skills base.

Training and development programmes are in place throughout the Group.

In a drive to attract and retain scarce skills and to support job creation, a Pharmacist Assistant Learner (Basic) programme led to 39 employees graduating and registering with the Pharmacy Council. This included eight previously unemployed learners who are now employed by Aspen.

During 2007, 60 staff nationally benefited from the Group's study-finance packages, of which 95% were previously disadvantaged individuals. Aspen sponsors the following bursaries:

- two black pharmacy students at the Nelson Mandela Metropolitan University through the Foundation for Pharmaceutical Education;
- two black students studying medicine as part of the Wits Initiative for Rural Health; and
- five black students studying medicine as part of the Friends of Mosvold Project.

The Group is also involved in a research programme with the University of Durban-Westville which aims to develop and retain local pharmaceutical and synthetic chemistry skills. The projects are chosen by the senior researchers based on their areas of expertise, research interests and equipment available and are hence not directed towards any specific Aspen objectives. Three PhD and three MSc students from the University of Durban-Westville received financial support in 2007, with 83% of the bursary recipients being previously disadvantaged individuals.

At Aspen's international operations, owing to the greater availability of skills in those regions, training and development programmes aim to enhance technical and professional competence and are an inherent part of the performance assessment systems and personal development programmes. During the year 42 employees at Astrix benefited from training programmes which focused on improvement of basic skills and attitude to work, effective interaction and ownership of actions, as well as encouraging innovative behaviour and teamwork. Selected managers benefited from leadership training sessions conducted by independent contractors during the year.

Succession planning

Succession planning for senior management positions is the responsibility of the Group Remuneration and Nomination Committee which seeks to ensure that, whenever appropriate, high calibre talent for key organisational roles and professional disciplines is available. Promotion of internal talent is prioritised. However, in certain instances, external recruitment is necessary to supplement succession plans. Succession plans, at all levels of the organisation, are developed in consultation with the Human Resources Department which is responsible for implementing appropriate employee development programmes to support these objectives.

To enhance leadership development in the Group, two programmes have been implemented:

- Leadership Brand, a programme aimed at identifying and developing employees with leadership potential. This programme was launched in July 2007. The Group has partnered with an international business leadership expert to develop the programme in accordance with global learning standards and practices; and
- Growing Effective Managers Programme which identifies and nurtures the Group's management talent pipeline. In addition to facilitating a broader understanding of the business, the programme focuses on developing a manager's self awareness to enable improved management of people.

Health and safety

The Group strives to comply with the South African Occupational Health and Safety Act, and with such similar legislation and regulated guidelines as are applicable to the international operations. In line with the Group's internationalisation strategy, the relevant manufacturing sites are in the process of implementing policies and procedures to meet ISO standards.

Aspen has pledged its commitment to support health and safety in South Africa in a formal policy document. In line with the policy, management systems and standard operating procedures at all manufacturing sites are structured in a manner which aims to prevent activities that may pose a potential threat to health and safety. These systems and procedures are reviewed and updated annually.

Further, all of Aspen's facilities have safety officers and/or designated senior employees responsible for implementing and monitoring compliance with the health and safety policy. New employees are obliged to attend the Safety, Health, Environment and Quality ("SHEQ") induction programme which focuses on:

- operational SHEQ policy;
- SHEQ management guidelines and responsible staff duties;
- emergency response and control;
- hazard mitigation and emergency response to chlorine gas leaks;
- escape mask use;
- security guidelines for emergency situations; and
- general SHEQ rules for contractors.

In line with Aspen's formal SHEQ policy, various training sessions were conducted for existing SHEQ representatives during the year. The modules covered included:

- general health and safety;
- first-aid;
- fire fighting and prevention techniques;
- health and safety operating procedures; and
- incident investigation process training sessions.

At Astrix, environmental health and safety systems were strengthened during the year with the introduction of new standard operating procedures in the areas of:

- general work permits;
- change control systems;
- risk assessments; and
- new facilities/extension of existing facilities.

In addition, a film for New Employee Safety Training was produced and will be screened in the local language to facilitate a sound understanding of the training.

SHEQ audits

Aspen conducts regular SHEQ audits to ensure that all its procedures comply with legislative requirement and with the Group's formal SHEQ policy. External health and safety auditors conduct independent assessments and identify areas for improvement.

Legal compliance audits were conducted at the Port Elizabeth Site in April 2008. At the General Facility several findings were raised and corrective action plans documented. Critical SHEQ risks have been given a higher priority and the progress of corrective actions is being strictly monitored. Also in April 2008, the OSD Facility and the Sterile Facility underwent similar audits with the objective of determining shortcomings in meeting required SHEQ compliance levels. As a result of the audit a large number of employees at the Sterile Facility were given specialist SHEQ training in preparation of the commencement of commercial production in the first half of the 2009 financial year.

New operating procedures introduced during the year to mitigate health and safety risks were identified as follows:

- Aspen's office park in Woodmead, Johannesburg: office emergency lighting has been installed, with capacity to last for up to four hours. This assists in lighting stairways and passages during power outages;
- at the Port Elizabeth Site the SHEQ policy was revised to meet the requirements of international best practice systems OHSAS 18001 and ISO 1400. The amendment was authorised by the Group Chief Executive; and
- at Astrix, an independent external SHEQ audit was conducted by GSK in June 2007. In addition internal audits were conducted by in-house safety personnel every two months. The Corporate Environment, Health and Safety Department conducted a comprehensive audit in December 2007.

Workplace injuries

Appropriate procedures have been put in place to prevent physical, psychological, mechanical and/or biological hazards in the workplace. The inherent risks giving rise to workplace injuries can be managed but cannot be eliminated completely.

At the heritage General Facility, a Disabling Incident Frequency Ratio of less than 1 was achieved over the year, indicating an excellent incident experience rating. The OSD Facility recorded 50 minor injuries, 3 non-disabling injury-on-duty cases and 2 temporarily disabling injury-on-duty cases.

In order to prevent the recurrence of reported incidents, there is ongoing interaction and consultation between the various operational areas and SHEQ management. The SHEQ management department ensures that all necessary corrective measures are implemented effectively.

Employee health services

All of Aspen's permanent South African employees appointed since 2001 are members of a compulsory medical insurance scheme. In addition, on-site clinics with full-time nursing staff and weekly visits by a doctor are operational at the Group's East London and Port Elizabeth Sites. The free clinics provide a range of health monitoring services, including vision screening, family planning, HIV/AIDS counselling, employee assistance programmes, audiometry and lung function testing.

FCC maintains a permanent medical and health clinic. A full-time Occupational Health Medical Practitioner conducts medical screening, biological health monitoring, and provides counselling on substance abuse and HIV/AIDS. The clinic also provides primary healthcare services for employees.

Astrix has an occupational health centre on-site with a medical practitioner available daily.

HIV/AIDS

Aspen is committed to doing everything possible to educate employees about HIV/AIDS and, to this end, aims to communicate policies, practices and procedures in a clear and unambiguous manner. The Group's integrated HIV/AIDS programme is designed to ensure a reduction of the impact of HIV/AIDS in the workplace. Special focus is given to this programme at Aspen's South African operations owing to the high prevalence of the disease in South Africa.

The Group continued to expand awareness and training programmes by providing informative and educational materials on the prevention, care, support and treatment of HIV/AIDS to employees throughout the South African operations. The content for these programmes was sourced from the Khomonani Resource Centre and developed in-house. Aspen also continues to support and promote World Aids Day.

Condom dispensers placed in discreet, accessible areas, are replenished frequently to ensure that condoms are always available. In addition, the Group continues to promote the Red Ribbon website (a Metropolitan Health initiative) on its intranet where valuable information relating to HIV/AIDS can be accessed by employees.

During the year a number of progress initiatives were implemented. The Group-appointed Peer Educators were re-trained by an accredited provider, Redpeg. The Peer Educators continue to hold frequent meetings to discuss and share relevant information which would benefit the management of HIV/AIDS in the workplace.

Further, an on-site Voluntary Counselling and Testing campaign was successfully implemented nationwide through an independent service provider, QualSA@Work. Employees identified as zero-positive are clinically treated in confidence by QualSA@Work, and those who are identified as zero-negative are encouraged to uphold their status.

In line with the HIV/AIDS policy actuarial impact assessment studies were undertaken by the Metropolitan Group. The results suggested that implementing a formal HIV/AIDS policy to acknowledge and respond to the impact of the pandemic in the workplace, would be beneficial to the sustainability of the business.

In order to ensure that its HIV/AIDS policy is in line with best practice, field specialists are appointed to review the adequacy of the policy on an annual basis. Amendments are made to improve the policy where necessary. During the year the policy was updated to include the management of sexually transmitted infections and tuberculosis education as these are associated with HIV/AIDS. The Group further extended the availability of ARV therapy to contract workers.

Environment

Aspen's formal environmental policy is aligned with the Best Practicable Environmental Option, and the Group is committed to implementing procedures for the safe use and disposal of hazardous chemicals and pharmaceutical substances. Compliance with environmental legislation is maintained through programmes which are designed to ensure adherence to both local and international standards.

Recycling, waste management and resource conservation

Waste minimisation remains a priority, recycling is encouraged and energy and resource conservation is undertaken wherever possible.

Waste management programmes are in place at all facilities, all of which employ independent contractors in order to ensure that programmes are aligned with legislative and best practice guidelines. All Aspen's facilities endeavour to minimise the quantity and toxicity of waste generated. To ensure compliance with municipal legislation in this regard, a waste water treatment plant has been installed at the Nutritional Formulations Facility to treat effluent water to correct the Chemical Oxygen Demand and the PH-balance of the effluent water before it is released to Ekurhuleni's water purification plant. In addition, all suspended solids are trapped in a metal interceptor, a Fat Trap, and the sludge is removed on a regular basis by WasteTech, an accredited waste removal company.

With regard to recycling, the following initiatives were implemented at the various facilities during the year:

- The OSD Facility has introduced a risk assessment process to identify waste streams. Waste management and resource conservation will be incorporated into the overall targets and objectives of the facility.

- At the Nutritional Formulations Facility recycling of waste was split into three categories:
  - metal cans collected by Collect-a-Can, a waste management company, for recycling purposes;
  - cartons collected by Mondi, a paper and pulp company; and
  - general waste collected by Skip Waste, an accredited waste removal company.
- At Astrix, two further distillation units were added to recover and recycle solvents. In addition, solvent recovery processes have been developed and implemented.

Targets for reducing air pollution emissions are in place at all facilities. At the General Facility air pollution generated during the production of steam has been eliminated by terminating the use of a heavy furnace oil boiler. An Environmental Management System is currently being developed at the OSD Facility. Baseline surveys to determine emissions-to-air were conducted during the year to measure compliance with legislated emission levels. An air emission risk assessment was conducted by independent consultant Poltech at the East London Site. The assessment showed that gaseous emissions are within the guidelines as stipulated by the Department of Environmental Affairs and Tourism. Emissions at the Nutritional Formulations Facility are within legal requirements. Emission of infant milk formula powder is not harmful to the environment.

At Astrix, two dry vacuum systems were installed to condense solvent to minimise emissions-to-air during the distillation process. In addition, plate heat exchangers were installed on the primary condenser vent lines to minimise solvent emissions from normal process operations. Furthermore, Astrix has reduced water usage as a result of recycling the condensate from multiple effect evaporators to cooling towers. This has resulted in a reduction of input water quantity. In addition a new diesel generator with a capacity of 1 025 KVA was installed to meet the emergency electricity requirements for operating units.

Aspen Australia complies with the National Packaging Covenant which is a collaboration of key stakeholders in the packaging supply chain and all spheres of government. The covenant aims to minimise the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes, and facilitate the re-use and recycling of used packaging materials.

Conservation of energy

In response to the electricity crisis in South Africa and resultant power cuts, enhanced measures were implemented at each site to conserve electricity and mitigate electricity shortages. It should be noted that the risk of power outages at the manufacturing facilities is low due to the fact that the Port Elizabeth site is supplied off a strategic grid and the East London site has been granted a concession by the local municipality to be excluded from scheduled power cuts.

Various conservation initiatives were introduced:

- The General Facility has implemented an awareness campaign to promote energy conservation techniques through the company newsletter. Energy-saving stickers were distributed amongst employees as a reminder to switch off air-conditioners and lights when not in use. Cost savings have been realised by requesting the local authorities to make an administrative change in the basis of invoicing to align this with actual usage. The facility has maintained an average power factor of 0,97 over the past 12 months, indicating an excellent level of reduction in the resultant pollution caused by the generation of wasted power.
- At the OSD Facility, in order to conserve energy, equipment and workplaces are de-energised where no operational processes are in progress.

- The Sterile Facility installed a 1 000 KVA standby generator during the year to support uninterrupted energy supply to systems which maintain sterile conditions in the manufacturing areas, and to secure essential services and emergency lighting during an electricity outage.
- At the East London Site, a new lighting system was installed, in collaboration with Eskom Demand Side Management, which provides energy efficient lighting. Office and operating equipment, when not in use, is switched off to save energy. The local municipality has upgraded the electrical supply to a more dedicated and stable supply cable in order to prevent power outages.
- At the Nutritional Formulations Facility, an ongoing drive to save electricity is in place with the participation of all staff. Maximum demand has reduced by 13% within three months by switching off all non-core geysers, limiting the usage of lights during the day and turning off air-conditioners after hours. A significant saving of electricity has resulted in cleaning one of the main areas of the facility at night, thereby eliminating the need to restart the facility during normal operating hours.

Code of Ethics

Aspen applies a zero tolerance approach to unethical behaviour and is committed to ensuring that the Group and its employees' business conduct is beyond reproach. All employees are required to sign the Code of Ethics.

The Code of Ethics advocates the application of honesty, integrity, fairness, professionalism and compliance with good corporate governance principles. Compulsory corporate governance and ethics workshops were held in all regions for employees ranked Grade 10 and above to increase employee awareness around corporate governance practices and to ensure that the Code of Ethics and intended application thereof, was understood by all.

A review of the Code of Ethics is included in the new employee induction programme and the Code of Ethics is also electronically accessible on the intranet and on notice boards at the various sites.

Aspen Australia complies with the regulations prescribed by the Medicines Australia Council which governs the code of conduct to be followed by pharmaceutical companies operating in the Australian market. Aspen's international operations also require their employees to sign a code of conduct upon commencement of employment.

Whistle-blowing

To support the Code of Ethics, Aspen has a whistle-blowing policy that places the onus on all employees to report any unethical, improper or unlawful conduct. Improper conduct includes criminal behaviour, fraud, financial mismanagement, money laundering, unfair discriminatory practices, actions threatening health and safety, harassment and corruption.

The policy provides a mechanism whereby employees can anonymously report such improper conduct to their line manager, the senior executive of their division, the Group risk management division or to '*Tip-offs Anonymous*', an independently operated whistle-blowing hotline.

Stakeholder communication

Employees

Aspen is committed to transparent and timely communication with all relevant stakeholders. Internal communication with employees is achieved through the intranet, notice boards, internal newsletters and through national and workplace stakeholder forums.

The Group maintains a strong, open relationship with CEPPWAWU, which represents organised labour at Aspen's South African manufacturing facilities. Management holds regular meetings with union representatives to maintain a collaborative relationship and to ensure that matters are resolved constructively. This relationship was reinforced by the presence of a CEPPWAWU representative, Pasco Dyani, the national president of CEPPWAWU, appointed as a non-executive director of Aspen in 2006.

To sustain effective labour relations practices at Aspen, industrial relations training is conducted for management, employee representatives and other employees. This training facilitates an understanding of industrial relations policies and procedures and demonstrates practical implementation thereof. The industrial relations climate is regularly reviewed to benchmark the effectiveness of the applied initiatives, policies and practices. The status of improvement plans is monitored. Furthermore, pharmaceutical sector and company level agreements exist to ensure that the labour relations guidelines for the pharmaceutical sector and its members are defined and can be applied in a fair and consistent manner.

Investors

Aspen regularly engages with its major shareholders, institutional investors and analysts. During the year, an Investor Relations Manager was appointed to manage and co-ordinate interaction and communication with Aspen's investor base. This emphasises Aspen's commitment towards effective communication with the investor community.

In accordance with JSE Ltd regulations, key information affecting the Group is communicated to shareholders via the Stock Exchange News Service and international newswires, where applicable. Interim and final results are presented to the investor community at live presentations and by conference calls. Furthermore, these financial results are published in the business and electronic media and on Aspen's website to reach a wider audience.

Public

Aspen uses a variety of media to communicate with the general public, including radio, television, print advertising, electronic, digital, billboards, pamphlets and brochures. The Group ensures that all such communiqué comply with industry and legislative guidelines.

The Group further communicates with stakeholders through its ongoing membership of, and affiliation to, industry associations and organisations, including:

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

During the year Aspen became a founding member of Pharmisa, an alliance of South African pharmaceutical companies with the common objective of developing the local pharmaceutical manufacturing sector into a strategic industry in order to ensure a secure supply of safe, affordable, good quality pharmaceutical products in South Africa in addition to developing skills and capacity in the pharmaceutical sector.

In line with the Group's commitment to transparent communication, Aspen ensures that all product information complies with relevant corporate identity, pharmaceutical, healthcare and regulatory guidelines.

Aspen discloses all required information to the MCC in line with its guidelines. In addition, quality standards are aligned with MCC regulations and requirements. Where required, compliance with the FDA guidelines is secured and related quality standards are aligned with these regulations and guidelines. Similarly, Aspen's international operations comply with the ruling regulations in the concerned territories, including TGA, TFDA, ANVISA, COFEPRIS and others.

Transformation Committee

The Transformation Committee, now two years since inception, assists the Board in respect of Aspen's transformation programmes and statutory compliance with BBBEE. The Transformation Committee develops Aspen's transformation strategy, monitors Aspen's BBBEE scorecard and provides guidance on management's approach to BBBEE initiatives. In fulfilling its responsibilities the Committee has due regard to the principles of governance and of best practice.

As set out in the charter, the Transformation Committee:

- reviews the Group's transformation policies;
- ensures effective communication on transformation issues between the Board and management;
- considers areas of risk in relation to the Group's transformation initiatives;
- develops an evaluation and monitoring system to measure the progress made towards realising Aspen's transformation goals;
- makes recommendations on, and identifies external consultants to facilitate the achievement of the Group's transformation goals;
- scrutinises Aspen's formalised employment equity plan;
- delegates preferential procurement within framework parameters to executive management; and
- monitors the key positions targeted for succession by black management.

The Transformation Committee is chaired by Group Chief Executive, Stephen Saad, and further comprises two independent non-executive directors, two non-executive directors and one executive director.

The Transformation Committee met four times during the year. A list of the Transformation Committee members and their attendance at meetings during the year is set out below.

Ownership

BBBEE shareholders currently own 40,1 million shares in Aspen. A further 17,6 million preference shares, which carry a right of conversion into Aspen ordinary shares in June 2012 on a one-for-one basis,

Transformation Committee meetings

	2007		2008	
Committee member	Aug	Nov	Feb	May
Gus Attridge	✓	✓	✓	✓
Rafique Bagus*^	✓	✓	✓	✓
Judy Dlamini*	✓	✓	✓	✓
Pasco Dyani (alternate Derek Thomas)	✗	✓	✓	✓
Stephen Saad (Chairman)	✓	✓	✓	✓
Sindi Zilwa*^	✓	✓	✗#	✗#

**non-executive*
^independent
#maternity leave

are controlled by BBBEE shareholders. The preference shares enjoy full voting rights in the interim on a *pari passu* basis with ordinary shares in Aspen. Ownership of these shares has been facilitated by Aspen. In addition, there is a meaningful value of indirect BBBEE shareholding.

During the year CEPPWAWU disposed of 6,040 million ordinary shares in Aspen to repay original debt raised to fund the acquisition of BBBEE shares acquired in 2002.

Total voting rights held by BBBEE shareholders in Aspen at year-end, as measured under the principles of the Department of Trade and Industry's Codes of Good Practice on BBBEE ("DTI Codes"), amounts to approximately 30%.

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

One of Aspen's BBBEE shareholders, Imithi Investments (Pty) Ltd, has a call option over a further 6,1 million ordinary shares currently held by the Industrial Development Corporation of South Africa.

Preferential procurement

Aspen has an established Preferential Procurement Steering Committee to govern the Group's progress towards meeting its procurement targets. The responsibility for driving implementation of Aspen's preferential procurement has become a key performance area for each member of the Committee.

A project is currently in progress to evaluate and categorise Aspen's supplier base. In order to ensure the validity of the accreditation process and to ensure that the accreditation guidelines are applied consistently, the services of an accredited rating agency will be procured. In this way, compliance with transformation guidelines can be assured. The process has gained momentum through increased supplier participation and co-operation. Aspen has followed an integrated approach with existing suppliers so as to facilitate continuity of these valuable business relationships. In addition, suppliers have been offered the opportunity to align their organisational development plans with Aspen's transformation plans and with the Group's broader growth strategy. In this way, sustainable preferential procurement can be secured.

With regard to preferential procurement, Aspen's challenge remains the fact that there are high barriers to entry in the pharmaceutical industry, which arise mainly as a result of the capital intensive nature of the business, stringent good manufacturing practice standards and specialised technical requirements. In many cases, suppliers are unable to meet and maintain these prerequisites.

Board representation

Dr Judy Dlamini was appointed as non-executive Chairman of the Board following the previous year's annual general meeting in November 2007. Judy was originally appointed to the Board in 2005 following the investment in Aspen by BBBEE group, Imithi Investments (Pty) Ltd. She played a key role in the formation of Imithi Investments (Pty) Ltd and led the negotiating team through the transaction. Judy is a medical doctor and also holds an MBA. Her involvement outside of medicine has included corporate finance and business management. She is currently also a non-executive director of Northam Platinum Holdings Ltd, Discovery Holdings Ltd, Woolworths Ltd and GijimaAst.

Sindi Zilwa was appointed to the Board in September 2006 as an independent, non-executive director and is a member of Aspen's Audit & Risk and Transformation Committees. Sindi became only the second black female chartered accountant in

South Africa in 1990. Her qualifications include an Advanced Taxation Certificate, an Advanced Diploma in Financial Planning and an Advanced Diploma in Banking. She is currently the Chief Executive of Nkonki Chartered Accountants, and was also a member of the GAAP Monitoring Panel. She holds non-executive directorships with Woolworths Ltd, Ethos Private Equity Ltd, Airports Company South Africa Ltd, Discovery Holdings Ltd and Strate Ltd, and is also the former Chairperson of the BUSA Standing Committee on Transformation.

Pasco Dyani was appointed to the Aspen Board as a non-executive director in February 2006. Pasco is the National President and non-executive Chairman of CEPPWAWU and the CEPPWAWU Development Trust and a COSATU Central Executive Committee Member. CEPPWAWU is Aspen's major BBBEE shareholder. Derek Thomas was appointed to the Board as alternate to Pasco Dyani. Derek attends all Transformation Committee meetings by invitation. Derek is the Chief Executive Officer of CEPPWAWU and holds non-executive directorships with Barloworld Logistics Africa and Transpaco Ltd.

Rafique Bagus was appointed to the Board in March 2003 as an independent non-executive director. Before joining Aspen's Board of Directors, Rafique served as Chief Executive Officer of Trade and Investment South Africa, a division of the Department of Trade and Industry, which was tasked with the responsibility of promoting, developing and co-ordinating exports from and direct investment into South Africa.

Historically disadvantaged individuals make up in excess of one-third of the Board and comprise 50% of the independent non-executive directors.

Employment equity

Refer to the section on Employment equity in the Sustainability report on page 56.

Skills development

Refer to the section on Skills development in the Sustainability report on page 57.

Transformation regulation

The rating below was compiled by Empowerdex for the Financial Mail *Empowerdex Top Empowerment Companies 2008* survey published in March 2008. Aspen was ranked 36th in the BBBEE ratings of South African listed companies with a BBBEE score of 60% (as set out in the table below). This score places Aspen as a 'level 6' contributor in terms of the DTI Codes. The Group is committed to achieving a 'level 4' contributor status in the medium term.

Aspen remains actively involved in constructive consultation with the DoH in respect of the Healthcare Charter. The Group has been a leading partner in the Private Healthcare Forum, an industry representative body which has conducted research and made detailed written submissions to the DoH to assist in the development of the Healthcare Charter.

Corporate social investment

Refer to the CSI report on page 67.

BBBEE scorecard	Total score %	Weighting %
Ownership	23,0	20,0
Management	6,5	10,0
Employment equity	8,6	15,0
Skills development	3,7	15,0
Preferential procurement	10,3	20,0
Enterprise development	6,4	15,0
Social economic development	1,5	5,0
	60,0	100,0

Aspen's philosophy, *'Healthcare. We Care.'*, continues to guide the CSI strategy. The Group's involvement in previously disadvantaged communities, pledging sponsorships to various charities and supporting educational programmes is testament to Aspen's commitment to CSI and community upliftment.

Aspen aligns its CSI projects with its business strategy to focus strongly on the healthcare sector. In line with its international standing as one of the pioneers in the manufacture of generic ARVs, HIV/AIDS and primary healthcare remain focus areas for the Group's CSI initiatives. This year, tuberculosis, which is recognised as one of the opportunistic diseases associated with HIV/AIDS, was an added focus area for these initiatives.

New initiatives

During the year Aspen launched certain new CSI initiatives, one such project offers financial support to the Missionvale Care Centre which is located in a township in Port Elizabeth. The centre provides care and counselling to abandoned, abused, neglected, orphaned and homeless children and also offers primary education from Grades 0 to 7. It further provides skills training for unemployed adult members of the community and a soup kitchen, which feeds 500 families. In addition, the centre conducts HIV/AIDS awareness programmes to the surrounding communities.

A second, newly-introduced beneficiary is the Khanya Family Centre which operates in Kathorus, Gauteng. The centre provides psychological counselling, care and support services for those experiencing life challenges including HIV/AIDS. It also facilitates skills development in the community by providing internship and field induction training opportunities for social work and psychology students.

Primary healthcare

Aspen has continued to support projects in the rural areas, supporting government's initiatives to increase accessibility to primary healthcare.

Aspen has provided ongoing support to the Transkei-based Engcobo Clinic which was established by the Group in 2001 and inaugurated by former President Nelson Mandela. With the increasing number of patients requiring comprehensive primary healthcare, there is a need for additional working space and Aspen is currently assisting the clinic with the expansion. During the year Aspen also assisted with the expansion at Mduku Clinic in the Umkhanyakude District, KwaZulu-Natal. The Group further continued its support for the Wells Estate Wellness Centre in Motherwell, Port Elizabeth which was opened a year ago in partnership with the local municipality as part of Aspen's commitment to establishing basic healthcare facilities in that area. During the year Aspen donated gardening implements for use by the community in the communal vegetable gardens.

HIV/AIDS

Aspen continues to be proactively involved with the South African Business Coalition on HIV/AIDS, a business representative in the South African National Aids Council, which plays a vital role in the implementation, monitoring and evaluation of the national strategic plan on HIV/AIDS for 2007 – 2011. In furthering its commitment to this initiative, an Aspen representative was elected Chairman of the Board of Governors at the annual general meeting in October 2007. Aspen also continued its unconditional grant to the SA HIV/AIDS Clinicians Society, an association made up of independent medical professionals dedicated to HIV/AIDS education and research.

The Group further continued to support the Ikhwezi Wellness Centre in East

London, providing financial assistance and commercial guidance on cost-effective procurement of products to treat HIV/AIDS patients. The centre is a non-profit organisation offering medical management, holistic healthcare and ARVs to HIV-positive individuals. Its ARV treatment-outreach programme currently includes a total of 33 general practitioners, practising mainly in the rural areas which lack accredited sites. The programme is being expanded to include additional areas in the Eastern Cape.

Aspen has retained its strong commitment and strategic relations with Empilweni TB Hospital in New Brighton, initiated in 2001. The Group's involvement to date has contributed towards the hospital obtaining its recognition designation as a 'Centre of Excellence' by the Eastern Cape DoH. Aspen has upgraded the kitchen, wards and laundry facilities and continues to provide blankets to the hospital. During the year Aspen donated occupational health material and television sets for patients who are hospitalised for a minimum of six months.

Aspen supported the Ubuntu Education Fund for a second year. The fund falls under the Mpilo-Lwazi Health Initiative, a comprehensive HIV/AIDS programme targeting HIV/AIDS management in Ibhayi, Port Elizabeth and aims to reach approximately 30 000 youths and adults. The fund educates through programmes at nineteen primary schools and eight high schools. Objectives of the fund include prevention of new HIV infection and onward transmission, as well as enabling affected families access to HIV/AIDS prevention, treatment and support programmes. The fund further provides support services to about 200 orphaned children and facilitates community upliftment by offering meals to more than 1 300 children. The community vegetable gardens, that help feed up to 50 families impacted by HIV/AIDS, are also supported by the fund.

Healthcare

During the year the Group increased its financial support to a wider number of hospices in line with the integrated community home care model. This is encouraged in the national strategic plan on HIV/AIDS for 2007 – 2011. New hospices were added in Gauteng and East London specifically.

The care centres and hospices below were supported during the year under review:

Gauteng	➤ Atteridgeville Hospice ➤ Khotso Caritas Centre ➤ MaAfrika Tikkun ➤ Mamelodi Hospice	➤ Pretoria Sungardens ➤ Starfish Foundation ➤ Tumelong Hospice ➤ Tshepo Hope Care Centre
Free State	➤ Naledi Hospice	➤ Starfish Foundation
Eastern Cape	Port Elizabeth ➤ Community Chest '*Give As You Earn'* initiative ➤ St Francis Hospice ➤ Starfish Aids Foundation ➤ The House of Resurrection ➤ Empilweni Hospital	East London ➤ House on the Rocks ➤ St Bernard's Hospice Grahamstown ➤ Grahamstown Hospice
North West Province	➤ Tapologo Hospice	
KwaZulu-Natal	➤ Hope Centre in Durban	➤ Ingwavuma Orphan Care

The Group further continued its contribution to the Total Control of Epidemic, which has expanded its activities and is operating in Mpumalanga, Limpopo, Gauteng, KwaZulu-Natal and Eastern Cape reaching 2,4 million people through 600 field officers. Field officers conduct door-to-door HIV/AIDS education, offering voluntary counselling and promoting awareness regarding healthy eating habits, the benefits of exercise and seeking of timely medical attention.

Education

Ongoing commitment to education and leadership

Healthcare education and leadership are also emphasised in the Group's CSI programme. Aspen remains a supporter of the Foundation for Pharmaceutical Education, assisting historically disadvantaged students to study pharmacy at tertiary level.

In a new endeavour, Aspen pledged its support to the Wits Initiative for Rural Health Education which is a project managed by the University of the Witwatersrand's Faculty of Health Sciences. Its purpose is to attract disadvantaged students from rural areas into the Health Sciences and to develop healthcare professionals to alleviate personnel shortages in targeted areas such as the North West, Limpopo and Mpumalanga provinces. The initiative also provides a model for addressing workforce shortages in rural areas. Participating students are obliged to work in their districts after qualification.

The Group continues to support the Friends of Mosvold Trust, which offers bursaries to students in KwaZulu-Natal who have undertaken to practise medicine and allied professions in the Umkhanyakude District, an area experiencing a severe shortage of healthcare services.

Aspen Diploma Course in Clinical Nursing Science, Health Assessment, Treatment and Care

In partnership with the Medical Health Service and DoH, Aspen has contributed towards upskilling qualified primary healthcare practitioners, including clinical nurses. Formalised training is conducted on an ongoing basis to accredit nurses and nursing sisters to undertake their enhanced roles, offering increased presence of healthcare.

To date, 781 nurses from the Medical Health Service, DoH, Correctional Services and Metropolitan Councils have completed the Aspen-funded Diploma Course in Clinical

Nursing Science, Health Assessment, Treatment and Care. This programme has been in place for a year.

Training in dispensing practice

The South African Pharmacy Council requires all dispensing nurses to complete a Dispensing Licence Course for Non-pharmacist Healthcare Workers. In collaboration with the Medical Health Service and the University of Pretoria's Department of Pharmacology, Aspen initiated the introduction of this course to the Diploma Course in Clinical Nursing Science, Health Assessment, Treatment and Care. In line with the Pharmacy Council's needs, the training facility was adapted to accommodate a pharmacy for practical dispensing training. To date, 181 candidates have successfully completed the dispensing course.

The 103 Aspen-sponsored graduates at the nurses' diploma and pledge-of-service ceremony at UNISA bears testimony to the success and sustainability of the initiative.

'Healthcare. We Care.'

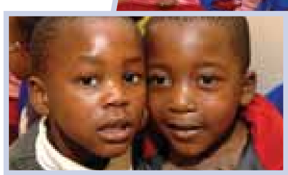
Aspen continued to support *'Cell C Take a Girl Child to Work Day'*. This year Aspen hosted 20 girls from Gelvandale High School in Port Elizabeth. The theme underlying this year's campaign was 'Choice Empowers'. Aspen is committed to initiatives which empower women to make well-informed career choices. Putting this into practice, the learners were hosted by senior female employees at Aspen's manufacturing facilities.

India

Reflecting a group-wide commitment to community upliftment, Astrix in India supported a number of community development initiatives focusing on schools in the area surrounding the Astrix facilities. These included funding for:

- a compound wall around Dundigal Tanda Primary School;
- three classroom buildings at Chetlapotharam Village School; and
- reconstruction work and new toilets for girls at Kishtaipally Madal Praja Parishad School.

Astrix also donated tables and chairs to a number of other schools in the region. It further financed a plantation on either side of the approach road from Gagillarpur-X Road to Astrix.



Value added statement

for the year ended 30 June 2008

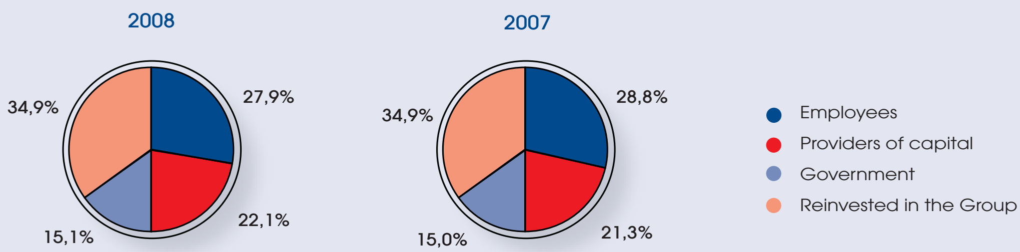
	Growth %	2008 R'million	%	2007 R'million	%
Net revenue	21	4 881		4 026	
Local	12	3 254		2 917	
Exports	56	449		287	
Offshore	46	1 096		750	
Other revenue	14	82		72	
Other operating income		90		13	
Less purchased materials and services	29	(2 822)		(2 188)	
Value added from operations		2 149	89,1	1 851	93,0
Investment income		263	10,9	140	7,0
Total value added	21	2 412	100,0	1 991	100,0
Value distribution					
Employees	17	673	27,9	574	28,8
Providers of capital	26	533	22,1	423	21,3
Finance costs		287	11,9	207	10,4
Capital distribution paid to shareholders		246	10,2	216	10,9
Governments	14	365	15,1	299	15,0
Reinvested in the Group	21	841	34,9	695	34,9
Depreciation and amortisation		202	8,4	181	9,1
Deferred tax		20	0,8	12	0,6
Income retained in the business		619	25,7	502	25,2
Total value distribution	21	2 412	100,0	1 991	100,0

	2008 R'000	2007 R'000
Value added statistics		
Weighted ratios*		
Number of full-time employees	2 603	2 348
Revenue per employee	1 876	1 715
Value added per employee	827	788
Wealth created per employee	927	848

	2008 R'million	2007 R'million
Monetary exchanges with government		
Current taxes (including STC)	321	280
Customs and excise duty	42	17
Rates and similar levies	2	2
Gross contribution to central and local governments	365	299
Additional collections on behalf of government		
Employees' taxes	125	115
Net value added tax paid	161	136
	286	251

The employees of the acquired companies were weighted according to the number of months they were part of the Group. Calculations were based on the amended number of full-time employees.

Distribution of value added



Aspen is committed to the principles of sound corporate governance and strives for high standards of transparency and integrity. The Board supports and strongly subscribes to the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance for South Africa 2002 ("King II") which advocates the principles of fairness, accountability, responsibility and transparency. These principles are recognised internationally and thus create a relevant framework for the manner in which Aspen's international operations are conducted. The directors actively monitor compliance with best-practice corporate governance to ensure ongoing improvement of operational and corporate practices.

The Board

At year-end the unitary Board consisted of 11 directors. The Board is chaired by non-executive director Judy Dlamini, who assumed the Chairmanship of Aspen in November 2007. In accordance with King II, the Board comprises a majority of non-executive directors. Of the nine non-executive directors four are independent. Ownership of shares which is not material to either the director or the Company and is not sufficient to enable the director in question to significantly influence or control management, is not viewed as an impediment to classification as an independent director.

The Board lost the services of one of its most experienced members with the passing of Leslie Boyd in March 2008. Leslie's valuable contribution is acknowledged by the Board. He served as an independent, non-executive director and Chairman of the Remuneration & Nominations Committee from 2003. Non-executive director Maxim Krok resigned from Aspen's Board in February 2008 as a result of his emigration. He served on the Board since 1994, originally joining as a director, of Medhold Ltd and remaining on the Board after Aspen took control in 1998. Roy Andersen was appointed as an independent, non-executive director in August 2008.

The Board met five times during the year, including one strategic meeting. Directors are timeously and comprehensively briefed in advance of Board meetings and are provided with all necessary information to enable them to discharge their responsibilities. Attendance at Board meetings for the year ended June 2008 is set out below.

Board meetings

	2007		2008		
Director	Board Aug	Board Nov	Board Feb	Board Jun	Strategy Jun
Archie Aaron*	✓	✗	✓	✓	✓
Gus Attridge	✓	✓	✓	✓	✓
Rafique Bagus*^	✓	✓	✓	✗	✗
Leslie Boyd*^ (passed away 27 March 2008)	✓	✓	✓	n/a	n/a
John Buchanan*^	✓	✓	✓	✓	✓
Judy Dlamini* (Chairman)	✓	✓	✓	✓	✓
Pasco Dyani* (alternate Derek Thomas)	✓	✓	✓	✗	✓
Maxim Krok* (resigned 19 February 2008)	✓	✓	n/a	n/a	n/a
Chris Mortimer*	✓	✓	✓	✗	✗
David Nurek*	✗	✗	✓	✓	✗
Stephen Saad	✓	✓	✓	✓	✓
Sindi Zilwa*^	✓	✗	✓	✗#	✗#

**non-executive*
^independent
#maternity leave

Archie Aaron, Pasco Dyani, Rafique Bagus and Roy Andersen will retire by rotation at the upcoming annual general meeting and, being eligible, will offer themselves for re-election. The Board Charter provides for the re-appointment of a non-executive director upon attaining the age of 70, on a year-to-year basis. The Board has approved the re-appointment of Archie Aaron in terms of this proviso of the Charter.

The roles of the non-executive Chairman and Group Chief Executive are strictly separated, ensuring that no individual director can exercise unilateral powers of decision-making. The Chairman provides leadership to the Board and oversees its efficient operation while the Group Chief Executive is responsible for proposing, updating, implementing and maintaining Aspen's strategic direction as well as for ensuring that the day-to-day affairs of the Group are appropriately supervised and controlled. The Deputy Group Chief Executive assists the Group Chief Executive and is responsible for implementing strategy and directing operational decisions for the Group's day-to-day operations.

The non-executive directors are individuals of high calibre who contribute a wide range of skills, knowledge and experience to the Board's decision-making process and are not involved in the daily operations of the Company. They do, however, have unrestricted access to management at any time subject to advising the Group Chief Executive or Deputy Group Chief Executive of such contact.

All directors have unrestricted access to the advice and services of the Company Secretary, as well as Company records, information, documents and property. In addition, all directors are entitled, at the Company's expense, to seek independent professional advice for the furtherance of their duties, where they deem this to be necessary.

Aspen Board Charter

The unitary Board is regulated by a formal Board Charter, which sets out the role of the Board and the responsibilities of the directors. The comprehensive Charter addresses matters relating to Board composition, leadership, remuneration and evaluation, review of Group processes and procedures, key operational risks and corporate governance compliance to evaluate performance; assess the Group's risk profile and review the strategic direction of the Group. The Charter provides the Board with a mandate to exercise leadership, determine the Group's vision and strategy and monitor operational performance.

The duties and responsibilities of the Board, as codified by the Board Charter, include:

- assessing and reviewing the strategic direction of the Group;
- evaluating the performance of the Chairman on an annual basis before the annual general meeting;
- ensuring that the policies and procedures of the charter are complied with;
- evaluating performance and determining key performance criteria;
- ensuring the development and maintenance of succession plans;
- monitoring Board plans in terms of economic, environmental and social issues relating to the Group; and
- evaluating legal and regulatory compliance.

The Charter is reviewed annually in accordance with global best practice in terms of the Global Reporting Initiative and, if necessary, is amended to ensure compliance with developments in corporate governance. No amendments were made to the Charter during the year.

New appointments

The Remuneration & Nomination Committee is responsible for proposing new directors for appointment, whilst the Board, as a whole, is responsible for approval of new appointments.

A formal induction programme is in place for new Board appointees which includes introductions to key management and site visits. The Company Secretary is responsible for implementing this induction programme which sets out the new director's responsibilities and fiduciary duties. The induction pack includes a copy of the Aspen Board Charter and Code of Ethics, Terms of Reference for the Board sub-committees and guidelines on general Board protocol. An outline of the relevant statutory and regulatory frameworks is also included. New appointees receive copies of the latest interim announcements and annual financial results, copies of circulars to shareholders, details of major transactions entered into during the year, the current budget and an organogram of the existing Group structure. Information relating to the current Board and Committee composition, a timetable of upcoming Board meetings, a Board pack for the next Board meeting and copies of the minutes of the latest Board meetings are also included in the pack.

Succession planning

Aspen continues to place emphasis on succession planning. Succession planning is integrated into the performance review and objective setting process for all managerial and executive positions. During the year the Remuneration & Nomination Committee reviewed the Group's succession strategy. Such review indicated that:

- executive level succession planning has progressed positively;
- required operational expertise has been acquired from within the existing pool of talent in the Group and the resultant promotions have been effected; and
- there are certain key positions which may require external recruitment of the successor.

Self-evaluation

Aspen is committed to complying with King II`s recommendation of implementing a Board self-evaluation procedure as well as annual self-evaluation exercises for the various Committees.

The Chairman of the Remuneration and Nomination Committee and Group Chief Executive completed evaluations for each non-executive director.

Conflicts of interest and share dealings

Directors are required to disclose other directorships, any potential conflicts of interest and shareholdings in Aspen at every meeting of the Board. These declarations are then recorded in the minutes of the Board meetings.

As set out in the Board Charter, all directors and employees who have access to financial results and any other price-sensitive information, are prohibited from dealing in Aspen shares during `closed periods', in accordance with JSE Ltd Listings Requirements or whilst the Company is operating under cautionary. Further, directors are obliged to obtain clearance from the Chairman, and in her absence, the Chairman of the Audit & Risk Committee, prior to dealing in the shares of the Company. All share dealings are reported to the Company Secretary who, together with the sponsor, ensures that the information is published on the Stock Exchange News Service.

As a further measure to safeguard directors' dealings, the annual grant of share appreciation rights is awarded in September to ensure that it falls outside of the `closed period' in respect of annual results.

Directors' interests and shareholdings are disclosed in the directors' report.

The Company Secretary

The Company Secretary provides a central source of advice to the Board on relevant matters including corporate governance, legal, financial and statutory compliance. Such guidance is provided to the Board as a whole, its sub-committees and to the individual directors to ensure that their fiduciary duties are exercised in the best interests of the Company. The Company Secretary attends Board meetings at the invitation of the Board and is also responsible for preparing a comprehensive agenda and Board pack timeously for the Board and sub-committee meetings.

Board committees

Three established committees, namely the Audit and Risk Committee, the Remuneration and Nomination Committee and the Transformation Committee assist the Board in discharging its responsibilities. These Committees enhance governance and contribute to the overall effectiveness of the Group's performance. Each Committee is governed by a formal Charter which is reviewed and updated annually to reflect ongoing regulatory and corporate governance developments.

The Board is of the opinion that the sub-committees set out on the following pages have discharged their responsibilities effectively, in accordance with their respective charters, for the year under review.

In line with King II and as mandated by each sub-committee's Charter, the chairmen of all Board Committees attend the annual general meeting.

Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent non-executive director, John Buchanan, and comprises a further two non-executive directors, one of whom is independent.

In accordance with guidelines, the Committee holds a minimum of four meetings a year. During the year five meetings were held and attendance is set out in the table below.

The Audit and Risk Committee Charter requires the Committee to review the interim and annual results, thereby ensuring that the financial results are valid, accurate and fairly represent the Company's performance. Due consideration is given to internal controls governing accounting, auditing and financial reporting. Further responsibilities include:

- ensuring that management institute appropriate internal controls and manage risks effectively;
- reviewing the performance, proposed audit scope and approach of the external auditors;
- reviewing the effect of systems used for monitoring compliance with laws and regulations;
- reviewing and monitoring the structure, performance and activities of the internal audit department;

Audit and Risk Committee meetings

	2007			2008	
Committee member	Aug	Sept	Nov	Feb	Jun
John Buchanan (Chairman) *^	✓	✓	✓	✓	✓
Chris Mortimer*	✓	✓	✓	✓	✗
Sindi Zilwa*^	✓	✓	✗	✓	✗#

**non-executive*
^independent
#maternity leave

- reviewing and monitoring internal control procedures including accounting policies, legislative compliance, regulatory matters and governance;
- recommending the appointment of external auditors for approval by shareholders and monitoring the extent to which they are able to add value to the Group;
- setting the principles for engaging the services of the external auditors for non-audit purposes;
- fulfilling its fiduciary duties in respect of the internal audit department and the external auditors;
- determining the key risk areas facing the Group and recommending appropriate risk mitigation measures;
- advising and updating the Board on issues ranging from accounting standards to published financial information;
- reviewing the Group's compliance with laws and regulations; and
- monitoring all of the above.

Audit findings from the annual statutory audit are reported in the external auditor's management comments letter and presented to the Audit and Risk Committee following completion of the audit. The committee takes heed of the issues raised by the auditors and probes management on their responses and action plans. In subsequent meetings, management reports back on the status of corrective action taken until all issues are satisfactorily resolved. This process highlights areas requiring improvement and helps to enhance the Group's financial control processes.

Remuneration and Nomination Committee

The Remuneration and Nominations Committee was chaired by independent, non-executive director, Leslie Boyd, until his passing in March 2008. Independent, non-executive director, John Buchanan, is currently serving as the interim Chairman of the Committee in his stead. The Committee comprises a further non-executive director. Chris Mortimer resigned with effect from 1 July 2007 and was replaced by Judy Dlamini. During the year the Committee met three times. Attendance at meetings is set out in the table below.

The roles and responsibilities of the Committee include regularly reviewing the Board's composition, setting the criteria for Board nominations, identifying and recommending nominees to the Board of Directors, and annually reviewing directors' credentials. This ensures that the Board is sufficient in number, expertise and diversity to lead and control the Group and to be responsible to stakeholders for strategically setting the direction of the Group. The Committee submits a formal report to the Board for its consideration each year.

The Committee, is further tasked with assessing directors' and senior management's remuneration, which is based on an evaluation of the value of contribution to the Group. The Committee also makes recommendations to the Board on remuneration of non-executive directors, which is subsequently approved by shareholders at the annual general meeting.

Remuneration and Nomination Committee meetings

	2007	2008	
Committee member	Aug	Feb	Jun
Leslie Boyd*^ (passed away 27 March 2008)	✓	✓	n/a
John Buchanan (Interim Chairman)*^	✓	✓	✓
Judy Dlamini*	✓	✓	✓

**non-executive*
^independent

Executive remuneration is benchmarked against industry norms to facilitate the retention of key personnel. Both individual and Group performance targets are considered in determining executive remuneration to ensure reward is aligned with the achievement of Group objectives. The remuneration structure further encompasses performance incentives. The Committee approves all grants and awards under both the Group's share and management incentive schemes.

Remuneration policy

Aspen's formal remuneration policy provides the framework to the Group's remuneration philosophy, which is aimed primarily at attracting and retaining quality human capital. Performance-related remuneration forms an important and substantial element of remuneration at executive level. Annual and long-term incentive plans are in place which progressively reward executives for enhancing shareholder value.

Surveys conducted by independent consultants confirm that the basic salaries are market and industry related.

The three main elements of the remuneration package for executive directors and senior management are:

- basic annual salary;
- annual bonus; and
- long-term incentive arrangements.

Annual increases are based on the employee's performance, as well as prevailing market conditions, while bonuses are awarded for achieving pre-determined financial targets and non-financial objectives. When considering bonuses, performance is measured against pre-determined key performance indicators. Bonuses are awarded using a predefined scale which caps upper limits for both employees and executive directors. Annual bonuses and basic pay are complemented by participation in share-based schemes.

The non-executive directors do not participate in any incentive scheme, nor do they receive any other benefits or pension rights. Non-executives do not have service contracts.

The annual fees for non-executive directors are set out in the table below:

Non-executive Directors' fees

Type of fee	Existing fee June 2008 R	Proposed fee June 2009 R
Group Board		
Chairman	320 000	500 000
Member	160 000	176 000
Audit and Risk Committee		
Chairman	160 000	176 000
Member	80 000	88 000
Remuneration and Nomination Committee		
Chairman	55 000	60 500
Member	27 500	30 250
Transformation Committee		
Member	42 500	46 750

Transformation Committee

See the Transformation report on page 64.

Legislative and regulatory compliance

A checklist detailing compliance with JSE Ltd Listings Requirements is completed annually by each director and the Company Secretary.

A legal compliance programme is in place to ensure adequate and consistent compliance with all statutes and legal guidelines relevant to the Group. Local management and executives undertake to implement necessary controls and policies to adhere to legislative requirements. All areas of non-compliance and/or inadequate compliance are reported to the Audit & Risk Committee by the Group Chief Risk Officer. The status and timing of corrective measures are monitored until the Committee is satisfied that compliance is at acceptable levels. The introduction of new legislation is carefully monitored.

In order to enhance compliance with the Employment Equity Act, employment equity training sessions will be conducted for all staff and the employment equity plan will be reviewed at regular intervals by the Transformation Committee to monitor the status of targets.

Insurance

The Group has a comprehensive insurance programme to underwrite the Group against a wide variety of possible risks. The insurance levels are reviewed annually to ensure that adequate levels of cover are procured at competitive rates.

The Group makes use of specialist insurance brokers and intermediaries to consider all insurable risks and recommends any risk mitigation activities considered necessary. Risks are continually assessed as to whether they are adequately insured or can be insurable. Concerted efforts are made to mitigate and prevent uninsurable risks. Specific insurance is taken in respect of the construction of new manufacturing facilities, which remains in place until the construction is complete.

Intellectual property

Aspen's Legal Department has specialist capabilities to manage compliance with relevant trademark and patent legislation. Each relevant manufacturing facility completes a summary report, including checklists, which are signed off by department heads to assure compliance. The forum then compiles a consolidated report on risks and strategic issues to be reviewed. These reports are tabled at the appropriate management meetings for resolution. Areas of non-compliance are then communicated to the Audit & Risk Committee who in turn reports these to the Board.

Intellectual property held by Aspen's offshore operations, including Aspen Australia, Aspen Global and Aspen's Latin American operations, is valued annually using a discounted cash flow method. This valuation is reviewed by the external auditors.

Financial control environment and internal controls

External audit

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

Where appropriate, independent external auditors are appointed for non-audit purposes. Non-audit services are disclosed in note 26 of the annual financial statements. The Group's policy is to use its auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where good corporate governance does not dictate that independent advisers be appointed. The terms of engagement for such services require the prior written consent of the Chairman of the Audit & Risk Committee.

Internal audit and internal control

The internal audit function assists the Board in assessing the Group's risk management and governance processes, and is governed by an Internal Audit Charter, which is updated annually.

The Group Chief Risk Officer is responsible for implementing the internal audit strategy and reports directly to the Audit & Risk Committee which, in turn, reports internal audit matters to the Board. The Board is ultimately responsible for the Group's systems of internal controls as acknowledged in the approval of the annual financial statements on page 84.

With the assistance of the Audit & Risk Committee, the directors have satisfied themselves that adequate systems of internal control are in place to sufficiently mitigate significant risks. The Committee further satisfies itself that nothing has come to their attention during the year to indicate that a significant deficiency in the effective functioning of the Group's systems of internal controls exists.

Risk management

The Group Chief Risk Officer manages a co-ordinated risk management process across the Group. He ensures that the recommendations of the Audit & Risk Committee are conveyed to management, monitors risk mitigation activities, and promotes a culture of risk awareness throughout the Group.

Key senior executives attend a Board meeting by invitation and present on significant issues and risks that are being addressed within their respective areas of responsibility.

Aspen considers its people to be key contributors to risk mitigation and ensures that competent and adequate resources are employed as part of the Group's strategy to reduce risk exposure. New employees attend an induction which outlines each employee's responsibility towards upholding the risk management culture in the Group.

The significant risks facing the Group fall into three main categories, namely business, operational and financial. The financial risks are detailed in note 36 to the annual financial statements.

The key business and operational risks facing the Group, with the inclusion of current risk factors identified during the year, are set out below.

Business and operational risks	Initiatives/mitigating factors
Sustaining growth	➤ Increasing investment in new product development ➤ Differentiating Aspen from competitors through niche products and markets ➤ Assessing acquisitive opportunities ➤ Ability to source and launch new product pipeline ➤ First to market in new product launches ➤ Expanding into new markets ➤ Increasing awareness of Aspen's brands in all markets ➤ Identifying, fostering and leveraging business relationships with credible, established partners ➤ Optimising strategic relationships with multi-nationals ➤ Upgrading and improving manufacturing facilities to ensure sustained compliance ➤ Diversifying and increasing manufacturing capabilities ➤ Supplying cost-effective, high quality products to the growing generic pharmaceutical markets ➤ Attracting and retaining appropriately experienced and skilled employees ➤ Performance management and personal development plans ➤ Transforming the organisation for international growth ➤ Optimising on the experience, competence and expertise of capable people to drive future growth
Compliance with laws and regulations	➤ Legal department assesses and co-ordinates compliance ➤ Management undertaking to ensure compliance to relevant statutes ➤ Reporting of non-compliance to the Audit & Risk Committee by the Group Chief Risk Officer ➤ Compulsory corporate governance and ethics awareness sessions for all employees, conducted by the Company Secretary
Supply into international markets	➤ Increasing registration of products with the international regulatory authorities to facilitate access to these markets ➤ Establishing effective distribution channels ➤ Establishing IT systems, logistics and planning systems for efficient supply ➤ Identifying and partnering with established distributors in specific territories ➤ Liaising with international funding agents
Demand for constant innovation	➤ Skills and technology transfer in business alliances to secure access to manufacturing capabilities ➤ Pioneering voluntary licence programmes with the multi-national ARV manufacturers, e.g. GSK, Boehringer Ingelheim GmbH, Bristol-Myers Squibb, Merck & Co. Inc. ➤ Leveraging Aspen's strong manufacturing and commercial capability to enter into growth opportunities with leading multi-nationals and regional pharmaceutical companies

Business and operational risks (continued)	Initiatives/mitigating factors
Diversification into new areas of manufacturing	➤ Building manufacturing capability to enter niche markets, e.g. steriles and oncology manufacturing ➤ Extensive research into improved technology and formulations ➤ Agreement concluded with Prestige Brands Inc. for the exclusive manufacture of leading eye-drop brands for the United States and Canada ➤ Agreement concluded with GSK for the licensing and supply of specialist generic products
Meeting product demand	➤ Building on existing capacity to alleviate bottlenecks ➤ Optimisation of manufacturing capability through multi-site registration of products ➤ Investing in advanced technology to increase capacity ➤ Adapting the resource base and support functions to respond to demand ➤ Continual improvement initiatives for optimising efficiencies and throughput ➤ Enhanced planning and forecasting systems and processes to meet local and international demand ➤ Expansion of existing warehousing capacity for anticipated growth in volumes ➤ Utilisation of third-party manufacturers where appropriate
Reliance on third-party suppliers	➤ Vertical integration through the acquisition of raw material suppliers ➤ Identifying alternative sources of supply where possible ➤ Strategic alliances to strengthen the continuity of supply ➤ Service level agreements with third parties
Complex regulatory compliance	➤ Various efficiency improvement and cost reduction projects to offset the impact of SEPs below production inflation in South Africa ➤ Ongoing review of legislation and regulations ➤ Constructive lobbying of regulations where appropriate ➤ Dedicated regulatory department to ensure compliance in all territories ➤ Training of personnel to develop a sustainable regulatory knowledge base for existing and new markets
High degree of regulation and product liability risk	➤ Strict quality control at Group manufacturing levels ➤ Enhancement of facilities by capital investment when necessary ➤ Ongoing review of regulatory requirements ➤ Monitoring of developments and engagement with regulators regarding developments in healthcare and pharmaceutical pricing regulations ➤ Appropriate product liability cover ➤ Compliance with relevant manufacturing standards ➤ Ongoing quality control and product training for staff ➤ Monitoring quality of procured products and services from approved suppliers

Business and operational risks (continued)	Initiatives/mitigating factors
Physical protection of assets	➤ Annual insurance assessments ➤ Independent insurance assessor and adviser ➤ Assets insured at current replacement cost and operational risks covered ➤ Appropriate controls
Information technology	➤ Ongoing assessments and upgrades ➤ Integration of operational and business systems for maximum efficiency and control ➤ Disaster recovery programmes ➤ Increasing IT capabilities to match growth in the business ➤ Strong IT security controls
Exposure to foreign exchange fluctuations and global interest rate movements	➤ Treasury policy reviewed and revised ➤ Increased natural hedging of imports and exports ➤ Increased diversification in trading currencies ➤ Hedging of risks actively pursued
Growth in offshore operations	➤ New product introduction via licence agreements and acquisitions ➤ Awareness of and compliance with legislative changes ➤ Compliance with regulatory standards ➤ Targeting of differentiated products for developing world markets ➤ Leveraging off multinational relationships ➤ Implementation of effective global distribution system
SHEQ	➤ See detailed risks in the Sustainability report on page 58.

Accolades

- Aspen was nominated in Top 500, South Africa's best companies as a result of contribution to growth of the economy and job creation.
- Aspen received an "Excellent Ranking" in the Ernst & Young Excellence in Corporate Reporting 2008.
- Aspen received a "Most Improved Report" award from the Association of Chartered Certified Accountants of South Africa for Sustainability Reporting 2007.
- Aspen's OTC division was awarded first place in the Campbell Belman Confidence Standing Survey in December 2007.
- Aspen was placed third in the Total Managed Healthcare Sector and is the only generics company to feature in the top ten ranking of the 2008 Campbell Belman Confidence Standing Survey.
- Aspen was ranked third in the National Pharmaceutical and Health Sector, CSI Handbook 10th Edition 2007.

Aspen Pharmacare Holdings Ltd
Registration no. 1985/002935/09

Group annual financial statements for the year ended 30 June 2008

Ten years of success

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Statement of responsibility by the Board of Directors

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

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

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

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

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

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

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

The Group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their report is presented on page 85.

The financial statements were approved by the Board of Directors on 27 October 2008 and are signed on its behalf:

NJ Dlamini
Chairman

MG Attridge
Deputy Group Chief Executive

Johannesburg
27 October 2008

Independent auditors' report

To the members of Aspen Pharmacare Holdings Ltd

We have audited the annual financial statements and Group annual financial statements of Aspen Pharmacare Holdings Ltd, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 86 to 167.

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 financial position of the Company and of the Group as of 30 June 2008, and their financial performance and their 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: ER MacKeown
Registered Auditor
Johannesburg
27 October 2008

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 2008, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

H Shapiro

HA Shapiro
Company Secretary

Johannesburg
27 October 2008

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 2008.

Nature of business

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

Aspen's operations also include the manufacture and supply of off-patent APIs.

Financial results and review of operations

The financial results of the Company and of the Group are set out on pages 90 to 167 of this report. The segmental analysis is included in note 42.

The consolidated earnings attributable to equity holders of the parent amounted to R862,9 million for the year, compared with R717,3 million for the previous year, an increase of 20%. Headline earnings per share increased by 10% from 210,1 cents to 231,3 cents. The results for the year were affected by a number of once-off transactions. These include:

- profit on the sale of the Formule Naturelle range of R40,8 million;
- profit on the sale of Shimoda shares of R5,0 million; and
- profit on the sale of 51% of Co-pharma Ltd of R16,6 million.

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

Capitalisation issue

The Board resolved to issue fully paid ordinary shares in the Company as a capitalisation issue to ordinary shareholders. The number of capitalisation shares to which shareholders were entitled was 1,75 ordinary shares for every 100 ordinary shares held.

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

Fractions and fractional entitlements

Trading in the Strate environment does not permit fractions and fractional entitlements. Accordingly where a shareholder's entitlement to new ordinary shares calculated in accordance with the ratio mentioned above gave rise to a fraction of a new ordinary share, such fraction was rounded up to the nearest whole number where the fraction was greater than or equal to 0,5 and rounded down to the nearest whole number where the fraction was less than 0,5.

Tax implications

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

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

Capitalisation of share premium

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

Salient dates and times

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

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

In compliance with IAS 10, *Events after the Balance Sheet Date*, the capitalisation issue will only be accounted for in the financial statements in the year ending June 2009.

Share capital

There were no changes to the authorised issued 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 ('000)	Share capital (R'000)	Share premium (R'000)
Opening balance	389 566	54 173	692 174
Capital distribution	—	—	(273 236)
Share options and appreciation rights exercised	1 636	227	15 141
Shares issued – Workers' Trust	141	20	5 277
	391 343	54 420	439 356

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

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

Directorate and secretary

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

Resignation	Maxim Krok	19 February 2008
Passing	Leslie Boyd	27 March 2008
Appointment	Roy Andersen	26 August 2008

The names of the directors in office at the date of this report are set out on page 54. The name and address of the Secretary of the Company is set out on page 178.

In terms of the Company's Articles of Association, Archie Aaron, Pasco Dyani, Rafique Bagus and Roy Andersen retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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

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 (2007: 1 600 000) as follows:

	Grant price (R)	Expiry date	Options out-standing on 30 June 2007 ('000)	Options exercised during the year ('000)	Options out-standing on 30 June 2008 ('000)	Vested ('000)	Non-vested ('000)
Gus Attridge	9,20	Aug 2011	800	400	400	—	400
Stephen Saad	9,20	Aug 2011	800	—	800	400	400
			1 600	400	1 200	400	800

Share appreciation rights offered to and accepted by executive directors in terms of the Aspen Share Appreciation Plan totalled 347 030 (2007: 352 000) as follows:

	Grant price (R)	Expiry date	Rights out-standing on 30 June 2007 ('000)	Rights granted during the year ('000)	Rights out-standing on 30 June 2008 ('000)	Vested ('000)	Non-vested ('000)
Gus Attridge	32,82	Sept 2011	159	—	159	—	159
Stephen Saad	32,82	Sept 2011	193	—	193	—	193
Gus Attridge	35,53	Sept 2012	—	157	157	—	157
Stephen Saad	35,53	Sept 2012	—	190	190	—	190
			352	347	699	—	699

No share options or appreciation rights lapsed or were cancelled during the year under review.

As at 30 June 2008, the direct and indirect interests of the directors in the shares of the Company were:

	Beneficial number of shares ('000)				Non-beneficial number of shares ('000)	
	Direct		Indirect		Indirect	
Director	**2008**	2007	**2008**	2007	**2008**	2007
Archie Aaron	**46**	46	—	—	**8 447**	16 733
Gus Attridge	**3 100**	2 700	**14 908**	14 908	—	—
Rafique Bagus	—	—	—	—	—	—
John Buchanan	—	—	**20**	14	—	—
Judy Dlamini	—	—	**1 316**	1 316	—	—
Pasco Dyani	—	—	—	—	—	—
Chris Mortimer	**47**	47	—	—	—	—
David Nurek	—	—	**19**	19	—	—
Stephan Saad	**2 700**	2 700	**50 420**	50 420	—	—
Derek Thomas	—	—	—	—	—	—
Sindi Zilwa	—	—	—	—	—	—
	5 893	5 493	**66 683**	66 677	**8 447**	16 733

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

No changes have taken place in interests of directors in the shares of the Company since 30 June 2008 up to the date of this report.

It is Group policy that employees who have access to price sensitive information 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.

Post-balance sheet events

Funding of the acquisition of the GSK brands

Subsequent to the year-end, Aspen Global entered into a six-month bridge facility with Standard Finance (Isle of Man) Ltd for an amount of USD385 million. GBP170 million was utilised to settle the indebtedness to GSK, for the acquisition of the worldwide rights to four branded pharmaceutical products with the balance to be available for other acquisitive opportunities.

On 10 October 2008, the bridge funding was converted into a five-year term facility with a consortium of South African banks, comprising the offshore operations of Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd. For the financial impact of the loan refer to note 24 to the annual financial statements.

Latin American acquisition

Aspen Global agreed revised terms with Strides in respect of certain aspects of Aspen Global's acquisition of an interest in Strides' Latin American operations. The revised terms provided for the acquisition of a further 1% in the Latin American operations with immediate effect as well as a revision of the put and call options previously concluded.

With effect from 1 March 2008, Aspen Global acquired a 50% interest in the Latin American operations for an initial investment of USD 152,5 million. Aspen Global has now acquired an additional 1% interest in the Latin American operations via the acquisition of shares from Strides for USD 2,8 million. Aspen Global thereby acquired management control. In terms of the agreement Aspen Global has also acquired the rights to 100% of the profits and dividends of the Latin American operations. The transaction was funded from existing cash resources.

Refer to note 41 for the financial impact of the transaction.

In terms of the revised put and call options, Aspen Global has the right to acquire, and Strides has the right to sell to Aspen Global, Strides' remaining 49% interest in the Latin American operations based on multiples of the earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ending 30 June 2009. The multiples are such that the effective purchase consideration for the entire share capital of the Latin American operations will amount to 9,32 times for an EBITDA of up to USD11,94 million plus 11,18 times the EBITDA over USD11,94 million. The maximum total effective consideration remains at USD333,5 million and will be payable if an EBITDA of USD31,8 million is achieved. The EBITDA is subject to adjustment such that it excludes the results of new acquisitions.

The put and call and the additional 1% provide Aspen with economic benefits with respect to the remaining 50%.

Agreement to discontinue joint venture with Matrix Laboratories Ltd

Subsequent to year-end terms were agreed with Matrix Laboratories Ltd for the termination of the Astrix and FCC joint venture arrangements. Aspen will acquire Matrix Laboratories Ltd's 50% share in FCC, thereby gaining full and effective control of this company, and dispose of its 50% shareholding in Astrix. Aspen will retain a shareholding in Astrix through a B share which entrenches Aspen's ongoing rights in its relationship with Matrix Laboratories Ltd. Aspen retains all commercial rights and strategic advantage it previously enjoyed through Astrix. However, Aspen will no longer share in profits made by Astrix. These agreements are subject to the fulfilment of conditions precedent. These entities are currently reported in the Pharmaceutical segment included in note 42.

Acquisition of products in Brazil

With effect from 3 September 2008, Cellofarm Ltda acquired the rights to a range of 17 prescription and OTC brands from the Bioativus group of pharmaceutical companies. The transaction value was BRL42,5 million. 50% of the acquisition price was paid on 3 September 2008 and 50% is payable in January 2009, four months after transaction date.

With effect from 30 July 2008, Cellofarm Ltda and PharmaLatina acquired the rights to four OTC products from HB Pharma for BRL20,3 million. BRL3,9 million of the purchase price was paid on the effective date with the balance being payable upon the completion of certain regulatory and legal requirements. The balance is expected to be fully paid by 30 June 2009.

Special resolutions

At the annual general meeting of Aspen shareholders convened on 16 November 2007, the following special resolution was passed by the Company:

- A general authority was granted to Aspen and its subsidiaries to acquire up to 20% of the Company's issued share capital from time-to-time (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital) in terms of Section 85(2) and 85(3) of the Companies Act, 1973, as amended, and JSE Ltd Listings Requirements. This general authority is valid until Aspen's next annual general meeting, provided that it shall not extend beyond 15 months from the date of approval.

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

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

Auditors

The auditors of the Company and the Group, PricewaterhouseCoopers Inc., will continue in office 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 Company's interest in its subsidiaries, joint ventures and associates is set out in notes 4, 5 and 38 to the annual financial statements.

Contracts

None of the directors and officers of the Company had an interest in any contract of significance during the financial year, save as disclosed in note 39.

Borrowings

During the year the net increase in borrowings amounted to R3,8 billion (including the GSK liability). The additional borrowings were raised in order to fund capital expenditure and working capital requirements.

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 19 to the annual financial statements.

Balance sheets at 30 June 2008

COMPANY 2007 R'000	COMPANY 2008 R'000		Notes	GROUP 2008 R'000	GROUP 2007 R'000
		Assets			
		Non-current assets			
1 919	2 152	Property, plant and equipment	1	1 744 580	855 072
—	—	Goodwill	2	589 888	295 044
351 319	266 527	Intangible assets	3	3 723 134	844 655
1 203 491	2 996 604	Investments in subsidiaries and joint ventures	4	—	—
—	27	Investments in associates	5	25 759	—
—	—	Available-for-sale financial assets	6	56	90
376 800	—	Preference share investment	7	—	376 800
5 916	4 698	Other non-current financial receivables	8	4 698	5 916
2 331	—	Deferred tax assets	9	1 014	15 120
1 941 776	3 270 008	Total non-current assets		6 089 129	2 392 697
		Current assets			
—	—	Inventories	10	1 446 961	936 761
29 615	30 130	Trade and other receivables	11	1 789 484	870 943
—	—	Current tax assets		163	323
—	—	Financial assets at fair value through profit and loss	12	666	—
982	74 624	Amounts due by Group companies	4	—	—
440 484	639 896	Cash and cash equivalents	13	1 522 192	3 331 238
471 081	744 650	Total current assets		4 759 466	5 139 265
2 412 857	4 014 658	**Total assets**		10 848 595	7 531 962
		Shareholders' equity			
825 556	613 797	Share capital and share premium	14	493 776	746 347
—	—	Treasury shares	15	(571 580)	(598 842)
—	146 546	Non-distributable reserves		461 973	267 782
47 559	62 523	Share-based compensation reserve	16	62 523	47 559
345 167	2 143 727	Retained income		2 649 033	1 757 653
1 218 282	2 966 593	Ordinary shareholders' equity		3 095 725	2 220 499
161 980	161 980	Preference shares – equity component	17	161 980	161 980
1 380 262	3 128 573			3 257 705	2 382 479
—	—	Minority interests	18	61 101	6 962
1 380 262	3 128 573	Total shareholders' equity		3 318 806	2 389 441
		Liabilities			
		Non-current liabilities			
403 482	402 091	Preference shares – liability component	17	402 091	403 482
—	—	Borrowings	19	75 912	25 937
3 161	—	Deferred-payables	20	831	4 483
—	—	Deferred revenue	21	1 678	6 098
—	6 137	Deferred tax liabilities	9	155 130	65 309
—	—	Retirement benefit obligations	22	9 405	7 154
406 643	408 228	Total non-current liabilities		645 047	512 463
		Current liabilities			
104 229	107 541	Trade and other payables	23	1 003 968	646 857
—	—	Financial liability at amortised cost	24	2 653 020	—
118 761	—	Borrowings	19	3 103 531	3 801 818
46 348	—	Deferred-payables	20	10 938	63 105
—	—	Deferred revenue	21	792	1 267
9 988	24 178	Current tax liabilities		111 253	114 785
346 626	346 138	Amounts due to Group companies	4	—	—
—	—	Financial liabilities at fair value through profit and loss	12	1 240	2 226
625 952	477 857	Total current liabilities		6 884 742	4 630 058
1 032 595	886 085	Total liabilities		7 529 789	5 142 521
2 412 857	4 014 658	**Total equity and liabilities**		10 848 595	7 531 962

Income statements for the year ended 30 June 2008

COMPANY 2007 R'000	COMPANY 2008 R'000		Notes	GROUP 2008 R'000	GROUP 2007 R'000
152 756	153 042	**Revenue**	25	4 881 273	4 025 854
—	—	Cost of sales		(2 658 628)	(2 084 208)
152 756	153 042	**Gross profit**		2 222 645	1 941 646
28 351	71 048	Other operating income		90 340	13 436
—	—	Selling and distribution expenses		(668 281)	(536 863)
(49 745)	(56 201)	Administrative expenses		(275 937)	(208 231)
(90 541)	(75 741)	Other operating expenses		(136 287)	(133 359)
40 821	92 148	**Operating profit**	26	1 232 480	1 076 629
495 660	1 769 436	Investment income	29	263 423	139 770
(47 260)	(21 330)	Financing costs	30	(287 140)	(207 015)
489 221	1 840 254			1 208 763	1 009 384
—	—	Share of after-tax net losses from associates		(1 128)	—
489 221	1 840 254	Net profit before tax		1 207 635	1 009 384
(18 356)	(54 516)	Tax	31	(343 159)	(291 718)
470 865	1 785 738	**Profit for the year**		864 476	717 666
		Attributable to:			
		Equity holders of the parent		862 910	717 323
		Minority interests		1 566	343
				864 476	717 666
		Earnings per share	32		
		Earnings per share – basic (cents)		245,3	205,6
		– diluted (cents)		240,1	201,8
		Capital distribution per share (cents)*	33	70,0	62,0

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

Headline earnings per share	Notes	GROUP 2008 R'000	GROUP 2007 R'000
Headline earnings per share (cents)	32	231,3	210,1
Headline earnings per share – diluted (cents)	32	227,0	206,1

Statements of changes in equity for the year ended 30 June 2008

				Non-distributable reserves								
	Share capital R'000	Share premium R'000	Treasury shares R'000	Hedging reserve R'000	Foreign currency trans-lation reserve R'000	Revalua-tion surplus* R'000	Other non-dis-tributable reserves# R'000	Share-based compen-sation reserve R'000	Retained income R'000	Pref-erence shares - equity compo-nent R'000	Minority interests R'000	Total R'000
Group												
Balance at 1 July 2006	53 730	900 633	(622 983)	5 170	86 191	(621)	100 438	31 228	997 348	161 980	6 619	1 719 733
Fair value movement on available-for-sale financial assets	—	—	—	—	—	677	—	—	—	—	—	677
Currency translation differences	—	—	—	—	69 179	—	—	—	—	—	—	69 179
Profit for the year	—	—	—	—	—	—	—	—	717 323	—	343	717 666
Capital distribution	—	(240 150)	24 141	—	—	—	—	—	—	—	—	(216 009)
Cash flow hedges realised	—	—	—	(5 170)	—	—	—	—	—	—	—	(5 170)
Cash flow hedges recognised	—	—	—	(89)	—	—	—	—	—	—	—	(89)
Issue of ordinary share capital	443	31 691	—	—	—	—	—	—	—	—	—	32 134
Share options and appreciation rights awarded	—	—	—	—	—	—	—	24 233	—	—	—	24 233
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(7 902)	7 902	—	—	—
Non-distributable portion of earnings	—	—	—	—	—	—	12 007	—	(12 007)	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	47 087	—	—	47 087
Balance at 30 June 2007	54 173	692 174	(598 842)	(89)	155 370	56	112 445	47 559	1 757 653	161 980	6 962	2 389 441
Fair value movement on available-for-sale financial assets	—	—	—	—	—	(37)	—	—	—	—	—	(37)
Amounts retained in equity due to hedge accounting of acquisitions	—	—	—	87 553	—	—	—	—	—	—	—	87 553
Currency translation differences	—	—	—	—	117 430	—	—	—	—	—	—	117 430
Profit for the year	—	—	—	—	—	—	—	—	862 910	—	1 566	864 476
Dividends paid	—	—	—	—	—	—	—	—	(1 500)	—	—	(1 500)
Capital distribution	—	(273 236)	27 262	—	—	—	—	—	—	—	—	(245 974)
Acquisition of subsidiary	—	—	—	—	—	—	—	—	—	—	52 573	52 573
Disposal of 51% Co-pharma Ltd	—	—	—	—	(10 844)	—	—	—	21 720	—	—	10 876
Cash flow hedges realised	—	—	—	89	—	—	—	—	—	—	—	89
Issue of ordinary share capital	247	20 418	—	—	—	—	—	—	—	—	—	20 665
Share options and appreciation rights awarded	—	—	—	—	—	—	—	27 644	—	—	—	27 644
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(12 680)	12 680	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	(4 430)	—	—	(4 430)
Balance at 30 June 2008	54 420	439 356	(571 580)	87 553	261 956	19	112 445	62 523	2 649 033	161 980	61 101	3 318 806
Company												
Balance at 1 July 2006	53 730	900 633	—	—	—	(667)	—	31 228	(144 178)	161 980	—	1 002 726
Fair value movement on available-for-sale financial assets	—	—	—	—	—	667	—	—	—	—	—	667
Profit for the year	—	—	—	—	—	—	—	—	470 865	—	—	470 865
Capital distribution	—	(240 150)	—	—	—	—	—	—	—	—	—	(240 150)
Issue of ordinary share capital	443	110 900	—	—	—	—	—	—	—	—	—	111 343
Share options and appreciation rights awarded	—	—	—	—	—	—	—	24 254	—	—	—	24 254
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(7 923)	7 923	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	10 557	—	—	10 557
Balance at 30 June 2007	54 173	771 383	—	—	—	—	—	47 559	345 167	161 980	—	1 380 262
Amount retained in equity due to hedge accounting of acquisitions	—	—	—	146 546	—	—	—	—	—	—	—	146 546
Profit for the year	—	—	—	—	—	—	—	—	1 785 738	—	—	1 785 738
Capital distribution	—	(273 236)	—	—	—	—	—	—	—	—	—	(273 236)
Issue of ordinary share capital	247	61 230	—	—	—	—	—	—	—	—	—	61 477
Share options and appreciation rights awarded	—	—	—	—	—	—	—	27 671	—	—	—	27 671
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(12 707)	12 707	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	115	—	—	115
Balance at 30 June 2008	54 420	559 377	—	146 546	—	—	—	62 523	2 143 727	161 980	—	3 128 573

*The revaluation surplus represents all the fair value movements on available-for-sale financial assets, net of deferred tax.
The other non-distributable reserve represents accumulated losses that arose on the acquisition of this Company.

Cash flow statements for the year ended 30 June 2008

COMPANY 2007 R'000	COMPANY 2008 R'000		Notes	GROUP 2008 R'000	GROUP 2007 R'000
		Cash flows from operating activities			
113 870	136 310	Cash generated from operations	A	1 058 064	968 979
(45 030)	(24 020)	Financing costs paid	B	(347 531)	(193 789)
495 660	1 769 436	Investment income received	C	263 423	139 770
(11 788)	(31 743)	Tax paid	D	(321 572)	(206 400)
552 712	1 849 983	Net cash generated from operating activities		652 384	708 560
		Cash flows from investing activities			
(73)	—	Replacement capital expenditure – property, plant and equipment		(79 261)	(67 222)
(336)	(818)	Expansion capital expenditure – property, plant and equipment		(300 042)	(220 467)
—	—	Proceeds on disposal of property, plant and equipment		3 236	789
(6 557)	(1 767)	Expansion capital expenditure – intangible assets		(162 362)	(144 261)
—	—	Replacement capital expenditure – intangible assets		(3 655)	(2 768)
6 960	51 630	Proceeds on disposal of intangible assets		55 175	8 484
—	—	Acquisition of subsidiary and joint ventures	E	(1 357 459)	(100)
—	—	Disposal of 51% of Co-pharma Ltd	F	10 136	—
(5 916)	1 218	Decrease/(increase) in other non-current financial receivables		1 218	(5 916)
(26 914)	(1 617 700)	Increase in investments in subsidiaries, joint ventures and associates		—	—
6 577	(73 642)	Movement in loans owing by Group companies		—	—
—	376 800	Redemption of investment in preference shares		376 800	—
(26 259)	(1 264 279)	Net cash used in investing activities		(1 456 214)	(431 461)
		Cash flows from financing activities			
—	—	Proceeds from borrowings		5 004 257	2 477 294
—	(105 376)	Repayment of borrowings		(3 506 476)	(2 351 097)
—	—	Proceeds from deferred-payables		9 522	24 325
—	(49 951)	Repayment of deferred-payables		(64 543)	(12 322)
—	—	Dividends paid		(1 500)	—
106 236	56 145	Proceeds from issue of ordinary shares		15 332	27 028
(240 150)	(273 236)	Capital distribution paid		(245 974)	(216 009)
46 790	(489)	Movement in loans owing to Group companies		—	—
(87 124)	(372 907)	Net cash generated from/(used in) financing activities		1 210 618	(50 781)
439 329	212 797	Movement in cash and cash equivalents before exchange rate changes		406 788	226 318
—	—	Effects of exchange rate changes		40 656	9 007
		Cash and cash equivalents			
439 329	212 796	Movement in cash and cash equivalents		447 444	235 325
(12 230)	427 099	Cash and cash equivalents at the beginning of the year		497 481	262 156
427 099	639 896	Cash and cash equivalents at the end of the year	G	944 925	497 481

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		A. Cash generated from operations		
40 821	92 148	Operating profit	1 232 480	1 076 629
90 420	74 424	Amortisation of intangible assets	127 715	121 150
658	585	Depreciation	74 643	60 336
121	1 317	Net impairment charges	87 255	37 586
—	—	Reversal of impairment losses	—	(99)
—	—	Loss on disposal of property, plant and equipment	705	523
(3 360)	(40 812)	Profit on disposal of intangible assets	(40 953)	(3 414)
—	—	Fair value movements on financial assets and liabilities not included in financing costs	—	(4 795)
3 669	4 576	Share-based payment expense – employees	33 015	29 363
—	—	Deferred revenue – recognised in the income statement	(5 326)	(625)
—	—	Deferred revenue – amounts received in advance	—	5 357
—	—	Profit on sale of 51% of Co-pharma Ltd	(16 598)	—
—	—	Increase/(decrease) in retirement benefit obligations	1 049	(178)
132 329	132 238	Cash operating profit	1 493 985	1 321 833
(18 459)	4 072	Changes in working capital	(435 921)	(352 854)
—	—	Increase in inventories	(376 768)	(147 791)
(3 738)	763	(Increase)/decrease in trade and other receivables	(104 426)	(122 034)
(14 721)	3 309	Increase/(decrease) in trade and other payables	45 273	(83 029)
113 870	136 310		1 058 064	968 979
		B. Financing costs paid		
(12 804)	(13 814)	Interest paid	(322 830)	(174 050)
(32 457)	(38 112)	Preference share dividends paid (liability component)	(38 112)	(32 457)
231	27 906	Net foreign exchange gains	60 363	22 717
—	—	Borrowing costs capitalised to property, plant and equipment	(46 952)	(9 999)
(45 030)	(24 020)		(347 531)	(193 789)
		C. Investment income received		
450 000	1 647 816	Dividends received from subsidiaries and joint ventures	—	—
29 295	33 329	Preference share dividends received	33 329	29 295
16 365	88 291	Interest received	230 094	110 475
495 660	1 769 436		263 423	139 770

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		D. Tax paid		
(2 401)	(9 988)	Amounts unpaid at the beginning of the year	(114 462)	(59 498)
(21 245)	(49 437)	Charge per income statement (excluding deferred tax)	(322 725)	(279 839)
—	—	Acquisition of subsidiary	(340)	—
—	—	Acquisition of joint ventures	(824)	—
—	—	Disposal of 51% of Co-pharma Ltd	(344)	—
1 870	3 504	Tax claims credited to equity in respect of share incentive schemes	9 796	19 480
—	—	Effects of exchange rate changes	(3 763)	(1 005)
9 988	24 178	Amounts unpaid at the end of the year	111 253	114 785
—	—	Amounts overpaid at the end of the year	(163)	(323)
(11 788)	(31 743)		(321 572)	(206 400)

E. Acquisition of subsidiary and joint ventures

2008	Pharma-Latina* R'000	Onco Therapies* R'000	Onco Labo-ratories* R'000	Shelys* R'000	Total R'000
Property, plant and equipment	276 484	114 183	—	142 581	533 248
Intangible assets	75 631	—	—	82 514	158 145
Non-current available-for-sale financial assets	—	—	—	3	3
Inventories	89 299	—	—	75 880	165 179
Trade and other receivables	124 686	2 407	176 390	81 473	384 956
Cash and cash equivalents	166 144	248	—	(33 436)	132 956
Borrowings	(1 129)	—	—	(90 104)	(91 233)
Deferred tax liabilities	(24 440)	—	—	(42 618)	(67 058)
Trade and other payables	(114 496)	(5 569)	(72)	(84 520)	(204 657)
Current tax liabilities	(824)	—	—	(340)	(1 164)
Fair value of assets acquired	591 355	111 269	176 318	131 433	1 010 375
Minority interest	—	—	—	(52 573)	(52 573)
Goodwill acquired	132 877	4 520	—	152 595	289 992
Purchase consideration (adjusted for cash flow hedging – basis adjustment)	724 232	115 789	176 318	231 455	1 247 794
Less:					
Amounts unpaid at the end of the year	—	(47 931)	(53 527)	—	(101 458)
Cash flow hedging – deferral in equity	(87 553)	—	—	—	(87 553)
Deferred receivable	431 632	—	—	—	431 632
Cash and cash equivalents in acquirees	(166 144)	(248)	—	33 436	(132 956)
Cash outflow on acquisition	902 167	67 610	122 791	264 891	1 357 459

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

2007

During the 2007 financial year an additional R100 000 was capitalised to goodwill in respect of Brimpharm SA (Pty) Ltd transaction costs.

	GROUP Total R'000
F. Disposal of 51% of Co-pharma Ltd	
2008	
Property, plant and equipment	4 843
Intangible assets	4 872
Inventories	7 373
Trade and other receivables	32 391
Cash and cash equivalents at disposal	20 540
Deferred tax asset	440
Trade and other payables	(42 511)
Current tax liabilities	(344)
Net carrying value of total assets on date of disposal	27 604
Percentage sold	51%
Net carrying value of assets disposed	14 078
Profit on sale	16 598
Total consideration received	30 676
Less:	
Cash and cash equivalents in company	(20 540)
Cash inflow on disposal	10 136

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		G. Cash and cash equivalents		
440 484	639 896	Bank balances	852 367	3 277 717
—	—	Short-term bank deposits	592 163	441
—	—	Cash-in-transit	76 295	52 987
—	—	Cash-on-hand	1 367	93
440 484	639 896	Cash and cash equivalents per the balance sheet	1 522 192	3 331 238
(13 385)	—	Less: bank overdrafts	(577 267)	(2 833 757)
427 099	639 896	Cash and cash equivalents per cash flow statement	944 925	497 481

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.

Summary of significant accounting policies

New standards, amendments and interpretations

During the financial year, the following accounting standards, interpretations and amendments to published accounting standards were mandatory to the Group, and applied as follows:

- *IAS 1, Presentation of Financial Statements (Amendment)*
  The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital.

- *IFRS 7, Financial Instruments: Disclosures; and consequential amendments to IFRS 4, Insurance Contracts (Implementation Guidance)*
  IFRS 7 introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in IAS 32. The IFRS also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks.

- *IFRIC 10, Interim Financial Reporting and Impairment*
  This prohibits the reversal of the impairment losses recognised in an interim period on goodwill and investments in equity instruments and financial assets carried at cost, at a subsequent balance sheet date.

- *IFRIC 11, IFRS 2 – Group and Treasury Share Transactions*
  IFRIC 11 addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).

The following accounting standards, amendments and interpretations, that are not mandatory for the year ended June 2008 have been published prior to the date of signature of this report:

- *IFRS 1, First-time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements*
  This amendment will not have any impact on the Group's financial statements.
  The amendment is effective for financial years beginning on or after 1 January 2009.

- *IFRS 2, Share-based Payment: Vesting Conditions and Cancellations (Amendment)*
  This amended standard deals with vesting conditions and cancellations. The Group will apply this standard for annual periods beginning on or after 1 January 2009, which is the standard's effective date. It is not expected to have an 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 remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed.

  The Group will apply this revised standard prospectively to all business combinations beginning on or after 1 July 2009.

- *IFRS 8, Operating Segments*
  IFRS 8 replaces IAS 14, *Segment reporting,* and aligns segment reporting with the requirements of the United States standard SFAS 131, *Disclosures about segments of an enterprise and related information.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The Group will apply this standard from the effective date which is any period commencing on or after 1 January 2009. The expected impact is still being assessed in detail by management. A preliminary review identified that the impact of this statement on the segmental analysis would be minor and be limited to changes to reported segments to be consistent with the internal reporting provided to the chief operating decision-maker.

- *IAS 1, Presentation of Financial Statements (Revised)*
  The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'.

  The effective date of this revised standard is for periods commencing on or after 1 January 2009. This will not materially affect the Group.

- *IAS 23, Borrowing Costs (Revised)*
  The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The Group is currently capitalising borrowing costs on all qualifying assets.

- *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.

  The Group will apply this revised standard prospectively to transactions with non-controlling interests. The amendment is effective for periods beginning on or after 1 January 2010.

- *IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements, Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)*
  This amendment will have no impact on the Group's financial statements.
  The amendment is effective for all periods beginning on or after 1 January 2009.

- *IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items, Improvements to IFRS*
  This amendment is part of the IASB's annual improvement project published in May 2008. This amendment gives additional guidelines for the recognition and measurement of financial instruments.
  The Group will apply this amendment for periods beginning on or after 1 January 2009. It is not expected to have an impact on the Group's income statement.

- *IFRIC 12, Service Concession Arrangements*
  This interpretation is not relevant to the Group's operations.
  The effective date of this interpretation is from periods beginning on or after 1 January 2008.

- *IFRIC 13, Customer Loyalty Programmes*
  This interpretation is not relevant to the Group's operations.
  The effective date of this interpretation is from periods beginning on or after 1 January 2008.

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
  This interpretation is not relevant to the Group's operations.
  The effective date of this interpretation is from periods beginning on or after 1 January 2008.

- *IFRIC 15, Agreements for the Construction of Real Estate*
  This interpretation is not relevant to the Group's operations.
  The effective date of this interpretation is from periods beginning on or after 1 January 2009.

- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation*

  This interpretation is not relevant to the Group's operations.

  The effective date of this interpretation is from periods beginning on or after 1 January 2009.

  The Group has early adopted IAS 23, *Borrowing Costs* (Revised), but does not intend early-adopting any of the other standards and interpretations as stated above.

Basis of preparation

The consolidated financial statements have been prepared in accordance with those IFRS standards and 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 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 111.

Group accounting

The annual 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 on page 100. A listing of the Group's principal subsidiaries and joint ventures is set out in note 38.

Subsidiaries

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

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

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.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with policies adopted by the Group.

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.

Joint ventures

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

Associates

Associates are those entities in which the Group has significant influence, but not control, over the 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.

The financial results of associates are included in the Group's results according to the equity method from acquisition date until disposal date.

Under this method, subsequent to the acquisition date, the Group's share of profits or losses of associates is charged to the income statement as equity accounted earnings and its share of movements in 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.

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 income statement as part of equity accounted earnings of those associates.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

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.

Inter-company transactions and balances

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 investments in associates.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority 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.

Foreign currency translation

Functional and presentation currency

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

Rand, which is the functional and presentation currency of the parent.

Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are reported as part of the fair value gain or loss.

Group companies

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

- income and expenses of foreign operations are translated into the Group's presentation currency at the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions;
- assets and liabilities are translated at the closing rate at the balance sheet date; and
- exchange differences arising from the translation of the net investment in foreign operations, as well as borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity.

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

Property, plant and equipment

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

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

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The assumptions regarding estimated remaining useful lives for the 2008 financial year were as follows:

Buildings	5 – 61 years
Plant, equipment and major spare parts	1 – 30 years
Computer equipment	1 – 9 years
Office equipment and furniture	1 – 16 years

Land and buildings comprise mainly factories and office buildings. Land is not depreciated. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset.

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

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

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

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

Goodwill

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 and joint ventures is capitalised and shown separately on the face of the balance sheet 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.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the 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 if the payment is probable and reliably measurable. Subsequent adjustments to the estimated amount of the contingent consideration are adjusted against goodwill in proportion to the Group's interest in that company.

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

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are not revalued. Amortisation is included in other operating expenses. All intangibles assets have finite useful lives in both the 2008 and 2007 financial years.

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised and amortised on a straight-line basis over their estimated remaining useful lives, which ranged from 1 to 45 years during the financial year. Estimated useful lives are reviewed annually.

Research and development

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

- technical feasibility;
- intention to use or sell the intangible asset;
- ability to use or sell the intangible asset;
- how the asset will generate probable future economic benefits:
  - existence of market, or
  - usefulness of intangible asset internally;
- technical and financial resources to complete development, and to use or sell the intangible asset; and
- ability to measure the expenditure relating to the development reliably.

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

Development costs 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 3 to 12 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 were estimated to be between 8 and 10 years.

Computer software

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

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

The estimate of the remaining useful lives of software ranged between 1 and 10 years for the financial year.

Financial instruments

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 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 where the obligation specified in the contract is discharged, cancelled or expires.

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Financial liabilities are classified into the following categories: at fair value through profit or loss and financial liabilities at amortised cost. The classification is dependent on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial assets and liabilities at the time of initial recognition.

Financial assets and liabilities 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 or repurchasing 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 current liabilities. 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 income statement during the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months from the balance sheet date, 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 preference share investment, trade and other financial receivables, loans due from Group companies and cash and cash equivalents.

Available-for-sale financial assets

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

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

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

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

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, loans due to Group companies and the financial liability at amortised cost. These financial liabilities are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method.

Accounting for derivative financial instruments and hedging activities

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

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); and
- a hedge of a particular risk associated with a recognised asset or liability or a highly probable forecasted 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 income statement as finance costs/income, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised in the income statement over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The ineffective portion is recognised immediately in the income statement within financing costs. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and 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 income statement and classified as gains or losses in the same periods during which the hedged firm commitment or forecast transaction affects the income statement.

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

Derivatives at fair value through profit and loss

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 maturity of the 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 income statement.

Fair value estimation

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

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

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 as at year-end.

Due to the short-term nature of the normal credit terms granted to the Group, the arrangements are deemed to contain no financing element and no fair value adjustment is made for the effect of time value of money for normal trade payables.

The carrying amounts of the following financial assets and financial liabilities approximate the fair values: trade and other financial receivables, cash and cash equivalents, the preference share investment, other non-current financial receivables, loans due to Group companies, loans due by Group companies, trade and other financial payables, current borrowings and non-current borrowings.

Information on the fair values of forward exchange contracts is included in note 36.2. Information on the fair value of other financial instruments is included in other 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 income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

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

Inventories

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

Trade receivables

Trade receivables are recognised initially at cost (fair value is deemed to equal cost) and subsequently measured at amortised cost using the effective interest rate method, less the allowance account for credit losses. Due to the short-term nature of the normal credit terms extended to customers (up to 60 days) the arrangements are deemed to contain no financing element and no fair value adjustment is made for the effect of time value of money for normal trade receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the estimated future cash flow discounted at the original effective interest rate. This provision is recognised through the use of an allowance account. The amount of the loss is included in the income statement within administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost, which is deemed to be fair value. For the purposes of the balance sheet, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts which form an integral part of the entity's cash management. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For cash flow purposes bank overdrafts are offset against cash and cash equivalents. Cash and cash equivalents are initially measured at fair value and subsequently recognised at amortised cost.

Tax

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

Current tax

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

Deferred tax

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

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

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

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

Dividend taxes, including STC

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

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

Share capital and share premium

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

Treasury shares

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

Convertible cumulative variable rate preference shares

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

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

The sum of the carrying amounts assigned to the liability and equity components on initial recognition equals the fair value ascribed to the instrument as a whole. No gain or loss arises from recognising and presenting the components of the instrument separately. The liability component is measured by discounting the stream of future cash flows at the prevailing market rate for a similar liability that does not have an associated equity component, and is carried on an amortised cost basis until extinguished on redemption or conversion. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is determined by deducting the initial carrying amount of the financial liability from the fair value of the compound instrument as a whole.

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

Borrowings and borrowing costs

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

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

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

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

Employee benefits

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 22 and 28.

Post-retirement medical aid obligations

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

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

Annual charges incurred to reflect additional 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 or credited to the income statement in the year of incurral.

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

Termination benefits

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

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in trade and other payables when 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 or profit share and the amount can be determined before the time of issuing of the financial statements.

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

Equity compensation plans

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

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

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

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

Directors' emoluments

The directors' emoluments disclosed in note 28 represent the emoluments paid to, or receivable by, directors in their capacity as director or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the annual financial statements. The gain on share options represents the actual gain realised in the year, and represents the difference between grant price and exercise price. This disclosure is provided in terms of JSE Ltd Listings Requirements.

Impairment

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

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

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

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

Revenue recognition

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

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

Other income and investment income

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

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

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

Headline earnings per share

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

An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 32 to the financial statements.

Segmental reporting

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

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

Primary basis

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

- South African operations;
- Australian operations;
- Indian operations;
- Latin American operations;
- African operations; and
- Rest of the world operations;

Rest of the world consists of all operations in geographical areas that do not have a specific segment allocated to it.

Secondary basis

- Pharmaceutical division, comprising prescription generic and branded pharmaceutical products, OTC products and APIs; and
- Consumer division, comprising self medication, personal care, infant nutritional milk formulations and nutraceutical products.

In respect of South Africa, schedule 0 and 1 medicines are included in the consumer division, and schedule 2 and upwards are included in the pharmaceutical division. This is consistent with industry practice.

Distributions to shareholders

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

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

Convenience translation from Rand to USD

The presentation currency of the Group is Rand.

Supplementary USD information is provided for convenience only.

The conversion to USD is performed as follows:

- assets and liabilities are translated at the closing rate of exchange on balance sheet date;
- 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.

Significant judgements and estimates

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

Depreciation and amortisation rates

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

Refer to notes 1 and 3.

Impairment of assets

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least on an annual basis, as more fully described in the accounting policy in respect of impairment and note 40. 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.

Valuation of derivative financial instruments

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

Refer to note 12.

Calculation of IFRS 2 charge

The calculation of the IFRS 2 charge in respect of share options and share appreciation rights is based on the valuation of instruments at grant date, determined with the use of the binomial model. This model requires the use of several assumptions, which include 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 16.

Recognition of deferred tax assets in respect of assessed losses

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductable temporary differences 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 9.

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 will take into account the following:

- change in technology;
- regulatory requirements; and
- stock nearing expiry date.

Refer to note 10.

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 note 17.

Fair value determination in business combinations

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

Initial accounting for business combinations determined provisionally

The initial accounting for the acquisitions in the current year were only determined provisionally by the time of the publication of the Group results for 2008.

Refer to note 37.

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 11 and 20.

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.

GROUP

1. Property, plant and equipment

2008	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value – Group						
Cost	356 342	726 915	42 660	56 458	921 151	2 103 526
Accumulated depreciation	(43 291)	(268 722)	(30 464)	(28 438)	—	(370 915)
Net book value at the end of the year	313 051	458 193	12 196	28 020	921 151	1 732 611
Movement in property, plant and equipment						
Net book value at the beginning of the year	195 264	352 070	12 868	13 354	277 347	850 903
Acquisition of subsidiary	82 350	42 340	101	10 952	3 321	139 064
Disposal of 51% of Co-pharma Ltd	(4 573)	—	—	(270)	—	(4 843)
Acquisition of joint ventures	24 447	24 443	449	3 438	335 295	388 072
Reclassification between categories	15 040	68 378	2 279	1 822	(88 997)	(1 478)
Reclassification to intangible assets	—	—	—	—	(13 069)	(13 069)
Additions – expansion	2 411	4 611	679	689	288 855	297 245
Additions – replacement	79	15 866	5 518	1 454	59 003	81 920
Additions – borrowing costs capitalised	—	—	—	—	46 952	46 952*
Disposals	(31)	(1 515)	(1 326)	(23)	(1 046)	(3 941)
Depreciation	(5 686)	(52 984)	(8 495)	(4 467)	—	(71 632)
Impairment	(46)	—	—	—	—	(46)
Effects of exchange rate changes	3 796	4 984	123	1 071	13 490	23 464
Net book value at the end of the year	313 051	458 193	12 196	28 020	921 151	1 732 611
LEASED						
Net carrying value – Group						
Cost	9 910	—	9 456	—	—	19 366
Accumulated depreciation	(1 754)	—	(5 643)	—	—	(7 397)
Net book value at the end of the year	8 156	—	3 813	—	—	11 969
Movement in property, plant and equipment						
Net book value at the beginning of the year	429	—	3 740	—	—	4 169
Acquisition of subsidiary	3 517	—	—	—	—	3 517
Acquisition of joint ventures	2 595	—	—	—	—	2 595
Reclassification between categories	1 478	—	—	—	—	1 478
Additions – expansion	64	—	2 733	—	—	2 797
Additions – replacement	74	—	—	—	—	74
Depreciation	(351)	—	(2 660)	—	—	(3 011)
Effects of exchange rate changes	350	—	—	—	—	350
Net book value at the end of the year	8 156	—	3 813	—	—	11 969
TOTAL OWNED AND LEASED	321 207	458 193	16 009	28 020	921 151	1 744 580

*Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for 2008 was 11,27% (2007: 8,71%).

COMPANY

1. Property, plant and equipment continued

2008	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	TOTAL R'000
OWNED					
Net carrying value – Company					
Cost	—	299	2 461	1 324	4 084
Accumulated depreciation	—	(32)	(1 748)	(577)	(2 357)
Net book value at the end of the year	—	267	713	747	1 727
Movement in property, plant and equipment					
Net book value at the beginning of the year	—	68	684	738	1 490
Additions – expansion	—	226	393	135	754
Depreciation	—	(27)	(364)	(126)	(517)
Net book value at the end of the year	—	267	713	747	1 727
LEASED					
Net carrying value – Company					
Cost	671	—	—	—	671
Accumulated depreciation	(246)	—	—	—	(246)
Net book value at the end of the year	425	—	—	—	425
Movement in property, plant and equipment					
Net book value at the beginning of the year	429	—	—	—	429
Additions – expansion	64	—	—	—	64
Depreciation	(68)	—	—	—	(68)
Net book value at the end of the year	425	—	—	—	425
TOTAL OWNED AND LEASED	425	267	713	747	2 152

GROUP

1. **Property, plant and equipment** continued

2007	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value – Group						
Cost	223 865	531 782	39 921	28 111	277 347	1 101 026
Accumulated depreciation	(28 601)	(179 712)	(27 053)	(14 757)	—	(250 123)
Net book value at the end of the year	195 264	352 070	12 868	13 354	277 347	850 903
Movement in property, plant and equipment						
Net book value at the beginning of the year	191 662	329 270	14 503	12 830	59 727	607 992
Cost	214 589	468 231	36 510	24 975	59 727	804 032
Accumulated depreciation	(22 927)	(138 961)	(22 007)	(12 145)	—	(196 040)
Reclassification between categories	5 484	18 298	126	69	(23 977)	—
Reclassification from intangible assets	—	—	—	—	319	319
Additions – expansion	1 194	28 334	680	287	189 936	220 431
Additions – replacement	361	19 173	2 968	2 373	42 347	67 222
Additions – borrowing costs capitalised	—	—	—	—	9 999	9 999*
Disposals	—	(1 177)	(43)	(2)	—	(1 222)
Depreciation	(5 724)	(44 479)	(5 448)	(2 448)	—	(58 099)
Effects of exchange rate changes	2 287	2 651	82	245	157	5 422
Foreign exchange losses capitalised	—	—	—	—	(1 161)	(1 161)
Net book value at the end of the year	195 264	352 070	12 868	13 354	277 347	850 903
LEASED						
Net carrying value – Group						
Cost	606	—	6 723	—	—	7 329
Accumulated depreciation	(177)	—	(2 983)	—	—	(3 160)
Net book value at the end of the year	429	—	3 740	—	—	4 169
Movement in property, plant and equipment						
Net book value at the beginning of the year	459	—	4 669	—	—	5 128
Cost	570	—	7 630	—	—	8 200
Accumulated depreciation	(111)	—	(2 961)	—	—	(3 072)
Additions – expansion	36	—	—	—	—	36
Additions – replacement	—	—	1 332	—	—	1 332
Disposals	—	—	(90)	—	—	(90)
Depreciation	(66)	—	(2 171)	—	—	(2 237)
Net book value at the end of the year	429	—	3 740	—	—	4 169
TOTAL OWNED AND LEASED	195 693	352 070	16 608	13 354	277 347	855 072

**Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for 2008 was 11,27% (2007: 8,71%).*

1. Property, plant and equipment continued

2007	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	TOTAL R'000
OWNED					
Net carrying value – Company					
Cost	—	73	2 068	1 190	3 331
Accumulated depreciation	—	(5)	(1 384)	(452)	(1 841)
Net book value at the end of the year	—	68	684	738	1 490
Movement in property, plant and equipment					
Net book value at the beginning of the year	—	—	822	887	1 709
Cost	—	—	1 768	1 190	2 958
Accumulated depreciation	—	—	(946)	(303)	(1 249)
Additions – expansion	—	—	300	—	300
Additions – replacement	—	73	—	—	73
Depreciation	—	(5)	(438)	(149)	(592)
Net book value at the end of the year	—	68	684	738	1 490
LEASED					
Net carrying value – Company					
Cost	606	—	—	—	606
Accumulated depreciation	(177)	—	—	—	(177)
Net book value at the end of the year	429	—	—	—	429
Movement in property, plant and equipment					
Net book value at the beginning of the year	459	—	—	—	459
Cost	570	—	—	—	570
Accumulated depreciation	(111)	—	—	—	(111)
Additions – expansion	36	—	—	—	36
Depreciation	(66)	—	—	—	(66)
Net book value at the end of the year	429	—	—	—	429
TOTAL OWNED AND LEASED	**429**	**68**	**684**	**738**	**1 919**

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

Assets with a net book value of R3,8 million (2007: R3,7 million) have been pledged as security as set out in note 19 for loans obtained in terms of finance lease and instalment credit agreements.

Assets with a net book value of R20,3 million (2007: nil) have been pledged as security as set out in note 19 for loans obtained in terms of offshore borrowings.

Expenditure of R53,2 million (2007: R13,1 million) incurred in the construction of qualifying assets was included in the carrying amount of capital work-in-progress during the course of construction.

Property, plant and equipment to a value of R100,7 million, relating to the Campos facility in Brazil, has been pledged as security for loans obtained as set out in note 19.

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		1. Property, plant and equipment continued		
		The breakdown of the land and buildings amounts shown above is as follows:		
—	—	Land	27 586	17 160
429	425	Buildings	293 621	178 533
429	425		321 207	195 693
		2. Goodwill		
		Net carrying value		
—	—	Cost	589 888	383 359
—	—	Accumulated impairment losses	—	(88 315)
—	—	Net carrying value at the end of the year	589 888	295 044
		Movement in goodwill		
—	—	Net carrying value at the beginning of the year	295 044	270 380#
—	—	Acquisition of subsidiary	152 595	100
—	—	Acquisition of joint ventures	137 397	—
—	—	Effects of exchange rate changes	7 634	13 988
—	—	Disposal of 50% of FCC	—	10 576*
—	—	Adjustment to estimate of Brimchem SA (Pty) Ltd contingent consideration	(2 782)	—
—	—	Net carrying value at the end of the year	589 888	295 044

 # This balance consisted of a cost of R352,9 million and accumulated losses of R82,5 million.
** During 2006 the accounting for the contingent consideration on the original purchase of FCC in 2005 was finalised, as a consequence an adjustment was required to the amount originally derecognised from goodwill in 2006.*

GROUP

3. Intangible assets

2008	Intellectual property R'000	Development costs* R'000	Product participation and other contractual rights R'000	Drug master files R'000	Computer software R'000	TOTAL R'000
Net carrying value – Group						
Cost	4 404 055	110 674	341 216	131 194	60 690	5 047 829
Accumulated amortisation	(908 489)	(12 278)	(170 549)	(40 921)	(40 742)	(1 172 979)
Accumulated impairment losses	(147 331)	(3 487)	—	(898)	—	(151 716)
Balance at the end of the year	3 348 235	94 909	170 667	89 375	19 948	3 723 134
Movement in intangible assets						
Balance at the beginning of the year	576 625	70 493	87 775	97 238	12 524	844 655
Acquisition of subsidiary	82 514	—	—	—	—	82 514
Acquisition of joint ventures	69 262	6 357	—	—	12	75 631
Disposal of 51% of Co-pharma Ltd	(4 872)	—	—	—	—	(4 872)
Reclassification between categories	171	(981)	—	810	—	—
Reclassification from property, plant and equipment	—	—	—	—	13 069	13 069
Additions – expansion	33 869	—	104 517	—	336	138 722
Additions – replacement	—	—	—	—	3 655	3 655
Additions – GSK brands acquired	2 653 020	—	—	—	—	2 653 020
Development costs capitalised	—	23 640	—	—	—	23 640
Disposals	(13 329)	—	(43)	—	(850)	(14 222)
Amortisation	(79 989)	(5 081)	(21 506)	(12 324)	(8 815)	(127 715)
Impairment	(8 231)	—	—	—	—	(8 231)
Effects of exchange rate changes	39 195	481	(76)	3 651	17	43 268
Balance at the end of the year	3 348 235	94 909	170 667	89 375	19 948	3 723 134

COMPANY

	Intellectual property R'000	Development costs* R'000	Product participation and other contractual rights R'000	Drug master files R'000	Computer software R'000	TOTAL R'000
Net carrying value – Company						
Cost	897 758	—	57 818	—	1 332	956 908
Accumulated amortisation	(651 288)	—	(37 530)	—	(124)	(688 942)
Accumulated impairment losses	(1 439)	—	—	—	—	(1 439)
Balance at the end of the year	245 031	—	20 288	—	1 208	266 527
Movement in intangible assets						
Balance at the beginning of the year	317 738	—	32 460	—	1 121	351 319
Additions – expansion	1 600	—	—	—	167	1 767
Disposals	(10 818)	—	—	—	—	(10 818)
Amortisation	(62 172)	—	(12 172)	—	(80)	(74 424)
Impairment	(1 317)	—	—	—	—	(1 317)
Balance at the end of the year	245 031	—	20 288	—	1 208	266 527

*Internally generated.

GROUP

3. Intangible assets continued

2007	Intellectual property R'000	Development costs* R'000	Product participation and other contractual rights R'000	Drug master files R'000	Computer software R'000	TOTAL R'000
Net carrying value – Group						
Cost	1 575 294	86 925	232 514	126 049	47 764	2 068 546
Accumulated amortisation	(849 477)	(9 433)	(144 739)	(27 913)	(35 240)	(1 066 802)
Accumulated impairment losses	(149 192)	(6 999)	—	(898)	—	(157 089)
Balance at the end of the year	576 625	70 493	87 775	97 238	12 524	844 655
Movement in intangible assets						
Balance at the beginning of the year	543 896	50 590	93 636	101 260	14 057	803 439
Cost	1 458 225	57 126	209 360	117 769	49 894	1 892 374
Accumulated amortisation	(768 073)	(6 536)	(115 724)	(15 611)	(34 745)	(940 689)
Accumulated impairment losses	(146 256)	—	—	(898)	(1 092)	(148 246)
Reclassification between categories	—	725	—	(725)	—	—
Reclassification to property, plant and equipment	—	—	—	—	(319)	(319)
Additions – expansion	94 171	—	19 632	—	1 437	115 240
Additions – replacement	—	—	—	—	2 768	2 768
Development costs capitalised	—	29 021	—	—	—	29 021
Disposals	(4 997)	—	—	—	(73)	(5 070)
Amortisation	(75 186)	(2 897)	(27 532)	(11 241)	(4 294)	(121 150)
Impairment	(2 796)	(6 999)	—	—	(1 078)	(10 873)
Reversal of impairment	99	—	—	—	—	99
Effects of exchange rate changes	21 438	53	2 039	7 944	26	31 500
Balance at the end of the year	576 625	70 493	87 775	97 238	12 524	844 655

COMPANY

Net carrying value – Company						
Cost	922 188	—	57 818	—	1 165	981 171
Accumulated amortisation	(604 329)	—	(25 358)	—	(44)	(629 731)
Accumulated impairment losses	(121)	—	—	—	—	(121)
Balance at the end of the year	317 738	—	32 460	—	1 121	351 319
Movement in intangible assets						
Balance at the beginning of the year	393 663	—	44 632	—	608	438 903
Cost	923 756	—	57 818	—	608	982 182
Accumulated amortisation	(530 093)	—	(13 186)	—	—	(543 279)
Additions – expansion	6 000	—	—	—	557	6 557
Disposals	(3 600)	—	—	—	—	(3 600)
Amortisation	(78 204)	—	(12 172)	—	(44)	(90 420)
Impairment	(121)	—	—	—	—	(121)
Balance at the end of the year	317 738	—	32 460	—	1 121	351 319

**Internally generated.*

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		3. Intangible assets continued		
		Product participation and other contractual rights can be split into the following categories for the purposes of amortisation:		
		– Amortised on a straight-line basis		
32 460	20 288	Carrying amount	136 549	42 289
12 172	12 172	Amortisation for the year	10 138	14 217
		– Amortised using the reverse sum of the digits method		
—	—	Carrying amount	34 118	45 486
—	—	Amortisation for the year	11 368	13 315
		Subsequent to year-end, intangible assets with a net book value of R2,1 billion have been pledged as security as set out in note 24 for a 5-year USD term loan obtained.		
		4. Investments in subsidiaries and joint ventures		
		Investments in subsidiaries comprise:		
834 151	2 625 892	Investments at cost less accumulated impairment losses		
982	74 623	Amounts due by subsidiary companies		
(346 626)	(346 138)	Amounts due to subsidiary companies		
488 507	2 354 377	Total investments in subsidiaries		
		Investments in joint ventures comprise:		
369 340	370 712	Investments at cost less accumulated impairment losses		
—	1	Amounts due by joint ventures		
369 340	370 713	Total investments in joint ventures		
857 847	2 725 090	**Total investments in subsidiaries and joint ventures**		
		The amounts due to or by subsidiaries and joint ventures are unsecured and are repayable on demand. Interest is charged at 0% except for a loan of R71,5 million due from Shelys, which bears interest at 3-month LIBOR plus a margin of 3%. These arrangements are reviewed from time-to-time.		
		Management considers the credit risk associated with loans due by Group companies to be low.		
		Aggregate attributable after-tax profits/(losses) of subsidiaries		
		– profits	610 689	592 392
		– losses	(2 424)	(4 328)
		The following amounts are included in the consolidated financial statements in respect of joint ventures:		
		Non-current assets	1 213 843	426 775
		Current assets	1 357 668	172 605
		Non-current liabilities	121 884	14 410
		Current liabilities	374 484	115 094
		Revenue	366 212	315 320
		Cost of sales	(253 003)	(234 133)
		Gross profit	113 209	81 187
		Other operating income	15 466	777
		Operating expenses	(72 499)	(25 283)
		Operating profit	56 176	56 681
		Investment income	4 825	504
		Financing costs	1 785	(2 387)
		Net profit before tax	62 786	54 798
		Tax	(18 089)	(16 301)
		Profit for the year	44 697	38 497
		Commitments		
		Share of capital commitments of joint ventures:		
		Tangible assets		
		Contracted	1 578	4 419
		Authorised but not contracted for	1 238	4 665
		Intangible assets		
		Authorised but not contracted for	776	—

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		5. Investments in associates		
—	—	Change of Co-pharma Ltd from subsidiary to associate	26 860	—
—	27	20% retained from sale of the Formule Naturelle range	27	—
—	—	Share of after-tax net losses from associates	(1 128)	—
—	27	Total investments in associates	25 759	—

The Group's share of the results of its principal associates and its share of the assets and liabilities is:

Name	Country of incorporation	Assets	Liabilities	Revenues	(Loss)/ profit	% interest held
Co-pharma Ltd	United Kingdom	54 937	21 242	40 979	(1 503)	49
Formule Naturelle (Pty) Ltd	South Africa	50 416	13 542	14 719	375	20

The associate companies had no contingencies or commitments at year-end

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		6. Available-for-sale financial assets		
11 841	—	At the beginning of the year	90	11 922
—	—	Acquisition of subsidiary	3	—
—	—	Revaluation to fair value	(37)	9
(11 841)	—	Reclassification of contingent consideration in respect of FCC to other receivables	—	(11 841)
—	—	At the end of the year	56	90
—	—	Listed	53	90
—	—	Not listed	3	—
—	—		56	90

Available-for-sale financial assets, which comprise marketable equity securities, are fair valued annually on the close of business on 30 June. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by discounting expected future cash flows using an appropriate market related discount rate.

The contingent consideration of the FCC purchase price was reclassified to trade and other receivables in the prior year.

COMPANY 2007 R'000	2008 R'000			GROUP 2008 R'000	2007 R'000
		7.	**Preference share investment**		
376 800	376 800		At the beginning of the year	376 800	376 800
—	(376 800)		Redemption of preference share investment	(376 800)	—
376 800	—		At the end of the year	—	376 800

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

Preference share dividends were receivable semi-annually on 30 November and 31 May and were determined on the basis of 64% of the prime overdraft rate. The preference shares were redeemable after 3 years and 1 day. All preference shares were redeemed on 1 June 2008 for total proceeds of R376,8 million. At 30 June 2008 and 30 June 2007, none of the preference share dividends was outstanding.

The above non-listed preference share investment was classified as non-current loans and receivables in accordance with IAS 39 in the prior year. At 30 June 2007, management considered the current risk associated with the investment to be low. During the year the preference share dividend rate was 9,92% (2007: 8,32%).

The fair value of the preference share investment is estimated by discounting expected future cash flows using an appropriate market related discount rate. There is no material difference between the carrying amount and the fair value of the preference share investment in the prior year.

COMPANY 2007 R'000	2008 R'000			GROUP 2008 R'000	2007 R'000
		8.	**Other non-current financial receivables**		
6 981	5 941		Avid Brands SA (Pty) Ltd	5 941	6 981
(1 065)	(1 243)		Current portion included in trade and other receivables	(1 243)	(1 065)
5 916	4 698			4 698	5 916
			An agreement with Avid Brands SA (Pty) Ltd was entered into on 1 May 2007, in terms of which the Group disposed of certain intellectual property and inventories. The repayment profile is set out below:		
1 065	—		year ended 30 June 2008	—	1 065
1 218	1 243		year ending 30 June 2009	1 243	1 218
1 392	1 392		year ending 30 June 2010	1 392	1 392
1 566	1 566		year ending 30 June 2011	1 566	1 566
1 740	1 740		year ending 30 June 2012	1 740	1 740
6 981	5 941			5 941	6 981

The outstanding loan on the disposal of the intellectual property bears interest at prime 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.

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		9. Deferred tax		
		Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2007: 29%).		
		9.1 Deferred tax asset		
		Reconciliation of movement		
—	2 331	Balance at the beginning of the year	15 120	34 381
—	—	Adjustment for change in tax rate	(374)	—
(9 245)	(2 331)	Reallocation to deferred tax liability	(2 331)	(16 963)
(9 245)	—	Restated opening balance	12 415	17 418
—	—	Prior year adjustment – income statement	—	(352)
2 889	—	Income statement charge	(11 162)	(10 607)
8 687	—	Charged to equity	—	8 687
—	—	Effects of exchange rate changes	97	(26)
—	—	Acquisition of subsidiary	104	—
—	—	Disposal of 51% of Co-pharma Ltd	(440)	—
2 331	—	Balance at the end of the year	1 014	15 120
		The income statement charge comprises:		
8	—	Property, plant and equipment	(88)	3
(252)	—	Intangible assets	(10 985)	(14 559)
32	—	Trade and other receivables	—	32
—	—	Cross-currency swap	(617)	908
—	—	Deferred-payables	485	(936)
124	—	Royalties received in advance	—	124
2 837	—	Tax claims in respect of share incentive schemes	—	2 837
—	—	Unused tax losses – current year losses	—	449
140	—	Other	43	183
2 889	—	Total income statement charge relating to deferred tax asset	(11 162)	(10 959)
		Deferred tax asset comprises:		
(202)	—	Property, plant and equipment	—	(123)
(39 315)	—	Intangible assets	391	(27 249)
(21)	—	Trade and other receivables	—	(21)
—	—	Cross-currency swap	—	596
—	—	Deferred payables	—	(468)
22 191	—	Royalties received in advance	—	22 191
7 733	—	Preference shares issued	—	7 733
11 523	—	Tax claims in respect of share incentive schemes	—	11 523
—	—	Unused tax losses – current year losses	623	452
422	—	Other	—	486
2 331	—	Total deferred tax asset	1 014	15 120
		Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefit through future taxable profits is probable. There were R48,7 million (2007: R23 000) unrecognised tax losses at year-end.		

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		9. Deferred tax continued		
		9.2 Deferred tax liability		
		Reconciliation of movement		
9 245	—	Balance at the beginning of the year	65 309	99 021
—	72	Adjustment for change in tax rate	(1 766)	—
(9 245)	(2 331)	Reallocation from deferred tax asset	(2 331)	(16 963)
—	(2 259)	Restated opening balance	61 212	82 058
—	237	Prior year adjustment – income statement	(25)	(1 272)
—	5 068	Income statement charge	11 638	2 192
—	3 091	Charged to equity	13 147	(18 922)
—	—	Effects of exchange rate changes	1 996	1 253
—	—	Acquisition of subsidiary	42 722	—
—	—	Acquisition of joint ventures	24 440	—
—	6 137	Balance at the end of the year	155 130	65 309
		The income statement charge comprises:		
—	(39)	Property, plant and equipment	8 623	10 820
—	4 551	Intangible assets	9 621	(3 095)
—	—	Inventories	(10 347)	(1 874)
—	—	Trade and other receivables	(1 163)	(1 441)
—	—	Retirement benefit obligations	(294)	52
—	(100)	Leave pay	(759)	—
—	389	Preference shares issued	389	—
—	473	Tax claims in respect of share incentive schemes	2 194	(10 689)
—	—	Unused tax losses	2 127	7 478
—	31	Other	1 222	(331)
—	5 305	Total income statement charge relating to deferred tax liability	11 613	920
		Deferred tax liability comprises:		
—	156	Property, plant and equipment	114 510	72 720
—	42 502	Intangible assets	119 415	14 636
—	—	Inventories	(13 379)	(3 781)
—	20	Trade and other receivables	18 147	20 047
—	—	Borrowings	20 600	—
—	—	Retirement benefit obligations	(2 297)	(2 074)
—	(421)	Leave pay	(6 722)	(5 707)
—	(21 426)	Royalties received in advance	(21 426)	—
—	(7 077)	Preference shares issued	(7 077)	—
—	(7 562)	Tax claims in respect of share incentive schemes	(24 374)	(29 611)
—	—	Unused tax losses	(22 621)	—
—	(55)	Other	954	(921)
—	6 137	Total deferred tax liability	155 130	65 309

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		10. Inventories		
—	—	Raw materials	505 619	316 068
—	—	Work-in-progress	244 751	135 477
—	—	Finished goods	681 594	474 710
—	—	Consumables	14 997	10 506
—	—		1 446 961	936 761
—	—	Write-down of inventories recognised as an expense	49 232	43 471
		Inventories above are at cost, except for finished goods which are carried at a net realisable value of R3,3 million (2007: R5,5 million).		
		Inventories of the Astrix joint venture with a carrying amount of R77,9 million (2007: R54,1 million) were pledged as security for a working capital facility with various banks in India.		
		The total amount of inventories expected to be traded more than 12 months after balance sheet date amounts to R91,8 million (2007: R66,1 million).		
		11. Trade and other receivables		
		Financial instruments		
—	—	Trade receivables	996 626	768 618
—	—	Allowance account for losses	(25 637)	(8 804)
—	—	Net trade receivables	970 989	759 814
1 065	1 243	Current portion of other non-current financial receivables	1 243	1 065
1 068	9 444	Interest accrued	15 250	2 857
—	—	Formule Naturelle (Pty) Ltd receivable	10 520	—
—	100	Other	68 039	31 145
2 133	10 787	Total financial instruments	1 066 041	794 881
		Non-financial instruments		
—	—	Indirect taxes	44 610	29 569
1 605	212	Prepayments	213 963	21 040
—	19 131	Formule Naturelle (Pty) Ltd deferred receivable	19 131	—
—	—	PharmaLatina deferred receivable	440 098	—
23 174	—	Contingent consideration receivable in respect of FCC	—	23 174
2 703	—	Other	5 641	2 279
27 482	19 343	Total non-financial instruments	723 443	76 062
29 615	30 130	Total trade and other receivables	1 789 484	870 943
		The only significant concentration of credit risk relates to an amount of R92,7 million (2007: R124,2 million) owing by the South African Government.		
		Trade and other receivables of the Astrix joint venture to the value of R87,0 million (2007: R34,7 million) were pledged as security for a working capital facility with various banks in India.		

11. Trade and other receivables continued

Age analysis of trade and other receivables (financial instruments only):	Gross R'000	Allowance for credit losses R'000
30 June 2008		
Fully performing	881 523	(566)
Past due by 1 to 60 days	83 788	(162)
Past due by 61 to 90 days	38 103	(1 535)
Past due by 91 to 120 days	20 194	(56)
Past due by more than 120 days	68 070	(23 318)
	1 091 678	(25 637)
30 June 2007		
Fully performing	729 706	(992)
Past due by 1 to 60 days	54 142	—
Past due by 61 to 90 days	3 982	—
Past due by 91 to 120 days	5 915	(3 118)
Past due by more than 120 days	9 940	(4 694)
	803 685	(8 804)

Certain fully performing and past due balances were covered by credit guarantee insurance in the amount of R321,5 million (2007: R349,8 million).

The trade and other receivables which are fully performing relate to customers that have a good track record with the Group in terms of recoverability.

	GROUP	
Reconciliation of allowance account for losses	2008 R'000	2007 R'000
Balance at the beginning of the year	8 804	6 990
Impairment losses recognised in the income statement	4 873	1 700
Acquisition of subsidiary	4 715	—
Acquisition of joint ventures	7 386	—
Disposal of 51% of Co-pharma Ltd	(1 015)	—
Effects of exchange rate changes	874	114
Balance at the end of the year	25 637	8 804

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		12. Financial assets and liabilities at fair value through profit and loss		
		12.1 Financial assets		
—	—	At the beginning of the year	—	2 284
—	—	Fair value gains recognised in the income statement	666	—
—	—	Fair value losses recognised in the income statement	—	(2 338)
—	—	Effects of exchange rate changes	—	54
—	—	At the end of the year	666	—
		Financial assets at fair value through profit and loss consist of derivatives where hedge accounting is not applied. The entire balance is attributable to forward exchange contracts.		
		12.2 Financial liabilities		
—	—	At the beginning of the year	2 226	—
—	—	Fair value gains recognised in the income statement	(5 294)	—
—	—	Fair value losses recognised in the income statement	3 941	2 197
—	—	Effects of exchange rate changes	367	29
—	—	At the end of the year	1 240	2 226
		Financial liabilities at fair value through profit and loss consist of derivatives where hedge accounting is not applied, and can be analysed as follows:		
—	—	Forward exchange contracts	1 240	227
—	—	Cross-currency swap	—	1 999
—	—		1 240	2 226
		13. Cash and cash equivalents		
440 484	639 896	Bank balances	852 367	3 277 717
—	—	Short-term bank deposits	592 163	441
—	—	Cash-in-transit*	76 295	52 987
—	—	Cash-on-hand	1 367	93
440 484	639 896		1 522 192	3 331 238
		**Comprises receipts from customers banked only after year-end.*		
		The maturity profile is as follows:		
440 484	639 896	Less than 1 month	1 154 450	3 314 100
—	—	Between 1 and 2 months	367 310	17 119
—	—	Between 2 and 3 months	432	19
440 484	639 896		1 522 192	3 331 238
		The average effective interest rate on short-term bank deposits was 9,0% (2007: 7,7%).		
		Cash and cash equivalents are placed with high quality financial institutions.		

COMPANY 2007 R'000	2008 R'000		GROUP 2008 R'000	2007 R'000
		14. Share capital and share premium		
		Authorised		
97 342	97 342	700 000 000 (2007: 700 000 000) ordinary shares of 13,90607 cents each	97 342	97 342
		Issued		
54 173	54 420	391 342 799 (2007: 389 565 725) ordinary shares of 13,90607 cents each	54 420	54 173
771 383	559 377	Share premium	439 356	692 174
825 556	613 797		493 776	746 347

	2008 '000	2007 '000
Number of shares in issue at the beginning of the year	389 566	386 380
Shares issued – Share Incentive Scheme	1 606	2 740
Shares issued – Share Appreciation Scheme	30	89
Shares issued for cash	—	203
Shares issued – Workers' Share Plan	141	154
Number of shares in issue at the end of the year	391 343	389 566

	2008 R'000	2007 R'000
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.		
Share premium under IFRS – Group	439 356	692 174
Adjustment of shares issued to market value*	120 021	79 209
Share premium under IFRS – Company	559 377	771 383
Intangibles assets reinstated#	19 342	19 342
Ordinary shares issued in terms of BBBEE transaction – amount expensed	(99 200)	(99 200)
Share premium for the purposes of the Companies Act	479 519	691 525

**Where share options and appreciation rights are exercised in terms of Aspen's Share Incentive Schemes, the resultant number of shares are listed at market value. On a Group basis an adjustment is made between market value and grant price to reflect the proceeds from outside the Group.*

#High Court approval received for the revocation of former special resolutions relating to the write-off of intangible assets against share premium.

	GROUP 2008 R'000	2007 R'000
15. Treasury shares		
At the beginning of the year	(598 842)	(622 983)
Capital distribution	27 262	24 141
At the end of the year	(571 580)	(598 842)
Number of treasury shares at the beginning and the end of the year ('000)	38 932	38 932

16. Share-based compensation reserve

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 92.

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, which commenced on the second anniversary of an offer date and expired after eight years. In terms of the Aspen Share Incentive Scheme, the aggregate number of shares awarded in terms of this scheme is limited to 15% of the Company's issued share capital. Cumulative shares awarded at balance sheet date represent 6% of the Company's issued share capital. The scheme is equity settled.

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is five years and vesting takes place three years from the allocation date. For employees who have finalised their first cycle of awards in terms of the Aspen Share Incentive Scheme, vesting of the first award made in terms of this scheme will take place as follows: 20% after two years and the remainder after three years. The scheme is equity settled.

In terms of the Aspen Share Appreciation Plan, shares acquired by all participants in terms of this plan and the Aspen Share Incentive Scheme may not exceed an aggregate 56,8 million shares. To date 23,2 million shares have been awarded in terms of these schemes.

Should the holder of rights and/or options resign from the Group prior to the vesting date as indicated above, the shares for options/rights will not be issued and the options/rights will be forfeited.

Should the holder of rights and/or options be retrenched or retire all the shares for options/rights vest in the name of the holder.

Should the holder of rights and/or options pass away, all the shares for options/rights vest in the estate of the deceased.

Aspen South African Workers' Share Plan

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

16.1 Aspen Share Incentive Scheme

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

	Number of shares '000	Consideration R'000
2009	3 265	39 117
2010	1 436	21 278
2011	769	14 852
2012	281	8 211
2013	156	5 240
2014	43	1 519

16. Share-based compensation reserve continued

16.1 Aspen Share Incentive Scheme continued

Grant price (R)	Expiry date	Options outstanding on 30 June 2007 '000	Vested '000	Non-vested '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Options outstanding on 30 June 2008 '000	Vested '000	Non-vested '000
3,58	Feb 2008	187	187	—	—	187	—	—	—	—
4,47	Apr 2009	40	40	—	—	—	—	40	40	—
5,00	Apr 2009	100	100	—	—	—	—	100	100	—
5,05	Jan 2009	80	80	—	—	40	—	40	40	—
5,72	Jan 2009	60	60	—	—	60	—	—	—	—
6,00	Jul 2009	60	—	60	—	60	—	—	—	—
6,07	Aug 2009	20	—	20	—	20	—	—	—	—
6,09	Jan 2009	100	100	—	—	100	—	—	—	—
6,50	Jan 2011	555	183	372	—	119	64	372	218	154
6,59	Mar 2011	9	—	9	—	4	—	5	—	5
7,57	Feb 2011	11	2	9	—	5	3	3	—	3
7,77	Jul 2011	216	8	208	—	58	3	155	20	135
8,28	Aug 2011	14	—	14	—	5	3	6	—	6
9,01	Oct 2011	30	—	30	—	10	12	8	—	8
9,20	Aug 2011	1 600	400	1 200	—	400	—	1 200	400	800
9,46	Sep 2011	15	6	9	—	4	—	11	4	7
9,85	Nov 2011	71	17	54	—	5	—	66	30	36
11,11	Feb 2012	23	9	14	—	8	—	15	6	9
11,20	Jan 2012	595	129	466	—	75	85	435	181	254
11,42	Feb 2012	13	—	13	—	1	4	8	2	6
11,46	Feb 2012	8	3	5	—	—	—	8	4	4
12,00	Dec 2012	8	3	5	—	3	—	5	1	4
12,07	Mar 2012	29	2	27	—	3	—	26	7	19
12,23	May 2012	18	—	18	—	6	—	12	—	12
12,30	Jun 2012	200	40	160	—	—	—	200	80	120
12,40	Mar 2012	18	—	18	—	6	—	12	—	12
12,46	Apr 2012	63	18	45	—	15	5	43	16	27
12,67	Jul 2012	2 027	241	1 786	—	264	209	1 554	408	1 146
13,20	Jul 2012	6	—	6	—	2	4	—	—	—
14,86	Sep 2012	38	8	30	—	12	—	26	3	23
14,96	Oct 2012	24	—	24	—	6	—	18	—	18
15,75	Nov 2012	12	—	12	—	1	5	6	2	4
15,87	Nov 2012	6	—	6	—	2	4	—	—	—
16,93	Sep 2012	8	2	6	—	3	—	5	—	5
18,23	Oct 2012	106	20	86	—	1	—	105	40	65
20,73	Sep 2012	86	—	86	—	20	60	6	1	5
21,49	Mar 2012	44	8	36	—	14	—	30	12	18
22,13	May 2012	30	6	24	—	—	—	30	12	18
23,92	Jul 2013	724	—	724	—	66	90	568	70	498
23,93	Jun 2013	45	9	36	—	9	30	6	1	5
24,57	Jun 2013	60	12	48	—	12	—	48	12	36
32,89	Sep 2014	744	—	744	—	—	171	573	—	573
35,09	Sep 2015	—	—	—	217	—	5	212	—	212
		8 103	1 693	6 410	217*	1 606**	757	5 957	1 710	4 247

* Information relating to options granted during the year:

Fair value at measurement date R13,38

Share price at measurement date R35,99

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

Volatility 27,66%

Dividend yield 2,18%

Risk-free rate 8,57%

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

** Options exercised during the year resulted in 1 605 910 shares (2007: 2 739 590 shares) being issued yielding proceeds of R15,3 million (2007: R27,0 million).

The weighted average share price at which shares were exercised during the year was R34,40.

16. Share-based compensation reserve continued

16.2 Aspen Share Appreciation Plan

Grant price (R)	Expiry date	Rights outstanding on 30 June 2007 '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Rights outstanding on 30 June 2008 '000*	Fair value at measure-ment date (R)	Share price at measure-ment date (R)	Volatility %	Dividend yield %	Risk-free rate %
23,92	Jul 2010	3 019	—	99	287	2 633	10,96	30,54	25,43	2,54	7,55
28,54	Aug 2010	29	—	—	16	13	9,38	31,00	24,91	2,54	7,55
29,97	Sep 2010	4	—	—	4	—	8,39	30,54	24,87	2,54	7,55
30,04	Sep 2010	39	—	—	—	39	8,36	30,54	24,87	2,54	7,55
30,53	Oct 2010	26	—	—	—	26	8,86	31,70	24,62	2,54	7,55
31,12	Sep 2010	20	—	—	—	20	7,85	30,54	24,72	2,54	7,55
31,52	Oct 2012	8	—	—	—	8	9,38	31,80	27,54	2,30	8,46
31,68	Oct 2010	4	—	—	4	—	7,63	30,54	24,89	2,54	7,55
31,83	Dec 2010	37	—	—	4	33	8,24	31,70	24,62	2,54	7,55
31,89	Jan 2012	8	12	—	8	12	12,14	34,02	28,02	1,95	8,94
31,94	Nov 2012	42	—	—	—	42	9,82	33,00	27,45	2,30	8,09
31,96	Nov 2010	45	—	—	—	45	8,43	32,08	24,66	2,54	7,55
32,16	Jan 2012	16	—	—	—	16	10,42	31,75	28,01	1,95	8,94
32,39	Jan 2012	18	—	—	5	13	10,58	32,10	28,00	1,95	8,94
32,59	Dec 2010	8	—	—	—	8	12,46	37,99	24,70	2,34	7,30
32,82	Sep 2011	2 855	—	—	260	2 595	9,64	33,19	27,44	2,30	8,72
33,24	Dec 2010	4	—	—	—	4	12,11	37,99	24,70	2,34	7,30
32,84	Aug 2011	—	15	—	15	—	10,29	32,50	27,56	2,39	9,42
33,41	Jan 2011	26	—	—	—	26	12,88	39,17	24,79	2,34	7,30
33,58	Dec 2012	4	—	—	4	—	10,36	35,00	27,68	2,30	8,00
33,64	Sep 2011	—	8	—	—	8	11,36	34,60	27,43	2,39	9,42
33,60	Feb 2012	58	—	—	—	58	12,73	35,90	28,09	1,95	8,94
34,55	Oct 2012	32	—	—	—	32	10,05	34,94	27,43	2,30	8,63
34,75	Feb 2012	11	—	—	—	11	10,59	33,57	28,06	1,95	8,94
35,53	Sep 2011	—	3 006	—	143	2 863	11,46	35,99	27,44	2,39	9,42
35,61	Mar 2012	11	—	—	—	11	11,40	35,25	28,23	1,95	8,94
36,67	Jun 2011	7	—	—	—	7	9,47	34,28	26,53	2,34	7,30
37,16	Jun 2012	7	—	—	—	7	12,48	37,76	27,46	1,95	8,94
37,47	Jul 2012	—	108	—	3	105	11,31	37,00	27,64	2,39	9,42
37,55	Jun 2012	3	—	—	3	—	12,36	37,82	27,47	1,95	8,94
37,97	Apr 2012	14	—	—	3	11	12,69	38,45	27,84	1,95	8,94
38,15	May 2012	18	—	—	4	14	12,63	39,61	27,73	1,95	8,94
38,60	Apr 2012	4	—	—	—	4	12,14	38,06	27,85	1,95	8,94
42,63	Mar 2011	17	—	—	11	6	10,24	42,19	25,88	2,34	7,30
43,37	Apr 2011	6	—	—	—	6	10,93	43,72	25,27	2,34	7,30
43,41	May 2011	6	—	—	3	3	11,43	38,10	25,50	2,34	7,30
		6 406	3 149	99**	777	8 679					

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.

* As at 30 June 2008, 334 335 rights with a grant price of R23,92 have vested, all other rights have not yet vested.

**During the year 99 265 rights were exercised which resulted in 29 821 shares (2007: 89 058 shares) being issued.

The weighted average share price at which rights were exercised during the year was R34,37.

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

	Number of rights '000
2009	2 880
2010	2 823
2011	2 976

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

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		17. Preference share capital		
		Authorised		
		17 600 000 (2007: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each	2 447	2 447
		20 000 000 (2007: 20 000 000) non-redeemable, non-participating variable rate B preference shares of 13,90607 cents each	2 781	2 781
		Issued		
		17 600 000 (2007: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each, issued at R21,41 during June 2005	2 447	2 447
		Share premium	374 369	374 369
			376 816	376 816

Rights attached to the A preference shares

Dividend rights
Preference share dividends are calculated at 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 dividend rate was 10,8% at year-end (2007: 9,2%).

Voting rights
Each Aspen preference share has one vote and accordingly ranks *pari passu* in regard to votes with the issued Aspen ordinary shares.

Redemption/conversion rights
Preference shareholders have the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. Redemption will take place at R21,41.

The conditions or rights of the preference shares are available for inspection at the Company's registered office.

Accounting
Refer to the accounting policy on page 107. For accounting purposes the preference shares have been split into an equity and a liability component:

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		Equity component	161 980	161 980
		Deferred tax effect	(8 684)	(8 684)
		Net equity component	153 296	153 296
		Liability component	402 091	403 482
		Amount expensed in 2005	(183 241)	(183 241)
		Cumulative notional interest on liability component	4 670	3 279
			376 816	376 816

The fair value of the liability component of the preference shares is R402,8 million (2007: R399,9 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component was 15,5% (2007: 13,0%).

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		18. Minority interests		
		At the beginning of the year	6 962	6 619
		Acquisition of subsidiary	52 573	—
		Income attributable to minorities	1 566	343
			61 101	6 962
		19. Borrowings		
		19.1 Non-current borrowings		
—	—	Secured loans – offshore	103 879	49 261
—	—	Finance lease and instalment credit liabilities	27 862	4 189
—	—		131 741	53 450
—	—	Current portion of secured loans – offshore	(42 173)	(24 631)
—	—	Current portion of finance lease and instalment credit liabilities	(13 656)	(2 882)
—	—	Non-current borrowings	75 912	25 937
		19.2 Current borrowings		
—	—	Current portion of secured loans – offshore	42 173	24 631
—	—	Current portion of finance lease and instalment credit liabilities	13 656	2 882
105 376	—	Current unsecured loans – local	2 265 665	915 993
—	—	Current unsecured loans – offshore	134 637	1 803
—	—	Current secured loans – offshore	70 133	22 752
13 385	—	Bank overdrafts	577 267	2 833 757
118 761	—	Current borrowings	3 103 531	3 801 818

19. **Borrowings** continued

19.3 Repayment terms and profile of borrowings

2008		Total R'000	Repayment terms Within 1 year R'000	1 – 5 years R'000	Floating rate R'000	Fixed rate R'000	Interest rate %	Average effective interest rate %
Secured loans – offshore		103 879	42 173	61 706	27 111	76 768		
Brazilian Real ("BRL")	(a)	76 768	15 062	61 706	—	76 768	12,0	12,0
Pound Sterling ("GBP")	(b)	27 111	27 111	—	27 111	—	Linked to 6-month LIBOR + 2,75%	8,6#
Current secured loans – offshore		70 133	70 133	—	7 483	62 650		
Tanzanian Shilling ("TZS")	(c)	20 324	20 324	—	7 483	12 841		
At fixed rate		12 841	12 841	—	—	12 841	16,0	16,0
At a floating rate		7 483	7 483	—	7 483	—	Linked to 3-month T-Bill + 2,50%	7,8
Indian Rupee ("INR")	(d)	49 809	49 809	—	—	49 809	6,0	6,0
Finance lease and instalment credit liabilities		27 862	13 656	14 206	3 848	24 014		
Rand	(e)	3 848	2 185	1 663	3 848	—	Linked to prime overdraft rate	5,4
BRL	(a)	24 014	11 471	12 543	—	24 014	16,0	16,0
Current unsecured loans – local		2 265 665	2 265 665	—	2 265 665	—		
Rand	(f)	2 265 665	2 265 665	—	2 265 665	—	Overnight call	11,6
Current unsecured loans – offshore		134 637	134 637	—	51 166	83 471		
BRL		83 471	83 471	—	—	83 471	12,0	12,0
Mexican Peso ("MXN")		3 920	3 920	—	3 920	—	Linked to 3-month LIBOR + 1,65%	7,4
Kenyan Shilling ("KES")		47 246	47 246	—	47 246	—	Linked to 3-month LIBOR + 3%	8,8
Bank overdrafts		577 267	577 267	—	562 132	15 135		
Rand	(f)	549 881	549 881	—	549 881	—	Prime overdraft rate less 1%	14,5
Tanzanian Shilling ("TZS")		16 010	16 010	—	12 251	3 759		
At a fixed rate		3 759	3 759	—	—	3 759	16,0	16,0
Linked to LIBOR		3 895	3 895	—	3 895	—	Linked to 3-month LIBOR + 2%	7,8
Linked to T-Bill		8 356	8 356	—	8 356	—	Linked to 3-month T-Bill + 2%	7,0
INR		11 376	11 376	—	—	11 376	4,0	4,0

#This loan is covered by a cross-currency swap arrangement. The interest rate currently applicable on the swap amount of AUD6,4 million (2007: AUD10,6 million) is 10,2% (2007:9,3%).

19. Borrowings continued

19.3 Repayment terms and profile of borrowings continued

2007	Total R'000	Repayment terms Within 1 year R'000	1 – 5 years R'000	Floating rate R'000	Fixed rate R'000	Interest rate %	Average effective interest rate %
Secured loans – offshore	49 261	24 630	24 631	49 261	—		
GBP	49 261	24 630	24 631	49 261	—	Linked to 6-month LIBOR + 2,75%	8,5
Current secured loans – offshore	22 752	22 752	—	—	22 752		
INR	22 752	22 752	—	—	22 752	6,0	6,1
Finance lease and instalment credit liabilities	4 189	2 882	1 307	4 189	—		
Rand	4 189	2 882	1 307	4 189	—	Linked to prime overdraft rate	4,8
Current unsecured loans – local	915 993	915 993	—	915 993	—		
Rand	915 993	915 993	—	915 993	—	Overnight call	8,7
Current unsecured loans – offshore	1 803	1 803	—	1 803	—		
AUD	1 803	1 803	—	1 803	—	90-day BBSY +1,2%	7,6#
Bank overdrafts	2 833 757	2 833 757	—	2 833 757	—		
Rand	2 833 757	2 833 757	—	2 833 757	—	Prime overdraft rate less 1%	12,0

#This loan is covered by a cross-currency swap arrangement. The interest rate currently applicable on the swap amount of AUD6,4 million (2007: AUD10,6 million) is 10,2% (2007:9,3%).

19.4 Security for borrowings

a) Secured over the Campos facility in Brazil, to the extent of the liability.

b) Cession and pledge of shares in Aspen Pharmacare International Ltd, Aspen Resources and Aspen Australia.

Deed of guarantee and indemnity granted by Aspen Pharmacare Holdings Ltd, in terms of which the borrowings of Aspen Global are guaranteed.

Negative pledge that no encumbrances will be permitted over any part of the present or future undertakings, assets, rights or revenues of Aspen Global for as long as any monies or obligations due by Aspen Global are outstanding. This security was extinguished on settlement of the outstanding balance of the loan on 10 October 2008.

c) Secured by property, plant and equipment with a net book value of R20,3 million.

d) Secured by working capital in Astrix.

e) Secured by property, plant and equipment with a net book value of R3,8 million.

f) Cross guarantees between Aspen Pharmacare Holdings Ltd and its subsidiaries exist in respect of the Group's local unsecured borrowings and bank overdrafts.

The fair value of non-current borrowings is estimated by discounting expected future cash flows using an appropriate market related discount rate. The carrying amounts of non-current loans were not materially different from the fair values of those loans at year-end.

There were no defaults or breaches of the contractual terms of the non-current borrowings during the year.

COMPANY 2007 R'000	2008 R'000		GROUP 2008 R'000	2007 R'000
		19. Borrowings continued		
		Finance lease liabilities: Minimum lease payments		
—	—	Not later than 1 year	13 859	3 007
—	—	Later than 1 year but not later than 5 years	14 320	1 337
—	—		28 179	4 344
—	—	Future finance charges on finance leases	(317)	(155)
—	—	Present value of finance lease liabilities	27 862	4 189
		The present value of finance lease liabilities is as follows:		
—	—	Not later than 1 year	13 656	2 882
—	—	Later than 1 year but not later than 5 years	14 206	1 307
—	—		27 862	4 189

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

- Local facilities of R1,1 billion.
- An offshore facility of R37,2 million (AUD denominated).
- An offshore facility of R26,6 million (TZS denominated).
- An offshore facility of R34,7 million (INR denominated).
- A foreign exchange facility of R391,0 million (USD denominated).

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

COMPANY 2007 R'000	COMPANY 2008 R'000			GROUP 2008 R'000	GROUP 2007 R'000
		20. Deferred-payables			
		20.1 Non-current deferred payables			
—	—	Deferred earn-out consideration	a)	11 769	11 044
46 348	—	FCC contingent consideration payable	b)	—	46 348
3 161	—	Brimchem SA (Pty) Ltd contingent consideration payable	c)	—	3 161
—	—	Sandoz SA (Pty) Ltd		7 035	—
49 509	—			11 769	67 588
—	—	Current portion of deferred earn-out consideration	a)	(10 938)	(9 722)
(46 348)	—	Current portion of FCC contingent consideration payable	b)	—	(46 348)
—	—	Current portion of Sandoz SA (Pty) Ltd		(7 035)	—
3 161	—	Non-current deferred payables		831	4 483
		20.2 Current deferred payables			
—	—	Current portion of deferred earn-out consideration	a)	10 938	9 722
46 348	—	Current portion of FCC contingent consideration payable	b)	—	46 348
—	—	Sandoz SA (Pty) Ltd		—	7 035
46 348	—	Current deferred-payables		10 938	63 105

20.3 Terms of repayment

a) The amount initially recognised in respect of the deferred earn-out liability is determined by discounting future payments to their present values using an appropriate discount rate on initial recognition. The liabilities are subsequently carried at amortised cost, with interest being calculated at a fixed rate. The deferred earn-out liability which is in respect of an agreement between Aspen Australia and Eli Lilly and Company is unsecured.

b) The estimated contingent consideration of R46,3 million in 2007 was paid to the management of FCC vendors based on the audited results for the year ended 30 June 2007.

c) The estimated contingent consideration was adjusted to zero from R3,2 million in the prior year. No profits were made for the years ended 30 June 2007 and 30 June 2008 and therefore no amount was payable to the Brimchem SA (Pty) Ltd beneficiaries.

There were no defaults or breaches of the contractual terms of the deferred-payables during the year.

The fair value of the deferred earn-out consideration amounts to R11,8 million (2007: R10,7 million). The fair value is estimated by discounting expected future cash flows using an appropriate market related discount rate.

COMPANY 2007 R'000	2008 R'000		GROUP 2008 R'000	2007 R'000
		21. Deferred revenue		
—	—	At the beginning of the year	7 365	2 603
—	—	Created	—	5 357
—	—	Recognised in the income statement	(5 326)	(625)
—	—	Effects of exchange rate changes	431	30
—	—	Total deferred revenue at the end of the year	2 470	7 365
		Analysis of total deferred revenue		
—	—	Non-current	1 678	6 098
—	—	Current	792	1 267
—	—		2 470	7 365

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

22. Retirement benefit obligations

It is the policy of the Group to provide for retirement benefit liabilities by payments to separate funds which are statutorily independent from the Group. These funds cover eligible employees, other than those who opt to be or are required by legislation to be members of various industry funds.

The South African employees not covered by way of legislated funds are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.

In line with the Company's policy of accounting for post-retirement medical obligations, an independent actuarial valuation was performed in June 2008 and provision made in the balance sheet. Principal assumptions used incorporate the following:

- A discount rate of 10,0% per annum (2007: 8,0%);
- A medical inflation rate of 7,5% per annum (2007: 5,5% per annum);
- An expected return on plan assets of 11,7% (2007: 8,5% per annum), versus the actual return achieved of 10,8% (2007: 6,9%); and
- Salary rate assumptions were not required for 2008 or 2007, as there were no salary related contributions during either 2008 or 2007.

This valuation has been performed using the projected unit credit funding method to determine the past service liabilities at valuation date.

COMPANY 2007 R'000	2008 R'000		GROUP 2008 R'000	2007 R'000
		Amounts recognised in the balance sheet		
—	—	Post-retirement medical obligation	9 405	7 154
—	—	Deferred tax effect	(2 297)	(2 075)
—	—		7 108	5 079
		Post-retirement medical obligation comprises:		
—	—	Present value of unfunded obligations	18 556	15 849
—	—	Fair value of plan assets	(9 151)	(8 695)
—	—	Balance sheet liability	9 405	7 154
		The movement in the liability recognised on the balance sheet is as follows:		
—	—	At the beginning of the year	15 849	15 824
—	—	Interest cost	1 291	857
—	—	Current service cost	660	720
—	—	Contributions paid to the scheme on behalf of pensioners	(57)	(53)
—	—	Actuarial gains	(389)	(1 499)
—	—	Other	1 202	—
—	—		18 556	15 849

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		22. Retirement benefit obligations continued		
		The movement in the fair value of plan assets recognised on the balance sheet is as follows:		
—	—	At the beginning of the year	8 695	8 492
—	—	Actuarial losses	(302)	(526)
—	—	Expected returns on plan assets	758	729
—	—		9 151	8 695
		The amounts recognised in the income statement		
—	—	Current service cost	660	720
—	—	Interest cost	1 291	857
—	—	Expected returns on plan assets	(758)	(729)
—	—	Actuarial gains	(87)	(973)
—	—	Total included in staff costs	1 106	(125)
		The charge was classified as follows on the income statement:		
—	—	Selling and distribution expense	587	(111)
—	—	Administrative expense	519	(14)
—	—		1 106	(125)
		The actual return on plan assets was R1,0 million (2007: R0,5 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 balance sheet date is as follows:		
		Male	17,1	16,4
		Female	19,7	20,4
		The mortality assumption changed from 2007 to 2008. Female mortality was increased and this reduced the life expectancy of 65 year old females from 20,4 years to 19,7 years. Male mortality was lower than the previous year, and this increased life expectancy to 17,1 years. We do not assume any mortality changes over time. This means that the life expectancy will be the same in 20 years' time.		
			Increase	Decrease
		The effect of a 1% movement in the assumed medical inflation rate was as follows:		
		Effect on the aggregate of the current service cost and interest cost	490	(386)
		Effect on the post-retirement medical obligation	3 037	(2 440)
		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.		

22. Retirement benefit obligations continued

No contributions are expected to be paid to the plan for the year ended 30 June 2008.

As at 30 June	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Present value of post-retirement medical obligation	18 556	15 849	15 824	16 123
Fair value of plan assets	9 151	8 695	8 492	5 510
Deficit	9 405	7 154	7 332	10 613
Experience adjustments on plan liabilities	(19)	(9)	(1 299)	—
Experience adjustments on plan assets	468	466	2 902	—

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		23. Trade and other payables		
		Financial instruments		
—	—	Trade payables	537 473	406 503
6 507	6 857	Accrued expenses	150 686	104 864
—	—	Liability for Onco Therapies acquisition	54 880	—
—	—	Liability for Onco Laboratories acquisition	64 680	—
2 738	4 886	Other	66 165	22 047
9 245	11 743	Total financial instruments	873 884	533 414
		Non-financial instruments		
11 845	10 692	Indirect taxes	40 750	38 182
1 145	1 502	Leave pay	24 784	21 248
5 161	6 881	Bonuses	29 274	30 436
76 521	76 521	Royalties received in advance	—	—
312	202	Other	35 276	23 577
94 984	95 798	Total non-financial instruments	130 084	113 443
104 229	107 541	Total trade and other payables	1 003 968	646 857
		24. Financial liability at amortised cost		
—	—	Liability for products acquired	2 653 020	—
—	—		2 653 020	—

24. Financial liability at amortised cost continued

This amount relates to products acquired from GSK on 30 June 2008. The amount was carried at amortised cost at 30 June 2008, which approximates the fair value at that date.

The indebtedness to GSK was discharged on 7 July 2008 by raising a bridging loan from Standard Finance (Isle of Man) Ltd for the total amount as above. The bridging loan bore interest at a rate of 1-month LIBOR plus a margin of 2,0%.

The bridging loan was subsequently refinanced by Aspen Global on 10 October 2008, with a 5-year USD term loan from a consortium of banks comprising the offshore operations of Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd. The amount financed was USD385,0 million. Of this amount, USD338,0 million relates to the settling of the liability to GSK and the balance is available to fund possible offshore acquisitions.

The profile and repayment terms of the above term loan are:

The loan comprises:

– An A loan which is a 5-year amortising loan of USD255,0 million in respect of which quarterly equal repayments of capital are to be made, with the first payment being on 10 January 2010.

Quarterly interest payments on the outstanding balance are to be made from 10 January 2009.

A swap agreement was entered into on 6 October 2008, terms of which all future payments of interest have been fixed at an interest rate of 6,11% per annum.

– A B loan of USD130,0 million which is repayable at the end of the 5-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 are to be made from 10 January 2009.

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 3-months LIBOR plus a margin of 2,8%.

Security given:

The following security has been given to the security trustee on behalf of a consortium of banks, comprising the offshore operations of Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd:

– Guarantee by Aspen Pharmacare Holdings Ltd, Pharmacare Ltd, Aspen Nutritionals and Aspen Australia and any other subsidiary which becomes wholly owned and contributes more than 5% of Group EBITDA 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 product acquisition agreement.

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		25. Revenue		
		Sale of goods		
—	—	Local	3 254 130	2 917 315
—	—	Offshore	1 095 516	750 111
—	—	Exports	449 191	286 882
		Other revenue		
152 756	153 042	Royalties	1 251	1 460
—	—	Co-marketing fees – local	53 919	60 569
—	—	– offshore	27 266	9 517
152 756	153 042	Per income statement	4 881 273	4 025 854
		26. Operating profit		
		Operating profit has been arrived at after crediting:		
3 360	40 812	Profit on disposal of intangible assets	40 953	3 414
—	—	Reversal of impairment losses – intangible assets (included in other operating income)	—	99
—	—	Operating lease rentals received (operating leases where the Company is the lessor)	870	699
—	—	– Land and buildings	573	433
—	—	– Plant and equipment	297	266
		after charging:		
—	—	Loss on disposal of property, plant and equipment	705	523
1 160	1 072	Auditors' remuneration	7 007	5 698
1 156	1 072	– Audit fees	6 887	5 627
1 036	1 035	Current year	6 842	5 365
120	37	Prior year under-provision	45	262
4	—	– Expenses	34	28
—	—	– Other services – royalties	86	43
121	1 317	Net impairment charges	87 255	37 586
121	1 317	Impairment of intangible assets (included in other operating expenses)	8 231	10 873
—	—	Impairment of property, plant and equipment (included in cost of sales)	46	—
—	—	Impairment charge – inventories (included in cost of sales)	72 700	24 699
—	—	Impairment charge for bad and doubtful debts – trade receivables (included in administrative expenses)	6 278	2 014
335	115	Repairs and maintenance expenditure on property, plant and equipment	43 538	35 442
—	—	Research and development costs	4 071	16 092
1 268	1 159	Operating lease rentals	28 479	20 415
1 227	1 116	– Land and buildings	22 856	16 255
—	—	– Plant and equipment	5 013	2 860
—	—	– Computer equipment	—	59
41	43	– Office equipment and furniture	610	1 241
—	—	Litigation settlements	—	1 511
—	—	Managerial fees	3 730	3 260
—	—	Technical fees	11 794	6 728
—	—	Administrative fees	2 822	1 315
139	127	Secretarial fees	127	139

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		27. Expenses by nature		
658	585	Depreciation	74 643	60 336
90 420	74 424	Amortisation of intangible assets	127 715	121 150
121	1 317	Net impairment charges	87 255	37 586
335	115	Repairs and maintenance	43 538	35 442
17 402	20 457	Personnel costs and other staff related costs	655 971	542 778
12 874	14 344	Share trust contributions	—	—
3 669	4 576	Share-based payment expense – employees	33 015	29 363
—	—	Changes in inventories of finished goods and work-in-progress	(209 047)	(69 499)
—	—	Purchases of finished goods	653 606	533 675
—	—	Other production expenses	110 546	90 556
—	—	Raw materials and consumables used	1 481 852	1 067 439
—	—	Transport and warehousing costs	187 545	150 742
—	—	Advertising and marketing expenses	217 701	168 336
—	—	Royalties paid	43 604	29 600
1 519	1 302	Property costs	17 269	14 998
13 288	14 822	Other	213 920	150 159
140 286	131 942		3 739 133	2 962 661
		Classified as:		
—	—	Cost of sales	2 658 628	2 084 208
—	—	Selling and distribution expenses	668 281	536 863
49 745	56 201	Administrative expenses	275 937	208 231
90 541	75 741	Other operating expenses	136 287	133 359
140 286	131 942		3 739 133	2 962 661
		28. Directors and employees		
		28.1 Staff costs		
15 859	17 985	Wages and salaries	546 853	468 705
1 004	1 672	Provident fund contributions – defined contribution plans	49 992	41 660
337	492	Medical aid contributions	32 605	25 524
—	—	Post-retirement medical aid benefits	1 106	(125)
—	—	Termination benefits	841	822
3 648	4 549	Share-based payment expense – options and appreciation rights	27 644	24 233
21	27	Share-based payment expense – Workers' Share Plan	5 371	5 130
202	308	Other company contributions	9 916	6 317
21 071	25 033		674 328	572 266
—	—	Amount included in cost of sales	377 677	308 175
—	—	Wages and salaries	321 692	262 404
—	—	Benefits	55 985	45 771
—	—	Amount included in selling and distribution expenses	157 537	130 185
—	—	Wages and salaries	119 936	101 118
—	—	Benefits	37 601	29 067
21 071	25 033	Amount included in administrative expenses	139 114	133 906
15 859	17 985	Wages and salaries	105 225	105 183
5 212	7 048	Benefits	33 889	28 723
25	24	Total number of employees at year-end	4 311	3 452
25	24	Full-time employees	3 144	2 348
—	—	Part-time employees	1 167	1 104

28. Directors and employees continued

28.2 Directors' emoluments

	Fees R'000	Remun-eration R'000	Retirement and medical aid benefits R'000	Perform-ance bonus R'000	TOTAL R'000
2008					
Non-executive directors					
Archie Aaron	220	—	—	—	220
Rafique Bagus	203	—	—	—	203
Leslie Boyd	161	—	—	—	161
John Buchanan	348	—	—	—	348
Judy Dlamini	330	—	—	—	330
Pasco Dyani	202	—	—	—	202
Maxim Krok	102	—	—	—	102
Chris Mortimer	240	—	—	—	240
David Nurek	160	—	—	—	160
Sindi Zilwa	282	—	—	—	282
Total (A)	2 248	—	—	—	2 248
Executive directors					
Gus Attridge	—	2 794	342	2 900	6 036
Stephen Saad	—	3 402	407	3 500	7 309
Total (B)	—	6 196	749	6 400	13 345
Total emoluments (A+B)					15 593
Less paid by subsidiary companies (C)					5 008
Total emoluments paid by Aspen (A+B-C)					10 585
2007					
Non-executive directors					
Archie Aaron	319	—	—	—	319
Rafique Bagus	190	—	—	—	190
Leslie Boyd	200	—	—	—	200
John Buchanan	325	—	—	—	325
Judy Dlamini	190	—	—	—	190
Pasco Dyani	170	—	—	—	170
Maxim Krok	150	—	—	—	150
Chris Mortimer	250	—	—	—	250
David Nurek	150	—	—	—	150
Sindi Zilwa	197	—	—	—	197
Total (A)	2 141	—	—	—	2 141
Executive directors					
Gus Attridge	—	2 606	340	2 394	5 340
Stephen Saad	—	3 164	385	2 921	6 470
Total (B)	—	5 770	725	5 315	11 810
Total emoluments (A+B)					13 951
Less paid by subsidiary companies (C)					3 080
Total emoluments paid by Aspen (A+B-C)					10 871

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		29. Investment income		
450 000	1 647 816	Dividends received from subsidiaries and joint ventures	—	—
29 295	33 329	Preference share dividends received	33 329	29 295
16 365	88 291	Interest received	230 094	110 475
15 884	87 410	Interest on bank balances and short-term deposits	222 446	110 014
461	—	Interest from joint ventures	—	231
—	584	Interest from subsidiaries	—	—
—	20	Receiver of Revenue	4 194	—
20	277	Other	3 454	230
495 660	1 769 436		263 423	139 770
		30. Financing costs		
(12 804)	(13 814)	Interest paid	(322 830)	(174 050)
—	—	Non-current borrowings	(3 707)	(5 117)
(12 804)	(13 814)	Bank overdrafts and current borrowings	(318 799)	(168 603)
—	—	Finance leases	(178)	(290)
—	—	Other	(146)	(40)
(32 457)	(38 112)	Preference share dividends paid (liability component)	(38 112)	(32 457)
231	27 906	Net foreign exchange gains	60 363	22 717
—	—	Fair value gains/(losses) on financial instruments	3 547	(19 402)
—	—	– Cross-currency swap	2 164	(3 038)
—	—	– Forward exchange contracts	1 383	(16 364)
(2 230)	2 690	Notional interest on financial instruments	9 892	(3 823)
(47 260)	(21 330)		(287 140)	(207 015)
		Net financing costs above exclude financing costs of R47,0 million which have been capitalised during 2008 to capital work-in-progress (2007: R10,0 million).		
		31. Tax		
21 104	47 430	South African current tax – current year	257 432	249 211
(254)	152	– prior year	(927)	(1 422)
—	—	Foreign current tax – current year	63 315	31 579
—	—	– prior year	—	(229)
(2 889)	5 068	South African deferred tax – current year	24 599	12 995
—	237	– prior year	(25)	(1 117)
—	(226)	– tax rate adjustment	(2 341)	—
—	—	Foreign deferred tax – current year	(1 799)	(196)
—	—	– prior year	—	197
395	81	STC and other dividend taxes	1 131	395
—	1 774	CGT	1 774	305
18 356	54 516	Total tax charge	343 159	291 718

COMPANY 2007 %	2008 %		GROUP 2008 %	2007 %
		31. Tax continued		
		Reconciliation of the tax rate		
3,8	3,0	Effective tax rate	28,4	28,9
28,7	26,3	Capital and exempt income	2,4	1,0
0,1	—	Prior year adjustments	0,1	0,3
—	—	Foreign rates of tax	(0,3)	(0,1)
(3,5)	(1,2)	Disallowable expenses	(2,6)	(2,7)
(0,2)	(0,1)	– Non-deductible portion of share-based payment expense – employees	(0,6)	(0,7)
(0,8)	(0,2)	– Non-deductible amortisation of intangible assets	(0,7)	(0,8)
(2,5)	(0,9)	– Other disallowable expenses	(1,3)	(1,2)
(0,1)	—	STC and other dividend taxes	(0,1)	—
—	—	Deferred tax asset raised	—	1,5
—	(0,1)	CGT	(0,1)	—
—	—	Tax rate adjustment	0,2	—
—	—	Tax losses in current year	(0,3)	—
—	—	Other reconciling items	0,3	0,1
29,0	28,0	Tax at statutory rate	28,0	29,0

COMPANY 2007 R'000	2008 R'000		GROUP 2008 R'000	2007 R'000
		Unutilised tax benefits		
—	—	Opening balance	23	—
—	—	Assessed losses in joint ventures acquired	40 858	—
—	—	Current losses incurred	7 853	23
—	—	Tax losses available to reduce future taxable income	48 734	23

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		32. Earnings per share		
		32.1 Basic earnings per share		
		Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Aspen and held as treasury shares.		
		Net profit attributable to equity holders of the parent	862 910	717 323
		Weighted average number of shares in issue ('000)*	351 792	348 850
		Earnings per share (cents)	245,3	205,6
		Diluted earnings per share		
		The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has 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 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 dividend paid and the notional interest on the preference shares.		
		Net profit attributable to equity holders of the parent	862 910	717 323
		Adjusted for:		
		– Preference share dividends	38 112	32 457
		– Notional interest – liability component of preference shares	(1 390)	178
		Adjusted earnings	899 632	749 958
			2008 '000	2007 '000
		Weighted average number of shares for diluted earnings per share	374 702	371 617
		Adjustment for share options and appreciation rights	5 310	5 167
		Total number of convertible preference shares	17 600	17 600
		Weighted number of shares in issue*	351 792	348 850
		Diluted earnings per share (cents)	240,1	201,8

**After deduction of treasury shares.*

COMPANY			GROUP	
2007 R'000	2008 R'000		2008 R'000	2007 R'000
		32. Earnings per share continued		
		32.2 Headline earnings per share		
		Reconciliation of headline earnings		
		Net profit attributable to equity holders of the parent	862 910	717 323
		Adjusted for:		
		– Loss on disposal of property, plant and equipment (net of tax)	511	389
		– Impairment of property, plant and equipment (net of tax)	33	—
		– Impairment of intangible assets (net of tax)	8 231	8 207
		– Profit on disposal of intangible assets (net of tax)	(37 033)	(3 417)
		– Profit on sale of 51% of Co-pharma Ltd	(16 598)	—
		– Adjustment to write-down on disposal of 50% of FCC	—	10 576
		– Profit on sale of Shimoda Biotech (Pty) Ltd shares (net of tax)	(4 300)	—
		Headline earnings	813 754	733 078
		Weighted number of shares in issue ('000)*	351 792	348 850
		Headline earnings per share (cents)	231,3	210,1
		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	813 754	733 078
		Adjusted for:		
		– Preference share dividends	38 112	32 457
		– Notional interest – liability component of preference shares	(1 390)	178
		Adjusted headline earnings	850 476	765 713
			2008 '000	2007 '000
		Weighted average number of shares for diluted headline earnings per share	374 702	371 617
		Adjustment for share options and appreciation rights	5 310	5 167
		Total number of convertible preference shares	17 600	17 600
		Weighted number of shares in issue*	351 792	348 850
		Diluted headline earnings per share (cents)	227,0	206,1
		**After deduction of treasury shares.*		

33. Capital distribution per share

A capital distribution per share of 70,0 cents was recommended at the Board meeting of the Company held on 20 August 2007. The capital distribution of 70,0 cents per share was paid in the year ended 30 June 2008 and relates to profits earned in the 2007 financial year. No capital distribution is proposed in respect of the earnings for the year ended 30 June 2008.

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		34. Commitments		
		34.1 Capital expenditure		
		Contracted		
		Tangible assets	62 578	96 350
—	—	Intangible assets	—	4 307
—	—		62 578	100 657
		Authorised but not contracted for		
		Tangible assets	457 455	403 139
—	—	Intangible assets	776	980
—	—		458 231	404 119
		34.2 Lease commitments		
		Operating lease commitments		
2 665	1 327	Land and buildings	52 224	36 911
—	—	Plant and equipment	12 638	9 902
—	—	Other	495	624
2 665	1 327		65 357	47 437
		The future minimum operating lease payments are as follows:		
1 338	1 327	Less than 1 year	23 026	16 350
1 327	—	Between 1 and 5 years	42 331	31 087
2 665	1 327		65 357	47 437

- The lease for the Durban head office has a remaining term of 1 year with a 5-year renewal option.
- The lease for the Woodmead offices has a remaining term of 1 year. Renewal of the lease has been negotiated after year-end for an additional 5 years starting 1 July 2009.

Both leases are subject to an annual escalation of 9%.

- Various Port Elizabeth warehouses have remaining lease terms of between 7 months and 4 years, with renewal options.
- The escalation varies between 7,5% and 10%.
- The lease for rental of parking in Port Elizabeth has a remaining term of 3 years, with an option to renew. The lease is subject to escalation in line with CPIX.

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		Finance lease commitments		
—	—	Plant and equipment	24 014	—
—	—	Computer equipment	4 165	4 344
—	—		28 179	4 344
		The future minimum finance lease payments		
—	—	Less than 1 year	13 859	3 007
—	—	Between 1 and 5 years	14 320	1 337
—	—		28 179	4 344

COMPANY 2007 R'000	COMPANY 2008 R'000		GROUP 2008 R'000	GROUP 2007 R'000
		34. Commitments continued		
		34.3 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. At 30 June 2008, 6 years and 9 months of the agreement remained.		
		In terms of this agreement Aspen is committed to pay the following amounts to GlaxoSmithKline SA (Pty) Ltd:		
—	—	– payable within 1 year	15 119	17 700
—	—	– payable thereafter	47 451	62 570
—	—		62 570	80 270
		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 1 year	10 526	9 002
—	—	– payable thereafter	46 822	45 643
—	—		57 348	54 645
		34.4 Operating leases – where the Company is the lessor		
—	—	Land and buildings	576	465
—	—	Plant and equipment	298	285
—	—		874	750
		The future minimum operating lease payments receivable under non-cancellable operating leases		
—	—	Less than 1 year	874	750
—	—		874	750
		The lease relates to a portion of the Astrix manufacturing facility in Hyderabad. This lease is renewed on an annual basis.		
		35. Contingent liabilities		
—	—	Additional payments in respect of the Quit worldwide intellectual property rights	7 803	7 090
—	—	Guarantees covering loans and other obligations to third parties	23 196	20 362
—	—	Guarantee covering potential rental default relating to sale of discontinued operations	—	1 064
		A put option exists in terms of which the other shareholders of Brimpharm SA (Pty) Ltd are entitled to sell the remaining 50% of the Brimpharm SA (Pty) Ltd share capital to Aspen in 2009. The purchase price will be calculated based on a formula.		
		Subsequent to the year-end, a revised put and call option has been agreed on relating to the acquisition of an additional 49% shareholding in PharmaLatina (refer to page 88 of the Directors' report).		

36. Financial risk management

36.1 Introduction

The Group is exposed to market risk, liquidity risk and credit risk arising from its financial instruments. These risks are continually monitored. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by a central Treasury Department in close cooperation with operational units, using guidance provided by the Audit & Risk Committee of the Board of Directors. A formal treasury policy setting out the role and responsibility of the Treasury Department and the management of risk was adopted by the Audit & Risk Committee during the prior year. A significant part of administration of foreign exchange risk management is outsourced. Group treasury identifies, evaluates and hedges financial risks as considered appropriate. The Audit & Risk 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 relating to each of these risks is discussed under the headings below.

36.2 Foreign currency risk

Foreign currency risk is managed through the Group's financing policies and selective use of forward exchange contracts and cross currency swaps.

Forward exchange contracts are utilised primarily to reduce foreign currency exposure arising from imports and exports into/from South Africa. Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company. Economic risk is not handled by the Treasury Department, as it is a strategic matter managed directly by the Board of Directors.

The Group's operations utilise various foreign currencies (i.e. 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. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, are not taken into account when considering foreign currency risk.

Forward exchange contracts

As at 30 June 2008 the Group had forward exchange contracts in terms of various currencies in respect of firm commitments.

Hedge accounting was not applied in the current year (whereas in the prior year hedge accounting was applied for all non-USD denominated currencies). This has resulted in fair value adjustments being taken directly to the income statement during the current year.

36. Financial risk management continued

36.2 Foreign currency risk continued

Forward exchange contracts continued

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

	Foreign amount '000	Forward cover value R'000	Marked to market value R'000	Recognised fair value in income statement: (loss)/gain R'000
June 2008				
Imports into South Africa*				
Swiss Franc	763	5 861	5 990	129
Euro	11 467	141 550	143 395	1 845
GBP	1 550	24 577	24 434	(143)
Japanese Yen	26 343	2 065	1 999	(66)
USD	24 580	200 849	198 520	(2 329)
Denmark Krone	262	410	439	29
		375 312	**374 777**	**(535)**
Exports from South Africa*				
Euro	89	1 098	1 108	(10)
USD	1 120	8 851	8 879	(28)
		9 949	**9 987**	**(38)**

	Foreign amount '000	Forward cover value R'000	Marked to market value R'000	Recognised fair value in equity: loss R'000	Recognised fair value in income statement: (loss)/gain R'000
June 2007					
Imports into South Africa*					
Where hedge accounting is applied:					
Swiss Franc	219	1 318	1 287	4	(35)
Euro	10 162	99 290	98 234	(50)	(1 006)
GBP	1 036	14 882	14 793	(6)	(83)
Japanese Yen	13 838	872	810	(1)	(61)
Danish Krone	525	690	685	—	(5)
Where hedge accounting is not applied:					
Swiss Franc	6	34	33	—	(1)
Euro	2 989	29 716	29 426	—	(290)
GBP	13	203	192	—	(11)
USD	7 468	53 793	53 229	—	(564)
		200 798	198 689	(53)	(2 056)
Exports from South Africa*					
Where hedge accounting is not applied:					
Euro	369	3 542	3 539	—	3
USD	1 089	7 795	7 735	—	60
		11 337	11 274	—	63

**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.

36. Financial risk management continued

36.2 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:

	2008 Marked to market value R'000	2007 Marked to market value R'000
July	155 188	119 083
August	43 057	1 549
September	49 997	16 680
October	27 502	20 843
November	40 391	8 725
December	25 790	9 070
January	11 803	3 508
February	5 017	7 957
March	4 363	—
June	1 685	—
	364 793	187 415

Foreign currency sensitivity in respect of financial instruments

The Group has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous 10% strengthening or weakening in the underlying entity's functional currency against 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 Rand, USD, Euro, BRL, INR and MXN. The analysis considers the impact of changes in foreign exchange rates on profit or loss only, 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 credit to equity of R106,6 million at 30 June 2008 (2007: R69,2 million).

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 on page 153.

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 2007.

In 2007 hedge accounting was applied to all non-USD currencies, the effect of hedging on equity has been ignored, as the exposure to non-USD amounts was immaterial in 2007.

36. Financial risk management continued

36.2 Foreign currency risk continued

Foreign currency sensitivity in respect of financial instruments continued

	Change in exchange rate %	Weakening in functional currency, resulting in a (decrease)/ increase in profit before tax R'000	Strength-ening in functional currency, resulting in an increase/ (decrease) in profit before tax R'000
30 June 2008			
Functional currency: Denominated currency			
Rand: Euro	10	(1 752)	1 752
Rand: USD	10	1 984	(1 984)
BRL: USD	10	(8 842)	8 842
AUD: USD	10	(1 080)	1 080
MXN: USD	10	(1 568)	1 568
INR: USD	10	(4 630)	4 630
30 June 2007			
Rand: Euro	10	(2 156)	2 156
Rand: USD	10	(7 396)	7 396
AUD: USD	10	(231)	231
INR: USD	10	(1 249)	1 249

The following significant rates applied at year-end:

	Spot rate 2008	Spot rate 2007
AUD	7,55	6,01
BRL	4,93	—
Euro	12,35	9,55
GBP	15,61	14,18
INR	0,18	0,17
MXN	0,76	—
USD	7,84	7,07

It is important to note the limitations of the sensitivity analysis detailed above in light of the fact that it is based on the foreign currency balances at reporting date, which may vary significantly during the year, given changes in the underlying business activities. It also excludes foreign exchange translation differences resulting from the translation of group entities into the Group's presentation currency and credited directly to equity.

36.3 Interest rate risk

The Group is exposed to cash flow interest rate risk on its floating rate financial assets and liabilities, most notably cash and cash equivalents (note 13), borrowings (note 19) and financial liability at amortised cost (note 24). The Group continually assesses its exposure to movements in interest rates and, where considered appropriate, enters into arrangements that are intended to mitigate these risks.

Interest rate sensitivity

The Group is exposed mainly to fluctuations in the following market interest rates: LIBOR, JIBAR and T-Bill 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 a 100 basis points in interest rates at 30 June would have decreased profit before tax by R21,0 million in 2008 and R5,1 million in 2007. The analysis assumes that all other variables, in particular foreign currency rates, remain constant and was performed on the same basis for 2007.

36.4 Other price risk

The Group is only exposed to price risk to a very limited extent, through investments classified as available-for-sale financial assets.

36. Financial risk management continued

36.5 Liquidity risk

Liquidity risk implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities.

The Group aims to ensure that there are always adequate committed facilities available to cover anticipated requirements. As a general guideline, available facilities should exceed net borrowings, classified as current, by at least 50%. This ratio can be decreased depending on the extent of medium or long-term funding utilised.

The Treasury Department further aims to ensure that the correct maturity mix of debt is maintained. This implies not having too much debt becoming repayable within a short period, unless adequate alternative funding is available.

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			
	0 – 6 months R'000	6 – 12 months R'000	1 – 5 years R'000	Total R'000
30 June 2008				
Financial assets				
Other non-current financial receivables	—	—	6 972	6 972
Trade and other receivables (financial instruments only)	1 064 798	1 243	—	1 066 041
Financial assets at fair value through profit and loss	666	—	—	666
Cash and cash equivalents	1 522 192	—	—	1 522 192
	2 587 656	1 243	6 972	2 595 871
Financial liabilities				
Preference shares – liability component	—	—	545 027	545 027
Secured loans – offshore	91 220	21 086	80 944	193 250
Unsecured loans – local	2 265 665	—	—	2 265 665
Unsecured loans – offshore	134 637	—	—	134 637
Finance lease and instalment credit liabilities	7 028	6 628	17 498	31 154
Bank overdrafts	577 267	—	—	577 267
Deferred payables – deferred earn-out consideration	10 938	—	831	11 769
Trade and other payables (financial instruments only)	830 526	43 059	—	873 885
Financial liability at amortised cost	—	255 334	2 952 543	3 207 878*
Financial liabilities at fair value through profit and loss	1 240	—	—	1 240
	3 918 521	326 107	3 596 843	7 841 771

**The liquidity of this liability has been reported based on the information as per note 24.*

36. Financial risk management continued

36.5 Liquidity risk continued

	Undiscounted cash flows			
	0 – 6 months R'000	6 – 12 months R'000	1 – 5 years R'000	Total R'000
30 June 2007				
Financial assets				
Preference share investment	—	376 800	—	376 800
Other non-current financial receivables	—	—	8 633	8 633
Trade and other receivables (financial instruments only)	793 816	1 065	—	794 881
Cash and cash equivalents	3 331 238	—	—	3 331 238
	4 125 054	377 865	8 633	4 511 552
Financial liabilities				
Preference shares – liability component	—	—	550 717	550 717
Secured loans – offshore	35 067	12 316	26 725	74 108
Unsecured loans – local	915 993	—	—	915 993
Unsecured loans – offshore	1 803	—	—	1 803
Finance lease and instalment credit liabilities	1 542	1 340	1 307	4 189
Bank overdrafts	2 833 757	—	—	2 833 757
Deferred-payables – deferred earn-out consideration	9 722	—	1 322	11 044
Trade and other payables (financial instruments only)	532 221	—	1 193	533 414
Financial liabilities at fair value through profit and loss	2 226	—	—	2 226
	4 332 331	13 656	581 264	4 927 251

36.6 Credit risk

Credit risk, or the risk of financial loss due to counter-parties to financial instruments not meeting their contractual obligations, is managed by the application of credit approvals, limits and monitoring procedures. Counter-party 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, preference share investment, derivatives 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 credit risk is the maximum amount the Group could have to pay if these 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 an appropriate 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. No single customer represents more than 10% of the Group's total turnover or more than 10% of total trade receivables for the years ended 30 June 2008 and 30 June 2007.

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 an excellent credit history with the Group.

Impairment losses are recorded in the allowance account 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.

Credit risk exposure in respect of trade receivables is further discussed in note 11.

36. Financial risk management continued

36.6 Credit risk continued

Cash and cash equivalents

The majority of the Group's cash is placed with major South African financial institutions of high credit standing. Cash balances are placed with different financial institutions to minimise risk. The Group does not expect any treasury counter-parties to fail to meet their obligations, given their high credit ratings.

Other financial assets

The recoverability of other non-current financial receivables is monitored as appropriate.

36.7 Capital risk disclosures

The Group manages capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of borrowings and equity balances.

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 (refer to notes 14 and 17).

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 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 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 increased substantially in the current year, due to an expansion of business activities.

Subsequent to the term loan entered into by Aspen Global on 10 October 2008, the Group's borrowing capacity is subject to specified covenants:

- The capacity to increase interest-bearing borrowings is restricted to three times Group EBITDA.
- The Group is entitled to make distributions to their shareholders provided that the lenders of the USD term loan are satisfied, acting reasonably, that specified covenants will be met for a period of 12 months after such a distribution.

37. Acquisitions

Acquisition of joint ventures

Hedge accounting was applied to all the acquisitions of joint ventures below.

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the USD/Rand spot exchange rate associated with the settlement of a portion of the purchase price of the acquisition.

The forward exchange contracts were designated in cash flow hedge relationships. None of these forward exchange contracts were outstanding at 30 June 2008.

The hedged cash flows took place prior to 30 June 2008. The fair value movement of the forward exchange contracts of R146,5 million was deferred in equity in accordance with the application of cash flow hedge accounting. The portion of the fair value movement relating to the purchase of shares in the respective entities from external parties of R59,0 million was transferred from equity and recognised as part of the initial cost of the investment.

The portion of the fair value movement relating to the subscription of new shares will remain in equity until the investment is disposed of or the net investment is impaired, at which time it will affect profit or loss.

37. Acquisitions continued

37.1 Acquisition of PharmaLatina*

On 1 March 2008, the Group acquired 50% of the shares of PharmaLatina, a Cypriot holding company with operating subsidiaries in Brazil, Mexico and Venezuela. The acquisition was funded from existing cash resources.

	2008 R'000
Cost of the acquisition	
Cash paid	1 068 311
Fair value of assets acquired	(591 355)
Deferred receivable recognised on acquisition	(431 632)
Cash flow hedging – deferral in equity	87 553
Goodwill	132 877

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Property, plant and equipment	276 484	274 243
Intangible assets	75 631	23 984
Inventories	89 299	88 957
Trade and other receivables	124 686	124 686
Cash and cash equivalents	166 144	166 144
Borrowings	(1 129)	(1 129)
Deferred tax liabilities	(24 440)	(6 444)
Trade and other payables	(114 496)	(114 496)
Current tax liabilities	(824)	(824)
Fair value of assets acquired	591 355	555 121
Cash flow hedging – deferral in equity	(87 553)	
Deferred receivable recognised on acquisition	431 632	
Goodwill acquired	132 877	
Cash paid	1 068 311	

The following factors contributed to the recognition of goodwill:

- The potential for introducing Aspen's existing and pipeline products into major new markets.
- The potential for vertical integration with Aspen's existing business, specifically its manufacturing facilities in South Africa.
- Excellent growth prospects.

The amount of the PharmaLatina's group after-tax profits included in the results for 2008 was R2,9 million, after the deduction of amortisation on intangible assets that were fair valued.

On acquisition the PharmaLatina group had assessed losses of R40,9 million. No deferred tax asset was recognised for these assessed losses on initial accounting for the business. If the PharmaLatina group had been acquired on 1 July 2007, revenue of R248,7 million and profit after tax of R8,7 million would have been included in the results of the Group for 2008.

**The initial accounting for this business combination has been reported on a provisional basis and will be finalised only in the year ending 30 June 2009.*

	2008 R'000

37. Acquisitions continued

Acquisition of joint ventures continued

37.2 Acquisition of Onco Therapies*

On 31 December 2007, the Group acquired 49% of the shares of Onco Therapies as well as voting rights for an additional 1% of the shares. This company, established in India, has specialist manufacturing capabilities in oncological injectables, semi-solids and solids. The acquisition was funded from existing cash resources.

	2008 R'000
Cost of the acquisition	
Cash paid	67 858
Fair value of assets acquired	(111 269)
Amounts unpaid at the end of the year	47 931
Goodwill	4 520

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Property, plant and equipment	114 183	68 975
Trade and other receivables	2 407	2 407
Cash and cash equivalents	248	248
Trade and other payables	(5 569)	(5 569)
Fair value of assets acquired	111 269	66 061
Goodwill acquired	4 520	
Amounts unpaid at the end of the year	(47 931)	
Cash paid	67 858	

The following factors contributed to the recognition of goodwill:

- The potential for vertical integration with Aspen's existing business, specifically synergistic benefits in marketing the oncology products via Aspen's existing infrastructure.
- Access to additional technology and know-how of oncology products.

The amount of Onco Therapies' after-tax loss included in the results for 2008 was R63 000. The Company is still in the process of validating the manufacturing facility and therefore had not commenced trading as at 30 June 2008.

37.3 Acquisition of Onco Laboratories*

On 31 December 2007, the Group acquired 50% of the shares of Onco Laboratories, a company that has the rights to 32 oncology products that are still in development. The acquisition was funded from existing cash resources.

	2008 R'000
Cost of the acquisition	
Cash paid	122 791
Fair value of assets acquired	(176 318)
Amounts unpaid at the end of the year	53 527
Goodwill	—

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Trade and other receivables#	176 390	51 358
Trade and other payables	(72)	(72)
Fair value of assets acquired	176 318	51 286
Amounts unpaid at the end of the year	(53 527)	
Cash paid	122 791	

The amount of Onco Laboratories' after-tax loss included in the results for 2008 was R0,3 million. The company had not commenced trading as at 30 June 2008.

**The initial accounting for these business combinations has been reported on a provisional basis, and will be finalised only in the year ending 30 June 2009.*

#This amount relates to the prepaid dossiers. Once these dossiers are registered, the total amount will be transferred to intangible assets.

	2008 R'000

37. Acquisitions continued

Acquisition of subsidiary

37.4 Acquisition of Shelys*

On 1 May 2008, the Group acquired 60% of the shares of Shelys, a company operating in Tanzania, Kenya and Uganda. The acquisition was funded from existing cash resources.

	2008 R'000
Cost of the acquisition	
Cash paid	231 455
Fair value of assets acquired	(131 433)
Minority interest	52 573
Goodwill	152 595

	Fair value recognised R'000	Carrying amounts before acquisition R'000
Property, plant and equipment	142 581	98 400
Intangible assets	82 514	—
Non-current available-for-sale financial assets	3	3
Inventories	75 880	75 880
Trade and other receivables	81 473	81 473
Cash and cash equivalents	(33 436)	(33 436)
Borrowings	(90 104)	(90 104)
Deferred tax liabilities	(42 618)	(4 609)
Trade and other payables	(84 520)	(84 520)
Current tax liabilities	(340)	(340)
Fair value of assets acquired	131 433	42 748
Minority interest	(52 573)	
Goodwill acquired	152 595	
Cash paid	231 455	

The following factors contributed to the recognition of goodwill:

- The potential for introducing Aspen's existing and pipeline products into major new markets.
- The potential for vertical integration with Aspen's existing business, specifically its manufacturing facilities in South Africa.
- Additional synergistic benefits flowing from the establishment of a strong regional pharmaceutical company.
- Excellent growth prospects.

The amount of the Shelys' group after-tax profit included in the results for 2008 was R2,1 million, after the deduction of amortisation on intangible assets that were fair valued.

If Shelys had been acquired on 1 July 2007, revenue of R284,6 million and profit after tax of R24,0 million would have been included in the results of the Group for 2008.

**The initial accounting for this business combination has been reported on a provisional basis, and will be finalised only in the year ending 30 June 2009.*

38. Principal subsidiaries and joint ventures

Country of incorporation	Company		Issued capital	Effective Group holding		Investment		Amounts (due to)/ due by subsidiaries/ joint ventures	
				2008	2007	2008	2007	2008	2007
			R'000	%	%	R'000	R'000	R'000	R'000
Direct									
Mauritius	Aspen Global Incorporated	USD'000	192 843	100	—	1 509 893	—	800	—
United Kingdom	Aspen Pharmacare International Ltd	GBP'000	18 064	100	100	225 470	198 295	—	—
South Africa	Aspen Pharmacare International (Pty) Ltd		—#	100	100	25 352	25 352	(29 061)	(29 061)
South Africa	Aspen OSD (Pty) Ltd (previously Garec (Pty) Ltd)		—#	100	100	9 771	9 771	(27 066)	(27 066)
United States	Aspen USA Inc	USD'000	1 270	100	100	8 094	8 094	—	—
South Africa	Brimchem SA (Pty) Ltd		—#	50	50	—	2 782	—	—
Australia	Brimpharm Australia Pty Ltd	AUD	50	50	50	—	—	1 486	—
South Africa	Brimpharm SA (Pty) Ltd		4	50	50	40 471	40 471	—	—
United Kingdom	Brimpharm UK Ltd	GBP	50	50	50	1	1	—	—
South Africa	Pharmacare Ltd		1 285	100	100	568 011	542 011	(240 989)	(241 441)
Jersey, CI	SAD Overseas Ltd		139	100	100	—	—	—	—
Kenya	Shelys Africa Ltd	KES'000	196 198	60	—	231 455	—	71 529	—
South Africa	Twincor Investments (Pty) Ltd		260	100	100	5 161	5 161	(1 359)	(1 359)
Indirect									
South Africa	Abkro Investments (Pty) Ltd		—#	100	100	—	—	—	—
South Africa	Abe Krok Investments (Pty) Ltd		—#	100	100	—	—	—	—
South Africa	Aspen International Distribution (Pty) Ltd (previously Triomed (Pty) Ltd)		1	100	100	—	—	—	—
South Africa	Aspen Nutritionals (Pty) Ltd		1	100	100	—	—	—	—
South Africa	Aspen Pharmacare Africa (Pty) Ltd		1	100	100	—	—	—	—
Australia	Aspen Pharmacare Australia Pty Ltd	AUD'000	17 373	100	100	—	—	—	—
South Africa	Aspen Pharmacare East London (Pty) Ltd		1	100	100	—	—	—	—
United Kingdom	Aspen Pharmacare Resources Ltd	GBP'000	13 700	100	100	—	—	—	174
South Africa	Aspen Pharmacare South Africa (Pty) Ltd		—#	100	100	—	—	808	808
South Africa	Aspen SVP (Pty) Ltd (previously Akromed Products (Pty) Ltd)		400	100	100	—	—	—	—
Kenya	Beta Healthcare (Kenya) Ltd	KES'000	30 000	60	—	—	—	—	—
Kenya	Beta Healthcare International Ltd	KES'000	20 000	60	—	—	—	—	—
Uganda	Beta Healthcare (Uganda) Ltd	UGX'000	40 000	60	—	—	—	—	—
South Africa	Brovar (Pty) Ltd		—#	100	100	—	—	—	—
United Kingdom	Co-pharma Ltd	GBP'000	13	—	100	—	—	—	—
South Africa	Krok Brothers Holdings (Pty) Ltd		—#	100	100	2 213	2 213	(47 663)	(47 699)
South Africa	Malcomess Leasing Company (Pty) Ltd		—#	100	100	—	—	—	—
Tanzania	Shelys Pharmaceuticals Ltd	TZS'000	6 723 843	60	—	—	—	—	—
Mauritius	Shelys Pharmaceuticals International Ltd	USD'000	100	60	—	—	—	—	—
South Africa	Skay Investments (Pty) Ltd		—#	100	100	—	—	—	—
South Africa	Sol Krok Investments (Pty) Ltd		—#	100	100	—	—	—	—
South Africa	Solo Ethicals (Pty) Ltd		1	100	100	—	—	—	—
Total investments in subsidiaries						2 625 892	834 151	(271 515)	(345 644)
Joint ventures									
Direct			—						
India	Astrix Laboratories Ltd	INR'000	45 250	50	50	232 931	232 931	—	—
South Africa	Fine Chemicals Corporation (Pty) Ltd		—	50	50	137 781	136 409	1	—
Indirect									
Venezuela	Casa de Reresentaciones Sumifarma, C.A.	VEF'000	1 075	40	—	—	—	—	—
Brazil	Cellofarm Ltda	BRL'000	72 179	50	—	—	—	—	—
Cyprus	Lakerose Ltd (to be renamed PharmaLatina Holdings Ltd)	USD'000	250 749	50	—	—	—	—	—
India	Onco Therapies Ltd	INR'000	758 744	49	—	—	—	—	—
Cyprus	Powercliff Ltd (to be renamed Onco Laboratories Ltd)	USD'000	15 033	50	—	—	—	—	—
Uruguay	Strides Latina S.A.	USD'000	3 645	50	—	—	—	—	—
Mexico	Strides Mexicana S.A. de C.V.	MXN'000	5 415	50	—	—	—	—	—
Mexico	Solara, S.A. de C.V.	MXN'000	19 682	50	—	—	—	—	—
Total investments in joint ventures						370 712	369 340	1	—
Total investments in subsidiaries and joint ventures						2 996 604	1 203 491	(271 514)	(345 644)

#Less than R1 000.

Definitions

AUD: Australian Dollar
BRL: Brazilian Real
GBP: Pound Sterling
INR: Indian Rupee
KES: Kenyan Shilling
MXN: Mexican Peso
TZS: Tanzanian Shilling
UGX: Ugandan Shilling
USD: United States Dollar
VEF : Venezuelan Bolivares Fuertes

39. Related party transactions

39.1 Transactions with shareholders

The Group did not enter into any transactions with direct beneficial shareholders during the current year, except as described in this note 39, the directors' report and note 28.

39.2 Intra-group transactions and balances

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

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

	2008 R'000	2007 R'000
Royalties received in advance	153 042	152 756
– Pharmacare Ltd	152 152	151 866
– Aspen Nutritionals	890	890
Administration fee received	21 539	20 320
– Pharmacare Ltd	20 982	19 795
– FCC	557	525
Interest received	584	461
– FCC	—	461
– Shelys	584	—
Capital distribution paid on treasury shares – Pharmacare Ltd	(27 262)	(24 141)
Dividends received	1 647 816	450 000
– Pharmacare Ltd	1 500 000	450 000
– Aspen Pharmacare International Ltd	138 816	—
– FCC	7 500	—
– Brimpharm SA (Pty) Ltd	1 500	—
Interest free loans received from Pharmacare Ltd during the year	150 469	152 179
Expenses paid by Pharmacare Ltd on behalf of Aspen Pharmacare Holdings Ltd	23 103	65 452
Interest-free loan repaid by/(to) Aspen Resources during the year	174	(174)
Shareholders' loan to Shelys bearing interest at 3-month LIBOR +3%	71 529	—
Interest-free loan to Brimpharm Australia Pty Ltd during the year	1 486	—
Expenses paid by Aspen Pharmacare Holdings Ltd on behalf of Krok Brothers Holdings (Pty) Ltd	36	—
Expenses paid by Aspen Pharmacare Holdings Ltd on behalf of Aspen Global	800	—
Share trust contributions made by Aspen Pharmacare Holdings Ltd to the share incentive trusts	(14 344)	(12 874)

39. Related party transactions continued

39.3 Transactions and balances with directors

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

The following interests have been declared by directors:

David Nurek, a non-executive director of Aspen, holds an executive position with Investec Bank Ltd. As at year-end, the Group had facilities of R835 million (2007: R345 million) with Investec Bank Ltd, of which R501 million (2007: R217 million) was utilised.

Archie Aaron, a non-executive director of Aspen, is a consultant to Werksmans Inc. Attorneys as well as the Chairman of Transpaco Ltd.

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

Legal services are provided to Aspen by both Werksmans Inc. Attorneys and Chris Mortimer & Associates.

Transpaco Ltd supplies packaging materials to Aspen's Nutritional Formulations Facility.

The following material transactions were carried out with the aforementioned related parties:

	2008		2007	
	Transaction R'000	Balance owing R'000	Transaction R'000	Balance owing R'000
Interest received from Investec Bank Ltd	1 424	—	17	—
– Aspen Pharmacare Holdings Ltd	—	—	14	—
– Rest of the Group	1 424	—	3	—
Interest paid to Investec Bank Ltd	19 136	500 870	13 319	215 955
– Aspen Pharmacare Holdings Ltd	—	—	13	—
– Rest of the Group	19 136	500 870	13 306	215 955
Legal fees paid to Werksmans Inc. Attorneys	928	490	28	—
– Aspen Pharmacare Holdings Ltd	59	—	28	—
– Rest of the Group	869	490	—	—
Legal fees paid to Chris Mortimer & Associates	2 368	657	1 467	200
– Aspen Pharmacare Holdings Ltd	861	—	597	200
– Rest of the Group	1 507	657	870	—
Purchases of packaging materials from Transpaco Ltd (Rest of the Group only)	232	—	219	—
	24 088	502 017	15 050	216 155

Directors' remuneration is disclosed in note 28.

39.4 Transactions with key-management personnel

Key management personnel consist of directors of key Group companies' excluding joint ventures.

The key management personnel compensation consists of:

	2008 R'000	2007 R'000
Short–term employee benefits	26 865	24 032
– Aspen Pharmacare Holdings Ltd	11 619	11 348
– Rest of the Group	15 246	12 684
Post-employment benefits	1 368	1 242
– Aspen Pharmacare Holdings Ltd	799	908
– Rest of the Group	569	334
Termination benefits (Rest of the Group only)	59	—
Share-based payments	4 792	4 516
– Aspen Pharmacare Holdings Ltd	2 420	1 915
– Rest of the Group	2 372	2 601
Total key management remuneration paid	33 084	29 790
Number of employees included above	21	20

No amounts were outstanding at year-end.

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

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

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

FCC

The carrying amount of goodwill allocated to FCC is R96,5 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of five years, and incorporate the following key assumptions:

– a rate of growth in turnover, which ranges between 11% and 26% per annum;

– a gross profit % varying between 28% and 41%; and

– annual capital expenditure ranging between R30,0 million and R40,7 million.

The budgets and forecasts were based on the following:

– an assessment of existing products against past performance and market conditions;

– an assessment of existing products against existing market conditions; and

– the pipeline of products under development, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 8% per annum in order to take account of an initially higher growth rate declining to a long-term average of 6%. This growth rate does not exceed the long-term average growth rate for the industry in which FCC operates. An annual pre-tax discount rate of 26,1% was applied to the cash flow projections.

Astrix

The carrying amount of goodwill allocated to Astrix is R148,1 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of five years, and incorporate the following key assumptions:

– a rate of growth in turnover, which ranges between 5% and 12% per annum;

– a gross profit % varying between 11% and 15%; and

– annual capital expenditure ranging between INR10,0 million and INR150,0 million.

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

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 8% per annum in order to take account of an initially higher growth rate declining to a long-term average of 6%. This growth rate does not exceed the long-term average growth rate for the industry in which Astrix operates. An annual pre-tax discount rate of 21,4% was applied to the cash flow projections.

PharmaLatina

The carrying amount of goodwill allocated to PharmaLatina is R132,8 million. The goodwill was allocated to the following cash-generating units:
– Brazilian business;
– Mexican businesses; and
– Venezuelan business.

The Brazilian operation is the only cash-generating unit with a significant amount of allocated goodwill in the PharmaLatina group.

Brazilian business

The carrying amount of goodwill allocated to the Brazilian business is R118,3 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of 10 years, and incorporate the following key assumptions:

– a rate of growth in turnover, which ranges between 8% and 22% per annum; and

– a gross profit % varying between 34% and 42%.

The budgets and forecasts were based on the following:

– an assessment of existing products against past performance and market conditions;

– an assessment of existing products against existing market conditions; and

– The pipeline of products both under development and available from Aspen, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 5%. This growth rate does not exceed the long-term average growth rate for the industry in which the Brazilian business operates. An annual pre-tax discount rate of 20,7% was applied to the cash flow projections.

40. Impairment tests for goodwill and indefinite useful life intangible assets continued

Shelys

The carrying amount of goodwill allocated to Shelys is R152,6 million. The goodwill is allocated to the following cash-generating units:
– Tanzanian business; and
– Kenyan business.
Both of these are discussed in more detail below.

Tanzanian business

The carrying amount of goodwill allocated to the Tanzanian business is R77,8 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of 10 years, and incorporate the following key assumptions:

– a rate of growth in turnover, which ranges between 9% and 31% per annum; and

– a gross profit % varying between 36% and 43%.

The budgets and forecasts were based on the following:

– an assessment of existing products against past performance and market conditions;

– an assessment of existing products against existing market conditions; and

– the pipeline of products both under development and available from Aspen, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 2,4%. This growth rate does not exceed the long-term average growth rate for the industry in which the Tanzanian business operates. An annual pre-tax discount rate of 30,2% was applied to the cash flow projections.

Kenyan business

The carrying amount of goodwill allocated to the Kenyan business is R74,8 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of 10 years, and incorporate the following key assumptions:

– a rate of growth in turnover, which ranges between 12% and 19% per annum; and

– a gross profit % varying between 50% and 57%.

The budgets and forecasts were based on the following:

– an assessment of existing products against past performance and market conditions;

– an assessment of existing products against existing market conditions; and

– the pipeline of products both under development and available from Aspen, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 5,3%. This growth rate does not exceed the long-term average growth rate for the industry in which the Kenyan business operates. An annual pre-tax discount rate of 33,6% was applied to the cash flow projections.

41. Post-balance sheet events

41.1 Acquisition of an additional 1% share in PharmaLatina

On 16 September 2008, the Group acquired an additional 1% of the shares in PharmaLatina, which gave the Group full control effective from 1 July 2008. The put and call option is of such a nature that it provides Aspen with economic benefits in respect of the remaining 50% of the PharmaLatina group. Refer to page 88 of the Directors' report.

The table below reflects the acquisition of the additional 50% of PharmaLatina on the effective date of 1 July 2008.

	2008 R'000	
Cost of the acquisition		
Cash paid for additional 1%	21 952	
Amount outstanding for the remaining 49%	329 280#	
Deferred receivable converted to consideration	440 098	
Fair value of assets acquired	(584 863)	
Goodwill	206 467	
	Fair value recognised on 1 July 2008 R'000	**Carrying values on 1 July 2008 R'000**
Property, plant and equipment	310 051	307 811
Intangible assets	79 151	28 551
Inventories	106 886	106 886
Trade and other receivables	111 860	111 860
Cash and cash equivalents	285 368	285 368
Non-current borrowings	(74 249)	(74 249)
Deferred tax liabilities	(24 395)	(6 747)
Trade and other payables	(94 463)	(94 463)
Current borrowings	(113 922)	(113 922)
Current tax liabilities	(1 424)	(1 424)
Fair value of assets acquired	584 863	549 671
Deferred receivable converted to consideration	(440 098)	
Amount outstanding for the remaining 49%	(329 280)	
Goodwill acquired	206 467	
Purchase consideration	21 952	

#The amount payable for the remaining 49% of the Latin American business is based on profit estimates for the earn-out period to June 2009. The amount was calculated using management's best estimates of the expected profit for the earn-out period.

If Aspen acquired 100% of the PharmaLatina group effective 1 March 2008, R5,8 million profit after tax would have been included in the 2008 financial results.

The following factors contributed to the recognition of goodwill:

– The potential for introducing Aspen's existing and pipeline products into major new markets.

– The potential for vertical integration with Aspen's existing business, specifically its manufacturing facilities in South Africa.

– Excellent growth prospects.

The figures shown above, have been calculated on a provisional basis and will be finalised only in the year ending June 2009.

41.2 Funding of the acquisition of the GSK brands

Refer to page 88 of the Directors' report.

41.3 Agreement to discontinue joint venture with Matrix Laboratories Ltd

Refer to page 89 of the Directors' report.

41.4 Acquisition of products in Brazil

Refer to page 89 of the Directors' report.

42. Segmental analysis

Primary segments: Geographical

	South Africa				Australia				India			
	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total
Gross revenue	3 759 686	73,3	3 275 368	77,4	708 989	13,8	508 529	12,0	280 917	5,5	189 875	4,5
Less: Intersegment sales	(1 288)		(9 142)		—		—		(82 155)		(90 342)	
Revenue	3 758 398	77,0	3 266 226	81,1	708 989	14,5	508 529	12,6	198 762	4,1	99 533	2,5
Operating profit before amortisation and disposals	1 059 040	81,6	1 049 247	87,8	95 653	7,4	71 214	6,0	47 314	3,6	20 996	1,8
Profit on sale of Formule Naturelle range	40 812		—		—		—		—		—	
Profit on sale of Shimoda Biotech (Pty) Ltd shares	4 982		—		—		—		—		—	
Profit on sale of 51% of Co-pharma Ltd	—		—		—		—		—		—	
Profit on sale of Avid Brands	—		3 417		—		—		—		—	
Operating profit before amortisation	1 104 834	81,2	1 052 664	87,9	95 653	7,0	71 214	5,9	47 314	3,5	20 996	1,8
Amortisation – intangible assets	(68 224)	53,4	(71 474)	59,0	(14 189)	11,1	(11 503)	9,5	(9 784)	7,7	(8 663)	7,1
Operating profit	1 036 610	84,1	981 190	91,2	81 464	6,6	59 711	5,5	37 530	3,1	12 333	1,1
Segment assets	4 697 024	43,3	6 187 397	82,1	554 065	5,1	546 548	7,3	437 284	4,0	234 606	3,1
Intangible assets	403 198	10,8	443 523	52,5	93 336	2,5	81 018	9,6	73 885	2,0	79 967	9,5
Segment liabilities	3 900 149	51,8	4 862 470	94,6	155 851	2,1	79 233	1,5	140 469	1,9	75 423	1,5
Capital additions	371 009	68,0	369 732	85,0	7 109	1,3	6 149	1,4	28 341	5,2	5 441	1,3
Net impairment charges	86 658	99,3	37 306	99,2	277	0,3	(259)	(0,7)	162	0,2	213	0,6
Depreciation	67 341	90,2	57 444	95,2	307	0,4	279	0,5	3 172	4,3	2 360	3,9
Number of employees (including part-time)	3 225	74,8	2 964	85,9	61	1,4	50	1,4	221	5,1	430	12,5
Cash flow (used in)/from operating activities	596 508	91,4	624 806	88,2	(13 097)	(2,0)	29 622	4,2	9 664	1,5	(14 572)	(2,1)
Cash flow (used in)/from investing activities	(171 048)	11,8	(340 393)	78,8	(5 629)	0,4	(16 196)	3,8	(28 033)	1,9	(5 441)	1,3
Cash flow from/(used in) financing activities	1 060 041	87,6	(13 101)	25,7	(2 720)	(0,2)	14 387	(28,3)	25 881	2,1	4 893	(9,6)

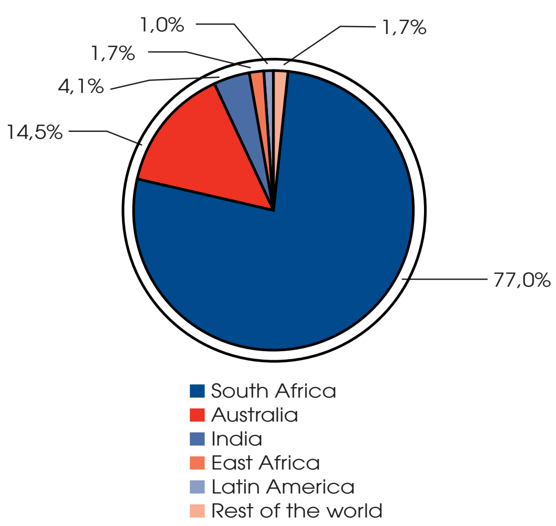
Secondary segments: Business

	Pharmaceutical				Consumer			
	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total
Revenue	3 785 868	77,6	3 031 704	75,3	1 095 405	22,4	994 150	24,7
South Africa	2 807 457		2 397 274		950 941		868 952	
Australia	585 129		393 329		123 860		115 200	
India	198 762		99 533		—		—	
Latin America	77 773		—		5 149		—	
East Africa	46 716		—		—		—	
Rest of the world	70 031		141 568		15 455		9 998	
Operating profit before amortisation and disposals	1 053 078	81,1	948 944	79,5	244 725	18,9	245 418	20,5
South Africa	852 940		838 826		206 100		210 421	
Australia	70 861		38 978		24 792		32 236	
India	47 314		20 996		—		—	
Latin America	2 119		—		321		—	
East Africa	10 635		—		—		—	
Rest of the world	69 209		50 144		13 512		2 761	
Operating profit before amortisation	1 074 658	79,0	948 944	79,2	285 537	21,0	248 835	20,8
South Africa	857 922		838 826		246 912		213 838	
Australia	70 861		38 978		24 792		32 236	
India	47 314		20 996		—		—	
Latin America	2 119		—		321		—	
East Africa	10 635		—		—		—	
Rest of the world	85 807		50 144		13 512		2 761	
Operating profit	964 420	78,3	842 587	78,3	268 060	21,7	234 042	21,7
South Africa	798 697		780 804		237 913		200 386	
Australia	56 672		27 935		24 792		31 776	
India	37 530		12 333		—		—	
Latin America	868		—		204		—	
East Africa	10 001		—		—		—	
Rest of the world	60 652		21 515		5 151		1 880	
Segment assets	9 216 420	85,0	5 553 702	73,7	1 632 175	15,0	1 978 260	26,3
South Africa	3 203 282		4 347 407		1 493 742		1 839 990	
Australia	459 893		486 806		94 172		59 742	
India	437 284		234 606		—		—	
Latin America	1 289 791		—		44 261		—	
East Africa	403 170		—		—		—	
Rest of the world	3 423 000		484 883		—		78 528	
Capital additions	442 470	81,1	336 915	77,5	102 850	18,9	97 803	22,5
South Africa	269 638		289 541		101 371		80 191	
Australia	7 109		6 088		—		61	
India	28 341		5 441		—		—	
Latin America	16 695		—		1 479		—	
East Africa	1 967		—		—		—	
Rest of the world	118 720		35 845		—		17 551	

	Latin America				East Africa				Rest of the world				Total			
	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total	2008 R'000	% of total	2007 R'000	% of total
	82 922	1,6	—	—	46 716	0,9	—	—	250 410	4,9	256 745	6,1	5 129 640	100,0	4 230 517	100,0
	—		—		—		—		(164 924)		(105 179)		(248 367)		(204 663)	
	82 922	1,7	—	—	46 716	1,0	—	—	85 486	1,7	151 566	3,8	4 881 273	100,0	4 025 854	100,0
	2 440	0,2	—	—	10 635	0,8	—	—	82 721	6,4	52 905	4,4	1 297 803	100,0	1 194 362	100,0
	—		—		—		—		—		—		40 812		—	
	—		—		—		—		—		—		4 982		—	
	—		—		—		—		16 598		—		16 598		—	
	—		—		—		—		—		—		—		3 417	
	2 440	0,2	—	—	10 635	0,8	—	—	99 319	7,3	52 905	4,4	1 360 195	100,0	1 197 779	100,0
	(1 368)	1,1	—	—	(634)	0,5	—	—	(33 516)	26,2	(29 510)	24,4	(127 715)	100,0	(121 150)	100,0
	1 072	0,1	—	—	10 001	0,8	—	—	65 803	5,3	23 395	2,2	1 232 480	100,0	1 076 629	100,0
	1 334 052	12,3	—	—	403 170	3,7	—	—	3 423 000	31,6	563 411	7,5	10 848 595	100,0	7 531 962	100,0
	79 151	2,1	—	—	81 880	2,2	—	—	2 991 684	80,4	240 147	28,4	3 723 134	100,0	844 655	100,0
	344 128	4,6	—	—	140 785	1,9	—	—	2 848 407	37,8	125 395	2,4	7 529 789	100,0	5 142 521	100,0
	18 174	3,3	—	—	1 967	0,4	—	—	118 720	21,8	53 396	12,3	545 320	100,0	434 718	100,0
	(202)	(0,2)	—	—	92	0,1	—	—	268	0,3	326	0,9	87 255	100,0	37 586	100,0
	1 530	2,1	—	—	2 036	2,7	—	—	257	0,3	253	0,4	74 643	100,0	60 336	100,0
	201	4,7	—	—	599	13,9	—	—	4	0,1	8	0,2	4 311	100,0	3 452	100,0
	(33 237)	(5,1)	—	—	(14 814)	(2,3)	—	—	107 360	16,5	68 704	9,7	652 384	100,0	708 560	100,0
	148 012	(10,2)	—	—	(34 357)	2,4	—	—	(1 365 159)	93,7	(69 431)	16,1	(1 456 214)	100,0	(431 461)	100,0
	178 839	14,8	—	—	(26 016)	(2,2)	—	—	(25 407)	(2,1)	(56 960)	112,2	1 210 618	100,0	(50 781)	100,0

	Total			
	2008 R'000	% of total	2007 R'000	% of total
	4 881 273	100,0	4 025 854	100,0
	3 758 398		3 266 226	
	708 989		508 529	
	198 762		99 533	
	82 922		—	
	46 716		—	
	85 486		151 566	
	1 297 803	100,0	1 194 362	100,0
	1 059 040		1 049 247	
	95 653		71 214	
	47 314		20 996	
	2 440		—	
	10 635		—	
	82 721		52 905	
	1 360 195	100,0	1 197 779	100,0
	1 104 834		1 052 664	
	95 653		71 214	
	47 314		20 996	
	2 440		—	
	10 635		—	
	99 319		52 905	
	1 232 480	100,0	1 076 629	100,0
	1 036 610		981 190	
	81 464		59 711	
	37 530		12 333	
	1 072		—	
	10 001		—	
	65 803		23 395	
	10 848 595	100,0	7 531 962	100,0
	4 697 024		6 187 397	
	554 065		546 548	
	437 284		234 606	
	1 334 052		—	
	403 170		—	
	3 423 000		563 411	
	545 320	100,0	434 718	100,0
	371 009		369 732	
	7 109		6 149	
	28 341		5 441	
	18 174		—	
	1 967		—	
	118 720		53 396	

Primary segments: Geographical revenue



Currency conversion (unaudited) – annexure 1

Currency of financial statements

The financial statements are expressed Rand.

The exchange rates at 30 June 2008 were as follows:

	2008	2007
USD	7,84	7,07
GBP	15,61	14,18
Euro	12,35	9,55
AUD	7,55	6,01
INR	0,18	0,17

Selected Group financial data translated into USD

Income statement and cash flow information was translated at an average rate of R7,32 (2007: R7,22).

Balance sheet information was translated at a closing rate of R7,84 (2007: R7,07).

	% Growth	2008 USD'000	2007 USD'000
Income statements for the year ended 30 June 2008			
Revenue	19,6	666 841	557 598
Cost of sales		(363 201)	(288 671)
Gross profit	12,9	303 640	268 927
Net operating expenses		(117 821)	(103 030)
Operating profit before amortisation	12,0	185 819	165 897
Amortisation of intangible assets		(17 447)	(16 780)
Operating profit	12,9	168 372	149 117
Investment income		35 987	19 359
Financing costs		(39 228)	(28 673)
		165 131	139 803
Share of after-tax net losses from associates		(154)	—
Net profit before tax	18,0	164 977	139 803
Tax		(46 880)	(40 404)
Profit for the year	18,8	118 097	99 399
Attributable to:			
Equity holders of the parent		117 883	99 351
Minority interests		214	48
Balance sheets at 30 June 2008			
Assets			
Non-current assets			
Property, plant and equipment		222 523	120 944
Goodwill		75 241	41 732
Intangible assets		474 890	119 470
Investments in associates		3 286	—
Available-for-sale financial assets		7	13
Preference share investment		—	53 296
Other non-current financial receivables		599	837
Deferred tax assets		129	2 138
Total non-current assets	129,5	776 675	338 430
Current assets			
Inventories	39,3	184 561	132 498
Trade and other receivables		228 250	123 189
Current tax assets		21	46
Financial assets at fair value through profit and loss		85	—
Cash and cash equivalents		194 157	471 179
Total current assets	(16,5)	607 074	726 912
Total assets	29,9	1 383 749	1 065 342

	% Growth	2008 USD'000	2007 USD'000
Shareholders' equity			
Share capital and share premium		71 061	105 565
Treasury shares		(80 977)	(84 702)
Non-distributable reserves		9 415	24 517
Share-based compensation reserve		9 239	7 197
Retained income		383 210	261 406
Ordinary shareholders' equity	24,8	391 948	313 983
Preference shares – equity component		22 911	22 911
		414 859	336 894
Minority interests		8 458	1 075
Total shareholders' equity	25,3	423 317	337 969
Liabilities			
Non-current liabilities			
Preference shares – liability component		51 287	57 070
Borrowings		9 683	3 669
Deferred-payables		106	634
Deferred revenue		214	863
Deferred tax liabilities		19 787	9 237
Retirement benefit obligations		1 200	1 012
Total non-current liabilities	13,5	82 277	72 485
Current liabilities			
Trade and other payables		128 057	91 493
Financial liability at amortised cost		338 395	—
Borrowings		395 859	537 739
Deferred-payables		1 395	8 926
Deferred revenue		101	179
Current tax liabilities		14 190	16 236
Financial liabilities at fair value through profit and loss		158	315
Total current liabilities	34,1	878 155	654 888
Total liabilities	32,0	960 432	727 373
Total equity and liabilities	29,9	1 383 749	1 065 342

Cash flow statements for the year ended 30 June 2008

	2008	2007
Net cash generated from operating activities	89 123	98 139
Net cash used in investing activities	(198 936)	(59 759)
Net cash generated from/(used in) financing activities	165 385	(7 033)
Effects of exchange rate changes	(5 411)	2 455
Movement in cash and cash equivalents	50 161	33 802
Cash and cash equivalents at the beginning of the year	70 365	36 563
Cash and cash equivalents at the end of the year	120 526	70 365

Share statistics (unaudited) – annexure 2

Analysis of shareholders at 30 June 2008

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Size of holding					
1 – 2 500	6 867	70,2	6 205 206	1,6	1,8
2 501 – 12 500	2 130	21,8	11 420 453	2,9	3,2
12 501 – 25 000	274	2,8	4 884 210	1,2	1,4
25 001 – 50 000	166	1,7	6 002 904	1,5	1,7
50 001 – and over	345	3,5	362 830 026	92,8	91,9
	9 782	100,0	391 342 799	100,0	100,0

Major shareholders

According to the register of shareholders at 30 June 2008, the following are the only registered beneficial shareholders, other than directors of the Company, who held in excess of 5% of the shareholding of the Company at that date. The directors' shareholdings are disclosed in the Directors' report,

Shareholder	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
CEPPWAWU	20 626 335	5,3	5,9
Public Investment Corporation	22 125 059	5,7	6,3
Allan Gray Asset Management	35 113 648	9,0	10,0
Pharmacare Ltd (treasury shares)	38 931 499	9,9*	
	116 796 541	29,9	22,2

**For the purposes of Section 89 of the Companies Act, Pharmacare Ltd owns less than 10% of the issued share capital.*

Shareholders' spread

In terms of paragraph 4,29(e) of JSE Ltd Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2008 was as follows:

		Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Non-public shareholders		79 057 834	20,2	11,4
Empowerment groups:	– CEPPWAWU	20 626 335	5,3	5,9
	– Imithi Investments (Pty) Ltd	13 400 000	3,4	3,8
	– Industrial Development Corporation	6 100 000	1,6	1,7
Treasury shares	– Pharmacare Ltd	38 931 499	9,9	
Public shareholders		312 284 965	79,8	88,6
Total shareholding		391 342 799	100,0	100,0
Foreign shareholding		57 318 618	14,6	16,3

Explanatory note: Specific purchase of treasury shares

Background

Pharmacare Ltd acquired various tranches of Aspen shares in July 2004 and June 2005 and currently holds approximately 10% (38 931 499 shares) of the issued share capital in Aspen ("treasury shares"). In terms of Section 89 of the Companies Act, 1973, as amended, subsidiaries may hold up to a maximum of 10% of the aggregate number of issued shares of their holding company. In order to create new capacity for Aspen to purchase further Aspen shares through its subsidiaries, the Board has resolved that Aspen should purchase the treasury shares from Pharmacare Ltd. The treasury shares will, following their purchase, be cancelled as issued shares and restored to the status of authorised shares. The cancellation of the treasury shares following their purchase will not place Aspen in breach of the spread regulations of JSE Ltd.

Specific purchase

The specific repurchase will be performed at a price of R30,81 per Aspen ordinary share, being the closing share price for Aspen on 27 October 2008. The specific repurchase will have no financial effect on Aspen or its shareholders other than in respect of transaction costs that are normally incurred in transactions of this nature, namely securities transfer tax, brokers' fees, JSE Ltd inspection fees and Strate settlement fee. As this repurchase is intra-group there will be no cash outflow from the Group for the specific repurchase. Application will be made to JSE Ltd for the delisting of the treasury shares once they have been repurchased and the special resolution relating thereto has been registered with the Registrar of Companies. In terms of the Listings Requirements of JSE Ltd and the provisions of the Companies Act. Pharmacare Ltd will be excluded from voting on the special resolution of shareholders required to authorise this specific repurchase.

Adequacy of capital

The directors of Aspen have considered the impact of the specific repurchase and are of the opinion that the:

- Company and the Group will be able in the ordinary course of business to pay its debt for a period of 12 months after the date of approval of the special resolution;
- assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the approval of the special resolution. For this purpose the assets and liabilities were recognised and measured in accordance with the accounting policies used in the audited annual financial statements of the Group;
- share capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the approval of the special resolution; and
- working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the approval of the special resolution.

Material change

There has been no material change in the financial position of Aspen since the publication of the preliminary financial statements for the year ended 30 June 2008, other than disclosed under post-balance sheet events (refer to note 41 for more information).

Share capital

The table below sets out the issued and authorised issued share capital of Aspen before and after the specific purchase.

	R'million
Authorised	
700 000 000 ordinary shares with a par value of 13,90607 cents each	97,3
Issued – before the specific repurchase 398 999 738* ordinary shares with a par value of 13,90607 cents each	55,5
Issued – after the specific repurchase 360 068 239 ordinary shares with a par value of 13,90607 cents each	50,1
Treasury shares – before the specific repurchase 38 931 499	571,6
Treasury shares – after the specific repurchase Nil	—

**Number of shares in issue at date of approval of this annual report.*

Financial effects

The repurchase of treasury shares will not have any effect on headline earnings per share and net asset value per share.

The repurchase of treasury shares will be effected from within the Group.

aspen HOLDINGS

Investec Bank Limited

Investec Bank Limited (Registration number 1969/004763/06)

Notice is hereby given that the annual general meeting of shareholders of Aspen Pharmacare Holdings Ltd will be held at Building Number 8, Healthcare Park, Woodlands Drive, Woodmead, Johannesburg, Gauteng on Friday, 28 November 2008 at 09:30.

The following business will be transacted and resolutions proposed, with or without modification:

Ordinary business

1. **Ordinary resolution number 1**

   Approval of annual financial statements

   To receive, approve and adopt the annual financial statements of the Company and of the Group for the year ended 30 June 2008.

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) Archie Aaron
   (b) Rafique Bagus
   (c) Pasco Dyani
   (d) Roy Andersen

   All of whom are eligible and offer themselves for re-election.

   Abbreviated biographical details of the directors are set out in the directorate.

3. **Ordinary resolution number 3**

   Reappointment of external auditors

   To reappoint 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 2009 on the following basis:

Type of fee	Existing fee for the year ended 30 June 2008 R	Proposed fee for the year ending 30 June 2009 R
Group Board		
Chairman	320 000	500 000
Member	160 000	176 000
Audit & Risk Committee		
Chairman	160 000	176 000
Member	80 000	88 000
Remuneration & Nomination Committee		
Chairman	55 000	60 500
Member	27 500	30 250
Transformation Committee		
Member	42 500	46 750

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 JSE Ltd, provided that:

   - the distribution will be made *pro rata* to all ordinary shareholders;
   - the general authority shall be valid until the next annual general meeting of the Company or for 15 months from the passing of this ordinary resolution, whichever period is the shorter; and
   - any general distribution of share premium by the Company shall not exceed 20% of the Company's issued share capital and reserves, excluding minority interests.

The directors of the Company are of the opinion that, were the Company to enter into a transaction to distribute share capital and/or reserves up to a maximum of 20% of the current issued share capital and reserves, 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."

It is the intention to utilise such authority when recommending the final distribution to shareholders on publication of the preliminary results for June 2009.

7. Ordinary resolution number 7

Renewal of the authority that the unissued shares be placed under the control of the directors

"Resolved that all of the ordinary shares in the authorised but unissued share capital of the Company be and are hereby placed at the disposal and under the control of the directors until the next annual general meeting of the Company, and that the directors be and are hereby authorised and empowered, subject to the provisions of the Act, and the Listings Requirements of JSE Ltd, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such times as the directors may from time-to-time in their discretion deem fit."

8. Ordinary resolution number 8

Authorisation of an executive director to sign necessary documents

"Resolved that any one executive director of the Company be and is hereby authorised to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed 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:

9. Special resolution number 1

General authority to repurchase Company shares

"Resolved that the Company or any of its subsidiaries, be and are hereby authorised by way of a general authority, to acquire up to a further 20% of the Company's ordinary issued share capital (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital), in terms of Sections 85(2) and 85(3) of the Companies Act 61 of 1973, as amended, and of the Listings Requirements of JSE Ltd. Such general approval shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution. Such authority is subject to the following conditions:

- any such acquisition of ordinary shares shall be implemented through the order book operated by the JSE Ltd's trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- acquisitions in the aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of the passing of 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 appoint only 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 JSE Ltd before entering the market to proceed with the repurchase;
- the Company remaining in compliance with minimum shareholder spread requirements of JSE Ltd Listings Requirements; and
- the Company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by JSE Ltd 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 Stock Exchange News Service prior to the commencement of the prohibited period."

Opinion of the directors

Should the authority be granted at the Company's annual general meeting, it will provide the Board of Directors with the flexibility to repurchase such shares as and when 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 JSE Ltd before entering the market to proceed with the repurchase.

10. Special resolution number 2

Specific authority to purchase treasury shares

"Resolved that the Board of Directors of the Company be hereby authorised, by way of a specific authority, to approve the purchase in terms of Section 85 of the Companies Act of 1973, as amended, by Aspen of 38 931 499 treasury shares from Pharmacare Ltd, a wholly owned subsidiary of Aspen, at a price of R30,81 per share, being the closing share price for Aspen on JSE Ltd on 27 October 2008.

The Board of Directors of the Company is of the opinion that, after considering the effect of this specific repurchase the:

- Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of approval of this special resolution;
- assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the approval of the special resolution. For this purpose the assets and liabilities were recognised and measured in accordance with the accounting policies used in the audited annual financial statements of the Group;

- share capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the approval of this special resolution;
- working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the approval of this special resolution; and
- the Company and/or its subsidiaries will not repurchase any shares during the prohibited period as defined by JSE Ltd 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 Stock Exchange News Service prior to the commencement of the prohibited period."

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.

11. Other

To transact such other business as may be transacted at an annual general meeting of shareholders.

Votings and proxies

Certified shareholders and dematerialised shareholders with "own name" registration

A shareholder entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and on a poll to vote in his/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 27 November 2008.

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

HA Shapiro
Company Secretary
Johannesburg

27 October 2008

Explanatory notes to resolutions for consideration at the annual general meeting

Ordinary business

Ordinary resolution number 1: Approval of annual financial statements

The directors must present to shareholders at the annual general meeting the annual financial statements incorporating the Directors' report and the report of the auditors for the year ended 30 June 2008. 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 is required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed since the last annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

Ordinary resolution number 3: Re-appointment of external auditors

The reason for proposing ordinary resolution number 3 is to confirm the appointment of PricewaterhouseCoopers Inc., as well as the audit partner, as 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 requirements of the Act, and JSE Ltd, provide the Board with the flexibility to distribute any surplus capital of the Company to its shareholders. This general approval shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this ordinary resolution.

Ordinary resolution number 7: Directors' control of unissued ordinary shares

It is considered beneficial 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, provided that it shall not extend beyond 15 months from the date of passing of this ordinary resolution.

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 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 subsidiary to acquire its own shares. The effect will be to grant the directors a general authority to purchase shares in Aspen.

Such general authority will provide the Board with the flexibility, subject to the requirements of the Act and JSE Ltd, to repurchase the Company's shares should it be in the interests of the Company while the general authority exists. This general authority shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution.

Special resolution number 2: Specific authority to purchase treasury shares

The reason for and effect of the special resolution is to grant the Company's directors a specific authority to approve the purchase by the Company of 38 931 499 treasury shares of R30,81 each in the issued share capital of the Company from Pharmacare Ltd, a wholly owned subsidiary of Aspen.

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 JSE Ltd Listings Requirements for purposes of the general authority to repurchase the Company's shares:

- Directors and management page 54;
- Major beneficial shareholders page 170;
- Directors' interests in ordinary shares page 88;
- Share capital of the Company page 127;
- Directors' report page 86.

Litigation statement

In terms of Section 11.26 of JSE Ltd 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 special resolutions and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all relevant information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The Company undertakes to advise the sponsor before embarking on a general repurchase or capital distribution, in order to enable the sponsor to furnish JSE Ltd with written confirmation of the Company's working capital.

Administration

Secretary
Hymie Aaron Shapiro
CA(SA), HDipTax Law

Registered office and postal address
Building Number 8, Healthcare Park, Woodlands Drive
Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone 011 239 6100
Telefax 011 239 6144

Registration
1985/002935/06

Share code
APN ISIN: ZAE 000066692

Attorneys
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 Financial Services (Pty) Ltd
Nedbank Ltd

Sponsors
Investec Securities Ltd

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Transfer office:
70 Marshall Street, Johannesburg
Postal address:
PO Box 61050, Marshalltown, 2107
Telephone 011 370 5000
Telefax 011 370 5271

Website address
www.aspenpharma.com

Shareholders' diary

Financial year-end	30 June 2008
Annual general meeting	28 November 2008
Reports and Group results announcement for the 2009 financial year	
Interim report	February 2009
Profit announcement for the year	August 2009
Annual financial statements	October 2009

Form of proxy

This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP or broker). Such shareholders should provide their CSDP broker with their voting instructions.

ASPEN PHARMACARE HOLDINGS LIMITED
Registration number 1985/002935/06
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 8, Healthcare Park, Woodlands Drive, Woodmead, Gauteng, on Friday, 28 November 2008, 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 2008			
2. (a) to re-elect Archie Aaron as a director of the Company			
(b) to re-elect Rafique Bagus as a director of the Company			
(c) to re-elect Pasco Dyani as a director of the Company			
(d) to re-elect Roy Andersen as a director of the Company			
3. To reappoint the auditors, PricewaterhouseCoopers Inc.			
4. To authorise the directors to determine the remuneration of the auditors			
5. To approve the remuneration of the non-executive directors as set out in the notice of the annual general meeting			
6. To grant the directors a general authority to distribute share capital and reserves			
7. To place unissued shares under the control of the directors			
8. To authorise an executive director to sign documents necessary for or incidental to the resolutions passed at the annual general meeting			
Special business Special resolution to: 1. Give authority until the next annual general meeting for the Company or any of its subsidiaries to repurchase the Company's shares			
2. Give specific authority for the Company to purchase treasury shares			

Signed this ______________ day of ______________ 2008

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, 27 November 2008.

To be completed and mailed to: Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61050, Marshalltown, 2107).

Products depicted

Aspen Nevirapine 200mg Tablets – 60s
S4 Reg No. 38/20.2.8/0240
Each tablet contains Nevirapine 200 mg

Aspen Stavudine 15mg Capsules – 60s
S4 Reg No. 37/20.2.8/0110
Each capsule contains Stavudine 15 mg

Aspen Stavudine 20mg Capsules – 60s
S4 Reg No. 37/20.2.8/0111
Each capsule contains Stavudine 20 mg

Aspen Stavudine 30mg Capsules – 60s
S4 Reg No. 37/20.2.8/0112
Each capsule contains Stavudine 30 mg

Truvada™ Tablets – 30s
S4 Reg No. 41/20.2.8/0171
Each tablet contains Emtricitabine 200 mg and Tenofovir disoproxil fumarate 300 mg, equivalent to Tenofovir disoproxil 245 mg.

Aspen Lamzid Tablets – 60s
S4 Reg No. 38/20.2.8/0112
Each tablet contains Lamivudine 150 mg and Zidovudine 300 mg

Vectoryl 4mg Tablets – 30s
S3 Reg No. 34/7.1.3/0480
Each tablet contains Perindopril tert-butylamine salt 4 mg

Flutex® Effervescent Tablets – 12s
S2 Reg No. 35/5.8/0152
Each tablet contains Chlorpheniramine maleate 4 mg, Paracetamol 500 mg, Pseudoephedrine hydrochloride 50 mg and Vitamin C 330 mg

Flusin® Tablets – 24s
S2 Ref No. C562 (Act/Wet 101/1965)
Each tablet contains Chlorpheniramine maleate 2 mg, Ephedrine hydrochloride 6 mg, Paracetamol 200 mg and Caffeine 20 mg

Lenadol® Tablets – 18s, 100s and 500s
S2 Reg No. M/2.9/4
Each tablet contains Paracetamol 400 mg, Diphenhydramine hydrochloride 5 mg, Caffeine anhydrous 50 mg and Codeine phosphate 10 mg

Viread® Tablets – 30s
S4 Reg No. A40/20.2.8/0681
Each tablet contains Tenofovir disoproxil fumarate 300 mg which is equivalent to Tenofovir disoproxil 245 mg

Safyr Bleu Eye Drops – 5 ml, 10 ml and 15 ml
S0 Ref No. H1318 (Act 101/1965)
Each 1 ml contains Naphazoline nitrate 0,5 mg

Laspar Powder for injection
S4 Reg No. C26/163
Each vial contains 10 000 KU L-Asparagine amidohydrolase, in the form of freeze-dried powder

Guronsan® C Effervescent Tablets – 10s
S0 Reg No. G33/2480
Each tablet contains Caffeine 50 mg, Glucuronamide 20 mg, Glucuronolactone 30 mg and Vitamin C 500 mg

Thinz Alcachofra Tablets – 60s
Each tablet contains Dry extract of Artichoke *Cynara scolymus L; Compositae* – (0,5 % of Cinarina) 100 mg, Dry extract of Jurubeba *Solanum paniculatum L; Solanaceae* – (E:D/1:4) 50 mg, Dry extract of Boldo *Peumus boldus (Molina) Lyons; Monimiaceae* – (0,1% of Boldina) 50 mg, Magnesium sulphate monohydrate 100 mg, Choline bitartrate 10 mg

Thinz Alcachofra Tablets – 120s
Each tablet contains Dry extract of Artichoke *Cynara scolymus L; Compositae* – (0,5 % of Cinarina) 100 mg, Dry extract of Jurubeba *Solanum paniculatum L; Solanaceae* – (E:D/1:4) 50 mg, Dry extract of Boldo *Peumus boldus (Molina) Lyons; Monimiaceae* – (0,1% of Boldina) 50 mg, Magnesium sulphate monohydrate 100 mg, Choline bitartrate 10 mg

Laxador® Senna 7,5 mg Tablets – 15s
S0 Reg No. A39/11.5/0261
Each tablet contains Calcium Sennosides equivalent to Sennosides 7,5 mg

Lennon Senna 7,5 mg Tablets – 15s
S0 Reg No. A39/11.5/0285
Each tablet contains Calcium Sennosides equivalent to Sennosides 7,5 mg

Mitomycin-C 10mg Powder for Injection
S4 Reg No. R26/48
Each vial contains crystalline Mitomycin-C 10 mg and Sodium chloride 240 mg

Mitomycin-C 2mg Powder for Injection
S4 Ref No. H2764 (Act 101/1965)
Each vial contains crystalline Mitomycin-C 2 mg and Sodium chloride 48 mg

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.

www.aspenpharma.com

BASTION GRAPHICS

www.aspenpharma.com
Registration number: 1985/002935/06
Share code: APN ISIN: ZAE 000066692