Aspen Pharmacare Holdings Limited

Annual Financial Statements 2012

Contents

	Page
Certificate of the Company Secretary	IFC
Statement of responsibility by the Board of Directors	1
Independent auditors' report to the shareholders of Aspen Pharmacare Holdings Limited	2
Directors' Report	3
Group statement of financial position	6
Group statement of comprehensive income	7
Group segmental analysis	8
Group statement of changes in equity	10
Group statement of cash flows	12
Notes to the Group statement of cash flows	13
Accounting policies	16
Significant judgements and estimates	38
Notes to the Group Annual Financial Statements	41
Company Annual Financial Statements	113
Normalised headline earnings reconciliation (unaudited) – Annexure 1	142
Currency conversion for convenience purposes (unaudited) – Annexure 2	144
Shareholder statistics (unaudited) – Annexure 3	146
Board of directors and directors' shareholding (unaudited) – Annexure 4	148
Shareholders' diary	152
Administration	IBC

Certificate of the Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2012, the Company has lodged with the Companies and Intellectual Property Commission 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.

Riaan Verster
Company Secretary

Johannesburg
22 October 2012

Company names and currencies have been abbreviated throughout this report. Full names can be referenced from the abbreviations bookmark.

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Aspen Pharmacare Holdings Limited and its subsidiaries.

The directors consider that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the Annual 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 Annual 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 Annual Financial Statements comply with the relevant legislation.

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

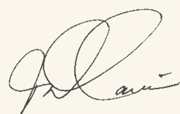
Aspen Pharmacare Holdings Limited and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets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

The going concern basis has been adopted in preparing the Annual 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 Annual Financial Statements support the viability of the Company and the Group.

The Code of Conduct has been adhered to.

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Annual Financial Statements, and their report is presented on page 2.

The Annual Financial Statements were prepared by the Group Finance Officer, Sean Capazorio, CA(SA), and approved by the Board of Directors on 22 October 2012 and are signed on its behalf:



Judy Dlamini
Chairman

Gus Attridge
Deputy Group Chief Executive

Johannesburg
22 October 2012

We have audited the consolidated Annual Financial Statements and Annual Financial Statements of Aspen Pharmacare Holdings Limited set out on pages 3 to 141, which comprise the consolidated and separate statements of financial position as at 30 June 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the Directors' Report.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S 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 about 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Aspen Pharmacare Holdings Limited as at 30 June 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Incorporated
Director: Eric Mackeown
Registered Auditor

Johannesburg
22 October 2012

The directors have pleasure in presenting their report on the Group and the Company for the year ended 30 June 2012.

NATURE OF BUSINESS

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of pharmaceutical, branded consumer, OTC and nutritional products, operating primarily in the healthcare industry. Aspen supplies medicines to more than 150 countries worldwide. It is the leading supplier of medicines in South Africa.

FINANCIAL RESULTS AND REVIEW OF OPERATIONS

The financial results of the Group are set out on pages 6 to 112 and of the Company on pages 113 to 141 of the Annual Financial Statements. The Group Segmental Analysis is included on pages 8 and 9.

The consolidated earnings attributable to equity holders of the Company amounted to R2 817,8 million for the year, compared with R2 577,8 million for the previous year, an increase of 9%. Headline earnings per share from continuing operations increased by 27% from 510,9 cents to 649,7 cents.

The financial results are more fully described in the Annual Financial Statements.

SHARE CAPITAL

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

The authorised ordinary and preference share capital of Aspen is as follows:

Authorised ordinary share capital

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

Authorised preference share capital

The 17 600 000 cumulative, variable rate A preference shares with a par value of 13,90607 cents each were converted to ordinary shares on 28 June 2012 and now form part of the ordinary share capital of the Company.

Shareholders will be requested for authority to cancel the 20 000 000 non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each.

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

Ordinary shares	Number of shares ('million)	Share capital (R'million)	Share premium (R'million)
Opening balance	433,9	60,3	4 749,3
Capital distribution	–	–	(457,6)
Shares issued – share schemes	3,3	0,5	24,6
Conversion of preference shares	17,6	2,4	374,4
	454,8	63,2	4 690,7

Further details of the authorised and issued share capital of the Company are given in notes 13 and 16 of the Group Annual Financial Statements and notes 9 and 10 of the Company Annual 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 have taken place during the year under review and to the date of this report:

Resignations and appointments

David Nurek retired as a non-executive director with effect from 1 December 2011. Kuseni Dlamini was appointed as a non-executive director with effect from 1 April 2012. Hymie Shapiro resigned as Company Secretary with effect from 1 December 2011 and was replaced by Riaan Verster, whose appointment took effect on the same date.

The names of the directors in office at the date of this report are set out on pages 148 and 149. The Company Secretary is Riaan Verster. His business and postal addresses appear on the inside back cover of this report.

In terms of the Company's Memorandum of Incorporation, Judy Dlamini, John Buchanan and Rafique Bagus retire by rotation and, being eligible, offer themselves for re-election. Kuseni Dlamini has been appointed by the board of the company during the period and being eligible, offers himself for election.

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

Details of directors' interests in the Company's issued shares are shown on pages 150 and 151 of this report and directors' remuneration details are set out in note 26 of the Group Annual Financial Statements.

No changes have taken place in the interests of the directors in the shares of the Company since 30 June 2012 up to the date of this report.

GROUP SHARE TRADING POLICY

It is Group policy that all directors and employees should not deal in shares or exercise share options and/or share appreciation rights of the Company for the periods from half year-end and year-end to 24 hours after publication of the half-year and year-end results or when the Company is trading under a cautionary announcement.

ACQUISITIONS

- A multi-territory agreement was concluded with GSK in April 2012 for the acquisition of a portfolio of established OTC products in selected territories including South Africa, Australia and Brazil for a consideration of R2,1 billion. Some of the products acquired in terms of this transaction include recognised household brands such as Phillips Milk of Magnesia, Dequadin, Solpadeine, Cartia, Zantac and Borstol. The transaction was effective from 1 May 2012 except for certain markets where competition authority approval was required, i.e. South Africa, Swaziland, Namibia, Kenya, Tanzania and, in respect of the product Zantac, Australia. Competition authority approval was granted in Australia, South Africa and Swaziland during July and August 2012. Kenya, Tanzania and Namibia are the only markets where competition authority approvals have not yet been granted.
- The Company acquired the remaining 40% non-controlling interest shareholding in Shelys Africa Limited effective from 14 April 2012. This increased Aspen's ownership of Shelys to 100%.
- The Company acquired a further 42,5% in Brimpharm SA (Pty) Limited effective from 31 May 2012. This increased Aspen's ownership of Brimpharm SA (Pty) Limited to 92,5%.

DISPOSALS

- An agreement was reached in June 2011 for the sale of the Campos facility and related products in Brazil to Strides as the specialised manufacture of penicillins and penems, primarily for the public sector and contract manufacturing business, was not considered to be core to the product offering of Aspen Brazil. The conditions precedent were fulfilled in December 2011.
- The sale of the South African toothpaste business to the Unilever group was concluded in September 2011.

CAPITAL DISTRIBUTION

Taking into account the earnings and cash flow performance for the year ended 30 June 2012, existing debt service commitments and future proposed investments, notice was given that, in terms of a general authority to distribute the Company's capital granted by shareholders at the annual general meeting held on 1 December 2011, a capital distribution of 157 cents per ordinary share (2011: 105 cents) by way of a capital reduction (being a payment out of pure contributed tax capital) was declared, payable out of share premium to shareholders recorded in the share register of the Company at the close of business on Friday, 12 October 2012. The directors are of the opinion that the Company will satisfy the solvency and liquidity requirement of section 46, of the Companies Act. Future distributions will be decided on a year-to-year basis.

In compliance with IAS 10 *Events After the balance sheet date*, the capital distribution will only be accounted for in the Annual Financial Statements in the year ending 30 June 2013.

Last day to trade cum capital distribution	Friday, 5 October 2012
Shares commence trading ex capital distribution	Monday, 8 October 2012
Record date	Friday, 12 October 2012
Payment date	Monday, 15 October 2012

GOING CONCERN

The Annual Financial Statements contained in this report have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the availability of unutilised funding and the budgets for the period to June 2013, the Board believes that the Group and the Company have adequate resources to continue in operation for the forthcoming year.

SPECIAL RESOLUTIONS

At the annual general meeting of Aspen shareholders convened on 1 December 2011, the following special resolutions were passed by the Company:

- The remuneration of non-executive directors for the period 1 July 2012 to the date of the 2012 annual general meeting were approved by shareholders;
- The Company was authorised to provide a guarantee to Nedbank Limited under its obligations of a Term Loan Agreement dated 18 July 2011, in terms of which Pharmacare borrowed an amount of R215 million;
- The Company was authorised to provide a guarantee to ABSA Bank Limited under its obligations of a Term Loan Agreement dated 10 August 2011, in terms of which Pharmacare borrowed an amount of R215 million;
- The Company and any of its subsidiaries was authorised to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to any companies or corporations that are related or inter-related to the Company. It should be noted that this resolution did not authorise financial assistance to a director or a prescribed officer of the Company or any company or person related to a director or prescribed officer of the Company. This authority is valid for a period of two years from the date of approval;
- A general authority was granted to Aspen and its subsidiaries to acquire up to 20% of the Company's ordinary issued share capital from time-to-time. This general authority is valid until Aspen's next annual general meeting, provided that it shall not extend beyond 15 months from the date of approval.

The following special resolutions were passed by Pharmacare during the year:

- A general authority was granted to Pharmacare to provide direct or indirect financial assistance to a related or inter-related company to Pharmacare. This authority is valid until Pharmacare's next annual general meeting, or until revoked at a special general meeting of shareholders.

AUDITORS

The Board recommends that PricewaterhouseCoopers Incorporated be re-appointed as auditors of the Group and the Company in terms of the resolution to be proposed at the annual general meeting in accordance with the Companies Act.

The directors further confirm that the Audit & Risk Committee has addressed the specific responsibility required by it in terms of the Companies Act and that membership of the Audit & Risk Committee will be proposed to shareholders by ordinary resolution at the annual general meeting.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The financial information in respect of the Group's and the Company's interests in its subsidiaries and associates is set out in note 24 of the Company 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 38 of the Group Annual Financial Statements and note 20 of the Company Annual Financial Statements.

BORROWINGS

Borrowings at year-end (net of cash and cash equivalents) amounted to R7,1 billion (2011: R6,3 billion).

This level of borrowings is authorised in terms of the Company's and its subsidiaries' Memoranda of Incorporation, or similar constituting documents and have been authorised in terms of the required board approvals.

A detailed list of borrowings is set out in note 18 of the Group Annual Financial Statements and note 12 of the Company Annual Financial Statements.

SUBSEQUENT EVENTS

A selected territory agreement was concluded in May 2012 with Novartis Pharma AG for the acquisition of two pharmaceutical products, Enablex and Tofranil, for a total consideration of R442 million. The principal territories for Enablex are Brazil, South Africa, Mexico and Turkey and for Tofranil are Brazil and Mexico. The transaction was subject to suspensive conditions which were fulfilled and the transaction closed on 31 July 2012.

An agreement was concluded with GSK in August 2012 for the acquisition of a portfolio of 25 established pharmaceutical products distributed in Australia for a consideration of GBP172 million. The transaction is subject to the approval of the Australian competition authority and a decision in this regard is expected in the last quarter of 2012. The products include well recognised brands such as Amoxil, Augmentin, Imigran, Kapanol, Lamactil, Mesasal, Timentin, Valtrex, Zantac and Zofran.

at 30 June 2012

	Notes	2012 R'million	2011 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3 807,0**	3 651,5
Goodwill	2	**5 343,9**	4 626,6
Intangible assets	3	**11 869,8**	8 916,7
Other non-current financial receivables	5	**31,5**	11,8
Deferred tax assets	6	**234,4**	216,5
Total non-current assets		**21 286,6**	17 423,1
Current assets			
Inventories	7	**3 292,0**	2 628,1
Trade and other receivables	8	**3 782,3**	3 105,5
Current tax assets		**37,8**	158,3
Derivative financial instruments	9	**5,1**	–
Cash and cash equivalents	10	**3 313,5**	3 039,2
Cash restricted for use	11	**1,2**	28,7
Total operating current assets		**10 431,9**	8 959,8
Assets classified as held-for-sale	12	**–**	414,5
Total current assets		**10 431,9**	9 374,3
Total assets		**31 718,5**	26 797,4
SHAREHOLDERS' EQUITY			
Share capital and share premium	13	**4 753,9**	4 809,6
Treasury shares	14	**(50,8)**	(33,4)
Non-distributable reserves		**1 369,5**	(108,1)
Share-based compensation reserve	15	**33,6**	32,5
Retained income		**11 283,2**	8 363,6
Ordinary shareholders' equity		**17 389,4**	13 064,2
Preference shares – equity component	16	**–**	162,0
		17 389,4	13 226,2
Non-controlling interests	17	**8,7**	61,1
Total shareholders' equity		**17 398,1**	13 287,3
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	16	**–**	381,3
Borrowings	18	**6 254,1**	4 249,0
Deferred revenue	19	**143,6**	148,2
Deferred tax liabilities	6	**536,0**	504,9
Retirement benefit obligations	20	**66,4**	18,8
Total non-current liabilities		**7 000,1**	5 302,2
Current liabilities			
Trade and other payables	21	**2 929,2**	2 830,8
Borrowings	18	**4 127,1**	5 138,0
Deferred revenue	19	**8,7**	19,2
Current tax liabilities		**233,2**	123,4
Derivative financial instruments	22	**22,1**	65,6
Total operating current liabilities		**7 320,3**	8 177,0
Liabilities associated with assets held-for-sale	12	**–**	30,9
Total current liabilities		**7 320,3**	8 207,9
Total liabilities		**14 320,4**	13 510,1
Total equity and liabilities		**31 718,5**	26 797,4

Group statement of comprehensive income

for the year ended 30 June 2012

	Notes	2012 R'million	2011 R'million
CONTINUING OPERATIONS			
Revenue	23	**15 255,8**	12 383,2
Cost of sales		**(7 979,5)**	(6 769,7)
Gross profit		**7 276,3**	5 613,5
Selling and distribution expenses		**(1 967,4)**	(1 460,7)
Administrative expenses		**(1 101,8)**	(827,3)
Other operating income		**218,9**	192,8
Other operating expenses		**(485,4)**	(369,3)
Operating profit	24	**3 940,6**	3 149,0
Investment income	27	**275,4**	193,2
Financing costs	28	**(776,0)**	(605,3)
Profit before tax		**3 440,0**	2 736,9
Tax	29	**(772,3)**	(582,1)
Profit after tax from continuing operations		**2 667,7**	2 154,8
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	32	**159,2**	434,0
Profit for the year		**2 826,9**	2 588,8
OTHER COMPREHENSIVE INCOME, NET OF TAX	33		
Currency (losses)/gains on net investment in Aspen Australia		**(53,3)**	81,2
Net investment hedge profit/(loss) in Aspen Australia		**6,8**	(66,1)
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business		**–**	216,8
Cash flow hedges realised		**–**	4,6
Currency translation gains/(losses)		**1 494,4**	(223,0)
Unrealised cash flow hedges recognised		**32,6**	59,7
Total comprehensive income		**4 307,4**	2 662,0
Profit for the year attributable to			
Equity holders of the parent		**2 817,8**	2 577,8
Non-controlling interests		**9,1**	11,0
		2 826,9	2 588,8
Total comprehensive income attributable to			
Equity holders of the parent		**4 295,4**	2 655,3
Non-controlling interests		**12,0**	6,7
		4 307,4	2 662,0
EARNINGS PER SHARE			
Basic earnings per share (cents)			
From continuing operations	30	**609,3**	495,2
From discontinued operations		**36,5**	100,3
		645,8	595,5
Diluted earnings per share (cents)			
From continuing operations	30	**588,2**	476,5
From discontinued operations		**35,0**	95,5
		623,2	572,0

for the year ended 30 June 2012

	2012 R'million	2012 % of total	Restated 2011 R'million	Restated 2011 % of total	Change
REVENUE FROM CONTINUING OPERATIONS					
South Africa	**6 159,9**	**38**	6 296,2	48	(2%)
Sub-Saharan Africa	**1 651,7**	**10**	1 300,9	10	27%
Asia Pacific	**6 021,0**	**37**	3 003,5	23	100%
International	**2 522,9**	**15**	2 613,5	19	(3%)
Total gross revenue	**16 355,5**	**100**	13 214,1	100	24%
Adjustment*	**(1 099,7)**		(830,9)		
Total revenue	**15 255,8**		12 383,2		23%
OPERATING PROFIT BEFORE AMORTISATION FROM CONTINUING OPERATIONS					
Adjusted for specific non-trading items ("EBITA")					
South Africa	**1 768,4**	**40**	1 934,1	55	(9%)
Operating profit#	**1 616,2**		1 857,4		(13%)
Amortisation of intangible assets	**66,8**		51,1		
Insurance compensation – capital component	**–**		(14,3)		
Restructuring costs	**3,4**		11,3		
Impairment of assets	**82,0**		28,6		
Sub-Saharan Africa	**247,9**	**6**	177,4	5	40%
Operating profit#	**241,9**		182,4		33%
Amortisation of intangible assets	**4,2**		3,7		
Profit on sale of non-current assets	**–**		(8,7)		
Restructuring costs	**1,7**		–		
Impairment of assets	**0,1**		–		
Asia Pacific	**1 460,2**	**33**	641,7	19	128%
Operating profit#	**1 291,6**		551,1		134%
Amortisation of intangible assets	**100,2**		51,2		
Profit on sale of non-current assets	**–**		(6,4)		
Transaction costs	**–**		24,5		
Restructuring costs	**68,4**		21,3		
International	**938,5**	**21**	735,4	21	28%
Operating profit#	**790,9**		558,1		42%
Amortisation of intangible assets	**41,1**		37,0		
Transaction costs	**–**		61,6		
Impairment of assets	**106,5**		78,7		
Total EBITA	**4 415,0**	**100**	3 488,6	100	27%

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

 # This total of R3 940,6 million (2011: R3 149,0 million) agrees to the statement of comprehensive income.

for the year ended 30 June 2012

	2012		Restated 2011		
	R'million	**% of total**	R'million	% of total	Change
ENTITY-WIDE DISCLOSURE – REVENUE FROM CONTINUING OPERATIONS					
Analysis of revenue in accordance with customer geography					
South Africa – pharmaceutical	**5 161,7**	**32**	5 177,7	39	0%
South Africa – consumer	**998,2**	**6**	1 118,5	9	(11%)
Sub-Saharan Africa	**1 651,7**	**10**	1 300,9	10	27%
Asia Pacific	**6 088,8**	**37**	3 090,8	23	97%
Latin America	**1 023,7**	**6**	924,9	7	11%
Rest of the world	**1 431,4**	**9**	1 601,3	12	(11%)
Total gross revenue	**16 355,5**	**100**	13 214,1	100	24%
Adjustment*	**(1 099,7)**		(830,9)		
Total revenue	**15 255,8**		12 383,2		23%

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

for the year ended 30 June 2012

	Share capital R'million	Share premium R'million	Treasury shares R'million
BALANCE AT 1 JULY 2010	60,0	5 042,5	(13,5)
Total comprehensive income	–	–	–
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Capital distribution	–	(302,9)	–
Deregistering of subsidiaries	–	–	–
Dividends paid	–	–	–
Issue of ordinary share capital – share schemes	0,3	9,7	–
Treasury shares purchased	–	–	(20,1)
Deferred incentive bonus shares excercised	–	–	0,2
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–
Transfer from share-based compensation reserve	–	–	–
Equity portion of tax claims in respect of share schemes	–	–	–
Hyperinflationary adjustment – Venezuela	–	–	–
BALANCE AT 30 JUNE 2011	**60,3**	**4 749,3**	**(33,4)**
Total comprehensive income	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**
Capital distribution	**–**	**(457,6)**	**–**
Subsidiary capital reduction	**–**	**–**	**–**
Acquisition of non-controlling interests in subsidiaries	**–**	**–**	**–**
Capital funding from non-controlling interests	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Issue of ordinary share capital	**2,9**	**399,0**	**–**
Issue of ordinary share capital – share schemes	**0,5**	**24,6**	**–**
Issue of ordinary share capital – conversion of preference shares	**2,4**	**374,4**	**–**
Treasury shares purchased	**–**	**–**	**(19,3)**
Deferred incentive bonus shares excercised	**–**	**–**	**1,9**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**–**	**–**
Transfer from share-based compensation reserve	**–**	**–**	**–**
Equity portion of tax claims in respect of share schemes	**–**	**–**	**–**
Conversion of preference shares	**–**	**–**	**–**
Hyperinflationary adjustment – Venezuela	**–**	**–**	**–**
BALANCE AT 30 JUNE 2012	**63,2**	**4 690,7**	**(50,8)**

Non-distributable reserves							
Hedging reserve R'million	Foreign currency translation reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
(36,4)	(145,9)	42,7	5 719,6	162,0	10 831,0	55,2	10 886,2
215,0	(137,5)	–	2 577,8	–	2 655,3	6,7	2 662,0
–	–	–	2 577,8	–	2 577,8	11,0	2 588,8
215,0	(137,5)	–	–	–	77,5	(4,3)	73,2
–	–	–	–	–	(302,9)	–	(302,9)
–	(17,4)	–	17,4	–	–	–	–
–	–	–	–	–	–	(1,7)	(1,7)
–	–	–	–	–	10,0	–	10,0
–	–	–	–	–	(20,1)	–	(20,1)
–	–	(0,2)	–	–	–	–	–
–	–	26,3	–	–	26,3	–	26,3
–	–	(36,3)	36,3	–	–	–	–
–	–	–	23,6	–	23,6	–	23,6
–	14,1	–	(11,1)	–	3,0	0,9	3,9
178,6	**(286,7)**	**32,5**	**8 363,6**	**162,0**	**13 226,2**	**61,1**	**13 287,3**
39,3	**1 438,3**	**–**	**2 817,8**	**–**	**4 295,4**	**12,0**	**4 307,4**
–	**–**	**–**	**2 817,8**	**–**	**2 817,8**	**9,1**	**2 826,9**
39,3	**1 438,3**	**–**	**–**	**–**	**1 477,6**	**2,9**	**1 480,5**
–	**–**	**–**	**–**	**–**	**(457,6)**	**–**	**(457,6)**
–	**–**	**–**	**1,0**	**–**	**1,0**	**–**	**1,0**
–	**–**	**–**	**(117,3)**	**–**	**(117,3)**	**(64,3)**	**(181,6)**
–	**–**	**–**	**–**	**–**	**–**	**0,9**	**0,9**
–	**–**	**–**	**–**	**–**	**–**	**(2,0)**	**(2,0)**
–	**–**	**–**	**–**	**–**	**401,9**	**–**	**401,9**
–	**–**	**–**	**–**	**–**	**25,1**	**–**	**25,1**
–	**–**	**–**	**–**	**–**	**376,8**	**–**	**376,8**
–	**–**	**–**	**–**	**–**	**(19,3)**	**–**	**(19,3)**
–	**–**	**(1,9)**	**–**	**–**	**–**	**–**	**–**
–	**–**	**24,5**	**–**	**–**	**24,5**	**–**	**24,5**
–	**–**	**(21,5)**	**21,5**	**–**	**–**	**–**	**–**
–	**–**	**–**	**30,6**	**–**	**30,6**	**–**	**30,6**
–	**–**	**–**	**162,0**	**(162,0)**	**–**	**–**	**–**
–	**–**	**–**	**4,0**	**–**	**4,0**	**1,0**	**5,0**
217,9	**1 151,6**	**33,6**	**11 283,2**	**–**	**17 389,4**	**8,7**	**17 398,1**

for the year ended 30 June 2012

	Notes	2012 R'million	2011 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**3 876,4**	3 381,8
Financing costs paid	B	**(789,5)**	(592,6)
Investment income received	C	**275,6**	191,3
Tax paid	D	**(454,1)**	(534,6)
Cash generated from operating activities		**2 908,4**	2 445,9
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(469,6)**	(651,5)
Replacement		**(102,9)**	(161,8)
Expansion		**(366,7)**	(489,7)
Proceeds on the sale of property, plant and equipment		**36,5**	2,8
Capital expenditure – intangible assets		**(2 148,8)**	(188,7)
Replacement		**(0,5)**	(0,2)
Expansion		**(2 148,3)**	(188,5)
Proceeds on the sale of intangible assets		**2,8**	197,5
Acquisition of subsidiaries and businesses	E	**(315,6)**	(5 893,2)
Disposal of associate and joint ventures	F	**–**	628,1
(Increase)/decrease in other non-current financial receivables		**(19,7)**	25,1
Proceeds on the sale of assets held-for-sale		**250,4**	10,3
Advance proceeds on assets held-for-sale		**–**	290,2
Net investment hedge profit/(loss) in Aspen Australia		**6,8**	(66,1)
Capital funding from non-controlling interests		**0,9**	–
Cash used in investing activities		**(2 656,3)**	(5 645,5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**13 695,2**	19 665,1
Repayment of borrowings		**(13 556,9)**	(16 097,3)
Dividends paid		**(2,0)**	(1,7)
Proceeds from issue of ordinary share capital		**25,1**	10,0
Treasury shares purchased		**(19,3)**	(20,1)
Capital distribution		**(457,6)**	(302,9)
Decrease/(increase) in cash restricted for use as security for borrowings		**27,2**	(6,1)
Cash (used in)/generated from financing activities		**(288,3)**	3 247,0
MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECTS OF FOREIGN OPERATIONS		**(36,2)**	47,4
Translation effects on cash and cash equivalents of foreign operations		**273,2**	(107,3)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**237,0**	(59,9)
Cash and cash equivalents at the beginning of the year		**1 752,8**	1 812,7
Cash and cash equivalents at the end of the year	G	**1 989,8**	1 752,8

Discontinued operations are included in both the 2012 and 2011 statement of cash flows above. Refer to note 32 for more detail on discontinued operations.

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

for the year ended 30 June 2012

		2012 R'million	2011 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**4 157,5**	3 599,1
	Amortisation of intangible assets	**212,3**	144,4
	Depreciation of property, plant and equipment	**252,7**	215,0
	Impairment charges	**306,2**	248,4
	(Profit)/loss on the sale of property, plant and equipment	**(0,5)**	2,4
	Profit on the sale of intangible assets	**–**	(18,5)
	Profit on the sale of the decommissioned Beta manufacturing facility	**–**	(8,7)
	Profit on the sale of the Oncology business	**–**	(367,9)
	Profit on the sale of Co-Pharma Limited	**–**	(7,4)
	Profit on the sale of the Campos facility and related products in Brazil	**(173,9)**	–
	Profit on the sale of the personal care products in South Africa	**(40,3)**	–
	Share-based payment expense – employees	**31,5**	30,6
	Deferred revenue – recognised in the statement of comprehensive income	**(21,0)**	(20,8)
	Deferred revenue – amounts received in advance	**–**	23,3
	Hyperinflationary adjustment – Venezuela	**7,0**	6,6
	Increase in retirement benefit obligations	**25,7**	3,4
	Withholding taxes	**(11,1)**	(4,1)
	Other non-cash items	**(0,1)**	(0,8)
	Cash operating profit	**4 746,0**	3 845,0
	Working capital movements	**(869,6)**	(463,2)
	Increase in inventories	**(591,4)**	(174,8)
	Increase in trade and other receivables	**(389,9)**	(531,0)
	Increase in trade and other payables	**111,7**	242,6
		3 876,4	3 381,8
B.	**FINANCING COSTS PAID**		
	Interest paid	**(754,7)**	(612,6)
	Preference shares dividends paid – liability component	**(23,1)**	(26,3)
	Net foreign exchange gains	**2,5**	60,8
	Capital raising fees – cash	**(9,7)**	–
	Hyperinflationary adjustment – Venezuela	**(0,1)**	(0,1)
	Borrowing costs capitalised to property, plant and equipment	**(4,4)**	(14,4)
		(789,5)	(592,6)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**275,6**	193,2
	Interest receivable from Revenue authorities	**–**	(1,9)
		275,6	191,3
D.	**TAX PAID**		
	Amounts receivable at the beginning of the year	**35,0**	13,8
	Tax charged to the statement of comprehensive income (excluding deferred tax)	**(688,7)**	(556,3)
	Acquisition of subsidiaries	**–**	4,0
	Tax claims credited to equity in respect of share schemes	**26,0**	39,7
	Translation of foreign operations	**(22,1)**	(3,4)
	Amounts owing at the end of the year	**233,2**	123,4
	Amounts receivable at the end of the year	**(37,8)**	(158,4)
	Hyperinflationary adjustment – Venezuela	**0,3**	0,7
	Interest receivable from Revenue authorities	**–**	1,9
		(454,1)	(534,6)

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

E. ACQUISITION OF SUBSIDIARIES AND BUSINESSES

2012

The Company acquired the remaining 40% non-controlling interest shareholding in Shelys Africa Limited effective from 14 April 2012. This increases the ownership in Shelys Africa Limited to 100%.

The Company acquired a further 42,5% shareholding in Brimpharm SA (Pty) Limited effective from 31 May 2012. This increases the ownership in Brimpharm SA (Pty) Limited to 92,5%.

	Total R'million
Shelys Africa Limited purchase consideration	**141,8**
Brimpharm SA (Pty) Limited purchase consideration	**39,8**
AHN purchase consideration*	**45,4**
Sigma pharmaceutical business#	**88,6**
As per the statement of cash flows	**315,6**

	Formule Naturelle (Pty) Limited R'million	AHN R'million	Sigma pharma-ceutical business R'million	Total R'million
Final 2011				
Fair value of assets and liabilities acquired in subsidiaries and businesses				
Property, plant and equipment	–	2,6	471,0	473,6
Intangible assets	20,2	31,5	1 036,4	1 088,1
Inventories	3,5	18,8	521,3	543,6
Trade and other receivables	6,7	29,3	338,5	374,5
Current tax assets	0,2	3,8	–	4,0
Cash and cash equivalents	6,1	22,3	–	28,4
Non-current borrowings	–	(12,0)	–	(12,0)
Deferred tax assets/(liabilities)	2,3	(15,2)	35,0	22,1
Trade and other payables	(2,0)	(35,7)	(391,3)	(429,0)
Fair value of net assets acquired	37,0	45,4	2 010,9	2 093,3
Goodwill acquired	–	–	4 133,3	4 133,3
*Deferred consideration paid in 2012 financial year	–	(45,4)	–	(45,4)
# Payment of pre-acquisition liabilities identified during the 2012 financial year	–	–	(88,6)	(88,6)
Decrease in investment in associate	(2,0)	–	–	(2,0)
Purchase consideration paid	35,0	–	6 055,6	6 090,6
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	–	–	(169,0)	(169,0)
Cash and cash equivalents in acquired subsidiaries	(6,1)	(22,3)	–	(28,4)
Cash outflow/(inflow) on acquisition	28,9	(22,3)	5 886,6	5 893,2

The initial accounting for these business combinations has been finalised in the year ended 30 June 2012. No significant changes were made to the initial provisional values.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

	Co-pharma Limited R'million	Onco Laboratories Limited R'million	Total R'million
F. DISPOSAL OF ASSOCIATE AND JOINT VENTURES			
2011			
Carrying value of assets disposed			
Carrying value of assets held-for-sale disposed	18,8	234,0	252,8
Profit on sale	7,4	367,9	375,3
Cash inflow on disposal	26,2	601,9	628,1

	2012 R'million	2011 R'million
G. CASH AND CASH EQUIVALENTS		
Bank balances	**2 943,8**	1 971,3
Short-term bank deposits	**356,0**	1 048,0
Cash-in-transit	**12,9**	14,5
Cash-on-hand	**0,8**	5,4
Cash and cash equivalents per the statement of financial position	**3 313,5**	3 039,2
Less: Bank overdrafts#	**(1 323,7)**	(1 286,4)
Cash and cash equivalents per the statement of cash flows	**1 989,8**	1 752,8

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

GENERAL INFORMATION

Aspen Pharmacare Holdings Limited 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 Annual Financial Statements are set out below. Except as otherwise disclosed, these policies are consistent in all material respects with those applied in previous years.

FINANCIAL REPORTING TERMS

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

GROUP STRUCTURES

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

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

- South Africa;
- Sub-Saharan Africa;
- Asia Pacific; and
- International.

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

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

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

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

Operation: A component of the Group:

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

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

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

GENERAL ACCOUNTING TERMS

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

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

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

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

Discontinued operation: A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view of resale.

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

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

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

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

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

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

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

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

Share-based payment transaction: A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including share options, share appreciation rights, deferred incentive bonus shares and phantom shares), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

Significant influence: The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity so as to obtain economic benefits from its activities.

Revenue: Comprises revenue generated by operating activities and includes sales of products, services rendered, licence fees and royalties net of indirect taxes, rebates and trade discounts.

FINANCIAL INSTRUMENT TERMS

Cash and cash equivalents: Comprise cash-on-hand, demand deposits and other short-term highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments typically have a maturity period of three months or less at date of purchase.

Cash flow hedge: A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could affect the statement of comprehensive income.

Derivative instrument: A financial instrument:

- whose value changes in response to changes in a specified interest rate, commodity price, foreign exchange rate or similar variable (the 'underlying'), provided that in the case of a non-financial variable that variable is not specific to a party to the contract;
- that requires minimal initial net investment; and
- whose terms require or permit settlement at a future date.

Equity instrument: Any contract (including investments) that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial asset: Cash and cash equivalents, a contractual right to receive cash, an equity instrument of another entity or a right to exchange a financial instrument under favourable conditions. A contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments.

Financial liability: A contractual obligation to deliver cash or an obligation to exchange a financial instrument under unfavourable conditions or a contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments. This includes debt.

Financial guarantee: A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.

Loans and receivables: A non-derivative financial asset with fixed or determinable repayments that are not quoted in an active market, other than those that the entity intends to sell in the near term, which shall be classified as held-for-trading.

Monetary item: A unit of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Transaction date: The date an entity commits itself to purchase or sell a financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial results

The consolidated Annual Financial Statements have been prepared in accordance with those IFRS and International Financial Reporting Interpretations Committee interpretations issued and effective at the time of preparation, and the Companies Act. The Annual Financial Statements have been prepared under the historical cost convention, except for specific financial instruments as set out in the notes to the Annual Financial Statements, which are stated at fair value.

The consolidated Annual Financial Statements are prepared on the going concern basis. These accounting policies are applied throughout the Group.

The preparation of Annual 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 Annual 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 Annual 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 Annual Financial Statements, are disclosed on page 38.

Group accounting

The consolidated 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 in this report. A listing of the Group's principal subsidiaries and joint ventures are set out in note 24 of the separate Annual Financial Statements of Aspen Pharmacare Holdings Limited.

Subsidiaries

The financial results of subsidiaries (including special purpose entities, at this stage limited to the share trusts) are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair

values at the acquisition date, irrespective of the extent of any non-controlling interests. Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the acquisition date fair value of previously held equity interests and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the separate Annual Financial Statements of Aspen Pharmacare Holdings Limited. None of the investments in subsidiaries are listed.

When the end date of the reporting period of the parent is different to that of the subsidiary, the subsidiary prepares, for consolidation purposes, additional Annual Financial Statements as of the same date as the Annual Financial Statements of the parent.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

The financial results of associates are included in the Group's results according to the equity method from acquisition date until disposal date. The Group's investments in associates include goodwill identified at acquisition, net of any accumulated impairment losses.

Under this method, subsequent to the acquisition date, the Group's share of post-acquisition profits or losses of associates is recognised in the statement of comprehensive income as equity-accounted earnings and its share of movements in post-acquisition equity reserves is recognised in the statement of changes in equity. The Group's share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying value of the investment. Investments in associates are initially recognised at cost, and all cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the Group's share of losses in associates equals or exceeds its interest in those associates the Group does not recognise further losses, unless the Group has incurred a legal or constructive obligation or made payments on behalf of those associates. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

The total carrying value of associates is evaluated annually for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the Group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and the impairment loss is recognised in the statement of comprehensive income adjacent to share of profit or loss of an associate.

Investments in associates are accounted for at cost less accumulated impairment losses in the separate Annual Financial Statements of Aspen Pharmacare Holdings Limited. None of the investments in associates are listed.

When the end date of the reporting period of the parent is different to that of the associate, the associate prepares, for consolidation purposes, additional Annual Financial Statements as of the same date as the Annual Financial Statements of the parent.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions and balances

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the statement of comprehensive income.

In respect of joint ventures and associates, unrealised gains and losses are eliminated to the extent of the Group's interest in these entities.

Unrealised gains and losses arising from transactions with associates are eliminated against the investment in associates.

Transactions and non-controlling interests

Changes in ownership in subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as an equity transaction – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying value recognised in the statement of comprehensive income. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations and goodwill

The acquisition method of accounting is used when a business is acquired. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities.

The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued, or liabilities incurred or assumed at the date of exchange. Costs attributable to the acquisition are charged to the statement of comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Goodwill is initially measured as the excess of the aggregate of the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Non-controlling interests at acquisition date are determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses or joint ventures at the date of acquisition. Goodwill on the acquisition of subsidiaries, businesses and joint ventures is capitalised and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis or where there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

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

At the date of the acquisition, acquired deferred tax assets may not be fully recognised under IFRS. Adjustments to the initial recognition of acquired deferred tax assets under IFRS, subsequent to the acquisition date, are recognised in the statement of comprehensive income unless the adjustment qualifies as a measurement period adjustment in which case it is recognised as an adjustment to goodwill.

Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be remeasured at each reporting period to fair value with changes being recognised in the statement of comprehensive income. If the arrangement is classified as equity, then remeasurement is not allowed. Existing contingent consideration arrangements are, however, grandfathered under the standard that was in existence at the time of acquisition, being IFRS 3.

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

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

Foreign currency translation

Functional and presentation currency

Items included in the Annual Financial Statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The consolidated Annual Financial Statements are presented in Rand, which is the functional and presentation currency of Aspen Pharmacare Holdings Limited.

Foreign currency transactions (except for hyperinflationary economies)

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date. To the extent that transactions occur regularly throughout the year, they are translated at the average rate of exchange for the year since this is deemed to provide a reasonable approximation of the actual exchange rates prevailing at the dates on which those transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the rates of exchange ruling at year-end. Foreign exchange gains or losses resulting from the translation and settlement of monetary assets and liabilities are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities, such as derivative financial instruments, are recognised in the statement of comprehensive income as part of the fair value gain or loss.

Foreign operations (except for hyperinflationary economies)

The results and financial position of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. The basis for the translation is as follows:

- income and expenditure of foreign operations are translated into the Group's presentation currency at the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure transactions are translated at the rates on the dates of the transactions;
- assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the closing rate at year-end; and
- exchange differences arising on translation are recognised as currency translation differences in other comprehensive income and deferred in equity in the translation reserve.

On consolidation, exchange differences arising from translation of results and financial position of entities that have a functional currency different from that of the presentation currency of the parent is recognised in other comprehensive income.

On consolidation, differences arising from the translation of the net investment in foreign operations, as well as borrowings and other currency instruments designated as hedges of such investments (if effective) are recognised in other comprehensive income and deferred in equity.

On disposal of part or all of the foreign operation, the proportionate share of the related cumulative gains and losses previously recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity is reclassified from equity to the statement of comprehensive income (as a reclassification adjustment) when the gain or loss on disposal is recognised.

Hyperinflationary economies

The results and financial position of foreign subsidiaries whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency as follows:

- all amounts (assets, liabilities, equity items, income and expenses, including comparatives) are translated at the closing rate at the date of the most recent statement of financial position; except
- when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year Annual Financial Statements (not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. Costs capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under capital work-in-progress.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year-end date.

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

Property, plant and equipment is tested for impairment whenever there is an indication that the asset may be impaired, in accordance with the requirements of IAS 36, *Impairment of Assets*. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is higher than the estimated recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying value and are included in operating profit in the statement of comprehensive income.

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

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

Intangible assets

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

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised. Expenditure incurred to extend the term of the patents or trademarks is capitalised. All other expenditure is charged to the statement of comprehensive income when incurred. Intellectual property is recognised at cost and amortised on a straight-line basis over their estimated remaining useful lives, which ranged from 1 to 43 years during the financial year. Estimated useful lives are reviewed annually. In addition, some intangible assets included in this category are classified as indefinite life intangible assets. Indefinite life intangible assets are not amortised, but are tested annually for impairment and where there is an indicator of impairment.

Research and development

Research expenditure is charged to the statement of comprehensive income when incurred.

Development costs directly attributable to the production of new or substantially improved products or processes controlled by the Group are capitalised if the costs can be measured reliably, the products and processes are technically feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. All the remaining development costs are charged to the statement of comprehensive income.

The amounts that are recognised as intangible assets consist of all direct costs relating to the intellectual property and also include the cost of intellectual property development employees and an approximate portion of relevant overheads. Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs are capitalised until the date of commercial production and are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met, on a straight-line basis over the remaining useful lives, which ranged from 1 to 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 financial years of the agreements. The amortisation method is chosen to reflect the pattern in which the benefits relating to the rights are expected to flow to the Group.

Drug master files

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

Computer software

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets if they meet the following criteria:

- the costs can be measured reliably;
- the software is technically feasible;
- future economic benefits are probable;
- the Group intends to and has sufficient resources to complete development; and
- the Group intends to use or sell the asset.

Direct costs include the cost of software development employees and an approximate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

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

Financial instruments

Financial assets

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; or
- derivative instruments designated as hedges.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition.

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or another financial asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial instruments are classified under this category if held-for-trading, or if designated at fair value through profit or loss at inception. A financial instrument is classified as held-for-trading if acquired or incurred principally for the purpose of selling it in the short term. For the purpose of these Annual Financial Statements, short term is defined as three months. Derivatives are also classified as held-for-trading unless they are designated as hedges. Financial instruments in this category are classified as current assets and liabilities. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial

instruments at fair value through profit or loss are included in the statement of comprehensive income during the period in which they arise. Financial derivative instruments on the statement of financial position are classified in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months from year-end, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. Loans and receivables comprise the other non-current financial assets, trade and other financial receivables, amounts due by Group companies, cash restricted for use, and cash and cash equivalents.

Financial liabilities

Financial liabilities are classified into the following categories:
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities at amortised cost

This category of financial liabilities comprises preference shares (liability component), borrowings, trade and other financial payables and amounts due to Group companies. These financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Accounting for derivative financial instruments and hedging activities

The Group's criteria for a derivative instrument to be designated as a hedging instrument require that:
- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable.

The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:
- a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge);
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- a net investment hedge.

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

Movements on the hedging reserves in shareholders' equity are shown under non-distributable reserves in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months or 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 derivatives transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within financing costs.

Fair value hedges

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The ineffective portion is recognised immediately in the statement of comprehensive income within financing costs. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously recognised in other comprehensive income and deferred in equity are reclassified from equity and included in the initial cost or other carrying amount of the asset or liability. Otherwise, amounts recognised in other comprehensive income and deferred in equity are reclassified to the statement of comprehensive income as gains or losses in the same financial years during which the hedged firm commitment or forecast transaction affects the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income and deferred in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the statement of comprehensive income. When the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income and deferred in equity is reclassified from equity to the statement of comprehensive income as a reclassification adjustment.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income. Gains and losses, recognised in other comprehensive income and accumulated in equity are reclassified in the statement of comprehensive income when the foreign operation is partly disposed of or sold.

Fair value estimation

The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at year-end.

Financial instruments that are measured at fair value in the statement of financial position are classified into the following levels of the fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly, as prices, or indirectly, derived from prices (level 2); and
- inputs for the assets or liabilities that are not based on observable market data, unobservable inputs (level 3).

Quoted market prices or dealer quotes for the specific or similar instruments are used for non-current debt. The fair values of non-current financial assets and deferred payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group at year-end. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value of the remaining financial instruments.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group makes assumptions that are based on market conditions existing at each year-end.

The carrying values of the following financial assets and financial liabilities approximate their fair values:

- trade and other financial receivables;
- cash and cash equivalents;
- other non-current financial receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- cash restricted for use;
- current borrowings; and
- non-current borrowings.

Information on the fair value of financial instruments is included in the respective notes.

Leased assets

Finance leases

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

Operating leases

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis. The carrying values of finished goods and work-in-progress include raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Bank overdrafts are repayable on demand.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position. Cash restricted for use does not meet the definition of cash and cash equivalents and as such is disclosed as financing activities within the statement of cash flows.

Assets classified as held-for-sale

Assets (or disposal groups) are classified as held-for-sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held-for-sale the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held-for-sale it is measured at the lower of the carrying value and fair value less costs to sell. An impairment loss is recognised in the statement of comprehensive income for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in the statement of comprehensive income to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Assets (or disposal groups) that are classified as held-for-sale are not depreciated.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

Tax

The current and deferred income tax charge is computed on the basis of reported income before tax for the year under the laws and regulations of the countries in which the respective Group companies are registered, using substantively enacted tax rates in the countries where the Group companies operate and generate taxable income. Income tax comprises current tax, deferred tax and dividend taxes, including secondary tax on companies.

Current tax

The current tax charge is the expected tax payable on taxable income for the year, and any adjustments to tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend taxes and withholding taxes

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

Secondary tax on companies was levied on dividends declared by a South African Group company, subject to certain exemptions and exclusions, until 31 March 2012. With effect from 1 April 2012, secondary tax on companies was repealed and dividend withholding tax is now levied on shareholders, subject to certain exemptions and exclusions, receiving dividends from South African Group companies.

The dividend tax effect of dividends paid on instruments is recognised in the period in which the Group company becomes entitled to 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 is 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 equity holders of the parent. Distributions received on treasury shares are eliminated on consolidation.

Compound financial instruments

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

For purposes of statement in financial position 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 statement of financial position.

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

The cumulative convertible preference shares and the deferred incentive bonuses are both compound financial instruments. Refer to notes 15 and 16 of the Group Annual Financial Statements.

Borrowings and borrowing costs

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment against the loan for liquidity services and amortised over the period of the facility to which it relates.

The entity presents separately current and non-current borrowings on the face of the statement of financial position. A liability is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

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

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

Employee benefits

Short-term obligations

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Provident fund obligations

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

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 20 and 26 of the Group Annual Financial Statements.

Post-retirement medical aid obligations

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

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

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

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

Defined benefit plans

The defined plan defines an amount of pension benefit that an employee will receive on retirement dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Termination benefits

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

Bonus plans

A liability for employee benefits in the form of 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 Annual Financial Statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined prior to issuing the Annual Financial Statements.
- Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payments

The Group has equity-settled and cash-settled share-based compensation plans.

Share options, share appreciation rights, deferred incentive bonuses and phantom shares are granted to management and key employees. The schemes in operation are classified as equity-settled share-based compensation plans, except for the South African Management Deferred Incentive Bonus Scheme which is a compound financial instrument with both an equity and cash settled portion.

The Aspen International Phantom Share Scheme, which is a cash settled scheme, under which the entity receives services from employees in exchange for cash based on changes on changes in the Aspen share price.

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 Annual Financial Statements. Refer to note 15 of the Group Annual Financial Statements for details on the schemes.

Equity-settled schemes

The equity-settled schemes (Aspen Share Incentive Scheme, Aspen Share Appreciation Plan, South African Management Deferred Incentive Bonus Scheme and Aspen South African Workers' Share Plan) allows certain employees the option or rights to acquire ordinary shares in Aspen Pharmacare Holdings Limited. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at grant date of the equity-settled share-based payment is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the options, rights or shares, based on management's estimate of the shares that will vest and adjusted for the effect of non-market vesting conditions. These share options, rights and equity portion of the deferred incentive bonus are not subsequently revalued.

Fair value is determined using the binomial pricing model where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services to the reporting date.

Cash-settled schemes

For cash settled share awards, the services received from employees are measured at fair value and recognised in the statement of comprehensive income as an expense over the vesting period with recognition of a corresponding liability in trade and other payables. The fair value of the liability is remeasured at each reporting date and at the date of settlement, with changes in fair value recognised in the statement of comprehensive income.

Compound financial instrument share scheme

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt component and an equity component.

On measurement date management has measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in the statement of comprehensive income over the period that the employee provides services to the company.

Deferred revenue

Deferred revenue is stated separately on the statement of financial position and is recognised in the statement of comprehensive income over the period of the agreement. The amount expected to be realised within 12 months from year-end date is shown as current and the amounts expected to be realised 12 months after year-end date is shown as non-current on the statement of financial position.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method.

Directors' emoluments

The directors' emoluments disclosed in note 26 of the Group Annual Financial Statements represent the emoluments paid to, or receivable by, directors in their capacity as director, or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Annual Financial Statements. This disclosure is provided in terms of the JSE Listings Requirements.

Impairment

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

In addition, IAS 36, Impairment of Assets requires:

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

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

The Group assesses at each year-end date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note 36 of the Group Annual Financial Statements.

REVENUE RECOGNITION

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

Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the buyer based on the date goods are delivered to customers, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. Revenue arising from co-marketing and royalty agreements is recognised on the accrual basis in accordance with the substance of the relevant agreements. Up-front payments received under licensing and other agreements are recognised as deferred revenue and released to the statement of comprehensive income over the period of the agreement.

Other income and investment income

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

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

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

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 3 of 2009.

An itemised reconciliation of the adjustments to profit attributable to equity holders of the parent is provided in note 30 of the Group Annual Financial Statements.

Discontinued operations

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced. The profit or loss includes operating results from this date as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised. Profits or losses in respect of the discontinued operations are included in attributable profits of the Group until date of discontinuance.
The results of discontinued operations are presented separately in the statement of comprehensive income.

Segmental reporting

Reporting segments

The Group has four main reportable segments that comprise the structure used by the chief operating decision-maker to make key operating decisions and assess performance. The Group's reportable segments are operating segments that are differentiated by geographical areas with each segment having different market dynamics and market strategies.

The Group evaluates the performance of its reportable segments based on operating profit before amortisation adjusted for specific non-trading items. The Group accounts for inter-segment sales and transfers as if the sales and the transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information of the Group's reportable segments is reported to the chief operating decision-maker for purposes of allocating resources to the segment and assessing its performance. Each of the reportable segments is managed by a segment manager.

In addition to the main reportable segments, the Group also includes a geographical analysis of revenue. The following segments have been identified:

- South Africa – pharmaceutical;
- South Africa – consumer;
- Sub-Saharan Africa;
- Asia Pacific;
- Latin America; and
- Rest of the world.

The South African pharmaceuticals business comprises prescription generic and ethical pharmaceutical products, OTC products and APIs. All schedule 2 medicines and upwards are included in the pharmaceutical business.

The South African consumer business comprises self-medication OTC products, personal care products and infant nutritional products. Schedule 0 and 1 medicines are included in the consumer business.

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

Distributions to shareholders

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

Preference shares 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 Annual Financial Statements.

The segmental analysis for the year ended 30 June 2011 was restated to disclose the Asia Pacific region as a separate segment due to the increased materiality of this region to the Group.

Reconciliation of normalised headline earnings per share

A supplementary unaudited reconciliation between headline earnings and normalised headline earnings is provided for convenience only as it is a useful measure for shareholders of the Group's sustainable operating performance. Normalised headline earnings are headline earnings adjusted for specific non-recurring, non-trading items such as transaction costs relating to acquisitions, restructuring costs and foreign exchange movements on transaction funding.

Convenience translation from Rand to US Dollar (unaudited)

The presentation currency of the Group is Rand.

Supplementary unaudited US Dollar information is provided for convenience only. Refer to page 144.

The conversion to US Dollar is performed as follows:

- Assets and liabilities are translated at the closing rate of exchange ruling at year-end;
- Income and expenses are translated at average rates of exchange for the years presented except for significant transactions which are translated at rates of exchange ruling on the transaction dates; and
- The resulting translation differences are included in shareholders' equity.

The statements of comprehensive income, financial position and cash flow have been translated from Rand into US Dollar to enable offshore shareholders to interpret the financial performance in a universally measurable currency. These translated statements are unaudited, have been provided for illustrative purposes only and may not fairly present the Group's financial position and results of operations and cash flows. The director's are responsible for the preparation of this information. A limited assurance report on this unaudited financial information prepared by the Company's auditors is available for inspection at the Company's registered office.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following standards, amendments and interpretations are effective for the first time for the year ended 30 June 2012:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IFRS 1, First time adoption on hyperinflation and fixed dates	The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRS, thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.	Financial years beginning on or after 1 July 2011	Not applicable to the Group's Annual Financial Statements
Amendment to IFRS 7, Financial Instruments: Disclosures – Transfer of financial assets	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that Annual Financial Statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.	Financial years beginning on or after 1 July 2011	No impact on the Group's Annual Financial Statements
Amendment to IAS 24, Related party disclosures	This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.	Financial years beginning on or after 1 January 2011	No impact on the Group's Annual Financial Statements
Amendment to IFRIC 14: Prepayments of a minimum funding requirement	This amendment will have a limited impact as it applies to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.	Financial years beginning on or after 1 January 2011	No impact on the Group's Annual Financial Statements

The following accounting standards, amendments and interpretations, are not mandatory for the year ended 30 June 2012 and have been published prior to the date of signature of this report:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IFRS 1, First time adoption on government loans	This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.	Financial years beginning on or after 1 January 2013	Not applicable to the Group's Annual Financial Statements
Amendment to IFRS 7, Financial Instruments: Disclosures – Asset and Liability offsetting	The IASB has published an amendment to IFRS 7, Financial instruments: Disclosures, reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	Financial years beginning on or after 1 January 2013	Not applicable to the Group's Annual Financial Statements

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 12, Income taxes on deferred tax	Currently IAS 12, Income taxes, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, *Investment Property*. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income taxes – recovery of revalued non-depreciable assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	Financial years beginning on or after 1 January 2012	Not applicable to the Group's Annual Financial Statements
Amendments to IAS 1, Presentation of Financial Statements, on presentation of items of other comprehensive income	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustements). These amendments do not address which items are presented in other comprehensive income.	Financial years beginning on or after 1 July 2012	No material impact on the Group's Annual Financial Statements
Amendments to IAS 19, Employee benefits	The IASB has issued an amendment to IAS 19, Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.	Financial years beginning on or after 1 January 2013	The Group will apply this amendment to all employee benefits for financial years beginning on or after 1 January 2013
IFRS 9 – Financial Instruments (2009)	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2013

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 9, Financial Instruments (2010)	The IASB has updated IFRS 9, Financial instruments, to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, Financial instruments: Recognition and measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2013
Amendments to IFRS 9, Financial Instruments (2011)	The IASB has published an amendment to IFRS 9, Financial instruments, that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	Financial years beginning on or after 1 January 2015	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2015
IFRS 10, Consolidated financial statements	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IFRS 11, Joint arrangements	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IFRS 12, Disclosures of interests in other entities	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 13, Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to financial years beginning on or after 1 January 2013
IAS 27 (revised 2011), Separate financial statements	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IAS 28 (revised 2011), Associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
Amendment to the transition requirements in IFRS 10, Consolidated financial statements, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of interests in other entities	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to financial years beginning on or after 1 January 2014
Amendment to IAS 32, Financial instruments: Presentation	The IASB has issued amendments to the application guidance in IAS 32, Financial instruments: Presentation, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	Financial years beginning on or after 1 January 2014	The Group will apply this revised standard to financial years beginning on or after 1 January 2013
IFRIC 20 – Stripping costs in the production phase of a surface mine	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is know as 'stripping'. The interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	Financial years beginning on or after 1 January 2013	Not applicable to the Group's Annual Financial Statements

Improvements to IFRS

This is a collection of amendments to IFRS. These amendments are the result of conclusions the International Standards Board reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRS. Some amendments involve consequential amendments to other IFRS.

The following improvements to IFRS were effective for the first time for the June 2012 year-end:

- IFRS 1, First-time adoption of IFRS;
- IFRS 7, Financial instruments: Disclosures;
- IAS 1, Presentation of financial statements;
- IAS 34, Interim financial reporting; and
- IFRIC# 13, Customer loyalty programmes.

Unless otherwise specified the improvements are effective for financial years beginning on or after 1 January 2013.
The following standards were amended:

- IFRS 1, First-time adoption of IFRS;
- IFRS 1, Presentation of financial statements;
- IAS 16, Property, plant and equipment
- IAS 32, Financial instruments presentation; and
- IAS 34, Interim financial reporting.

 # International Financial Reporting Interpretations Committee

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

DEPRECIATION AND AMORTISATION RATES AND RESIDUAL VALUES

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgment is applied by management when determining the residual values for property, plant and equipment and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment the following factors are taken into account:

- external residual value information (if available); and
- internal technical assessments for complex plant and machinery.

Refer to notes 1 and 3 of the Group Annual Financial Statements and notes 1 and 2 of the Company Annual Financial Statements.

INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

Judgement is applied when assessing whether an intangible asset has a finite or an indefinite useful life.

Significant judgement is needed by management when determining the classification of intangible assets as indefinite useful life assets. The following factors are taken into account when this classification is made:

- The ability to use the asset efficiently. Historical products sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy (2013 budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- redundancy of a similar medication due to changes in market preferences; and
- development of new drugs treating the same disease.

Refer to note 3 of the Group Annual Financial Statements and note 2 of the Company Annual Financial Statements.

IMPAIRMENT OF ASSETS

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least annually, as more fully described in the accounting policy in respect of impairment and note 39 of the Group Annual Financial Statements. The future cash flows are assessed, taking into account forecast market conditions and the expected lives of these assets. The present value of these cash flows is compared to the current net asset value.

Refer to notes 1, 2 and 3 of the Group Annual Financial Statements and notes 1 and 2 of the Company Annual Financial Statements.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

The valuation of derivative financial instruments is based on the market situation at year-end. The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. The present value of these net market values was then discounted using the appropriate currency specific discount curve. The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on the statement of financial position.

Refer to notes 9 and 22 of the Group Annual Financial Statements.

ALLOWANCE ACCOUNT FOR LOSSES

The Group insures private market customers where possible and provision is made for the uninsured balance of long outstanding debtors where it considers the recoverability to be doubtful.

A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not.

The following factors are taken into account when considering whether a debtor is impaired:
- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- credit terms specific to the customer; and
- general economic conditions.

Refer to note 8 of the Group Annual Financial Statements.

CALCULATION OF SHARE-BASED PAYMENT EXPENSE

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. The calculation of the share-based payment expense in respect of share options, share appreciation rights, deferred incentive bonus and phantom bonus share scheme is based on the valuation of instruments at award date, determined with the use of the binomial model. This model requires the use of several assumptions, among which the expected volatility of the Aspen share price, expected dividend yield and assumptions regarding percentages of instruments expected to vest. These assumptions are reviewed on an annual basis to take account of changes in circumstances.

Refer to note 15 of the Group Annual Financial Statements.

RECOGNITION OF DEFERRED TAX ASSETS IN RESPECT OF ASSESSED LOSSES

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group's operations where, among other things, tax losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward. Deferred tax assets are not recognised for carry forward of unused tax losses when it cannot be demonstrated that it is probable that taxable profits will be available against which the deductable temporary difference can be utilised.

The likelihood of a deferred tax asset being recognised is based on the future profitability of the underlying business. In determining whether a business will have future taxable profits to utilise against assessed losses, management will take into account budgets as well as updated forecasts for future periods.

Refer to note 6 of the Group Annual Financial Statements.

DETERMINATION OF NET REALISABLE VALUE OF INVENTORIES

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

Management is also required to exercise significant judgement in estimating the provision for obsolete stock. Such judgement would take into account the following:

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

Refer to note 7 of the Group Annual Financial Statements.

ACCOUNTING FOR COMPOUND FINANCIAL INSTRUMENTS

Transactions involving compound financial instruments are accounted for under IFRS 2, IAS 32 and IAS 39. The effect of this is that the difference between the issue price of ordinary and preference shares issued and the market value at the date of the transaction is charged to the statement of comprehensive income. The determination of market value requires the use of judgement.

Refer to note 15 and note 16 of the Group Annual Financial Statements.

RETIREMENT BENEFIT OBLIGATIONS

An updated actuarial valuation is carried out at the end of each financial year for the defined benefit plan and post-employment liabilities of the Group. Key assumptions used to determine the net assets and liabilities of these obligations are set out in note 20 of the Group Annual Financial Statements.

FAIR VALUE DETERMINATION IN BUSINESS COMBINATIONS

IFRS 3 Revised requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. Aspen makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement. Judgement is applied in determining the allocation of goodwill to different cash-generating units. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

INITIAL ACCOUNTING FOR BUSINESS COMBINATIONS DETERMINED PROVISIONALLY

The initial accounting for specific business acquisitions were accounted for on a provisional basis in 2011 and was finalised in the 2012 financial year.

Refer to note 37 of the Group Annual Financial Statements.

DETERMINATION OF AVERAGE TRANSLATION RATES

Income and expenditure transactions are translated using the average rate of exchange for the year. Management considers the average rate to approximate the actual rates prevailing on the dates on which these transactions occur.

FAIR VALUE DETERMINATION

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Non-current assets

	Notes	2012 R'million	2011 R'million
Property, plant and equipment	1	**3 807,0**	3 651,5
Goodwill	2	**5 343,9**	4 626,6
Intangible assets	3	**11 869,8**	8 916,7
Other non-current financial receivables	5	**31,5**	11,8
Deferred tax assets	6	**234,4**	216,5
		21 286,6	17 423,1

1. PROPERTY, PLANT AND EQUIPMENT

2012	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	1 912,3	2 065,2	98,6	83,8	721,3	**4 881,2**
Accumulated depreciation	(183,8)	(681,4)	(63,6)	(50,0)	–	**(978,8)**
Accumulated impairment losses	(69,5)	(17,6)	–	(1,3)	(25,3)	**(113,7)**
Carrying value at the end of the year	1 659,0	1 366,2	35,0	32,5	696,0	**3 788,7**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	1 707,5	1 294,8	33,3	32,2	561,1	**3 628,9**
Acquisition of subsidiaries and businesses (refer to note 37.3)	(116,8)	21,2	–	–	–	**(95,6)**
Additions – replacement	0,3	13,6	3,4	0,9	84,7	**102,9**
Additions – expansion	2,4	43,0	3,6	7,2	304,5	**360,7**
Additions – borrowing costs capitalised	–	–	–	–	4,4	**4,4***
Disposals	(28,9)	(3,7)	–	(0,1)	–	**(32,7)**
Depreciation	(52,9)	(165,1)	(15,2)	(10,3)	–	**(243,5)**
Reclassification between categories	75,2	123,8	8,8	0,4	(209,9)	**(1,7)**
Reclassification to intangible assets	–	–	–	–	(22,2)	**(22,2)**
Impairment	(3,2)	(0,1)	–	–	(29,0)	**(32,3)**
Translation of foreign operations	75,4	39,1	1,0	1,7	2,4	**119,6**
Hyperinflationary adjustment – Venezuela	–	(0,4)	0,1	0,5	–	**0,2**
Carrying value at the end of the year	1 659,0	1 366,2	35,0	32,5	696,0	**3 788,7**
LEASED						
Carrying value						
Cost	22,9	3,5	19,8	1,2	–	**47,4**
Accumulated depreciation	(12,9)	(0,9)	(13,8)	(0,3)	–	**(27,9)**
Accumulated impairment losses	(1,2)	–	–	–	–	**(1,2)**
Carrying value at the end of the year	8,8	2,6	6,0	0,9	–	**18,3**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	9,9	6,1	6,4	0,2	–	**22,6**
Reclassification between categories	(1,3)	–	3,0	–	–	**1,7**
Additions – expansion	3,9	–	1,1	1,0	–	**6,0**
Disposals	(0,8)	(2,4)	–	–	–	**(3,2)**
Depreciation	(3,6)	(0,8)	(4,5)	(0,3)	–	**(9,2)**
Translation of foreign operations	0,7	(0,3)	–	–	–	**0,4**
Carrying value at the end of the year	8,8	2,6	6,0	0,9	–	**18,3**
TOTAL OWNED AND LEASED	1 667,8	1 368,8	41,0	33,4	696,0	**3 807,0**

Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for 2012 was 6,2% (2011: 7,2%).

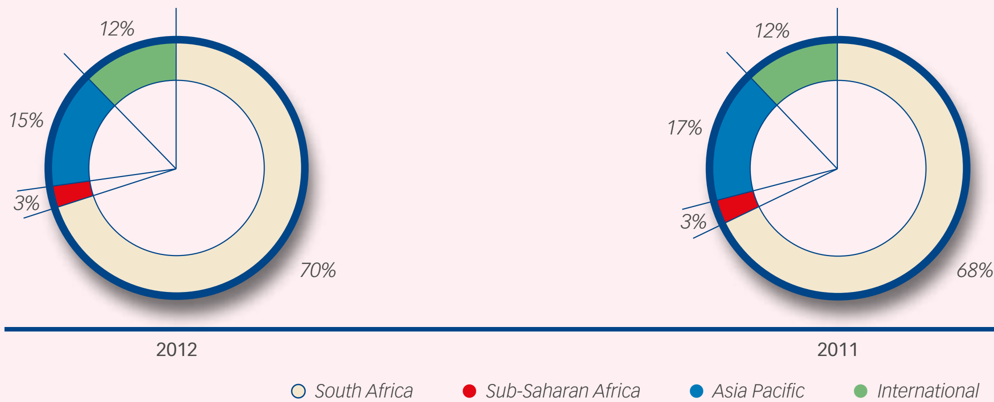
Non-current assets continued

1. PROPERTY, PLANT AND EQUIPMENT continued

2011	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	1 894,1	1 822,8	80,0	82,9	561,1	4 440,9
Accumulated depreciation	(127,4)	(509,3)	(46,7)	(46,7)	–	(730,1)
Accumulated impairment losses	(59,2)	(18,7)	–	(4,0)	–	(81,9)
Carrying value at the end of the year	1 707,5	1 294,8	33,3	32,2	561,1	3 628,9
Movement in property, plant and equipment						
Carrying value at the beginning of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
Acquisition of subsidiaries and businesses	444,8	122,0	–	0,3	–	567,1
Additions – replacement	12,1	24,5	0,8	1,1	123,0	161,5
Additions – expansion	10,1	71,6	8,0	7,4	385,8	482,9
Additions – borrowing costs capitalised	–	–	–	–	14,4	14,4*
Disposals	(0,1)	(4,3)	(0,3)	(0,5)	–	(5,2)
Depreciation	(49,4)	(135,4)	(12,2)	(9,5)	–	(206,5)
Reclassification between categories	239,3	328,8	16,7	2,0	(587,7)	(0,9)
Reclassification to intangible assets	–	–	–	–	(31,5)	(31,5)
Impairment	–	(2,2)	–	(2,5)	(5,3)	(10,0)
Reclassification to assets held-for-sale	(125,0)	(174,9)	–	(4,7)	(2,0)	(306,6)
Translation of foreign operations	(1,5)	(4,2)	0,2	(1,3)	0,9	(5,9)
Hyperinflationary adjustment – Venezuela	–	0,1	–	0,2	–	0,3
Carrying value at the end of the year	1 707,5	1 294,8	33,3	32,2	561,1	3 628,9
LEASED						
Carrying value						
Cost	18,1	11,1	15,7	0,2	–	45,1
Accumulated depreciation	(8,2)	(5,0)	(9,3)	–	–	(22,5)
Carrying value at the end of the year	9,9	6,1	6,4	0,2	–	22,6
Movement in property, plant and equipment						
Carrying value at the beginning of the year	12,8	23,0	7,3	–	–	43,1
Acquisition of subsidiaries and businesses	–	2,0	–	–	–	2,0
Reclassification between categories	–	0,9	–	–	–	0,9
Additions – replacement	–	–	0,3	–	–	0,3
Additions – expansion	1,2	1,9	3,5	0,2	–	6,8
Reclassification to assets held-for-sale	–	(20,8)	–	–	–	(20,8)
Depreciation	(3,2)	(0,6)	(4,7)	–	–	(8,5)
Translation of foreign operations	(0,9)	(0,3)	–	–	–	(1,2)
Carrying value at the end of the year	9,9	6,1	6,4	0,2	–	22,6
TOTAL OWNED AND LEASED	1 717,4	1 300,9	39,7	32,4	561,1	3 651,5
2010						
OWNED						
Carrying value						
Cost	1 284,2	1 502,5	64,4	84,6	663,5	3 599,2
Accumulated depreciation	(88,2)	(417,5)	(44,3)	(43,5)	–	(593,5)
Accumulated impairment losses	(18,8)	(16,2)	–	(1,4)	–	(36,4)
Carrying value at the end of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
LEASED						
Carrying value						
Cost	18,3	40,5	14,7	–	–	73,5
Accumulated depreciation	(5,5)	(17,5)	(7,4)	–	–	(30,4)
Carrying value at the end of the year	12,8	23,0	7,3	–	–	43,1
TOTAL OWNED AND LEASED	1 190,0	1 091,8	27,4	39,7	663,5	3 012,4

**Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for 2012 was 6,2% (2011: 7,2%).*

Property, plant and equipment (carrying values)



	2012 R'million	2011 R'million
The breakdown of the land and buildings amounts is as follows		
Land	**325,6**	326,2
Buildings	**1 342,2**	1 391,2
	1 667,8	1 717,4

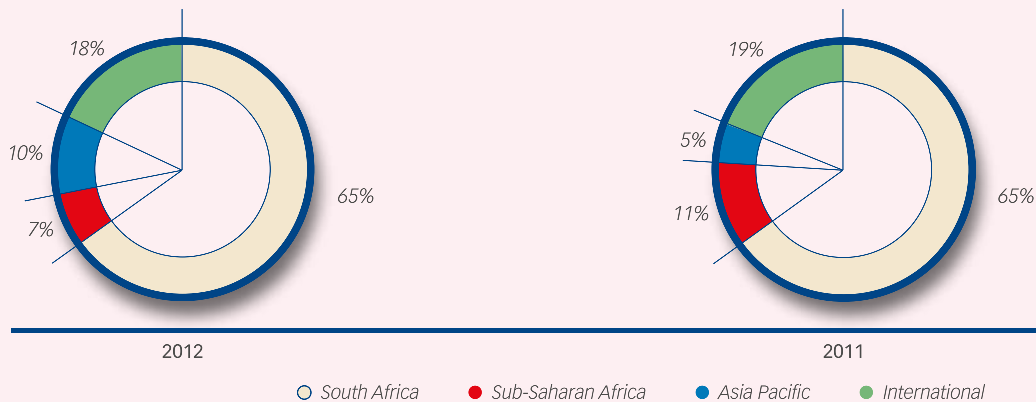
Depreciation rates

The estimated remaining useful life information for 2012 was as follows:	
Buildings (including leasehold improvements)	**Up to 50 years**
Plant and equipment	**Up to 30 years**
Computer equipment	**Up to 7 years**
Office equipment and furniture	**Up to 10 years**

The Group has reviewed the residual values and useful lives of the assets. No material adjustment resulted from such review in the current year.

The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. These depreciation rates represent management's current best estimate of the useful lives of these assets.

Depreciation



Non-current assets continued

	2012 R'million	2011 R'million
1. PROPERTY, PLANT AND EQUIPMENT continued		
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following:		
Authorised and contracted for	**158,8**	134,2
Authorised but not yet contracted for	**456,4**	275,3
Funding		
Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.		
Other disclosures		
Carrying value of assets committed as security for debt (refer to note 18)	**6,1**	60,9
Expenditure capitalised in the construction of qualifying assets – excluding borrowing costs (included in capital work-in-progress)	**132,6**	91,5
Impairment of property, plant and equipment (included in other operating expenses)		
The impairment of property, plant and equipment is split as follows:		
South Africa	**30,2**	6,2
Sub-Saharan Africa	**0,1**	–
International	**2,0**	3,8
	32,3	10,0

The carrying value of property, plant and equipment has been determined based on value-in-use calculations.

South Africa

The amount relates to the impairment of aged property, plant and equipment as a result of multiple factory upgrades and product realignment projects.

2. GOODWILL

	2012 R'million	2011 R'million
Reconciliation of movement		
Carrying value at the beginning of the year	**4 626,6**	456,1
Sigma pharmaceutical business	**104,3**	4 029,0
Impairment	**(43,6)**	–
Translation of foreign operations	**656,6**	141,5
Carrying value at the end of the year	**5 343,9**	4 626,6

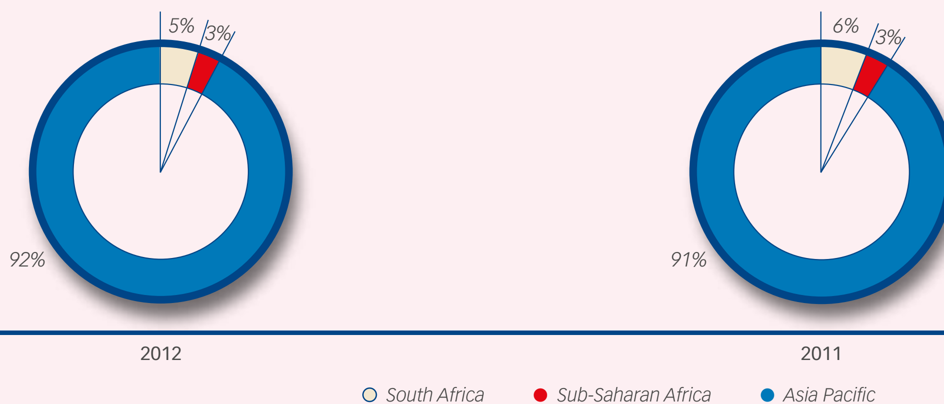
For the purposes of impairment testing, goodwill is allocated to the smallest cash-generating unit. Impairment testing in respect of goodwill is performed at each reporting date by comparing the recoverable amount based on value-in-use of the cash-generating unit to the carrying value. Refer to note 39 for detail.

	2012 R'million	2011 R'million
Impairment of goodwill (included in other operating expenses)		
The impairment of goodwill is split as follows:		
South Africa	**25,7**	–
International	**17,9**	–
	43,6	–

South Africa
An impairment of R25,7 million relating to FCC was accounted for during the year due to the volatility of the API markets.

International
An impairment of R17,9 million relating to historical goodwill on the original Latin American acquisition from Strides.

Goodwill (carrying value)



Non-current assets continued

3. INTANGIBLE ASSETS

2012	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	10 607,8	540,5	2 565,0	67,0	197,4	**13 977,7**
Accumulated amortisation	(1 234,8)	(67,1)	(191,2)	(53,7)	(97,2)	**(1 644,0)**
Accumulated impairment losses	(441,2)	(17,9)	(0,6)	(1,8)	(2,4)	**(463,9)**
Carrying value at the end of the year	8 931,8	455,5	2 373,2	11,5	97,8	**11 869,8**
Movement in intangible assets						
Carrying value at the beginning of the year	6 184,3	323,1	2 316,5	15,7	77,1	**8 916,7**
Acquisition of subsidiaries and businesses	4,2	–	–	–	–	**4,2**
Additions – replacement	–	–	–	–	0,5	**0,5**
Additions – expansion	1 924,8	47,3	26,7	–	26,0	**2 024,8**
Development costs capitalised	–	123,5	–	–	–	**123,5**
Disposals	(2,4)	(0,4)	–	–	–	**(2,8)**
Amortisation	(139,6)	(24,3)	(22,7)	(4,2)	(21,5)	**(212,3)**
Reclassification between categories	0,8	(0,8)	–	–	–	**–**
Reclassification from property, plant and equipment	–	7,1	–	–	15,1	**22,2**
Impairment	(90,3)	(22,4)	–	–	–	**(112,7)**
Translation of foreign operations	1 050,0	2,0	52,7	–	0,5	**1 105,2**
Hyperinflationary adjustment – Venezuela	–	0,4	–	–	0,1	**0,5**
Carrying value at the end of the year	8 931,8	455,5	2 373,2	11,5	97,8	**11 869,8**

3. INTANGIBLE ASSETS continued

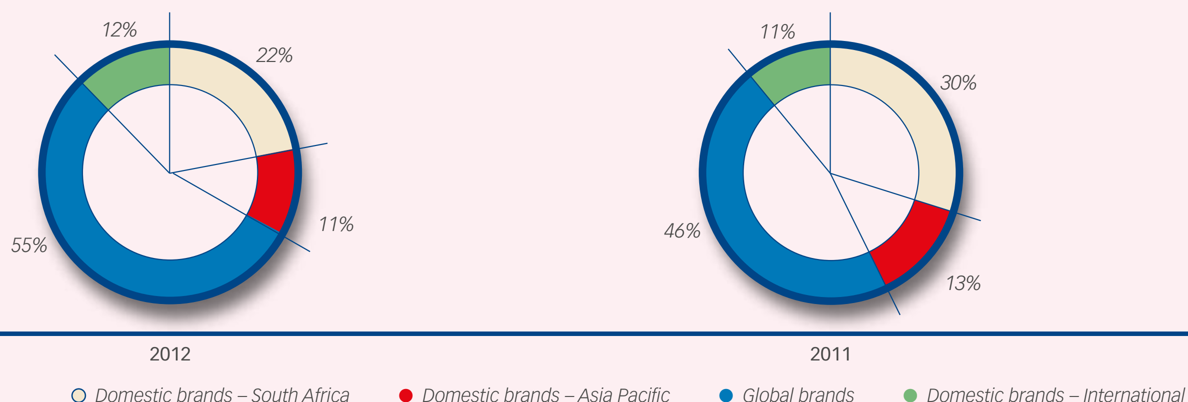
2011	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	7 456,8	376,3	2 476,5	67,1	148,3	10 525,0
Accumulated amortisation	(1 042,1)	(42,8)	(159,4)	(49,5)	(70,8)	(1 364,6)
Accumulated impairment losses	(230,4)	(10,4)	(0,6)	(1,9)	(0,4)	(243,7)
Carrying value at the end of the year	6 184,3	323,1	2 316,5	15,7	77,1	8 916,7
Movement in intangible assets						
Carrying value at the beginning of the year	5 966,4	203,4	2 377,7	21,0	41,4	8 609,9
Acquisition of subsidiaries and businesses	1 056,0	27,9	–	–	–	1 083,9
Additions – replacement	–	–	–	–	0,2	0,2
Additions – expansion	49,8	31,1	–	–	20,0	100,9
Development costs capitalised	–	87,6	–	–	–	87,6
Disposals	(179,0)	–	–	–	–	(179,0)
Amortisation	(82,1)	(14,8)	(26,0)	(5,3)	(16,2)	(144,4)
Reclassification between categories	(0,2)	0,2	–	–	–	–
Reclassification from property, plant and equipment	–	–	–	–	31,5	31,5
Impairment	(81,0)	(13,8)	(2,5)	–	–	(97,3)
Translation of foreign operations	(516,2)	1,5	(32,7)	–	0,2	(547,2)
Reclassification to assets held-for-sale	(29,4)	–	–	–	–	(29,4)
Carrying value at the end of the year	6 184,3	323,1	2 316,5	15,7	77,1	8 916,7
2010						
Carrying value						
Cost	7 199,8	234,0	2 591,8	67,0	98,1	10 190,7
Accumulated amortisation	(992,6)	(29,6)	(214,1)	(44,2)	(56,2)	(1 336,7)
Accumulated impairment losses	(240,8)	(1,0)	–	(1,8)	(0,5)	(244,1)
Carrying value at the end of the year	5 966,4	203,4	2 377,7	21,0	41,4	8 609,9

All intangible assets were acquired from third parties, except for development costs that are both internally generated and outsourced to third-party development companies.

Non-current assets continued

3. INTANGIBLE ASSETS continued

Intangible assets (carrying value)



	2012 R'million	2011 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset, is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**7 219,4**	4 699,8
Indefinite useful life intangible assets as a percentage of total intangible assets	**61%**	53%

Intellectual property which is classified as an indefinite useful life intangible asset, will reflect a historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base. Where such intangible assets constitute a new acquisition, a projected trend of continuing positive contribution must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible assets' base; and
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset.

A number of brands have been classified as indefinite useful life intangible assets, with the most material being the global brands. These brands had a carrying value of R6 532,2 million at the end of June 2012 (2011: R3 970,1 million).

Refer to note 39 for detail on impairment testing of indefinite useful life intangible assets.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

3. INTANGIBLE ASSETS continued

	2012 R'million	2011 R'million
Impairment of intangible assets (included in other operating expenses)		
The impairment of intangible assets can be split as follows:		
South Africa	26,1	22,4
International	86,6	74,9
#Consumer brands in Aspen Brazil	27,6	74,9
^Dextropropoxyphene products in Australia	35,4	–
‡Personal care products in Australia	23,6	–
	112,7	97,3

South Africa

This relates to old product development projects which were no longer technically or commercially feasible. The value of the impairment was determined using fair value less costs to sell.

International

\# This relates to historical underperformance on certain consumer brands in Aspen Brazil. The value of the impairment was determined using fair value less costs to sell.

^ Dextropropoxyphene products in Australia are at risk of being withdrawn from sale as part of a general withdrawal of all Dextropropoxyphene containing products from the market in Australia. The value of the impairment was determined using fair value less costs to sell.

‡ This relates to historical underperformance on certain personal care products in Australia. The carrying value of intangible assets impaired has been determined based on value-in-use calculations. The following assumptions have been used:

- period covered by the forecasts and budgets of 9 years;
- growth in revenue per annum ranging between –5% and –7%;
- gross profit percentage per annum of 52%;
- growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of –5%;
- annual post-tax discount rate applied to cash flows of 10,1%

Product participation and other contractual rights

Product participation and other contractual rights can be split into the following categories for the purposes of amortisation:

	2012 R'million	2011 R'million
– Amortised on a straight-line basis		
Carrying value	2 367,6	2 310,7
Amortisation	18,6	21,3
– Amortised using the reverse sum of the digits method		
Carrying value	5,6	5,8
Amortisation	4,1	4,7

Capital commitments

Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following:

	2012 R'million	2011 R'million
Authorised and contracted for	12,7	49,0
Authorised but not yet contracted for	3 257,2	58,1

Funding

Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.

Other disclosures

No intellectual property has been pledged as security for borrowings.

Non-current assets continued

	2012 R'million	2011 R'million
4. INVESTMENT IN ASSOCIATE		
Balance at the beginning of the year	–	2,0
Reclassification of investment in Formule Naturelle (Pty) Limited to investments in subsidiaries	–	(2,0)
	–	–
5. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
Avid Brands SA (Pty) Limited	4,8	11,0
Amka Products (Pty) Limited	11,8	12,2
KOPM Distribution (Pty) Limited	20,0	–
Charospot Investments (Pty) Limited	5,0	–
Current portion included in trade and other receivables	(10,1)	(11,4)
	31,5	11,8

Avid Brands SA (Pty) Limited

An agreement was entered into with Avid Brands SA (Pty) Limited, in terms of which the Group disposed of certain intellectual property and inventories. The repayment profile is set out below:

	2012 R'million	2011 R'million
Year ended 30 June 2012	–	6,4
Year ending 30 June 2013	1,8	4,6
Year ending 30 June 2014	1,4	–
Year ending 30 June 2015	1,6	–
	4,8	11,0

The outstanding loan on the sale of the intellectual property bears interest at the South African prime rate minus 1%. No interest is charged on the outstanding balance in respect of inventories.

The additional intellectual property disposed of in the prior year was pledged as security by Avid Brands SA (Pty) Limited to secure its indebtedness.

	2012 R'million	2011 R'million
5. OTHER NON-CURRENT FINANCIAL RECEIVABLES continued		
Amka Products (Pty) Limited		
An agreement was entered into with Amka Products (Pty) Limited, in terms of which the Group disposed of certain intellectual property. The repayment profile is set out below:		
Year ended 30 June 2012	**–**	5,0
Year ending 30 June 2013	**8,3**	5,0
Year ending 30 June 2014	**3,5**	2,2
	11,8	12,2

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime rate minus 1%.

Amka Products (Pty) Limited agreed to pledge the purchased intellectual property to secure its indebtedness.

KOPM Distribution (Pty) Limited and Charospot Investments (Pty) Limited

An agreement was entered into with KOPM Distribution (Pty) Limited and Charospot Investments (Pty) Limited in July 2011. Loan funding was advanced by Aspen to selected BBBEE beneficiaries for the purpose of enabling these beneficiaries to acquire an equity stake in a pharmaceutcal distribution and wholesale company as an enterprise development initiative by Aspen. These loans are due to be repaid at the end of the five-year period, being July 2016.

The outstanding loans bear interest at the South African prime rate plus 1%.

Other disclosures

Management considers the credit risk associated with these financial receivables to be low, as there has been no default on repayments.

Both the KOPM Distribution (Pty) Limited and the Charospot Investments (Pty) Limited loans are secured by the RTT Group (Pty) Limited to a maximum amount of R12,5 million. In addition to this, the Group holds a second bond over specified movable assets to a value of R10,0 million as well as a cession of specified book debts.

Non-current assets continued

	2012 R'million	2011 R'million
6. DEFERRED TAX		
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.		
Deferred tax balance		
Deferred tax liabilities – opening balance	**504,9**	263,2
Deferred tax assets – opening balance	**(216,5)**	(65,5)
Net deferred tax liabilities – opening balance	**288,4**	197,7
Statement of comprehensive income charge – prior year adjustment	**(10,3)**	(6,4)
Statement of comprehensive income charge – included in tax	**140,7**	42,3
Statement of comprehensive income charge – included in other comprehensive income	**–**	(47,8)
Charged to equity	**(4,4)**	15,7
Translation of foreign operations	**(3,9)**	0,1
Acquisition of subsidiaries and businesses	**(108,9)**	86,8
Balance at the end of the year	**301,6**	288,4
Balance split as follows:		
Deferred tax liabilities	**536,0**	504,9
Deferred tax assets	**(234,4)**	(216,5)
Balance at the end of the year	**301,6**	288,4
The statement of comprehensive income charge comprises:		
Property, plant and equipment	**82,3**	117,5
Intangible assets	**48,1**	2,1
Inventories	**(32,5)**	(20,1)
Trade and other receivables	**(3,7)**	(73,0)
Retirement benefit obligations	**(0,9)**	(1,0)
Leave pay	**(2,6)**	(0,2)
Royalties received in advance	**(0,3)**	–
Preference shares issued	**1,3**	1,5
Tax claims in respect of share schemes	**7,4**	3,4
Tax losses	**49,9**	11,7
Other	**(18,6)**	(6,0)
	130,4	35,9

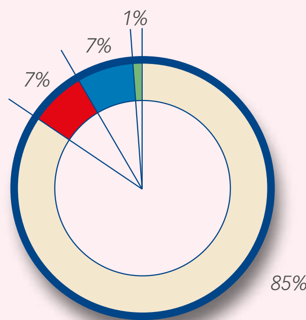
6. DEFERRED TAX continued

Deferred tax balance comprises:

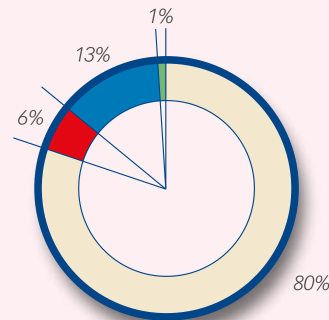
	2012 R'million	2011 R'million
Property, plant and equipment	**381,7**	416,7
Intangible assets	**171,9**	122,7
Inventories	**(78,6)**	(46,6)
Trade and other receivables	**6,1**	7,4
Retirement benefit obligations	**(15,5)**	(4,4)
Leave pay	**(15,9)**	(12,9)
Royalties received in advance	**(22,5)**	(22,3)
Preference shares issued	**–**	(1,3)
Tax claims in respect of share schemes	**(30,4)**	(74,9)
Tax losses	**(71,5)**	(88,3)
Other	**(23,7)**	(7,7)
Balance at the end of the year	**301,6**	288,4

No significant unrecognised tax losses or secondary tax on companies credits exists at year-end.

Tax jurisdiction – deferred tax liabilities

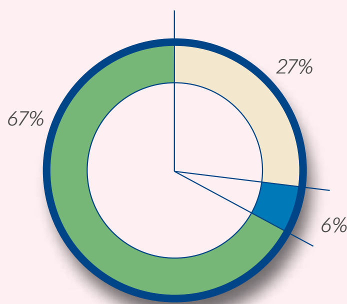


2012

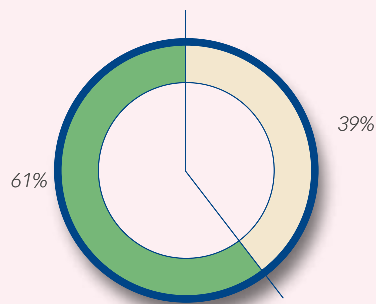


2011

Tax jurisdiction – deferred tax assets



2012



2011

South Africa · Sub-Saharan Africa · Asia Pacific · International

Current assets

	Notes	2012 R'million	2011 R'million
Inventories	7	**3 292,0**	2 628,1
Trade and other receivables	8	**3 782,3**	3 105,5
Current tax assets		**37,8**	158,3
Derivative financial instruments	9	**5,1**	–
Cash and cash equivalents	10	**3 313,5**	3 039,2
Cash restricted for use	11	**1,2**	28,7
Total operating current assets		**10 431,9**	8 959,8
Assets classified as held-for-sale	12	**–**	414,5
Total current assets		**10 431,9**	9 374,3

7. INVENTORIES

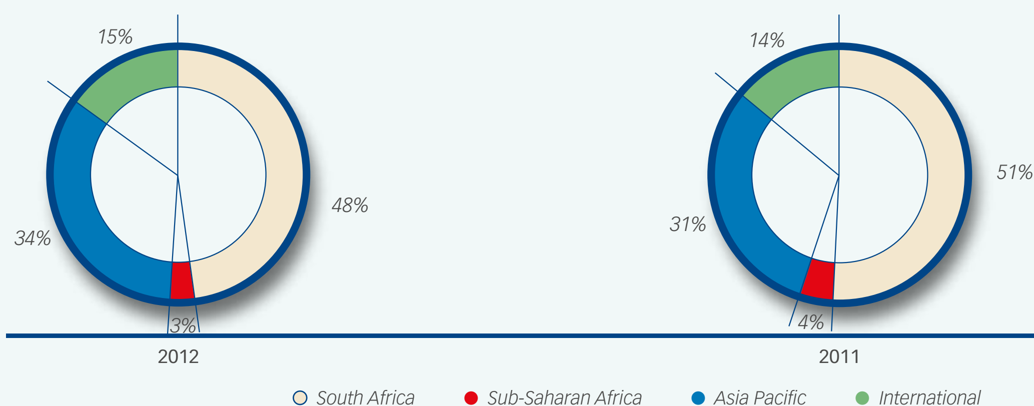
Carrying values

	2012	2011
Raw materials	**953,4**	793,6
Work-in-progress	**363,6**	199,2
Finished goods	**1 881,0**	1 559,1
Consumables	**94,0**	76,2
	3 292,0	2 628,1

Key ratios relating to inventories

	2012	2011
Inventories as a percentage of revenue from continuing operations	**22%**	21%
Inventories as a percentage of cost of sales from continuing operations	**41%**	39%

Inventories (carrying values)



7. INVENTORIES continued

Impairment of inventories (included in cost of sales)

	2012 R'million	2011 R'million
The impairment charge to the statement of comprehensive income is split as follows:		
Write-down of inventories recognised as an expense	**142,8**	91,4
Movement in the provision for impairment	**(30,6)**	139,2
	112,2	230,6
The write-down is split as follows		
South Africa	**97,1**	74,7
Sub-Saharan Africa	**–**	10,6
Asia Pacific	**30,4**	4,0
International	**15,3**	2,1
	142,8	91,4

The write-down relates mainly to expired inventories in the pharmaceutical segment. Due to the finite shelf life of pharmaceutical products they are more susceptible to impairment.

Reconciliation of provision for impairment	2012 R'million	2011 R'million
Balance at the beginning of the year	**265,8**	141,6
Raised during the year	**158,3**	310,4
Utilised during the year	**(188,9)**	(171,2)
Reclassification to assets held-for-sale	**–**	(5,4)
Translation of foreign operations	**19,8**	(9,5)
Hyperinflationery adjustment – Venezuela	**–**	(0,1)
Balance at the end of the year	**255,0**	265,8

Management is required to use significant judgement in estimating the provision for impairment of inventories. Refer to page 39 for detail.

Other disclosures

No inventories were carried at net realisable value at year-end.

No inventories were encumbered during the year.

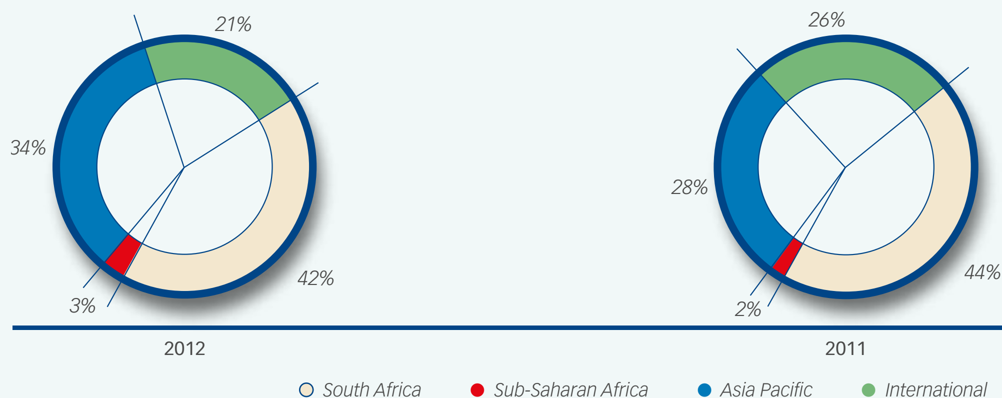
Current assets continued

		2012 R'million	2011 R'million
8.	**TRADE AND OTHER RECEIVABLES**		
	Financial instruments		
	Trade receivables	**3 123,4**	2 622,8
	Allowance account for losses	**(74,5)**	(68,3)
	Net trade receivables	**3 048,9**	2 554,5
	Current portion of other non-current financial receivables	**10,1**	11,4
	Interest accrued	**14,6**	6,6
	Other	**481,0**	314,3
	Total financial instruments*	**3 554,6**	2 886,8
	Non-financial instruments		
	Indirect taxes	**127,4**	96,4
	Prepayments	**65,5**	81,6
	Other	**34,8**	40,7
	Total non-financial instruments	**227,7**	218,7
	Total trade and other receivables	**3 782,3**	3 105,5

**This amount is classified as "loans and receivables" in terms of IAS 39, Financial Instruments: Recognition and measurement.*

	2012	2011
Net trade receivables as a percentage of revenue from continuing operations	**20%**	21%

Net trade receivables



Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

8. TRADE AND OTHER RECEIVABLES continued

	2012 Gross R'million	2012 Allowance account for losses R'million	2011 Gross R'million	2011 Allowance account for losses R'million
Age analysis of trade and other receivables (financial instruments only)				
Fully performing	**2 906,3**	**–**	2 270,9	–
Past due by 1 to 60 days	**328,5**	**(4,0)**	369,7	(4,4)
Past due by 61 to 90 days	**124,3**	**(2,5)**	123,1	(5,8)
Past due by 91 to 120 days	**72,5**	**(19,2)**	48,2	(4,2)
Past due by more than 120 days	**197,5**	**(48,8)**	143,2	(53,9)
	3 629,1	**(74,5)**	2 955,1	(68,3)

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.

The total amount of trade and other receivables is exposed to credit risk, except for certain fully performing and past due balances which were covered by credit guarantee insurance to the value of R934,6 million (2011: R731,7 million).

Amounts past their due dates, not provided for, are considered by the Group to be recoverable.

Three separate debtors balances constitute a significant concentration of credit risk to an amount of R1 212,2 million (2011: R872,7 million). These balances constitute 38,8% (2011: 33,3%) of the total gross trade receivables.

There is no other single customer that represents more than 10% of total gross trade receivables for the years ended 30 June 2012 and 2011.

	2012 R'million	2011 R'million
Impairment of trade and other receivables (included in administrative expenses)		
The impairment charge to the statement of comprehensive income is split as follows		
Bad debts written off	**–**	10,7
Movement in the allowance account for losses	**5,4**	12,1
	5,4	22,8
Reconciliation of allowance account for losses		
Balance at the beginning of the year	**68,3**	44,7
Raised during the year	**25,1**	25,1
Utilised during the year	**(19,7)**	(13,0)
Acquisition of subsidiary	**–**	11,7
Translation of foreign operations	**0,8**	(0,2)
Balance at the end of the year	**74,5**	68,3

Receivables are reviewed for impairment on an individual basis and significant judgement is applied by management in determining whether a trade receivable is impaired or not. A number of factors are taken into account when this assessment is made. Refer to page 39 for detail.

Current assets continued

	2012 R'million	2011 R'million
8. TRADE AND OTHER RECEIVABLES continued		
Trade receivables given as security for liabilities		
No trade and other receivables have been given as security for liabilities at 30 June 2012.		
Currency analysis of trade and other receivables (financial instruments only)		
Australian Dollar	**1 070,6**	722,9
Canadian Dollar	**49,1**	18,0
Euro	**220,7**	231,2
Pound Sterling	**160,0**	204,8
US Dollar	**198,4**	345,6
Brazilian Real	**278,6**	269,1
Mexican Peso	**53,8**	26,6
Venezuelan Bolivares Fuertes	**30,6**	21,8
Tanzanian Shilling	**41,2**	20,4
Rand	**1 345,0**	939,4
Other currencies	**106,6**	87,0
	3 554,6	2 886,8
Other disclosures		
The Group holds no collateral over any trade and other receivables.		
Trade and other receivables are predominantly non-interest bearing.		
9. DERIVATIVE FINANCIAL INSTRUMENTS		
Assets		
Balance at the beginning of the year	**–**	0,1
Fair value gains/(losses) recognised in the statement of comprehensive income	**5,1**	(0,1)
Balance at the end of the year	**5,1**	–

This balance consists of derivatives where hedge accounting is not applied. The entire balance is attributable to forward exchange contracts.

The forward exchange contracts are classified as "Level 2" assets in the fair value measurement hierarchy.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

	2012 R'million	2011 R'million
10. CASH AND CASH EQUIVALENTS		
Bank balances	**2 943,8**	1 971,3
Short-term bank deposits	**356,0**	1 048,0
Cash-in-transit*	**12,9**	14,5
Cash-on-hand	**0,8**	5,4
	3 313,5	3 039,2

**Comprises receipts from customers only banked after year-end.*

General disclosures

The maturity profile of all cash and cash equivalent balances is less than three months.

The average effective interest rate on short-term bank deposits is 4,1% (2011: 4,6%).

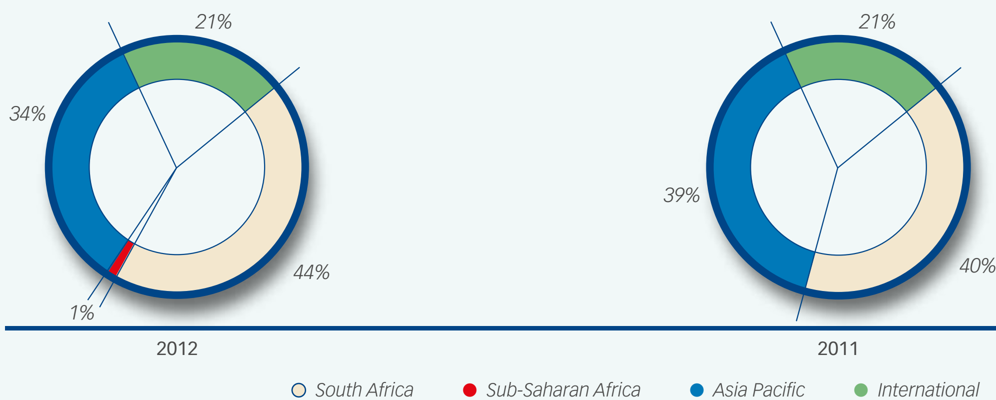
The total amount of cash and cash equivalents is exposed to credit risk, and is placed with high quality financial institutions.

Total cash and cash equivalents is classified as 'Loans and receivables' in terms of IAS 39, *Financial Instruments: Recognition and measurement.*

Currency analysis of cash and cash equivalents

	2012 R'million	2011 R'million
Australian Dollar	**1 068,6**	1 205,4
Euro	**99,8**	74,2
Pound Sterling	**201,4**	96,0
US Dollar	**378,5**	437,6
Brazilian Real	**25,3**	4,1
Mexican Peso	**19,9**	2,0
Venezuelan Bolivares Fuertes	**21,3**	1,8
Tanzanian Shilling	**22,5**	1,7
Rand	**1 454,8**	1 208,5
Other currencies	**21,4**	7,9
	3 313,5	3 039,2

Cash and cash equivalents



Current assets continued

	2012 R'million	2011 R'million
11. CASH RESTRICTED FOR USE		
Cash held by Brazilian banks as security for borrowings	**–**	24,8
Bank bonds	**1,2**	3,9
	1,2	28,7

Bank bonds

This represents investments by Aspen Brazil in Brazilian bonds. The Group has access to the funds invested at any time subject to providing alternative security. The amount is denominated in Brazilian Real.

As the above amounts are maintained by financial instutions of a high quality, management considers the credit risk associated with these balances to be low.

	2012 R'million	2011 R'million
12. NET ASSETS CLASSIFIED AS HELD-FOR-SALE		
Campos facility and related products in Brazil	**–**	348,5
Personal care products in South Africa	**–**	35,1
	–	383,6
Reconciliation of net assets classified as held-for-sale		
Balance at the beginning of the year	**383,6**	260,1
Reclassification from categories	**–**	361,8
Property, plant and equipment	**–**	327,4
Intangible assets	**–**	29,4
Current assets	**–**	34,5
Trade and other payables	**–**	(2,9)
Borrowings	**–**	(26,6)
Disposals	**(384,0)**	(260,1)
Translation of foreign operations	**0,4**	21,7
Balance at the end of the year	**–**	383,6

12. NET ASSETS CLASSIFIED AS HELD-FOR-SALE continued

Details of net assets transferred to held-for-sale

	2012 R'million	2011 R'million
Assets		
Property, plant and equipment	–	343,2
Intangible assets	–	29,4
Inventories	–	41,9
Total assets	–	414,5
Liabilities		
Trade and other payables	–	3,0
Borrowings	–	27,9
Total liabilities	–	30,9
Net assets	–	383,6

Campos facility and related products in Brazil

An agreement was reached in the 2011 financial year for the sale of the Campos facility and related products in Brazil to Strides as the specialised manufacture of penicillins and penems, primarily for the public sector and contract manufacturing business, was not considered to be core to the product offering of Aspen Brazil. The net assets of the Campos facility was reclassified as held-for-sale pending fulfilment of the conditions precedent. These conditions were fulfilled in December 2011.

Personal care products in South Africa

The sale of the South African toothpaste business to the Unilever group was concluded in September 2011.

Shareholders' equity

	Notes	2012 R'million	2011 R'million
Share capital and share premium	13	**4 753,9**	4 809,6
Treasury shares	14	**(50,8)**	(33,4)
Non-distributable reserves		**1 369,5**	(108,1)
Share-based compensation reserve	15	**33,6**	32,5
Retained income		**11 283,2**	8 363,6
Preference shares – equity component	16	**–**	162,0
Non-controlling interests	17	**8,7**	61,1
		17 398,1	13 287,3

13. SHARE CAPITAL AND SHARE PREMIUM

	2012 R'million	2011 R'million
Authorised		
700 000 000 (2011: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**97,3**	97,3
Issued		
454 779 457 (2011: 433 882 918) ordinary shares with a par value of 13,90607 cents each	**63,2**	60,3
Share premium	**4 690,7**	4 749,3
	4 753,9	4 809,6

	2012 Million	2011 Million
Shares in issue at the beginning of the year	**433,9**	431,6
Shares issued – Share schemes	**3,3**	2,3
Shares issued – preference shares converted	**17,6**	–
Shares in issue at the end of the year	**454,8**	433,9

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.

14. TREASURY SHARES

	2012 R'million	2011 R'million
Balance at the beginning of the year	**(33,4)**	(13,5)
Treasury shares purchased	**(19,3)**	(20,1)
Deferred incentive bonus shares exercised	**1,9**	0,2
Balance at the end of the year	**(50,8)**	(33,4)

	2012 Million	2011 Million
Number of treasury shares at the beginning of the year	**0,4**	0,2
Treasury shares purchased	**0,2**	0,2
Number of treasury shares at the end of the year	**0,6**	0,4

15. SHARE-BASED COMPENSATION RESERVE

During the year the following share-based payment expenses were recognised in the statement of comprehensive income regarding share-based arrangements that existed:

	2012 R'million	2011 R'million
Equity settled – recognised directly in equity		
South African Management Deferred Incentive Bonus Scheme	**17,1**	12,2
Aspen Share Incentive Scheme and Aspen Share Appreciation Plan	**7,4**	14,1
Cash settled – recognised in trade and other payables		
South African Management Deferred Incentive Bonus Scheme	**3,4**	3,5
Aspen International Phantom Share Scheme	**3,6**	0,8
	31,5	30,6

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 10.

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

Aspen Share Incentive Scheme

Share options were granted to management and key employees in terms of this scheme. The scheme was adopted by shareholders in January 1999. An amendment to the trust deed was approved by shareholders on 18 January 2000, in terms of which share options offered and taken up were released in five equal annual tranches, commencing on the second anniversary of an offer date and expiring after eight years. The scheme is equity settled. The last tranche in terms of this scheme was awarded in September 2007.

In October 2009, the South African Management Deferred Incentive Bonus Scheme was adopted and now operates under the terms and conditions of this scheme.

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is five years and vesting takes place three years from the allocation date. Share appreciation rights are no longer awarded, other than to two offshore employees, who continue on the scheme under legacy arrangements. The scheme is equity settled. Refer to note 15.2 for detail of rights issued in terms of this scheme.

Aspen Share Incentive Scheme and Aspen Share Appreciation Plan are collectively referred to as "the legacy schemes".

Aspen South African Management Deferred Incentive Bonus Scheme

In October 2009, the Aspen Board, acting through its Remuneration & Nomination Committee proposed that the remuneration structure of management and key employees be amended. As part of this change in the remuneration structure the award of share appreciation rights under the Aspen Share Appreciation Plan was discontinued except for three (now two) offshore employees and replaced by the South African Management Deferred Incentive Bonus Scheme. The deferred incentive bonus will be payable in cash or shares, at the election of the employee. There is a three-year vesting period. The employee to whom the reward is made must remain in the employ of Aspen at the time of vesting.The deferred incentive bonus amount is calculated based on the performance of the Aspen Group company which employs the relevant employee and individual performance targets. Refer to note 15.3 for detail of shares issued in terms of this scheme.

Election of cash

Should an employee elect to receive cash at the time of the award, the cash amount will be payable to the employee three years after the date of the award, provided that the employee is still employed by Aspen at that date. Notional interest at Aspen's overnight call rate will be added to the deferred incentive bonus amount at the end of the three-year period.

Election of shares

Should an employee elect to receive shares at the time of the award, the deferred incentive bonus amount granted is increased by 10%. These shares will be issued in terms of the Aspen Share Incentive Scheme and held by the Aspen Share Incentive Trust until the three-year vesting period has expired. Employees will, on vesting date, receive any dividends/capital distributions that were paid to the Trust during the vesting period.

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

Accounting treatment

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt and an equity component.

On measurement date management measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in the statement of comprehensive income for the period.

The equity component will be accounted for as an equity-settled share-based payment arrangement. The fair value of the services shall be measured at the fair value of the equity instruments on grant date. The services shall then be recognised over the vesting period, with a corresponding increase in equity. Shares lapsed or cancelled will be held in the Trust for future grants.

Aspen International Phantom Share Scheme

In order to incentivise the management of Aspen's international operations in the medium term, a phantom share scheme exists for selected international employees. Awards are linked to the performance of the employee, the businesses and growth in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares. The phantom shares entitle eligible employees to receive a cash bonus based initially on a predetermined value and thereafter on changes in the Aspen share price. This scheme is cash-settled.

Aspen South African Workers' Share Plan

The Aspen South African Workers' Share Plan was adopted in October 2005. In terms of the plan all permanent employees not covered by one of the other share schemes, who had a minimum of one year's continuous service with the Company, qualified for Aspen shares to a value of R9 000, awarded over a three-year period. The last tranche in terms of this plan was issued in July 2009. This scheme is equity-settled.

General

The maximum number of shares that can be issued in terms of these legacy share schemes which are operated by the Group is currently limited to 64 741 611 (14% of the Company's issued share capital), and the maximum number of shares issued to any single employee is limited to 6 474 161 shares. These limits were approved by shareholders at the annual general meeting held on 26 November 2010. Since then 3 930 616 shares have been issued in terms of these legacy schemes since this approval was granted, representing 0,9% of the Company's issued share capital. From the date of inception of these schemes in 2001, 37 474 749 shares have been issued under the schemes comprising 8,24% of issued share capital. This constitutes an average dilution rate of less than 1% per year. As future issues of shares under the legacy share schemes in terms of existing incentive arrangements will be relatively small, the approval of shareholders will be sought at the upcoming annual general meeting to reduce the limit of future share issues in terms of these legacy share schemes from the current level of 14% to 10% of issued share capital.

Should an employee resign from the Group prior to the vesting date as indicated above, the shares or cash will not be issued and will be forfeited. Should an employee be retrenched or retire, all shares or cash will become due to the employee. Should an employee become deceased, all the shares or cash will vest in the estate of the deceased.

It is Group policy that all directors and employees should not deal in shares or exercise share options and/or share appreciation rights of the Company for the periods from half year-end and year-end to 24 hours after publication of the half-year and year-end results or when the Company is trading under cautionary announcement.

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. Refer to page 39 for detail.

15. SHARE-BASED COMPENSATION RESERVE continued

15.1 Aspen Share Incentive Scheme

Award price	Expiry date	Options outstanding on 30 June 2011 '000	Vested '000	Non-vested '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Options outstanding on 30 June 2012 '000**	**Vested '000**	**Non-vested '000**
R7,77	Jul 2011	1	1	–	1	–	–	–	–
R8,28	Aug 2011	1	1	–	1	–	–	–	–
R9,20	Aug 2011	1 200	1 200	–	1 200	–	–	–	–
R11,20	Jan 2012	124	124	–	120	4	–	–	–
R11,46	Feb 2012	3	3	–	3	–	–	–	–
R12,30	Jun 2012	200	200	–	200	–	–	–	–
R12,67	Jul 2012	328	328	–	277	5	**46**	**46**	–
R14,96	Oct 2012	3	3	–	1	2	–	–	–
R18,23	Oct 2012	21	21	–	21	–	–	–	–
R21,49	Mar 2012	7	7	–	–	–	**7**	**7**	–
R22,13	May 2012	30	30	–	–	–	**30**	**30**	–
R23,92	Jul 2012	142	69	73	82	3	**57**	**57**	–
R23,93	Jun 2013	1	1	–	1	–	–	–	–
R32,89	Sept 2014	245	112	133	128	8	**109**	**51**	**58**
R35,09	Sept 2015	142	54	88	3	–	**139**	**80**	**59**
		2 448	2 154	294	2 038*	22	**388**	**271**	**117**

*Options exercised during the year resulted in 2,0 million shares (2011: 0,7 million shares) being issued yielding proceeds of R25,1 million (2011: R10,0 million).

The weighted average share price at which shares were exercised during the year was R92,18 (2011: R87,28).

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

	Number of shares '000	Consideration R'million
2013	359	10,2
2014	29	1,0
	388	11,2

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

15.2 Aspen Share Appreciation Plan

Award price	Expiry date	Rights outstanding on 30 June 2011 '000	Vested '000	Non-vested '000	Awarded during the year '000	Exercised during the year '000
R32,82	Sept 2011	530	530	–	–	530
R34,75	Feb 2012	3	3	–	–	3
R35,53	Sept 2011	1 243	1 239	4	–	793
R35,61	Mar 2012	4	4	–	–	4
R36,03	Jan 2014	69	–	69	–	–
R37,47	Jul 2012	43	43	–	–	43
R38,15	May 2012	3	3	–	–	3
R41,03	Oct 2013	1 422	–	1 422	–	644
R60,28	Sept 2014	168	–	168	–	33
R88,82	Sept 2015	99	–	99	–	–
R89,93	Sept 2016	–	–	–	114	–
		3 584	1 822	1 762	114	2 053*

**During the year 2,1 million rights (2011: 2,5 million rights) were exercised which resulted in 1,3 million shares (2011: 1,6 million shares) being issued.*

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.

The weighted average share price at which shares were exercised during the year was R96,66 (2011: R90,25).

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

	Number of rights '000
2013	1 432
2014	99
2015	114
	1 645

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

15.3 South African Management Deferred Incentive Bonus Scheme

Award price	Expiry date	Shares outstanding on 30 June 2011 '000#	Awarded during the year '000	Re-allocated during the year '000	Re-leased during the year '000	Lapsed/ cancelled during the year '000*
R64,70	Oct 2012	186	–	–	6	6
R77,92	Oct 2012	4	–	–	4	–
R86,88	Oct 2013	211	–	–	8	11
R89,68	Oct 2014	–	198	28	5	7
		401	198^	28+	23	24

The fair value was determined by reference to the share price on the award date.

 # The total number of shares are not vested at 30 June 2012 and 30 June 2011.

+ Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are reallocated to future grants.

^ During the year the Group bought 197 948 shares (2011: 210 934 shares) that will be held in the Aspen Share Incentive Scheme Trust until vesting date. These shares are accounted for as treasury shares in the Annual Financial Statements of the Group.

Rights outstanding on 30 June 2012 '000	Vested '000	Non-vested '000	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility %	Dividend yield %	Risk-free rate %
–	–	–	9,64	33,19	27,44	2,30	8,72
–	–	–	10,59	33,57	28,06	1,95	8,94
450	450	–	11,46	35,99	27,44	2,39	9,42
–	–	–	11,40	35,25	28,23	1,95	8,94
69	69	–	14,55	39,02	33,84	2,30	7,37
–	–	–	11,31	37,00	27,64	2,39	9,42
–	–	–	13,39	39,61	27,73	1,95	8,94
778	778	–	13,78	41,40	31,69	2,32	7,32
135	–	135	20,96	61,86	35,52	2,30	8,08
99	–	99	32,17	91,25	35,95	2,13	8,17
114	–	114	33,08	91,00	33,91	1,93	8,75
1 645	1 297	348					

Shares outstanding on 30 June 2012 '000#	Fair value at award date (R)	Share price at award date (R)
174	61,86	64,00
–	61,86	64,00
192	86,88	93,30
214	83,88	94,00
580		

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

15.3 South African Management Deferred Incentive Bonus Scheme continued

	2012 R'million	2011 R'million
For accounting purposes the deferred incentive bonus has been split into an equity and a liability component. Refer to the accounting policy on page 30 for more detail.		
Cumulative share-based payment amount (included in the statement of changes in equity)	**30,6**	15,4
Opening balance	**15,4**	3,3
For the year	**17,1**	12,2
Released in the year	**(1,9)**	–
Bonus provision – liability component (included in other payables in the statement of financial position)	**10,5**	7,3
Opening balance	**7,3**	3,6
For the year	**3,4**	3,5
Released in the year	**(0,6)**	–
Notional interest on liability component	**0,4**	0,2
	41,1	22,8

15.4 Aspen International Phantom Share Scheme

Award price	Expiry date	Shares outstanding on 30 June 2011 '000#	Award during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2012 '000#**
R88,82	Oct 2013	34	–	11	**23**
R89,93	Oct 2014	–	56	5	**51**
		34	56	16	**74**

 # The total number of shares are not vested at 30 June 2012 or 30 June 2011.

The fair value was determined by reference to the share price on the award date. The closing share price on measurement date was R125,85.

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R3,6 million (2011: R0,8 million).

16. PREFERENCE SHARE CAPITAL

	2012 R'million	2011 R'million
Authorised		
17 600 000 (2011: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	**2,4**	2,4
20 000 000 (2011: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	**2,8**	2,8
Issued		
Nil (2011: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each, issued at R21,41 during June 2005	**–**	2,4
Share premium	**–**	374,4
	–	376,8

On 28 June 2012, BBBEE shareholder, Imithi, converted 17,6 million preference shares into an equivalent number of ordinary shares.

16. PREFERENCE SHARE CAPITAL continued

Rights attached to the A preference shares in 2011

Dividend rights

Preference share dividends were calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand Bank Limited, from time to time, multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends were payable on 10 June of each year. The last dividend payment was made on 10 June 2012.

The preference share dividend rate was nil at year-end (2011: 6,5%).

Voting rights

Each Aspen preference share had one vote and accordingly ranked *pari passu* in regard to votes with the issued Aspen ordinary shares.

Redemption/conversion rights

Preference shareholders had 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. This right was exercised in June 2012 and redemption took place at R21,41.

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

Accounting

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 27 for detail.

	2012 R'million	2011 R'million
Preference shares – equity component (per statement of changes in equity)	**162,0**	162,0
Deferred tax effect	**(8,7)**	(8,7)
Net equity component	**153,3**	153,3
Preference shares – liability component (per the statement of financial position)	**376,8**	381,3
Amount expensed in 2005	**(183,2)**	(183,2)
Cumulative notional interest on liability component	**29,9**	25,4
Opening balance	**25,4**	20,1
For the year	**4,5**	5,3
Net preference shares liability before conversion	**376,8**	376,8
Preference shares converted into ordinary shares	**(376,8)**	–
Included in equity – preference shares	**(162,0)**	–
Included in non-current assets – deferred tax	**8,7**	–
Included in non-current liabilities – preference shares – liability component	**(223,5)**	–
	–	376,8

The fair value of the liability component of the preference shares is nil (2011: R381,5 million). The liability component was exposed to fair value interest rate risk.

The effective interest rate of the liability component is nil (2011: 9,0%).

17. NON-CONTROLLING INTERESTS

	2012 R'million	2011 R'million
Balance at the beginning of the year	**61,1**	55,2
Profit for the year	**9,1**	11,0
Non-controlling interests portion of foreign currency translation reserve	**2,9**	(4,3)
Dividends paid	**(2,0)**	(1,7)
Capital funding from non-controlling interests	**0,9**	–
Hyperinflationery adjustment – Venezuela	**1,0**	0,9
Acquisition of non-controlling interests in subsidiaries	**(64,3)**	–
	8,7	61,1

The Company acquired the remaining 40% non-controlling shareholding interest in Shelys Africa Limited effective from 14 April 2012. This increases the ownership in Shelys Africa Limited to 100%.

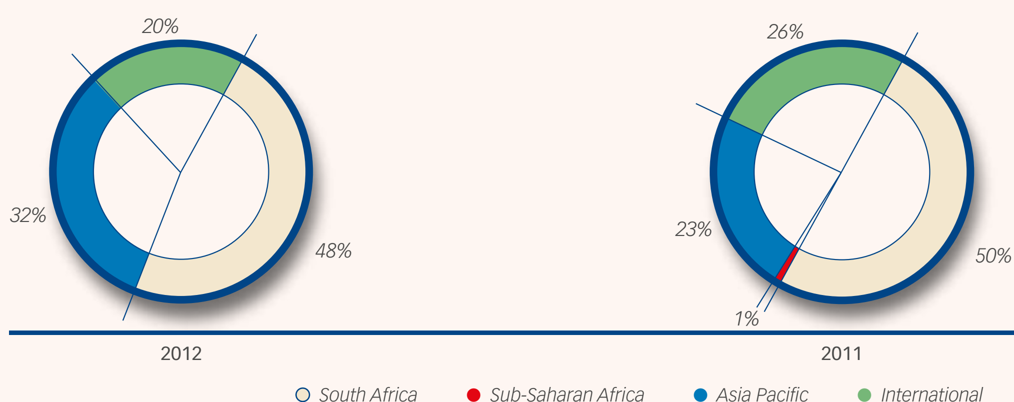
The Company acquired a further 42,5% shareholding in Brimpharm SA (Pty) Limited effective from 31 May 2012. This increases the ownership in Brimpharm SA (Pty) Limited to 92,5%.

Non-current liabilities

	Notes	2012 R'million	2011 R'million
Preference shares – liability component	16	–	381,3
Borrowings	18	6 254,1	4 249,0
Deferred revenue	19	143,6	148,2
Deferred tax liabilities	6	536,0	504,9
Retirement benefit obligations	20	66,4	18,8
		7 000,1	5 302,2

18. BORROWINGS

	2012 R'million	2011 R'million
Non-current borrowings		
Secured loans	–	693,0
Finance lease and instalment credit liabilities	2,8	6,5
Unsecured loans	6 251,3	3 549,5
	6 254,1	4 249,0
Current borrowings		
Secured loans	–	1 735,7
Finance lease and instalment credit liabilities	3,3	4,7
Bank overdrafts	1 323,7	1 286,4
Unsecured loans	2 800,1	2 111,2
	4 127,1	5 138,0
Total borrowings		
Secured loans	–	2 428,7
Finance lease and instalment credit liabilities	6,1	11,2
Bank overdrafts	1 323,7	1 286,4
Unsecured loans	9 051,4	5 660,7
	10 381,2	9 387,0



Definitions:
- JIBAR – Johannesburg Interbank Acceptance Rate
- LIBOR – London Interbank Offer Rate
- T-Bill – Treasury bill rate
- BBSY – Bank Bill Swap Yield

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings

	2012			2011		
	Within 1 year R'million	**Between 1 – 5 years R'million**	**Total R'million**	Within 1 year R'million	Between 1 – 5 years R'million	Total R'million
Secured loans						
US Dollar – term loan	–	–	–	499,9	672,9	1 172,8
US Dollar – bridging loan	–	–	–	1 016,4	–	1 016,4
US Dollar – capital raising fees	–	–	–	(8,6)	(9,9)	(18,5)
US Dollar – other	–	–	–	10,5	–	10,5
Brazilian Real	–	–	–	217,5	16,2	233,7
Kenyan Shilling	–	–	–	–	13,8	13,8
	–	–	–	1 735,7	693,0	2 428,7
Finance lease and instalment credit liabilities						
Brazilian Real	0,3	0,9	1,2	0,2	2,6	2,8
Rand	3,0	1,9	4,9	4,5	3,9	8,4
	3,3	2,8	6,1	4,7	6,5	11,2
Bank overdrafts						
US Dollar	–	–	–	34,3	–	34,3
Kenyan Shilling	–	–	–	4,0	–	4,0
Tanzanian Shilling	–	–	–	1,5	–	1,5
Rand	1 323,7	–	1 323,7	1 246,6	–	1 246,6
	1 323,7	–	1 323,7	1 286,4	–	1 286,4
Unsecured loans						
US Dollar term loan – ELIZ#	537,7	275,4	813,1	–	–	–
US Dollar term loan – Sigma	276,3	951,9	1 228,2	–	–	–
US Dollar – capital raising fees	(13,5)	(2,2)	(15,7)	–	–	–
US Dollar – other	1,6	–	1,6	38,4	–	38,4
Australian Dollar	–	3 358,5	3 358,5	–	2 178,6	2 178,6
Australian Dollar – capital raising fees	–	(9,0)	(9,0)	–	(9,7)	(9,7)
Kenyan Shilling	–	–	–	7,3	–	7,3
Rand	2 000,3	1 680,0	3 680,3	2 068,1	1 380,6	3 448,7
Rand – capital raising fees	(2,3)	(3,3)	(5,6)	(2,6)	–	(2,6)
	2 800,1	6 251,3	9 051,4	2 111,2	3 549,5	5 660,7

Used to fund the acquisition of Eltroxin, Lanoxin, Imuran and Zyloric

Non-current liabilities continued

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings continued

Profile and repayment terms of US Dollar term loan – ELIZ[#]

The loan comprises:

1) An A loan which is a five-year amortising loan of USD255,0 million in respect of which quarterly equal repayments of capital and interest are to be made. Four capital payments were made during the 2012 financial year amounting to USD64,8 million (2011: USD61,7 million). This loan was obtained in October 2008. Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,7%.

A swap agreement was entered into on 6 October 2008, in terms of which all future payments of interest have been fixed at an interest rate of 6,1% per annum.

Capital repayments to be made are as follows:	**2012 USD'million**	2011 USD'million
Year ended 30 June 2012	**–**	63,7
Year ending 30 June 2013	**65,7**	65,7
Year ending 30 June 2014	**33,6**	33,6
	99,3	163,0

2) A B loan of USD130,0 million is repayable at the end of the five-year period, however, cash sweeps of excess cash flows from October 2010 may be called for at the election of the consortium of banks. This loan was obtained in October 2008. Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,8%. Quarterly interest payments in respect of this loan were hedged to 10 April 2012 by means of entering into a swap agreement on 6 October 2008, at a fixed rate of 6,1% per annum. This swap agreement was settled during the 2011 financial year and resulted in a net outflow of USD3,9 million.

In the 2012 financial year USD10,0 million capital was repaid (2011: USD120,0 million). There was no balance outstanding on the B loan at 30 June 2012.

Refer to page 100 for detail on the interest rate swaps.

US Dollar term loan – Sigma

The bridging loan was subsequently refinanced by Aspen Global on 30 September 2011, with a three-year US Dollar term loan from a consortium of banks comprising the offshore operations of Standard Bank of South Africa Limited, Absa Bank Limited and Nedbank Limited. The amount financed was USD150,0 million.

Profile and repayment terms of US Dollar term loan – Sigma

The loan comprises:

1) A facility A loan which is a three-year amortising loan of USD90,0 million, in respect of which quarterly equal repayments of capital are to be made, with the first payment of capital being 31 December 2012.

Quarterly interest payments on the outstanding balance were made from 31 December 2011. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,25%*.

Capital repayments to be made are as follows:	**2012 USD'million**	2011 USD'million
Year ending 30 June 2013	**33,8**	45,0
Year ending 30 June 2014	**45,0**	45,0
Year ending 30 June 2015	**11,2**	–
	90,0	90,0

2) A facility B loan of USD60,0 million which is payable at the end of the three-year period, being 30 September 2014. Quarterly interest payments on the outstanding balance will be made from 31 December 2011. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,5%*.

Unsecured loan – Australian Dollar

This loan is a three-year revolving facility loan of AUD400,0 million.

The loan comprises:

1) An unsecured loan of AUD300,0 million that was raised in February 2011. This loan will be repaid at the end of the three-year period, being February 2014. No capital repayments have been made in the current financial year. Quarterly interest payments on the outstanding balance were made from May 2011. This loan bears interest at the three-month BBSY rate plus a margin ranging between 1,6% and 2,1%, dependent on the debt level prevailing at half-year and year-end dates.

2) An unsecured loan of AUD100,0 million that was raised in June 2012. This loan will be repaid in February 2014.

Quarterly interest payments on the outstanding balance were made from September 2012. This loan bears interest at the three-month BBSY rate plus a margin ranging between 1,5% and 2,0%, dependent on the debt level prevailing at half-year and year-end dates.

In terms of the contractual arrangement between the parties, the margin can be adjusted downwards on a quarterly basis based on the leverage ratio of Aspen Global at that date.

[#] *Used to fund the acquisition of Eltroxin, Lanoxin, Imuran and Zyloric.*

18. BORROWINGS continued

Interest rate profile of total borrowings

	2012			2011		
	Total R'million	Interest rate %	Average effective interest rate %	Total R'million	Interest rate %	Average effective interest rate %
Secured loans	–			2 428,7		
Fixed rate	–	–	–	19,6	Rates ranging between 2,3% and 17,9%	9,3
Floating rate	–			2 409,1		
Linked to one-month LIBOR	–	–	–	1 010,8	+ margin of 1,3%	1,5
Linked to three-month LIBOR	–	–	–	1 160,0	+ margins ranging between 2,7% and 2,8%	3,0
Linked to Brazilian prime rate	–	–	–	224,5	+ margins ranging between 6,5% and 9,1%	19,0
Linked to Stanbic reference rate (Kenya)	–	–	–	13,8	Stanbic reference rate	12,5
Finance lease and instalment credit liabilities – fixed rate	6,1	Rates ranging between 4,4% and 19,0%	6,3	11,2	Rates ranging between 6,8% and 17,9%	6,7
Bank overdrafts – floating rate	1 323,7			1 286,4		
Linked to three-month LIBOR	–	–	–	34,3	+ margins ranging between 4,7% and 5,2%	5,4
Linked to Stanbic reference rate (Kenya)	–	–	–	4,0	Stanbic reference rate	11,3
Linked to three-month T-Bill rate	–	–	–	1,5	+ margin of 2,3%	7,0
Linked to South African prime overdraft rate	1 323,7	Less 1,0%	8,0	1 246,6	Less 1,0%	8,7
Unsecured loans	9 051,4			5 660,7		
Fixed rate	84,5	6,0	6,0	29,1	6,0	6,0
Floating rate	8 966,9			5 631,6		
Linked to three-month LIBOR	2 027,2	+ margins ranging between 2,3% and 2,7%	2,9	45,7	+ margin of 3,0%	3,3
Linked to one-month JIBAR	–	–	–	497,4	+ margin of 1,1%	6,6
Linked to three-month BBSY	3 349,5	+ margins ranging between 1,5% and 2,1%	5,1	2 169,0	+ margin of 2,0%	7,0
Linked to overnight call rate	3 590,2	Overnight call	6,5	2 919,5	Overnight call	7,7

Non-current liabilities continued

18. BORROWINGS continued

Security given

Finance lease and instalment credit liabilities are secured by property, plant and equipment with a net book value of R6,1 million.

At the commencement of the June 2012 financial year, agreement was reached with the lenders of Aspen Global for the release of security held by them in respect of all funding advanced to Aspen Global. This was due in part to an improvement in that company's sound credit rating and improved financial position.

Default and breaches

There were no defaults or breaches of the contractual terms of the borrowings during the year. Refer to note 36 for detail.

	2012 R'million	2011 R'million
Finance leases		
Finance lease liabilities: minimum lease payments		
Not later that one year	**3,4**	5,0
Later than one year but not later than five years	**3,2**	7,1
	6,6	12,1
Future finance charges on finance leases	**(0,5)**	(0,9)
	6,1	11,2
The present value of finance lease liabilities is as follows:		
Not later that one year	**3,3**	4,7
Later than one year but not later than five years	**2,8**	6,5
	6,1	11,2

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

- South African facilities of R1,2 billion.
- An offshore facility of R251,9 million (Australian Dollar denominated).
- A foreign exchange facility of R583,0 million.

All facilities negotiated are reviewed annually.

19. DEFERRED REVENUE

	2012 R'million	2011 R'million
Balance at the beginning of the year	**167,4**	168,0
Received in advance	**–**	23,3
Recognised in the statement of comprehensive income#	**(21,0)**	(20,8)
Translation of foreign operations	**5,9**	(3,1)
	152,3	167,4

#*This amount is included in other operating income on the statement of comprehensive income.*

	2012 R'million	2011 R'million
Analysis of total deferred revenue		
Non-current	**143,6**	148,2
Current	**8,7**	19,2
	152,3	167,4

The Group sold its rights for the commercialisation of selected Aspen products to GSK. The amount will be released to the statement of comprehensive income over the term of the contract.

20. RETIREMENT BENEFIT OBLIGATIONS

The Group operates or contributes to defined benefit pension plans and defined contribution plans in the countries in which it operates.

Contributions by the Group and, in some cases, the employees are made for funds set up in South Africa, Germany, Tanzania and Kenya while no contributions are made for plans established in other geographic areas.

Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country.

South Africa

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.

Germany

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

Kenya

In Kenya a retirement benefit scheme is in place for all permanent employees in terms whereof these employees contribute 5% of their gross monthly salary and the employer contributes 8% of the employee's gross monthly salary to this scheme.

Tanzania

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

Fair value of plan assets

The assets of the pension funds are invested as follows:

	South Africa		Germany		Total	
	2012 R'million	2011 R'million	**2012 R'million**	2011 R'million	**2012 R'million**	2011 R'million
Group insurance annuity policy – South African money market	**10,5**	9,7	**–**	–	**10,5**	9,7
European government bonds	**–**	–	**73,2**	–	**73,2**	–
	10,5	9,7	**73,2**	–	**83,7**	9,7

Investment strategy

The investment objectives of the Group's pension plans are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the life expectancy of the plan's members and salary inflation. The obligations are estimated using actuarial assumptions, based on the current economic environment.

At 30 June 2012	South Africa	Germany	Africa
Last actuarial valuation done	**June 2012**	**June 2012**	**June 2012**
Full/interim valuation	**Full**	**Full**	**Full**
Valuation method adopted	**Projected unit credit**	**Projected unit credit**	**Projected unit credit**

The plans have been assessed by the actuaries and have been found to be in a sound financial position.

Non-current liabilities continued

20. RETIREMENT BENEFIT OBLIGATIONS continued

Principal actuarial assumptions

Weighted average assumptions used in performing actuarial valuation determined in consultation with independent actuaries:

	South Africa		Germany		Africa	
	2012 %	2011 %	**2012 %**	2011 %	**2012 %**	2011 %
Discount rate	**8,8**	9,0	**4,0**	–	**13,7**	–
Medical inflation rate	**7,3**	7,0	**n/a**	–	**n/a**	–
Expected return on plan assets	**7,8**	8,0	**4,2**	–	**n/a**	–
Salary increases	*****	*	**3,0**	–	**11,2**	–

Salary rate assumptions were not required for 2012 or 2011, as there were no salary-related contributions during 2012 and 2011.

	South Africa		International#		Total	
	2012 R'million	2011 R'million	**2012 R'million**	2011 R'million	**2012 R'million**	2011 R'million
Amounts recognised in the statement of financial position						
Present value of medical and pension obligations	**21,8**	18,8	**44,6**	–	**66,4**	18,8
Deferred tax effect	**(5,2)**	(4,4)	**(10,3)**	–	**(15,5)**	(4,4)
	16,6	14,4	**34,3**	–	**50,9**	14,4
Retirement benefit obligations comprise						
Present value of unfunded obligations	**32,3**	28,5	**117,8**	–	**150,1**	28,5
Fair value of plan assets	**(10,5)**	(9,7)	**(73,2)**	–	**(83,7)**	(9,7)
	21,8	18,8	**44,6**	–	**66,4**	18,8
The movement in the liability recognised in the statement of financial position is as follows						
At the beginning of the year	**28,5**	25,1	**–**	–	**28,5**	25,1
Interest cost	**2,7**	2,1	**4,2**	–	**6,9**	2,1
Current service cost	**1,0**	0,7	**3,9**	–	**4,9**	0,7
Benefits paid	**(1,2)**	(0,2)	**(0,1)**	–	**(1,3)**	(0,2)
Actuarial losses	**1,3**	0,8	**17,0**	–	**18,3**	0,8
Transferred from trade and other payables^	**–**	–	**92,5**	–	**92,5**	–
Translation of foreign operations	**–**	–	**0,3**	–	**0,3**	–
	32,3	28,5	**117,8**	–	**150,1**	28,5
The movement in the fair value of plan assets recognised in the statement of financial position is as follows						
At the beginning of the year	**9,7**	9,7	**–**	–	**9,7**	9,7
Actuarial gains/(losses)	**1,0**	(0,7)	**–**	–	**1,0**	(0,7)
Expected returns on plan assets	**0,8**	0,7	**2,3**	–	**3,1**	0,7
Transferred from trade and other payables^	**–**	–	**70,1**	–	**70,1**	–
Benefits paid	**(1,0)**	–	**–**	–	**(1,0)**	–
Translation of foreign operations	**–**	–	**0,8**	–	**0,8**	–
	10,5	9,7	**73,2**	–	**83,7**	9,7
Actual return on plan assets	**0,8**	0,5	**2,9**	–	**3,7**	0,5

#International is made up of Germany, Kenya and Tanzania.

^As a result of immateriality these amounts were previously disclosed as trade and other payables.

20. RETIREMENT BENEFIT OBLIGATIONS continued

The amounts recognised in the statement of comprehensive income (included in staff costs):

	South Africa		International#		Total	
	2012 R'million	2011 R'million	**2012 R'million**	2011 R'million	**2012 R'million**	2011 R'million
Current service cost	**1,0**	0,7	**3,9**	–	**4,9**	0,7
Interest cost	**2,7**	2,1	**4,2**	–	**6,9**	2,1
Expected return on plan assets	**(0,8)**	(0,7)	**(2,3)**	–	**(3,1)**	(0,7)
Expected benefit payments	**–**	(0,2)	**–**	–	**–**	(0,2)
Actuarial losses	**0,3**	1,5	**17,0**	–	**17,3**	1,5
Benefits paid	**(0,2)**	–	**(0,1)**	–	**(0,3)**	–
	3,0	3,4	**22,7**	–	**25,7**	3,4
The charge was classified as follows in the statement of comprehensive income						
Cost of sales	**–**	–	**22,0**	–	**22,0**	–
Selling and distribution expenses	**1,8**	2,2	**0,1**	–	**1,9**	2,2
Administrative expenses	**1,2**	1,2	**0,6**	–	**1,8**	1,2
	3,0	3,4	**22,7**	–	**25,7**	3,4

International is made up of Germany, Kenya and Tanzania.

	Increase R'million	Decrease R'million
The effect of a 1% movement in the assumed discount rate was as follows:		
Effect on the aggregate of the current service cost and interest cost	(1,5)	0,4
Effect on the retirement benefit obligations	(23,9)	31,2

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current insurance policies/government bonds. The fair value equals the book value.

At 30 June	**2012 R'million**	2011 R'million	2010 R'million	2009 R'million	2008 R'million
Present value of retirement benefit obligations	**150,1**	28,5	25,1	19,0	18,6
Fair value of plan assets	**(83,7)**	(9,7)	(9,7)	(9,6)	(9,2)
Deficit	**66,4**	18,8	15,4	9,4	9,4
Experience adjustments on plan liabilities	**(0,5)**	0,8	1,5	(0,8)	–
Experience adjustments on plan assets	**1,0**	(0,1)	–	0,2	0,5

Mortality rate

Assumptions regarding future mortality experience are set out based on advice, published statistics and experience in each territory.

Current liabilities

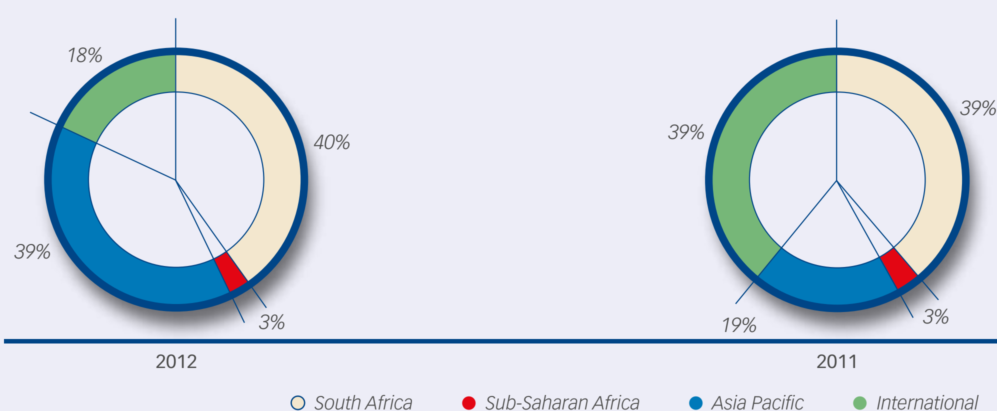
	Notes	2012 R'million	2011 R'million
Trade and other payables	21	**2 929,2**	2 830,8
Borrowings	18	**4 127,1**	5 138,0
Deferred revenue	19	**8,7**	19,2
Current tax liabilities		**233,2**	123,4
Derivative financial instruments	22	**22,1**	65,6
Total operating current liabilities		**7 320,3**	8 177,0
Liabilities associated with assets held-for-sale	12	**–**	30,9
		7 320,3	8 207,9

21. TRADE AND OTHER PAYABLES

	2012 R'million	2011 R'million
Financial instruments		
Trade payables	**1 385,9**	1 209,8
Accrued expenses	**641,1**	629,2
Interest accrued	**72,3**	50,4
Other	**223,2**	199,4
Total financial instruments*	**2 322,5**	2 088,8
Non-financial instruments		
Indirect taxes	**106,2**	97,7
Leave pay	**138,9**	114,1
Bonuses	**101,5**	80,2
Advance proceeds on assets held-for-sale	**–**	283,2
Other	**260,1**	166,8
Total non-financial instruments	**606,7**	742,0
Total trade and other payables	**2 929,2**	2 830,8

**This amount is classified as 'Financial liabilities at amortised cost' in terms of IAS 39, Financial Instruments: Recognition and measurement.*

Trade payables



	2012 R'million	2011 R'million
21. TRADE AND OTHER PAYABLES continued		
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	**1 060,2**	898,1
Pound Sterling	**59,5**	80,9
Euro	**80,5**	87,5
US Dollar	**380,9**	555,1
Brazilian Real	**17,4**	16,7
Tanzanian Shilling	**10,5**	34,8
Kenyan Shilling	**23,3**	19,1
Rand	**632,7**	371,8
Venezuelan Bolívares Fuertes	**27,5**	1,5
Other currencies	**30,0**	23,3
	2 322,5	2 088,8
Age analysis of trade and other payables (financial instruments only)		
Not past due date	**2 116,1**	1 897,7
Past due by 1 to 30 days	**139,8**	130,5
Past due by 31 to 150 days	**46,2**	50,8
Past due by 151 days to 1 year	**13,8**	9,8
Past due by more than 1 year	**6,6**	–
	2 322,5	2 088,8

All trade and other payables are non-interest bearing.

No individual vendor represents more than 10% of the Group's trade payables.

	2012 R'million	2011 R'million
22. DERIVATIVE FINANCIAL INSTRUMENTS		
Liabilities		
Balance at the beginning of the year	**65,6**	143,2
Fair value gains on forward exchange contracts recognised in the statement of comprehensive income	**(18,9)**	(1,3)
Fair value gains on interest rate swaps recognised in other comprehensive income	**(32,6)**	(64,3)
Translation of foreign operations	**8,0**	(12,0)
	22,1	65,6
The amount above can be analysed as follows:		
Forward exchange contracts	**–**	18,9
Interest rate swaps	**22,1**	46,7
	22,1	65,6

Both the forward exchange contracts and interest rate swaps are classified as "Level 2" liabilities in the fair value measurement hierarchy.

The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent of year-end market foreign exchange rates. The present value of these net market values was then discounted using the appropriate currency-specific discount curve.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows discounted using the appropriate yield curve.

Statement of comprehensive income

	Continuing operations 2012 R'million	Continuing operations 2011 R'million	Discontinued operations 2012 R'million	Discontinued operations 2011 R'million	Total 2012 R'million	Total 2011 R'million
23. REVENUE						
Sale of goods						
South Africa	**6 112,4**	6 245,4	**–**	66,7	**6 112,4**	6 312,1
Sub-Saharan Africa	**552,0**	470,0	**–**	–	**552,0**	470,0
Asia Pacific	**5 892,4**	2 914,6	**–**	–	**5 892,4**	2 914,6
International	**2 522,9**	2 613,4	**285,6**	426,9	**2 808,5**	3 040,3
Other revenue						
Royalties – South Africa	**0,1**	0,3	**–**	–	**0,1**	0,3
Co-marketing fees – South Africa	**47,4**	50,5	**–**	–	**47,4**	50,5
– Asia Pacific	**128,6**	89,0	**–**	–	**128,6**	89,0
	15 255,8	12 383,2	**285,6**	493,6	**15 541,4**	12 876,8
Revenue by segment						
South Africa	**6 159,9**	6 296,2	**–**	66,7	**6 159,9**	6 362,9
Sub-Saharan Africa	**552,0**	470,0	**–**	–	**552,0**	470,0
Asia Pacific	**6 021,0**	3 003,5	**–**	–	**6 021,0**	3 003,5
International	**2 522,9**	2 613,5	**285,6**	426,9	**2 808,5**	3 040,4
	15 255,8	12 383,2	**285,6**	493,6	**15 541,4**	12 876,8
24. OPERATING PROFIT						
Operating profit has been arrived at after crediting						
Insurance compensation	**63,0**	156,5	**–**	–	**63,0**	156,5
Profit on the sale of intangible assets	**–**	–	**–**	18,5	**–**	18,5
Profit on the sale of property, plant and equipment	**0,5**	**–**	**–**	**–**	**0,5**	**–**
After charging						–
Loss on the sale of property, plant and equipment	**–**	2,4	**–**	–	**–**	2,4
Auditors' remuneration	**17,1**	21,8	**–**	–	**17,1**	21,8
Audit fees	**15,6**	16,3	**–**	–	**15,6**	16,3
– Current year	**15,3**	15,9	**–**	–	**15,3**	15,9
– Prior year underprovision	**0,3**	0,4	**–**	–	**0,3**	0,4
Other services – tax consulting	**0,3**	4,6	**–**	–	**0,3**	4,6
Other services – accounting consulting	**0,4**	0,1	**–**	–	**0,4**	0,1
Other services	**0,8**	0,8	**–**	–	**0,8**	0,8
Impairment charges	**306,2**	247,9	**–**	0,5	**306,2**	248,4
Impairment of intangible assets (included in other operating expenses)	**112,7**	97,3	**–**	–	**112,7**	97,3
Impairment of goodwill (included in other operating expenses)	**43,6**	–	**–**	–	**43,6**	–
Impairment charge – inventories (included in cost of sales)	**112,2**	117,8	**–**	0,5	**112,2**	118,3
Impairment of property, plant and equipment (included in other operating expenses)	**32,3**	10,0	**–**	–	**32,3**	10,0
Trade receivables – impairment charge for bad and doubtful debts (included in administrative expenses)	**5,4**	22,8	**–**	–	**5,4**	22,8
Repairs and maintenance expenditure on property, plant and equipment	**133,5**	115,3	**–**	–	**133,5**	115,3
Research and development costs	**18,6**	9,0	**–**	–	**18,6**	9,0
Operating lease rentals	**51,3**	49,6	**–**	–	**51,3**	49,6
Land and buildings	**39,9**	27,0	**–**	–	**39,9**	27,0
Plant and equipment	**10,3**	21,5	**–**	–	**10,3**	21,5
Office equipment, computer equipment and furniture	**1,1**	1,1	**–**	–	**1,1**	1,1
Restructuring costs	**73,5**	32,6	**–**	5,6	**73,5**	38,2
Transaction costs	**–**	86,1	**–**	–	**–**	86,1

25. EXPENSES BY NATURE

	Continuing operations 2012 R'million	Continuing operations 2011 R'million	Discontinued operations 2012 R'million	Discontinued operations 2011 R'million	Total 2012 R'million	Total 2011 R'million
Depreciation of property, plant and equipment	**252,7**	210,9	**–**	4,1	**252,7**	215,0
Amortisation of intangible assets	**212,3**	143,0	**–**	1,4	**212,3**	144,4
Impairment charges	**306,2**	247,9	**–**	0,5	**306,2**	248,4
Repairs and maintenance expenditure on property, plant and equipment	**133,5**	115,3	**–**	–	**133,5**	115,3
Personnel costs and other staff-related costs	**2 200,1**	1 799,6	**–**	18,9	**2 200,1**	1 818,5
Share-based payment expense – employees	**31,5**	30,6	**–**	–	**31,5**	30,6
Changes in inventories of finished goods and work-in-progress	**(476,9)**	(45,6)	**–**	16,5	**(476,9)**	(29,1)
Purchases of finished goods	**4 736,4**	3 218,9	**271,9**	186,4	**5 008,3**	3 405,3
Other production expenses	**264,2**	279,6	**–**	15,4	**264,2**	295,0
Raw materials and consumables used	**2 063,1**	2 005,8	**–**	119,2	**2 063,1**	2 125,0
Transport and warehousing costs	**608,1**	536,2	**–**	19,9	**608,1**	556,1
Advertising and marketing expenses	**342,9**	250,6	**–**	0,2	**342,9**	250,8
Royalties paid	**30,7**	54,2	**–**	–	**30,7**	54,2
Property costs	**68,0**	54,9	**–**	0,5	**68,0**	55,4
Transaction costs	**–**	86,1	**–**	–	**–**	86,1
Restructuring costs	**73,5**	32,6	**–**	5,6	**73,5**	38,2
Other	**687,8**	406,4	**11,1**	46,4	**689,9**	452,8
	11 534,1	9 427,0	**283,0**	435,0	**11 817,1**	9 862,0
Classified as						
Cost of sales	**7 979,5**	6 769,7				
Selling and distribution expenses	**1 967,4**	1 460,7				
Administrative expenses	**1 101,8**	827,3				
Other operating expenses	**485,4**	369,3				
	11 534,1	9 427,0				

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2012 R'million	2011 R'million	**2012 R'million**	2011 R'million	**2012 R'million**	2011 R'million
26. DIRECTORS AND EMPLOYEES						
Staff costs						
Wages and salaries	**1 826,6**	1 532,8	**–**	18,9	**1 826,6**	1 551,7
Provident fund contributions – defined contribution plans	**129,7**	113,2	**–**	–	**129,7**	113,2
Medical aid contributions	**65,3**	61,5	**–**	–	**65,3**	61,5
Retirement benefit obligations	**25,7**	3,4	**–**	–	**25,7**	3,4
Other long-term benefits	**3,3**	0,4	**–**	–	**3,3**	0,4
Termination benefits	**11,0**	12,8	**–**	–	**11,0**	12,8
Share-based payment expense – options and appreciation rights	**7,4**	14,1	**–**	–	**7,4**	14,1
Share-based payment expense – deferred incentive bonus	**20,5**	15,7	**–**	–	**20,5**	15,7
Share-based payment expense – phantom share scheme	**3,6**	0,8	**–**	–	**3,6**	0,8
Other company contributions	**31,3**	29,6	**–**	–	**31,3**	29,6
	2 124,4	1 784,3	**–**	18,9	**2 124,4**	1 803,2
Amount included in cost of sales	**1 150,4**	945,6	**–**	–	**1 150,4**	945,6
Wages and salaries	**1 012,7**	846,2	**–**	–	**1 012,7**	846,2
Benefits	**137,7**	99,4	**–**	–	**137,7**	99,4
Amount included in selling and distribution expenses	**477,5**	422,6	**–**	–	**477,5**	422,6
Wages and salaries	**399,2**	343,4	**–**	–	**399,2**	343,4
Benefits	**78,3**	79,2	**–**	–	**78,3**	79,2
Amount included in administrative expenses	**496,5**	416,1	**–**	18,9	**496,5**	435,0
Wages and salaries	**414,7**	343,0	**–**	18,9	**414,7**	361,9
Benefits	**81,8**	73,1	**–**	–	**81,8**	73,1
Total number of employees at year-end	**6 179**	6 319	**–**	–	**6 179**	6 319
Full-time employees	**5 210**	5 168	**–**	–	**5 210**	5 168
Part-time employees	**969**	1 151	**–**	–	**969**	1 151

26. DIRECTORS AND EMPLOYEES continued

Directors' emoluments

	Fees R'million	Remu-neration R'million	Retirement and medical aid benefits R'million	Performance bonus R'million	Share-based payment expense R'million	Total R'million
2012						
Non-executive directors						
Roy Andersen	0,4	–	–	–	–	0,4
Rafique Bagus	0,3	–	–	–	–	0,3
John Buchanan	0,6	–	–	–	–	0,6
Judy Dlamini	0,8	–	–	–	–	0,8
Kuseni Dlamini	0,1	–	–	–	–	0,1
Abbas Hussain	0,2	–	–	–	–	0,2
Chris Mortimer	0,2	–	–	–	–	0,2
David Nurek	0,1	–	–	–	–	0,1
Sindi Zilwa	0,4	–	–	–	–	0,4
Total (A)	3,1	–	–	–	–	3,1
Executive directors						
Gus Attridge	–	4,3	0,5	4,9	2,4	12,1
Stephen Saad	–	5,3	0,6	5,9	3,3	15,1
Total (B)	–	9,6	1,1	10,8	5,7	27,2
Total emoluments (A+B)						30,3
Less paid by subsidiary companies (C)						(5,9)
Total emoluments paid by Aspen (A+B+C)						24,4

Statement of comprehensive income continued

26. DIRECTORS AND EMPLOYEES continued

Directors' emoluments

	Fees R'million	Remu-neration R'million	Retirement and medical aid benefits R'million	Performance bonus R'million	Share-based payment expense R'million	Total R'million
2011						
Non-executive directors						
Archie Aaron	0,1	–	–	–	–	0,1
Roy Andersen	0,3	–	–	–	–	0,3
Rafique Bagus	0,4	–	–	–	–	0,4
John Buchanan	0,5	–	–	–	–	0,5
Judy Dlamini	0,7	–	–	–	–	0,7
Abbas Hussain	0,1	–	–	–	–	0,1
Chris Mortimer	0,2	–	–	–	–	0,2
David Nurek	0,3	–	–	–	–	0,3
Sindi Zilwa	0,3	–	–	–	–	0,3
Total (A)	2,9	–	–	–	–	2,9
Executive directors						
Gus Attridge	–	3,9	0,5	4,3	2,1	10,8
Stephen Saad	–	4,7	0,6	5,2	2,6	13,1
Total (B)	–	8,6	1,1	9,5	4,7	23,9
Total emoluments (A+B)						26,8
Less paid by subsidiary companies (C)						(4,4)
Total emoluments paid by Aspen (A+B+C)						22,4

A legal opinion obtained by the Company has confirmed that there are no individuals who can be considered as prescribed officers of the Company.

	Continuing operations 2012 R'million	Continuing operations 2011 R'million	Discontinued operations 2012 R'million	Discontinued operations 2011 R'million	Total 2012 R'million	Total 2011 R'million
27. INVESTMENT INCOME						
Interest on bank balances and short-term deposits	**263,1**	181,1	**0,2**	–	**263,3**	181,1
Revenue authorities	**4,6**	8,9	**–**	–	**4,6**	8,9
Other	**7,7**	3,2	**–**	–	**7,7**	3,2
	275,4	193,2	**0,2**	–	**275,6**	193,2
28. FINANCING COSTS						
Interest paid	**(754,7)**	(611,1)	**–**	(1,5)	**(754,7)**	(612,6)
Non-current borrowings	**(96,1)**	(137,2)	**–**	–	**(96,1)**	(137,2)
Bank overdrafts and current borrowings	**(643,0)**	(464,3)	**–**	(1,5)	**(643,0)**	(465,8)
Finance leases	**(0,4)**	(0,6)	**–**	–	**(0,4)**	(0,6)
Revenue authorities	**–**	(0,1)	**–**	–	**–**	(0,1)
Other	**(15,2)**	(8,9)	**–**	–	**(15,2)**	(8,9)
Preference shares dividends paid – liability component	**(23,1)**	(26,3)	**–**	–	**(23,1)**	(26,3)
Capital raising fees released	**(17,1)**	(33,2)	**–**	–	**(17,1)**	(33,2)
Capital raising fees cash	**(9,7)**	–	**–**	–	**(9,7)**	–
Notional interest income on financial instruments	**2,1**	3,3	**–**	–	**2,1**	3,3
Net foreign exchange gains	**2,5**	60,8	**–**	–	**2,5**	60,8
Fair value gains on derivative financial instruments – forward exchange contracts	**24,0**	1,2	**–**	–	**24,0**	1,2
	(776,0)	(605,3)	**–**	(1,5)	**(776,0)**	(606,8)

Financing costs above exclude financing costs of R4,4 million which have been capitalised during 2012 to capital work-in-progress (2011: R14,4 million). Refer to note 1 for detail.

Statement of comprehensive income continued

	Continuing operations 2012 R'million	Continuing operations 2011 R'million	Discontinued operations 2012 R'million	Discontinued operations 2011 R'million	Total 2012 R'million	Total 2011 R'million
29. TAX						
South African tax						
Current tax – current year	**395,5**	377,2	**–**	1,0	**395,5**	378,2
– prior year	**6,6**	(15,8)	**–**	–	**6,6**	(15,8)
Deferred tax – current year	**45,1**	95,6	**5,0**	–	**50,1**	95,6
– prior year	**0,1**	8,7	**–**	–	**0,1**	8,7
Secondary tax on companies and other dividend taxes	**0,1**	2,8	**–**	–	**0,1**	2,8
Capital gains tax	**1,4**	2,8	**–**	–	**1,4**	2,8
Withholding tax	**0,7**	0,2	**–**	–	**0,7**	0,2
	449,5	471,5	**5,0**	1,0	**454,5**	472,5
International tax						
Current tax – current year	**295,2**	180,6	**52,9**	13,4	**348,1**	194,0
– prior year	**(63,0)**	(5,7)	**–**	–	**(63,0)**	(5,7)
Deferred tax – current year	**90,6**	(53,3)	**–**	–	**90,6**	(53,3)
– prior year	**(10,4)**	(15,1)	**–**	–	**(10,4)**	(15,1)
Withholding tax	**10,4**	4,8	**–**	–	**10,4**	4,8
Hyperinflationary adjustment – Venezuela	**–**	(0,7)	**–**	–	**–**	(0,7)
	322,8	110,6	**52,9**	13,4	**375,7**	124,0
Total tax charge	**772,3**	582,1	**57,9**	14,4	**830,2**	596,5
Reconciliation of the tax rate	**%**	%	**%**	%	**%**	%
Effective tax rate	**22,5**	21,3	**25,7**	3,2	**22,7**	18,7
Capital and exempt income	**0,2**	0,2	**4,1**	24,5	**0,5**	3,6
Prior year adjustments	**2,0**	1,0	**–**	–	**1,8**	0,9
Foreign rates of tax	**2,8**	4,2	**(1,8)**	1,4	**2,6**	3,8
Disallowable expenses	**(2,3)**	(2,7)	**–**	(1,1)	**(2,2)**	(2,4)
Non-deductible portion of share-based payment expense – employees	**(0,3)**	(0,4)	**–**	–	**(0,3)**	(0,4)
Non-deductible amortisation of intangible assets	**(1,1)**	(0,7)	**–**	–	**(1,1)**	(0,6)
Other disallowable expenses	**(0,9)**	(1,6)	**–**	(1,1)	**(0,8)**	(1,4)
Secondary tax on companies and other dividend taxes	**–**	(0,1)	**–**	–	**–**	(0,1)
Capital gains tax	**–**	(0,1)	**–**	–	**–**	(0,1)
Deemed foreign tax credit	**2,9**	2,8	**–**	–	**2,7**	2,4
Tax losses utilised in current year	**(0,2)**	0,3	**–**	–	**(0,2)**	0,3
Development cost allowance	**0,4**	0,7	**–**	**–**	**0,4**	0,6
Other reconciling items	**(0,3)**	0,4	**–**	–	**(0,3)**	0,3
Tax at the statutory rate	**28,0**	28,0	**28,0**	28,0	**28,0**	28,0
Unutilised tax benefits						
Opening balance	**(6,2)**	(3,8)	**–**	–	**(6,2)**	(3,8)
Utilised against current profits	**6,2**	–	**–**	–	**6,2**	–
Current losses incurred	**(31,2)**	(2,4)	**–**	–	**(31,2)**	(2,4)
Tax losses available to reduce future taxable income	**(31,2)**	(6,2)	**–**	–	**(31,2)**	(6,2)

30. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Aspen and held as treasury shares.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the profit of the Group. Shares held by a subsidiary company as treasury shares have been adjusted on a time basis in determining the weighted average number of shares in issue.

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
Profit attributable to equity holders of the parent (R'million)	**2 658,6**	2 143,8	**159,2**	434,0	**2 817,8**	2 577,8
Weighted average number of shares in issue ('000)*	**436 303**	432 914	**436 303**	432 914	**436 303**	432 914
Earnings per share (cents)	**609,3**	495,2	**36,5**	100,3	**645,8**	595,5

Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares, namely share options, share appreciation rights and convertible preference shares. A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and appreciation rights. Fair value is calculated as the average share price for the year for share options. The closing price is used for share appreciation rights, as these are classified as contingently issuable shares in terms of *IAS 33, Earnings per share.* The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The difference is added to the denominator as an issue of ordinary shares for no consideration. Earnings were adjusted by the preference shares dividends paid and the notional interest on the liability component of the preference shares. The preference shares were converted to ordinary shares at 30 June 2012.

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	R'million	R'million	**R'million**	R'million	**R'million**	R'million
Profit attributable to equity holders of the parent	**2 658,6**	2 143,8	**159,2**	434,0	**2 817,8**	2 577,8
Adjusted for						
– Preference shares dividends paid	**23,1**	26,3	**–**	–	**23,1**	26,3
– Notional interest – liability component of preference shares	**(4,5)**	(5,3)	**–**	–	**(4,5)**	(5,3)
	2 677,2	2 164,8	**159,2**	434,0	**2 836,4**	2 598,8
Weighted average number of shares for diluted earnings per share ('000)	**455 160**	454 360	**455 160**	454 360	**455 160**	454 360
Adjustment for share options and share appreciation rights ('000)	**1 355**	3 846	**1 355**	3 846	**1 355**	3 846
Total number of convertible preference shares ('000)	**17 502**	17 600	**17 502**	17 600	**17 502**	17 600
Weighted average number of shares in issue ('000)*	**436 303**	432 914	**436 303**	432 914	**436 303**	432 914
Diluted earnings per share (cents)	**588,2**	476,5	**35,0**	95,5	**623,2**	572,0

**After deduction of weighted average number of treasury shares.*

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	R'million	R'million	**R'million**	R'million	**R'million**	R'million
30. EARNINGS PER SHARE continued						
Headline earnings per share						
Reconciliation of headline earnings						
Profit attributable to equity holders of the parent	**2 658,6**	2 143,8	**159,2**	434,0	**2 817,8**	2 577,8
Adjusted for**						
– Impairment of goodwill (net of tax)	**43,6**	–	**–**	–	**43,6**	–
– (Profit)/loss on the sale of property, plant and equipment (net of tax)	**(0,7)**	1,7	**–**	–	**(0,7)**	1,7
– Impairment of property, plant and equipment (net of tax)	**25,2**	7,4	**–**	–	**25,2**	7,4
– Impairment of intangible assets (net of tax)	**107,9**	83,8	**–**	–	**107,9**	83,8
– Profit on the sale of personal care products in South Africa (net of tax)	**–**	–	**(35,6)**	–	**(35,6)**	–
– Profit on the sale of the Campos facility and related products in Brazil (net of tax)	**–**	–	**(121,9)**	–	**(121,9)**	–
– Insurance compensation – capital component	**–**	(11,5)	**–**	–	**–**	(11,5)
– Profit on the sale of intangible assets (net of tax)	**–**	(7,4)	**–**	(18,1)	**–**	(25,5)
– Profit on the sale of the decommissioned Beta manufacturing facility (net of tax)	**–**	(6,1)	**–**	–	**–**	(6,1)
– Profit on the sale of the Oncology business (net of tax)	**–**	–	**–**	(367,9)	**–**	(367,9)
– Profit on the sale of Co-pharma Limited (net of tax)	**–**	–	**–**	(7,4)	**–**	(7,4)
Headline earnings	**2 834,6**	2 211,7	**1,7**	40,6	**2 836,3**	2 252,3
Weighted average number of shares in issue ('000)*	**436 303**	432 914	**436 303**	432 914	**436 303**	432 914
Headline earnings per share (cents)	**649,7**	510,9	**0,4**	9,4	**650,1**	520,3

** After deduction of weighted average number of treasury shares.*
*** None of the headline earnings adjustments include non-controlling interests.*

	Continuing operations		Discontinued operations		Total	
	2012 R'million	2011 R'million	**2012 R'million**	2011 R'million	**2012 R'million**	2011 R'million
30. EARNINGS PER SHARE continued						
Diluted headline earnings per share						
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator.						
Headline earnings	**2 834,6**	2 211,7	**1,7**	40,6	**2 836,3**	2 252,3
Adjusted for						
– Preference shares dividends paid	**23,1**	26,3	**–**	–	**23,1**	26,3
– Notional interest – liability component of preference shares	**(4,5)**	(5,3)	**–**	–	**(4,5)**	(5,3)
Diluted headline earnings	**2 853,2**	2 232,7	**1,7**	40,6	**2 854,9**	2 273,3
Weighted average number of shares for diluted headline earnings per share ('000)	**455 160**	454 360	**455 160**	454 360	**455 160**	454 360
Adjustment for share options and share appreciation rights ('000)	**1 355**	3 846	**1 355**	3 846	**1 355**	3 846
Total number of convertible preference shares ('000)	**17 502**	17 600	**17 502**	17 600	**17 502**	17 600
Weighted average number of shares in issue ('000)*	**436 303**	432 914	**436 303**	432 914	**436 303**	432 914
Diluted headline earnings per share (cents)	**626,9**	491,4	**0,4**	8,9	**627,3**	500,3

After deduction of weighted average number of treasury shares.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

for the year ended 30 June 2012

Statement of comprehensive income continued

31. CAPITAL DISTRIBUTION

A capital distribution of 157 cents was declared after year-end. This capital distribution will be accounted for in the statement of changes in equity for the year ending 30 June 2013, in accordance with *IAS 10, Events after balance sheet date*. A capital distribution of 105 cents was declared after the year ended 30 June 2011. This capital distribution has been accounted for in the statement of changes in equity for the year ended 30 June 2012 in accordance with *IAS 10, Events after balance sheet date*.

	2012 R'million	2011 R'million
32. PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	**1,7**	40,6
Profit on the sale of the Campos facility and related products in Brazil	**121,9**	–
Profit on the sale of the personal care products in South Africa	**35,6**	18,1
Profit on the sale of Co-pharma Limited	**–**	7,4
Profit on the sale of the Oncology business	**–**	367,9
	159,2	434,0
Abridged statement of comprehensive income		
Revenue	**285,6**	493,6
Net expenses	**(68,7)**	(43,5)
Operating profit	**216,9**	450,1
Net financing income/(costs)	**0,2**	(1,7)
Profit before tax	**217,1**	448,4
Tax	**(57,9)**	(14,4)
Profit for the year	**159,2**	434,0
Abridged statement of cash flows		
Cash generated from operating activities	**1,7**	44,2
Cash and cash equivalents at the end of the year	**1,7**	44,2

	2012 R'million	2011 R'million
33. OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income		
Currency (losses)/gains on net investment in Aspen Australia	**(53,3)**	81,2
Net investment hedge profit/(loss) in Aspen Australia	**6,8**	(66,1)
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	**–**	169,0
Cash flow hedges realised	**–**	4,6
Currency translation gains/(losses)	**1 494,4**	(223,0)
Unrealised cash flow hedges recognised	**32,6**	59,7
Other comprehensive income before tax	**1 480,5**	25,4
Tax effect on other comprehensive income	**–**	47,8
Other comprehensive income, net of tax	**1 480,5**	73,2

	Other comprehensive income, net of tax		**Attributable to**	
	Gross R'million	**Tax R'million**	**Non-controlling interests R'million**	**Equity holders of the parent R'million**
Tax and non-controlling interests on other comprehensive income				
2012				
Currency losses on net investment in Aspen Australia	**(53,3)**	**–**	**–**	**(53,3)**
Net investment hedge profit in Aspen Australia	**6,8**	**–**	**–**	**6,8**
Currency translation gains	**1 494,4**	**–**	**2,9**	**1 491,5**
Unrealised cash flow hedges recognised	**32,6**	**–**	**–**	**32,6**
	1 480,5	**–**	**2,9**	**1 477,6**
2011				
Currency gains on net investment in Aspen Australia	81,2	–	–	81,2
Net investment hedge loss in Aspen Australia	(66,1)	–	–	(66,1)
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	169,0	47,8	–	216,8
Cash flow hedges realised	4,6	–	–	4,6
Currency translation losses	(223,0)	–	(4,3)	(218,7)
Unrealised cash flow hedges recognised	59,7	–	–	59,7
	25,4	47,8	(4,3)	77,5

Other disclosures

	Notes
Commitments	34
Contingent liabilities	35
Financial risk management	36
Introduction	36.1
Financial instruments by category	36.2
Market risk management	36.3
Foreign currency risk	36.4
Interest rate risk	36.5
Liquidity risk	36.6
Credit risk	36.7
Capital risk	36.8
Acquisitions	37
Related party transactions	38
Impairment tests for goodwill and indefinite useful life intangible assets	39

	2012 R'million	2011 R'million

34. COMMITMENTS

Minimum future lease payments – operating leases

The Group rents buildings under non-current, non-cancellable operating leases and also rents offices, warehouses, parking and other equipment under operating leases that are cancellable at various short-term notice periods by either party.

	2012 R'million	2011 R'million
Operating lease commitments		
Land and buildings	**94,8**	78,4
Plant and equipment	**4,8**	67,0
Other	**12,7**	22,0
	112,3	167,4
The future minimum operating lease payments are as follows:		
Less than 1 year	**50,6**	63,4
Between 1 and 5 years	**61,7**	104,0
	112,3	167,4

Operating leases comprise a number of individually insignificant leases.

These leasing arrangements do not impose any significant restrictions on the Group.

Finance lease commitments

Finance leases comprise a number of individually insignificant leases. Refer to note 18 for finance lease liabilities.

		2012 R'million	2011 R'million
34.	**COMMITMENTS** continued		
	Other commitments		
	During the 2005 financial year Aspen Australia entered into a 10-year agreement with Novartis Australia Pty Limited 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	**6,8**	6,3
	– payable thereafter	**9,6**	14,1
		16,4	20,4
35.	**CONTINGENT LIABILITIES**		
	Additional payments in respect of the Quit worldwide intellectual property rights	**8,1**	6,7
	Contingency arising from product liability claim	**21,3**	17,6
	Contingencies arising from labour cases	**4,2**	24,8
	Guarantees covering loan and other obligations to third parties	**3,3**	1,7
	Import duty contingency	**10,8**	10,3
		47,7	61,1

Tax contingency

Following an audit, the South African Revenue Service ("SARS") notified Aspen by way of a combination of letters of findings and notices of assessment of its intention to impose tax on various South African companies relating to the current and prior years. These letters deal mainly with corporate income tax and employees' tax issues. Aspen has responded to these letters of findings and is in the process of objecting to the assessments raised. Aspen believes that all issues raised by SARS are defendable and that Aspen has sufficient evidence to support its views and treatment of these tax matters. Due to the uncertainties inherent in the process, particularly in the early stages, the quantum of the amounts claimed by SARS and the timing of resolution of these matters cannot be determined.

Guarantees to financial institutions

Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions

	2012 R'million	2011 R'million
US Dollar term loan and bridging loan	**–**	2 189,2
Aspen Brazil	**–**	135,6
Shelys	**–**	27,1
Pharmacare	**4 893,0**	2 909,2
Aspen Pharmacare Holdings Limited	**25,0**	497,4
FCC	**85,0**	29,1
	5 003,0	5 787,6

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT

36.1 Introduction

The Group does not trade in financial instruments, but in the ordinary course of business operations, the Group is exposed to a variety of financial risks arising from the use of financial instruments. These risks include:

- market risk (comprising interest rate risk and foreign currency risk);
- liquidity risk; and
- credit risk.

The Group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits and reporting structures. The Audit & Risk Committee has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial risk management is carried out by the Group Treasury Management department in close co-operation with operational units, using guidance provided by the Audit & Risk Committee. A formal treasury policy, approved by the Audit & Risk Committee, setting out the role and responsibility of the Group Treasury Management department and the management of risk is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management department identifies, evaluates and hedges financial risks. The Audit & 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 and measurement relating to each of these risks is discussed under the headings below. The Group's objective in using derivative financial instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency and interest rate exposures.

36.2 Financial instruments by category

The carrying value of financial instruments by category is as follows:

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2012				
Financial assets				
Other non-current financial receivables	**31,5**	**–**	**–**	**31,5**
Trade and other receivables (financial instruments only)	**3 554,6**	**–**	**–**	**3 554,6**
Forward exchange contracts (gross settled)	**–**	**5,1**	**–**	**5,1**
Cash and cash equivalents	**3 313,5**	**–**	**–**	**3 313,5**
Cash restricted for use	**1,2**	**–**	**–**	**1,2**
Total financial assets	**6 900,8**	**5,1**	**–**	**6 905,9**
Financial liabilities				
Unsecured loans	**–**	**–**	**9 051,4**	**9 051,4**
Finance lease and instalment credit liabilities	**–**	**–**	**6,1**	**6,1**
Bank overdrafts	**–**	**–**	**1 323,7**	**1 323,7**
Trade and other payables (financial instruments only)	**–**	**–**	**2 322,5**	**2 322,5**
Interest rate swaps (net settled)	**–**	**22,1**	**–**	**22,1**
Total financial liabilities	**–**	**22,1**	**12 703,7**	**12 725,8**

36. FINANCIAL RISK MANAGEMENT continued

36.2 Financial instruments by category continued

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	11,8	–	–	11,8
Trade and other receivables (financial instruments only)	2 886,8	–	–	2 886,8
Cash and cash equivalents	3 039,2	–	–	3 039,2
Cash restricted for use	28,7	–	–	28,7
Total financial assets	5 966,5	–	–	5 966,5
Financial liabilities				
Preference shares – liability component	–	–	381,3	381,3
Secured loans	–	–	2 428,7	2 428,7
Unsecured loans	–	–	5 660,7	5 660,7
Finance lease and instalment credit liabilities	–	–	11,2	11,2
Bank overdrafts	–	–	1 286,4	1 286,4
Trade and other payables (financial instruments only)	–	–	2 088,8	2 088,8
Forward exchange contracts (gross settled)	–	18,9	–	18,9
Interest rate swaps (net settled)	–	46,7	–	46,7
Total financial liabilities	–	65,6	11 857,1	11 922,7

36.3 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risks that the Group is primarily exposed to includes foreign currency risk and interest rate risk. Market risk is managed by identifying and quantifying risks on the basis of current and future expectations and ensuring that all trading occurs within defined parameters. This involves the review and implementation of methodologies to reduce risk exposure. The reporting on the state of the risk and risk practices to executive management is part of this process. The processes set up to measure, monitor and mitigate these market risks are described below. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk since the previous period.

36.4 Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the individual operations. However, the Group's operations utilise various foreign currencies (currencies other than the operations' functional currencies) in respect of sales, purchases and borrowings and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currency. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, is not taken into account when considering foreign currency risk. Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company. Economic risk is not handled by the Group Treasury Management department, as it is a strategic matter managed directly by the Aspen Board.

Foreign currency risks are managed through the Group's financing policies and selective use of forward exchange contracts.

Forward exchange contracts

Forward exchange contracts are utilised to reduce foreign currency exposure arising from imports and exports. All forward exchange contracts are supported by underlying commitments or transactions which have already occurred.

At 30 June 2012 and 2011 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments.

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

Hedge accounting – 2012

Net investment hedge in Aspen Australia

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the US Dollar/Australian Dollar spot exchange rate associated with the net investment in Aspen Australia.

The forward exchange contracts were designated as a net investment hedge. The forward exchange contract was not outstanding at 30 June 2012.

The hedged cash flow took place prior to 30 June 2012. The fair value movement of the forward exchange contracts of R6,8 million was deferred in equity in accordance with the application of net investment hedge accounting.

The fair value movements deferred in equity will remain in equity until the investment is disposed of or if the net investment is impaired, at which time it will affect the statement of comprehensive income.

Hedge accounting – 2011

Cash flow hedge in respect of the Sigma pharmaceutical business

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the Australian Dollar/Rand spot exchange rate associated with the settlement of a portion of the purchase price for the Sigma pharmaceutical business.

The forward exchange contracts were designated as cash flow hedges. None of these forward exchange contracts were outstanding at 30 June 2011.

The hedged cash flows took place prior to 30 June 2011. The fair value movement of the forward exchange contracts of R169,0 million was deferred in equity in accordance with the application of cash flow hedge accounting.

The fair value movements deferred in equity will remain in equity until the investment is disposed of or if the net investment is impaired, at which time it will affect the statement of comprehensive income.

Net investment hedge in Aspen Australia

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the US Dollar/Australian Dollar spot exchange rate associated with the net investment in Aspen Australia.

The forward exchange contracts were designated as a net investment hedge. The forward exchange contract was not outstanding at 30 June 2011.

The hedged cash flow took place prior to 30 June 2011. The fair value movement of the forward exchange contracts of R66,1 million was deferred in equity in accordance with the application of net investment hedge accounting.

The fair value movements deferred in equity will remain in equity until the investment is disposed of or if the net investment is impaired, at which time it will affect the statement of comprehensive income.

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

	Foreign amount million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2012				
Imports*				
Swiss Franc	**0,6**	**5,4**	**5,3**	**(0,1)**
Denmark Krone	**0,5**	**0,8**	**0,7**	**(0,1)**
Euro	**11,4**	**121,2**	**120,0**	**(1,2)**
Pound Sterling	**0,6**	**8,2**	**8,4**	**0,2**
Japanese Yen	**24,1**	**2,4**	**2,5**	**0,1**
US Dollar	**65,2**	**534,8**	**540,9**	**6,1**
		672,8	**677,8**	**5,0**
Exports*				
Euro	**0,1**	**1,0**	**1,0**	**–**
US Dollar	**1,4**	**11,7**	**11,6**	**0,1**
		12,7	**12,6**	**0,1**

Includes forward exchange contracts that represent imports and exports being managed on a net basis.

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

	Foreign amount million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2011				
Imports*				
Swiss Franc	0,5	4,3	4,4	0,1
Euro	8,9	88,6	88,2	(0,4)
Pound Sterling	1,8	20,7	19,6	(1,1)
Japanese Yen	22,8	2,0	2,0	–
US Dollar	49,7	359,9	342,5	(17,4)
		475,5	456,7	(18,8)
Exports*				
Euro	1,9	18,8	19,1	(0,3)
US Dollar	3,7	25,1	24,9	0,2
		43,9	44,0	(0,1)

**Includes forward exchange contracts that represent imports and exports being managed on a net basis.*

Definitions

Marked-to-market value

Foreign amount translated at the market forward rate at 30 June.

Forward cover value

Foreign amount translated at the contracted rate.

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

	Marked-to-market value	
	2012 R'million	2011 R'million
July	**217,3**	74,3
August	**148,3**	67,5
September	**150,2**	64,2
October	**43,4**	58,6
November	**35,1**	49,7
December	**20,9**	71,0
January	**15,5**	16,7
February	**17,0**	9,9
March	**7,8**	–
April	**2,6**	0,8
May	**7,1**	–
	665,2	412,7

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

Exposure to currency risk

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the Rand against all other currencies, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Kenyan Shilling, Pound Sterling, Australian Dollar and Tanzanian Shilling. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, 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 R1 438,3 million at 30 June 2012 (2011: Direct debit of R137,5 million).

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2011.

The effect of a change in the foreign exchange rates on the closing balance of foreign denominated financial instruments (including the marked to market value of forward exchange contracts) at the reporting date would have increased/(decreased) profit before tax by the amounts shown below:

		Change in exchange rate	Weakening in functional currency	
		%	**2012 R'million**	2011 R'million
Denominated	: Functional currency			
Rand	: US Dollar	10	**50,2**	(44,8)
Rand	: Euro	10	**10,8**	(6,1)
Rand	: Pound Sterling	10	**0,8**	1,7
US Dollar	: Pound Sterling	10	**23,4**	18,5
US Dollar	: Australian Dollar	10	**1,6**	7,8
US Dollar	: Euro	10	**10,2**	13,3
Brazilian Real	: US Dollar	10	**(0,8)**	(0,7)
Tanzanian Shilling	: US Dollar	10	**–**	0,2
Tanzanian Shilling	: Kenyan Shilling	10	**(1,5)**	–
Mexican Peso	: US Dollar	10	**(6,0)**	0,3
Other exposures		10	**12,2**	8,5
			100,9	(1,3)

A 10% strengthening in the Rand against the above currencies at 30 June would have the equal but opposite effect on profit before tax, on the basis that all other variables remain constant.

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
Current liabilities
Statement of comprehensive income
Other disclosures
Company annual financial statements
Annexures
Shareholders' information

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

The following significant exchange rates against the Rand applied at year-end:

	Spot rate		Average rate	
	2012	2011	**2012**	2011
Australian Dollar	**8,40**	7,26	**8,05**	6,96
Brazilian Real	**4,05**	4,34	**4,31**	4,20
Euro	**10,40**	9,83	**10,41**	9,57
Kenyan Shilling (inverse)	**10,29**	13,25	**11,34**	11,84
Mexican Peso	**0,60**	0,58	**0,59**	0,57
Pound Sterling	**12,85**	10,87	**12,35**	11,10
Tanzanian Shilling (inverse)	**193,84**	238,64	**209,38**	217,03
US Dollar	**8,19**	6,78	**7,78**	6,97

36.5 Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis. The debt of the Group is structured on a combination of floating and fixed-interest rates. The benefits of fixing or capping interest rates on the Group's various financing activities are considered on a case-by-case and project-by-project basis, taking the specific and overall risk profile into consideration.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying value	
	2012	2011
	R'million	R'million
Variable rate instruments		
Other non-current financial receivables	**(31,5)**	(11,8)
Trade and other receivables	**(10,1)**	(11,4)
Cash and cash equivalents	**(2 899,7)**	(2 383,1)
Cash restricted for use	**(1,2)**	(3,9)
Financial assets (A)	**(2 942,5)**	(2 410,2)
Preference shares – liability component	**–**	381,3
Borrowings	**9 507,8**	8 258,6
Trade and other payables	**10,7**	1,4
Financial liabilities (B)	**9 518,5**	8 641,3
Variable rate exposure (A+B)	**6 576,0**	6 231,1

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.5 Interest rate risk continued

	Carrying value 2012 R'million	2011 R'million
Fixed rate instruments		
Cash and cash equivalents	**(19,6)**	(402,6)
Financial assets (A)	**(19,6)**	(402,6)
Financial liabilities – Borrowings (B)	**903,7**	1 165,0
Fixed-rate exposure (A+B)	**884,1**	762,4
Interest profile (variable:fixed rate as a percentage of total interest bearing)	**88:12**	89:11

The following interest rate derivative contract was in place at 30 June 2012:

Interest rate swaps

The Group has entered into interest rate swaps to hedge the cash flow interest rate risk of certain non-current borrowing amounts. Details of the pay fixed rate, receive floating rate swap is as follows:

	Out-standing contract amount R'million	Fixed interest rate %	Expiry date	Fair value losses R'million
US Dollar term loan – GSK – Loan A	**813,1**	**6,1 (3-month LIBOR)**	**10 October 2013**	**32,6**
	813,1			**32,6**

36. FINANCIAL RISK MANAGEMENT continued

36.5 Interest rate risk continued

The interest rate swap was designated in a cash flow hedge relationship. The nature of the risks being hedged (interest rate risk) is the variability of the quarterly interest payments on the hedged loan, attributable to movements in the three-month LIBOR rate. Gains and losses recognised in the hedging reserve in equity at 30 June 2012 will be continuously released to the statement of comprehensive income as the interest (finance costs) on the loan is recognised in the statement of comprehensive income.

The maturity profile of the gross contract amount for the US Dollar term loan – GSK – loan A interest rate swap at 30 June 2012 is between 1 and 5 years.

Interest rate sensitivity

The Group is exposed mainly to fluctuations in the following market interest rates: US Dollar LIBOR, JIBAR and BBSY. Changes in market interest rates affect the interest income and expense of floating rate financial instruments. Changes in market interest rates affect the statement of comprehensive income only in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

An increase of 100 basis points in interest rates at 30 June would have decreased profit before tax by R65,8 million in 2012 and R62,3 million in 2011. A decrease of 100 basis points will have an equal and opposite effect on profit before tax. Changes in market interest rates also affect equity (hedging reserve) through the impact of such changes on the fair values of the interest rate swaps designated in effective hedge relationships and the extent of the hedge effectiveness. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase of 1% in the yield curve at 30 June 2012 would result in a decrease of R4,5 million (2011: R16,1 million) in the fair value of the derivative liability in the statement of comprehensive income. A decrease of 1% in the yield curve would result in an increase in the derivative liability of R4,5 million (2011:R16,1 million).

36.6 Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Group finances its operations through a mixture of retained earnings, short-term and long-term bank funding. Adequate banking facilities and reserve borrowing capacities are maintained. The Group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 18 for detail.

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

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.6 Liquidity risk continued

The following are the undiscounted contractual maturities of financial assets and liabilities:

		Undiscounted cash flows		
	On demand R'million	<1 year R'million	1 – 5 years R'million	Total R'million
June 2012				
Financial assets				
Other non-current financial receivables	–	3,0	38,7	41,7
Trade and other receivables (financial instruments only)	–	3 554,6	–	3 554,6
Forward exchange contracts (gross settled)*	–	5,1	–	5,1
Gross cash inflows	–	665,2	–	665,2
Gross cash outflows	–	(660,1)	–	(660,1)
Cash and cash equivalents	2 957,5	356,0	–	3 313,5
Cash restricted for use	–	1,2	–	1,2
Total financial assets	2 957,5	3 919,9	38,7	6 916,1
Financial liabilities				
Unsecured loans	(1 888,4)	(1 125,6)	(7 892,3)	(10 906,3)
Finance lease and instalment credit liabilities	–	(3,4)	(2,8)	(6,2)
Bank overdrafts	(1 323,7)	–	–	(1 323,7)
Trade and other payables (financial instruments only)	–	(2 322,5)	–	(2 322,5)
Interest rate swaps (net settled)	–	(22,1)	–	(22,1)
Total financial liabilities	(3 212,1)	(3 473,6)	(7 895,1)	(14 580,8)
Net exposure before financial guarantees	(254,6)	446,3	(7 856,4)	(7 664,7)
Non-derivative financial liabilities – financial guarantees	–	(3 323,0)	(1 680,0)	(5 003,0)
Net exposure after financial guarantees	(254,6)	(2 876,7)	(9 536,4)	(12 667,7)

**For the purpose of the above table foreign currency cash inflows/(outflows) were translated into Rand using the relevant forward rates.*

36. FINANCIAL RISK MANAGEMENT continued

36.6 Liquidity risk continued

		Undiscounted cash flows		
	On demand R'million	<1 year R'million	1 – 5 years R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	–	1,8	12,9	14,7
Trade and other receivables (financial instruments only)	–	2 886,8	–	2 886,8
Cash and cash equivalents	1 991,2	1 048,0	–	3 039,2
Cash restricted for use	–	28,7	–	28,7
Total financial assets	1 991,2	3 965,3	12,9	5 969,4
Financial liabilities				
Preference shares – liability component	–	(381,3)	–	(381,3)
Secured loans	–	(1 806,7)	(756,6)	(2 563,3)
Unsecured loans	(2 112,5)	(283,9)	(4 054,3)	(6 450,7)
Finance lease and instalment credit liabilities	–	(6,4)	(8,1)	(14,5)
Bank overdrafts	(1 286,4)	–	–	(1 286,4)
Trade and other payables (financial instruments only)	–	(2 083,8)	–	(2 083,8)
Forward exchange contracts (gross settled)*	–	(18,9)	–	(18,9)
Gross cash inflows	–	412,7	–	412,7
Gross cash outflows	–	(431,6)	–	(431,6)
Interest rate swaps (net settled)	–	(18,3)	(28,4)	(46,7)
Total financial liabilities	(3 398,9)	(4 599,3)	(4 847,4)	(12 845,6)
Net exposure before financial guarantees	(1 407,7)	(634,0)	(4 834,5)	(6 876,2)
Non-derivative financial liabilities – financial guarantees	–	(4 149,2)	(1 638,5)	(5 787,7)
Net exposure after financial guarantees	(1 407,7)	(4 783,2)	(6 473,0)	(12 663,9)

For the purpose of the above table foreign currency cash inflows/(outflows) were translated into Rand using the relevant forward rates.

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.7 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by the application of credit approvals, limits and monitoring procedures. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

Credit risk primarily arises from trade and other receivables, other non-current financial receivables, derivative financial instruments, cash restricted for use and cash and cash equivalents. The Group's maximum exposure to credit risk is represented by the carrying amount of these financial assets, with the exception of financial guarantees granted by the Group for which the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantees are called on.

Trade and other receivables

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations on the financial condition of customers are performed and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. Three separate debtors balances constitute a significant concentration of credit risk to an amount of R1 212,2 million (2011: R872,7 million). These balances constitute 38,8% (2011: 33,3%) of the total gross trade receivables. There are no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2012 and 2011.

The Group has made allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 95% of the trade receivables balance relates to customers that have a long-standing insurable history with the Group and there has been no default on payments.

Impairment losses are recorded in the allowance account for losses until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset.

The risk profiles listed below reflect the different markets that the Group services. These markets have different payment patterns, risk profiles and insurance risks:

	2012 R'million	2011 R'million
Risk profile of gross trade receivables		
Private market debtors	**2 545,2**	1 956,5
State debtors	**343,2**	359,2
Export debtors	**157,2**	138,2
Other	**77,8**	168,9
	3 123,4	2 622,8

Cash and cash equivalents and derivative financial instruments

Treasury counterparties consist of a diversified group of prime financial institutions. Cash balances are placed and derivative financial instruments are entered into with different financial institutions to minimise risk. The Group does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All cash balances and derivative financial instruments are held with highly reputable banks.

Other financial assets

The recoverability of other non-current financial receivables is monitored as appropriate.

36. FINANCIAL RISK MANAGEMENT continued

36.8 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, more specifically non-current and current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, non-distributable reserves and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Group will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Group's approach to capital management during the year. The gearing ratio has decreased since the prior year from 34% to 29%.

In terms of the Group's funding arrangements with its lenders, the Group was subject to the following financial covenants in the year:

a) Group covenants
- The capacity to increase interest-bearing debt is restricted to three times Group earnings before interest, tax, depreciation and amortisation.
- This covenant is applicable to the Rand and the Aspen Global US Dollar term loans.

b) Aspen Global covenants
- The capacity to increase interest-bearing debt is restricted to 3,25 times Group earnings before interest, tax, depreciation and amortisation.
- On an annual basis, the cumulative debt service cover ratio will not be less than 1,4 times. Cumulative debt service cover ratio is defined as free cash flows plus opening cash divided by the aggregate payments of the capital plus interest.

c) Aspen Australia covenants
- Aspen Australia net finance charges will be covered by Group earnings before interest, tax, depreciation and amortisation by at least three times.
- The capacity to increase interest-bearing debt is restricted to 2,5 times Aspen Asia Pacific earnings before interest, tax, depreciation and amortisation.

The Group is entitled to make distributions to its shareholders provided that the lenders of the US Dollar term loan are satisfied, acting reasonably, that specified covenants will be met for a period of 12 months after such a distribution.

At 30 June 2012, all the above covenants were complied with.

Other disclosures continued

37. ACQUISITIONS

2012

37.1 Acquisition of non-controlling interest in Shelys Africa Limited

The Company acquired the remaining 40% non-controlling interest shareholding in Shelys Africa Limited for a purchase consideration of R141,8 million effective from 14 April 2012. This increases the ownership in Shelys Africa Limited to 100%.

37.2 Acquisition of additional shareholding in Brimpharm SA (Pty) Limited

The Company acquired a further 42,5% shareholding in Brimpharm SA (Pty) Limited for a purchase consideration of R39,8 million effective from 31 May 2012. This increases the ownership in Brimpharm SA (Pty) Limited to 92,5%.

2011 – Final

37.3 Acquisition of the Sigma pharmaceutical business

On 31 January 2011, the Group acquired 100% shareholding of the Sigma pharmaceutical business. The acquisition was funded from a combination of internal cash resources and external funding raised. This was accounted for on a provisional basis in 2011 and was finalised during the current financial year. No significant changes were made to the initial provisional values.

	Final 2011 R'million
Cost of the acquisition	
Purchase consideration paid	6 055,6
Fair value of net assets acquired	(1 922,3)
Goodwill	4 133,3
Fair value of assets and liabilities acquired	
Property, plant and equipment	471,0
Intangible assets	1 036,4
Inventories	521,3
Trade and other receivables	338,5
Deferred tax asset	35,0
Trade and other payables	(479,9)
Fair value of net assets acquired	1 922,3
Goodwill acquired	4 133,3
Purchase consideration paid	6 055,6
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business#	(169,0)
Cash consideration paid	5 886,6

#Refer to note 36.4 for detail on the cash flow hedge in respect of the Sigma pharmaceutical business.

37. ACQUISITIONS continued

37.3 Acquisition of the Sigma pharmaceutical business continued

Goodwill

The following factors contributed to the recognition of goodwill:

– the synergies identified from the consolidation of the Sigma pharmaceutical business with Aspen's existing Australian business; and
– the ability of Aspen's global procurement network and manufacturing know-how to achieve significant savings in cost of goods.

The total amount of goodwill recognised is not tax deductible.

Distinguishing the post-combination earnings of the Sigma pharmaceutical business from earnings of the combined entity is impracticable as significant estimate of amounts are required which are not reasonably determinable, given that the operations of the Sigma pharmaceutical business have been integrated with those of the Aspen Australia operations.

37.4 Acquisition of AHN

On 1 June 2011, the Group acquired 100% shareholding in AHN. The acquisition was funded from existing cash resources. This was accounted for on a provisional basis in 2011 and was finalised during the current financial year.

	Final 2011 R'million
Cost of the acquisition	
Deferred consideration	45,4
Fair value of net assets acquired	(45,4)
Goodwill	–
Fair value of assets and liabilities acquired	
Property, plant and equipment	2,6
Intangible assets	31,5
Inventories	18,8
Trade and other receivables	29,3
Current tax assets	3,8
Cash and cash equivalents	22,3
Non-current borrowings	(12,0)
Deferred tax liabilities	(15,2)
Trade and other payables	(35,7)
Fair value of net assets acquired	45,4
Deferred consideration paid in the 2012 financial year	(45,4)
Cash consideration paid	–

Other disclosures continued

37. ACQUISITIONS continued

37.5 Acquisition of Formule Naturelle (Pty) Limited

On 1 July 2010, the Group acquired 100% shareholding in Formule Naturelle (Pty) Limited. The acquisition was funded from existing cash resources.

	2011 R'million
Cost of the acquisition	
Cash consideration paid	35,0
Decrease in investment in associate	2,0
Fair value of net assets acquired	(37,0)
Goodwill	–
Fair value of assets and liabilities acquired	
Intangible assets	20,2
Inventories	3,5
Trade and other receivables	6,7
Current tax assets	0,2
Cash and cash equivalents	6,1
Deferred tax assets	2,3
Trade and other payables	(2,0)
Fair value of net assets acquired	37,0
Decrease in investment in associate	(2,0)
Cash consideration paid	35,0

38. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Group did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 26.

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 24 of the Company Annual Financial Statements for a detailed list of subsidiaries and joint ventures and their balances. None of the balances are secured.

Transactions and balances with directors

All directors have given general declarations of interest in terms of section 75 of the Companies Act. 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.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates and which provides legal services to the Group. During the year, total legal fees expensed in the statement of comprehensive income was R1,0 million (2011: R1,8 million). The balance outstanding at year-end is R0,2 million (2011: R0,1 million).

Directors' remuneration is disclosed in note 26.

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:

	2012 R'million	2011 R'million
Short-term employee benefits	**64,6**	64,4
Post-employment benefits	**4,1**	4,0
Share based payment expense	**31,6**	13,4
Total key management remuneration paid	**100,3**	81,8
Number of employees included above	**27**	25

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

Other disclosures continued

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

The disclosure provided below is required by IAS 36, *Impairment of assets* for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite lives allocated to that unit is significant in comparison with the entities' total carrying value of goodwill or intangible assets with indefinite useful lives.

The Group tests goodwill and indefinite useful life intangible assets annually for impairment, or more frequently if there are any indications that the goodwill or the indefinite useful life intangible assets might be impaired.

The recoverable amount of cash-generating units are determined as the higher of value-in-use and fair value less costs to sell. Goodwill and intangible assets with indefinite useful lifes were tested for impairment by comparing the recoverable amount based on value-in-use of the cash-generating unit to the carrying value.

Value-in-use

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering periods between five and 18 years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are post-tax based on assessment of the the current risks applicable to the specific entity and country in which it operates. Discounting post-tax cash flows at a post-tax discount rate yields the same result as the discounting pre-tax cash flows at a pre-tax discount rate.

Management determines the expected performance of the assets based on the following:

- an assessment of existing products against past performance and market conditions;
- an assessment of existing products against existing market conditions; and
- the pipeline of products under development, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the budgets and forecasts take into account the long-term average rates of the industry in which the cash-generating unit is operating. Estimations are based on a number of key assumptions such as volume, price and product mix which will create a basis for future growth and gross margin. These assumptions are set in relation to historic figures and external reports on market growth. If necessary, these cash flows are then adjusted to take into account any changes in assumptions or operating conditions that have been identified subsequent to the preparation of the budgets.

The weighted average cost of capital rate (WACC) is derived from a pricing model based on credit risk and the cost of the debt. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter.

	2012 R'million	2011 R'million
Goodwill		
The carrying value of goodwill can be split as follows:		
FCC – allocated to the South African segment	**162,5**	188,2
Shelys – allocated to the sub-Saharan Africa segment	**134,0**	134,0
Tanzanian business	**68,4**	68,4
Kenyan business	**65,6**	65,6
GSK transactions – Allocated to the South African segment	**61,4**	61,6
Sigma pharmaceutical business – Allocated to Asia Pacific segment*	**4 929,9**	4 169,9
Other	**56,1**	72,9
	5 343,9	4 626,6

This amount has been tested for impairment as part of the at acquisition calculations. Refer to note 37 for detail on the acquisition.

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS continued

Key assumptions on the impairment test for significant goodwill balances were as follows:

Assumption	FCC	Tanzanian business	Kenyan business	GSK transactions	Sigma pharmaceutical business
Carrying value of goodwill (R'million)	162,5	68,4	65,6	61,4	4 929,9
Period covered by forecasts and budgets	8 years	5 years	5 years	17 years	18 years
Growth in revenue (% per annum)	Ranging between 4% and 54%	Ranging between -16% and 13%	Ranging between 20% and 35%	Ranging between -2% and 6%	Ranging between 1% and 12%
Gross profit (% per annum)	Varying between 17% and 31%	Varying between 45% and 49%	54%	Varying between 40% and 47%	Varying between 60% and 71%
Annual capital expenditure (R'million per annum)	Ranging between R30 million and R201 million	Ranging between TZS 1 billion and TZS 3 billion	Ranging between KES 4 million and KES 28 million	–	–
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	5%	6%	6%	–	–
Annual post-tax discount rate applied to cash flows (% per annum)	14%	17%	19%	12%	8%

The periods covered by forecasts and budgets exceed five years for FCC to better reflect the impact of new products expected to be introduced in the medium term.

The GSK transactions have been forecast over a 17-year period as this is the period remaining in the initial term of the agreement to which this goodwill relates.

	2012 R'million	2011 R'million
Impairment of goodwill		
FCC – allocated to the South African segment	25,7	–
Other – allocated to the International segment	17,9	–
	43,6	–

Based on the calculations an impairment of R25,7 million was made to the goodwill relating to FCC and R17,9 million relating to historical goodwill on the original Latin American acquisition from Strides. No other impairments were considered necessary. There are no reasonable possible changes in any key assumption which would cause the carrying value of goodwill to exceed its value-in-use.

Other disclosures continued

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS continued

	2012 R'million	2011 R'million
Intangible assets with indefinite useful lives		
The carrying value of indefinite useful life intangible assets can be split as follows:		
ELIZ products#	**2 779,8**	2 295,6
Specialist global brands^	**2 154,3**	1 674,5
OTC global brands+	**1 599,0**	–
Other	**686,3**	729,7
	7 219,4	4 699,8

Detail on impairment tests for significant indefinite useful life intangible assets were as follows:

Assumption	ELIZ products#	Specialist global brands^
Carrying value of intangible assets (R'million)	2 779,8	2 154,3
Period covered by forecasts and budgets	10 years	10 years
Growth in revenue (% per annum)	Ranging between 1% and 3%	Ranging between 1% and 3%
Gross profit (% per annum)	Average of 62%	Average of 57%
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	(5%)	(5%)
Annual post-tax discount rate applied to cash flows (% per annum)	10%	10%

Management has used a forecast period greater than five years to better reflect the impact of a gradual slowing in growth over the medium term.

The OTC global brands were acquired with effect from 1 May 2012 for a consideration of R2,1 billion. An initial review identified no impairment indicators and a full impairment test will be performed in the financial year ending 30 June 2013.

Based on the calculations no impairment was needed for these indefinite useful life intangible assets.

There are no reasonable possible changes in any key assumption which would cause the carrying value of indefinite useful life assets to exceed its value-in-use.

 # Eltroxin, Lanoxin, Imuran and Zyloric.
^ Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate.
+Key brands include Phillips Milk of Magnesia, Dequadin, Solpadeine, Cartia, Zantac and Borstol.

Contents of Company Annual Financial Statements

	Page
Company statement of financial position	114
Company statement of comprehensive income	115
Company statement of changes in equity	116
Company statement of cash flows	117
Notes to the Company statement of cash flows	118
Notes to the Company Annual Financial Statements	119

at 30 June 2012

	Notes	2012 R'million	2011 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3,7**	4,0
Intangible assets	2	**188,2**	186,8
Investments in subsidiaries	3	**12 165,6**	12 013,2
Other non-current financial receivables	4	**25,0**	7,2
Deferred tax assets	5	**27,7**	47,3
Total non-current assets		**12 410,2**	12 258,5
Current assets			
Receivables and prepayments	6	**4,8**	8,5
Current tax assets		**22,0**	21,7
Amounts due by Group companies	3	**289,1**	106,6
Cash and cash equivalents	7	**171,6**	87,0
Total operating current assets		**487,5**	223,8
Assets classified as held-for-sale	8	**–**	10,2
Total current assets		**487,5**	234,0
Total assets		**12 897,7**	12 492,5
SHAREHOLDERS' EQUITY			
Share capital and share premium	9	**5 570,6**	5 341,0
Hedging reserve		**146,5**	146,5
Share-based compensation reserve		**35,9**	32,9
Retained income		**6 683,8**	5 420,2
Ordinary shareholders' equity		**12 436,8**	10 940,6
Preference shares – equity component	10	**–**	162,0
Total shareholders' equity		**12 436,8**	11 102,6
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	10	**–**	381,3
Total non-current liabilities		**–**	381,3
Current liabilities			
Other payables	11	**130,3**	131,3
Borrowings	12	**25,0**	500,7
Amounts due to Group companies	3	**305,6**	376,6
Total current liabilities		**460,9**	1 008,6
Total liabilities		**460,9**	1 389,9
Total equity and liabilities		**12 897,7**	12 492,5

for the year ended 30 June 2012

	Notes	2012 R'million	2011 R'million
CONTINUING OPERATIONS			
Revenue	13	**161,1**	159,2
Administrative expenses		**(125,0)**	(107,7)
Other operating income		**38,1**	72,1
Other operating expenses		**(214,0)**	(40,4)
Operating (loss)/profit	14	**(139,8)**	83,2
Investment income	17	**1 209,3**	1 438,2
Financing costs	18	**(18,6)**	(231,8)
Profit before tax		**1 050,9**	1 289,6
Tax	19	**(29,1)**	8,0
Profit after tax from continuing operations		**1 021,8**	1 297,6
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations		**44,0**	–
Profit for the year		**1 065,8**	1 297,6

There are no other comprehensive income adjustments, therefore profit for the year equals total comprehensive income.

for the year ended 30 June 2012

	Share capital R'million	Share premium R'million	Hedging reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total R'million
BALANCE AT 30 JUNE 2010	60,0	5 379,9	146,5	42,7	4 079,4	162,0	9 870,5
Profit for the year	–	–	–	–	1 297,6	–	1 297,6
Issue of ordinary share capital – share schemes	0,3	203,7	–	–	–	–	204,0
Capital distribution	–	(302,9)	–	–	–	–	(302,9)
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–	26,3	–	–	26,3
Transfer from share-based compensation reserve	–	–	–	(36,1)	36,1	–	–
Equity portion of tax claims in respect of share schemes	–	–	–	–	7,1	–	7,1
BALANCE AT 30 JUNE 2011	**60,3**	**5 280,7**	**146,5**	**32,9**	**5 420,2**	**162,0**	**11 102,6**
Profit for the year	**–**	**–**	**–**	**–**	**1 065,8**	**–**	**1 065,8**
Issue of ordinary share capital	**2,9**	**684,3**	**–**	**–**	**–**	**–**	**687,2**
Issue of ordinary share capital – share schemes	**0,5**	**309,9**	**–**	**–**	**–**	**–**	**310,4**
Issue of ordinary share capital – conversion of preference shares	**2,4**	**374,4**	**–**	**–**	**–**	**–**	**376,8**
Conversion of preference shares	**–**	**–**	**–**	**–**	**162,0**	**(162,0)**	**–**
Capital distribution	**–**	**(457,6)**	**–**	**–**	**–**	**–**	**(457,6)**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**–**	**–**	**24,5**	**–**	**–**	**24,5**
Transfer from share-based compensation reserve	**–**	**–**	**–**	**(21,5)**	**21,5**	**–**	**–**
Equity portion of tax claims in respect of share schemes	**–**	**–**	**–**	**–**	**14,3**	**–**	**14,3**
BALANCE AT 30 JUNE 2012	**63,2**	**5 507,4**	**146,5**	**35,9**	**6 683,8**	**–**	**12 436,8**

for the year ended 30 June 2012

	Notes	2012 R'million	2011 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**(70,8)**	73,7
Financing costs paid	B	**(22,2)**	(236,4)
Investment income received	C	**6,3**	33,0
Dividends received from subsidiaries		**1 203,0**	1 405,2
Tax paid	D	**–**	(46,8)
Cash generated from operating activities		**1 116,3**	1 228,6
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(0,4)**	(0,7)
Replacement		**–**	(0,2)
Expansion		**(0,4)**	(0,5)
Expansion capital expenditure – intangible assets		**(15,8)**	(0,1)
Proceeds on the sale of intangible assets		**–**	18,7
Proceeds on the sale of assets held-for-sale		**59,2**	–
Increase in other non-current financial receivables		**(17,8)**	(5,4)
Increase in investments in subsidiaries		**(181,6)**	(2 526,5)
Movement in amounts due by Group companies		**(182,5)**	6,8
Subsidiary capital reduction		**1,9**	–
Cash used in investing activities		**(337,0)**	(2 507,2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayments)/proceeds from borrowings		**(473,2)**	496,7
Proceeds from issue of ordinary share capital		**310,4**	204,0
Capital distribution		**(457,6)**	(302,9)
Movement in amounts due to Group companies		**(71,0)**	66,9
Cash generated from financing activities		**(691,4)**	464,7
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**87,9**	(813,9)
Cash and cash equivalents at the beginning of the year		**83,7**	897,6
Cash and cash equivalents at the end of the year	E	**171,6**	83,7

for the year ended 30 June 2012

		2012 R'million	2011 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating (loss)/profit	**(90,8)**	83,2
	Amortisation of intangible assets	**13,9**	14,8
	Depreciation of property, plant and equipment	**0,7**	0,9
	Impairment charges	**41,8**	2,6
	Profit on the sale of assets classified as held-for-sale	**(49,0)**	–
	Profit on the sale of intangible assets	**–**	(16,0)
	Share-based payment expense – employees	**11,5**	9,0
	Other non-cash items	**(0,6)**	(0,1)
	Cash operating profit	**(72,5)**	94,4
	Working capital movements	**1,7**	(20,7)
	Decrease/(increase) in receivables and prepayments	**3,7**	(3,0)
	Decrease in other payables	**(2,0)**	(17,7)
		(70,8)	73,7
B.	**FINANCING COSTS PAID**		
	Interest paid	**(12,3)**	(30,8)
	Preference shares dividends paid – liability component	**(23,1)**	(26,3)
	Net foreign exchange gains/(losses)	**13,2**	(179,3)
		(22,2)	(236,4)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**6,3**	33,0
D.	**TAX PAID**		
	Amounts receivable/(owing) at the beginning of the year	**21,7**	(22,5)
	Tax charge to the statement of comprehensive income (excluding deferred tax)	**0,3**	(2,6)
	Amounts receivable at the end of the year	**(22,0)**	(21,7)
		–	(46,8)
E.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents per the statement of financial position	**171,6**	87,0
	Less: Bank overdrafts	**–**	(3,3)
	Cash and cash equivalents per the statement of cash flows	**171,6**	83,7

1. PROPERTY, PLANT AND EQUIPMENT

	Buildings (Leased)* R'million	Plant and equipment (owned) R'million	Computer equipment (owned) R'million	Office equipment and furniture (owned) R'million	Total R'million
2012					
Carrying value					
Cost	**1,6**	**0,2**	**4,6**	**2,6**	**9,0**
Accumulated depreciation	**(0,8)**	**–**	**(3,2)**	**(1,3)**	**(5,3)**
Carrying value at the end of the year	**0,8**	**0,2**	**1,4**	**1,3**	**3,7**
Movement in property, plant and equipment					
Carrying value at the beginning of the year	**0,7**	**0,2**	**1,7**	**1,4**	**4,0**
Additions – expansion	**0,2**	**–**	**0,1**	**0,1**	**0,4**
Depreciation	**(0,1)**	**–**	**(0,4)**	**(0,2)**	**(0,7)**
Carrying value at the end of the year	**0,8**	**0,2**	**1,4**	**1,3**	**3,7**
2011					
Carrying value					
Cost	1,4	0,3	4,5	2,5	8,7
Accumulated depreciation	(0,7)	(0,1)	(2,8)	(1,1)	(4,7)
Carrying value at the end of the year	0,7	0,2	1,7	1,4	4,0
Movement in property, plant and equipment					
Carrying value at the beginning of the year	0,7	0,2	2,0	1,3	4,2
Additions – expansion	0,2	–	–	0,3	0,5
Additions – replacement	–	–	0,2	–	0,2
Depreciation	(0,2)	–	(0,5)	(0,2)	(0,9)
Carrying value at the end of the year	0,7	0,2	1,7	1,4	4,0
2010					
Carrying value					
Cost	1,2	0,3	4,3	2,2	8,0
Accumulated depreciation	(0,5)	(0,1)	(2,3)	(0,9)	(3,8)
Carrying value at the end of the year	0,7	0,2	2,0	1,3	4,2

**All these amounts comprise leasehold improvements on leased buildings.*

Security
No item of property, plant and equipment was pledged or commited as security for any debt.

Capital commitments
Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date.

The Company had no capital commitments at year-end, for which specific Board approvals were obtained.

Funding
Future capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities.

2. INTANGIBLE ASSETS

	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
2012				
Carrying value				
Cost	**917,8**	**57,8**	**1,7**	**977,3**
Accumulated amortisation	**(716,6)**	**(57,8)**	**(0,9)**	**(775,3)**
Accumulated impairment losses	**(13,8)**	**–**	**–**	**(13,8)**
Carrying value at the end of the year	**187,4**	**–**	**0,8**	**188,2**
Movement in intangible assets				
Carrying value at the beginning of the year	**185,9**	**–**	**0,9**	**186,8**
Additions – expansion	**15,7**	**–**	**0,1**	**15,8**
Amortisation	**(13,7)**	**–**	**(0,2)**	**(13,9)**
Impairment	**(0,5)**	**–**	**–**	**(0,5)**
Carrying value at the the end of the year	**187,4**	**–**	**0,8**	**188,2**
2011				
Carrying value				
Cost	902,1	57,8	1,6	961,5
Accumulated amortisation	(702,9)	(57,8)	(0,7)	(761,4)
Accumulated impairment losses	(13,3)	–	–	(13,3)
Carrying value at the end of the year	185,9	–	0,9	186,8
Movement in intangible assets				
Carrying value at the beginning of the year	215,9	–	1,1	217,0
Additions – expansion	0,1	–	–	0,1
Disposals	(2,7)	–	–	(2,7)
Amortisation	(14,6)	–	(0,2)	(14,8)
Impairment	(2,6)	–	–	(2,6)
Reclassification to assets held-for-sale	(10,2)	–	–	(10,2)
Carrying value at the the end of the year	185,9	–	0,9	186,8
2010				
Carrying value				
Cost	932,6	57,8	1,6	992,0
Accumulated amortisation	(694,2)	(57,8)	(0,5)	(752,5)
Accumulated impairment losses	(22,5)	–	–	(22,5)
Carrying value at the end of the year	215,9	–	1,1	217,0

All intangible assets were acquired from third parties.

2. INTANGIBLE ASSETS continued

	2012 R'million	2011 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the intangible asset is expected to generate inflows for the Company.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**128,9**	137,0

Intellectual property, which is classified as an indefinite useful life intangible asset, will reflect a historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base. Where such intangible assets constitute a new acquisition, a projected trend of future positive growth must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible asset's base;
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset; and
- its estimated indefinite lifecycle and hence future growth prospects for the intangible asset.

Security
No item of intangible assets was pledged or commited as security for any debt.

Capital commitments
Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date.

The Company had no capital commitments at year-end, for which specific Board approvals were obtained.

Funding
Future capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities.

3. INVESTMENTS IN SUBSIDIARIES

	2012 R'million	2011 R'million
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**12 165,6**	12 013,2
Reflected as current assets		
Amounts due by Group companies#	**289,1**	106,6
Reflected as current liabilities		
Amounts due to Group companies#	**(305,6)**	(376,6)
Net investments in subsidiaries	**12 149,1**	11 743,2

#These loans are unsecured, currently bearing interest at 0% per annum. These loans are repayable on demand.

For further details of interests in subsidiaries please refer to page 138.

	2012 R'million	2011 R'million
4. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
Amka Products (Pty) Limited*	–	12,2
Avid Brands SA (Pty) Limited*	–	2,3
Charospot Investments (Pty) Limited	5,0	–
KOPM Distribution (Pty) Limited	20,0	–
Current portion included in other receivables	–	(7,3)
	25,0	7,2

**Both the Amka Products (Pty) Limited and the Avid Brands SA (Pty) Limited non-current financial receivables that existed at 30 June 2011 were ceded from Aspen Pharmacare Holdings Limited to Pharmacare Limited during the 2012 financial year. The amounts were ceded at book value.*

KOPM Distribution (Pty) Limited and Charospot Investments (Pty) Limited

An agreement was entered into with KOPM Distribution (Pty) Limited and Charospot Investments (Pty) Limited in July 2011. Loan funding was advanced by Aspen to selected BBBEE beneficiaries for the purpose of enabling these beneficiaries to acquire an equity stake in a pharmaceutical distribution and wholesale company as an enterprise development initiative by Aspen. These loans are due to be repaid at the end of the five-year period, being July 2016.

The outstanding loans bear interest at the South African prime rate plus 1%.

Management considers the credit risk associated with these financial receivables to be low as there has been no default on these payments.

Both the KOPM Distribution (Pty) Limited and the Charospot Investments (Pty) Limited loans are secured by the RTT Group (Pty) Limited to a maximum amount of R12,5 million. In addition to this, the Group holds a second bond over specified movable assets to a value of R10,0 million as well as a cession of specified book debts.

Other non-current financial receivables are denominated in Rand.

5. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.

	2012 R'million	2011 R'million
Deferred tax balance		
Deferred tax assets – opening balance	**47,3**	29,4
Prior year adjustment – statement of comprehensive income charge	**0,5**	0,6
Statement of comprehensive income charge	**(34,3)**	10,2
Charged to equity	**14,2**	7,1
Balance at the end of the year	**27,7**	47,3
The statement of comprehensive income charge comprises		
Property, plant and equipment	**(0,1)**	(0,1)
Intangible assets	**2,6**	0,1
Leave pay	**0,1**	–
Royalties received in advance	**0,3**	–
Preference shares issued	**(1,3)**	(1,4)
Tax claims in respect of share schemes	**(3,3)**	0,7
Tax losses	**(29,1)**	8,5
Other	**(3,0)**	3,0
	33,8	10,8
Deferred tax asset comprises		
Property, plant and equipment	**(0,4)**	(0,3)
Intangible assets	**(31,1)**	(33,7)
Leave pay	**1,0**	0,9
Royalties received in advance	**22,6**	22,3
Preference shares issued	**–**	1,3
Tax claims in respect of share schemes	**12,5**	41,6
Tax losses	**23,0**	12,1
Other	**0,1**	3,1
Balance at the end of the year	**27,7**	47,3

	2012 R'million	2011 R'million
6. RECEIVABLES AND PREPAYMENTS		
Financial instruments		
Current portion of other non-current financial receivables	–	7,3
Interest accrued	0,5	0,1
Other	2,5	0,2
Total financial instruments	3,0	7,6
Non-financial instruments		
Total non-financial instruments – prepayments	1,8	0,9
Total receivables and prepayments	4,8	8,5

All receivables and prepayments (financial instruments only) are classified as fully performing.

The credit quality of receivables and prepayments is considered to be satisfactory.

All receivables and prepayments (financial instruments only) are denominated in Rand.

All receivables and prepayments are non-interest bearing, except the current portion of other non-current financial receivables that bore interest at a floating rate of the South African prime overdraft rate plus 1% in 2011. Refer to note 4 for detail.

The Company holds no collateral over receivables and prepayments, except as disclosed in note 4.

No amounts were pledged as security for liabilities.

	2012 R'million	2011 R'million
7. CASH AND CASH EQUIVALENTS		
Bank balances	171,6	87,0

The average effective interest rate on bank balances was 4,9% (2011: 5,5%).

The maturity profile of the bank balances is less than 1 month.

All cash and cash equivalents are denominated in Rand.

Cash and cash equivalents are placed with high-quality financial institutions.

	2012 R'million	2011 R'million
8. ASSETS CLASSIFIED AS HELD-FOR-SALE		
Personal care products	–	10,2

The sale of the South African toothpaste business to the Unilever Group was concluded in September 2011. The total balance in 2011 related to intangible assets.

	2012 R'million	2011 R'million
9. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
700 000 000 (2011: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**97,3**	97,3
Issued		
454 779 457 (2011: 433 882 738) ordinary shares with a par value of 13,90607 cents each	**63,2**	60,3
Share premium	**5 507,4**	5 280,7
	5 570,6	5 341,0

	2012 Million	2011 Million
Shares in issue at the beginning of the year	**433,9**	431,6
Shares issued – share schemes	**3,3**	2,3
Shares issued – preference shares converted	**17,6**	–
Shares in issue at the end of the year	**454,8**	433,9

The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.

All shares are fully paid up, and no amounts are outstanding in terms of shares issued during the year.

Reconciliation of share premium for Companies Act purposes	2012	2011
Share premium under IFRS	**5 507,4**	5 280,7
Intangibles assets reinstated#	**19,3**	19,3
Ordinary shares issued in terms of BBBEE transaction – amount expensed	**(99,2)**	(99,2)
Share premium for the purposes of the Companies Act	**5 427,5**	5 200,8

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

	2012 R'million	2011 R'million
10. PREFERENCE SHARE CAPITAL		
Authorised		
17 600 000 (2011: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	**2,4**	2,4
20 000 000 (2011: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	**2,8**	2,8
Issued		
Nil (2011: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each, issued at R21,41 during June 2005	**–**	2,4
Share premium	**–**	374,4
	–	376,8

On 28 June 2012, BBBEE shareholder, Imithi converted 17,6 million preference shares into an equivalent number of ordinary shares.

Rights attached to the A preference shares in 2011

Dividend rights

Preference share dividends were calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand Bank Limited, from time to time multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends were payable on 10 June of each year.

The preference share dividend rate was nil at year-end (2011: 6,5%).

Voting rights

Each Aspen preference share had one vote and accordingly ranked *pari passu* in regard to votes with the issued Aspen ordinary shares.

Redemption/conversion rights

Preference shareholders had 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. This right was exercised in June 2012 and redemption took place at R21,41.

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

Accounting

For accounting purposes the preference shares had been split into an equity and a liability component. Refer to the accounting policy on page 27 for detail.

	2012 R'million	2011 R'million
Preference shares – equity component (per the statement of changes in equity)	**162,0**	162,0
Deferred tax effect	**(8,7)**	(8,7)
Net equity component	**153,3**	153,3
Preference shares – liability component (per the statement of financial position)	**376,8**	381,3
Amount expensed in 2005	**(183,2)**	(183,2)
Cumulative notional interest on liability component	**29,9**	25,4
Opening balance	**25,4**	20,1
For the year	**4,5**	5,3
Net preference shares liability before conversion	**376,8**	376,8
Preference shares converted into ordinary shares	**(376,8)**	–
Included in equity – preference shares	**(162,0)**	–
Included in non-current assets – deferred tax	**8,7**	–
Included in liabilities – preference shares – liability component	**(223,5)**	–
	–	376,8

The fair value of the liability component of the preference shares is nil (2011: R381,5 million). The liability component was exposed to fair value interest rate risk.
The effective interest rate of the liability component is nil (2011: 9,0%).

	2012 R'million	2011 R'million
11. OTHER PAYABLES		
Financial instruments		
Accrued expenses	**6,4**	13,5
Preference shares dividends payable	**–**	1,3
Audit fees	**0,5**	3,7
Other	**3,7**	0,9
Total financial instruments	**10,6**	19,4
Non-financial instruments		
Indirect taxes	**9,8**	12,2
Leave pay	**3,7**	3,4
Bonuses	**21,8**	15,2
Royalties received in advance	**80,5**	79,6
Other	**3,9**	1,5
Total non-financial instruments	**119,7**	111,9
Total other payables	**130,3**	131,3

All other payables (financial instruments only) are not past their due dates, are predominantly non-interest bearing and are all denominated in Rand.

	2012 R'million	2011 R'million
12. BORROWINGS		
Current borrowings		
Bank overdrafts	–	3,3
Unsecured loans	25,0	497,4
	25,0	500,7

Interest rate profile of total borrowings

	2012			2011		
	Total R'million	Interest rate %	Average effective interest rate %	Total R'million	Interest rate %	Average effective interest rate %
Bank overdrafts – Linked to South African prime overdraft rate	–	–	–	3,3	less 1%	8,7
Unsecured loans – Linked to 1-month JIBAR	–	–	–	500,0	+ margin of 1,1%	6,6
Unsecured loans – Linked to overnight call rates	25,0	Overnight call	6,5	–	–	–
Capital raising fees	–	–	–	(2,6)	–	–
	25,0			500,7		

All borrowings are denominated in Rand and are exposed to interest rate risk.

No security has been given for these amounts.

	2012 R'million	2011 R'million
13. REVENUE		
Other revenue		
Royalties	**161,1**	159,2
14. OPERATING PROFIT		
Operating profit has been arrived at after crediting		
Profit on sale of intangible assets	**–**	16,0
After charging		
Auditors' remuneration	**4,7**	4,8
Audit fees	**4,2**	4,7
– Current year	**3,8**	4,2
– Prior year underprovision	**0,4**	0,5
Other services – accounting consulting	**–**	0,1
Other services – IT consulting	**0,5**	–
Impairment charges	**41,8**	2,6
Impairment of intangible assets (included in other operating expenses)	**0,5**	2,6
Impairment of investment in subsidiaries (included in other operating expenses)	**41,3**	–
Repairs and maintenance expenditure on property, plant and equipment	**0,5**	1,2
Operating lease rentals – land and buildings	**2,1**	2,0
15. EXPENSES BY NATURE		
Depreciation of property, plant and equipment	**0,7**	0,9
Amortisation of intangible assets	**13,9**	14,8
Impairment charges	**41,8**	2,6
Repairs and maintenance expenditure on property, plant and equipment	**0,5**	1,2
Personnel costs and other staff-related costs	**78,4**	58,2
Share trust contributions	**158,3**	23,0
Share-based payment expense – employees	**11,5**	9,0
Property costs	**2,6**	2,4
Other	**31,3**	36,0
	339,0	148,1
Classified as		
Administrative expenses	**125,0**	107,7
Other operating expenses	**214,0**	40,4
	339,0	148,1

	2012 R'million	2011 R'million
16. DIRECTORS AND EMPLOYEES		
Staff costs		
Wages and salaries	**67,2**	51,3
Provident fund contributions – defined contribution plans	**6,3**	5,3
Medical aid contributions	**1,8**	1,5
Share-based payment expense – options and appreciation rights	**2,1**	3,6
Share-based payment expense – deferred incentive bonus	**9,4**	5,4
Other Company contributions	**1,2**	–
	88,0	67,1

The total amount of staff costs is included in administrative expenses on the statement of comprehensive income.

The total number of full-time employees at year-end was 68 (2011: 63).

Refer to note 26 in the Group Annual Financial Statements for directors' emoluments paid by the Company.

	2012 R'million	2011 R'million
17. INVESTMENT INCOME		
Dividends received from subsidiaries	**1 203,0**	1 405,2
Interest received	**6,3**	33,0
Interest on bank balances	**2,1**	28,1
Interest from subsidiaries	**2,0**	2,3
Other	**2,2**	2,6
	1 209,3	1 438,2
18. FINANCING COSTS		
Interest paid	**(12,3)**	(30,8)
Preference shares dividends paid – liability component	**(23,1)**	(26,3)
Capital raising fees	**(0,8)**	(0,7)
Net foreign exchange losses	**13,2**	(179,3)
Notional interest income on financial instruments	**4,4**	5,3
	(18,6)	(231,8)

19. TAX

	2012 R'million	2011 R'million
Current tax – prior year	–	0,1
Deferred tax – current year	**29,3**	(10,2)
– prior year	**(0,5)**	(0,6)
Secondary tax on companies and other dividend taxes	**(0,3)**	2,5
Withholding tax	**0,6**	0,2
	29,1	(8,0)

	%	%
Reconciliation of the tax rate		
Effective tax rate	**2,8**	(0,6)
Capital and exempt income	**32,1**	31,0
Disallowable expenses	**(2,7)**	(2,0)
Non-deductible portion of share-based payment expense – employees	**(0,3)**	(0,2)
Non-deductible amortisation of intangible assets	**(0,1)**	–
Impairment of intangible assets	–	(0,1)
Other disallowable expenses	**(2,3)**	(1,7)
Deferred tax raised in respect of share schemes	**(4,2)**	–
Secondary tax on companies and other dividend taxes	–	(0,2)
Capital gains tax – assessed loss	–	(0,2)
Tax at the statutory rate	**28,0**	28,0

20. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Company did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 26 of the Group Annual Financial Statements.

Intra-Group transactions and balances

During the year, the Company entered into arm's-length transactions with other companies in the Group. Refer to note 24 for a detailed list of subsidiaries, joint ventures and trusts and their balances. None of the balances are secured.

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

	2012 R'million	2011 R'million
Royalties received in advance – Pharmacare Limited	**183,4**	181,5
Administration fees received	**31,0**	37,3
Aspen Asia Company Limited	**0,2**	–
Aspen Asia Pacific Pty Limited	**1,8**	–
Aspen Pharmacare Australia Pty Limited	**–**	0,8
Aspen Bad Oldesloe GmbH	**0,2**	0,1
Aspen Pharma – Industria Farmacêutica Limitada	**1,3**	1,8
Aspen Health Care FZ LLC	**1,3**	0,9
Aspen Europe GmbH	**–**	0,8
Aspen Global Incorporated	**3,9**	–
Aspen Pharma Trading Limited	**0,6**	–
Aspen Labs S.A. de C.V.	**2,3**	0,7
Aspen Philippines Incorporated	**0,3**	–
Fine Chemicals Corporation (Pty) Limited	**0,6**	0,8
Pharmacare Limited	**18,4**	29,7
Shelys Pharmaceuticals Limited	**–**	0,7
Solara S.A. de C.V.	**0,1**	1,0
Guarantee fees received – Aspen Global Incorporated	**9,5**	12,7
Interest received on shareholders' loans	**2,0**	2,3
Beta Healthcare International Limited	**0,3**	0,4
Shelys Pharmaceuticals International Limited	**1,7**	1,9
Dividends received (and paid to the Company)	**1 203,0**	1 405,2
Aspen Global Incorporated	**–**	23,9
Aspen Pharmacare International Limited	**–**	0,6
Brimpharm SA (Pty) Limited	**2,0**	1,7
Pharmacare Limited	**1 201,0**	1 379,0

	2012 R'million	2011 R'million
20. RELATED PARTY TRANSACTIONS continued		
Expenses paid on behalf of Group companies and recovered by the Company	**70,4**	47,6
Aspen Asia Pacific Pty Limited	**0,8**	–
Aspen Pharmacare Australia Pty Limited	**17,2**	0,8
Aspen Bad Oldesloe GmbH	**1,2**	0,5
Aspen Pharma – Industria Farmacêutica Limitada	**4,4**	9,6
Aspen Health Care FZ LLC	**0,2**	0,1
Aspen Global Incorporated	**9,4**	5,6
Aspen Pharma Trading Limited	**0,8**	–
Aspen Labs S.A. de C.V.	**1,2**	0,2
Aspen Share Incentive Scheme	**0,2**	–
Beta Healthcare International Limited	**0,1**	0,1
Brimpharm Australia Pty Limited	**0,3**	–
Fine Chemicals Corporation (Pty) Limited	**3,7**	3,4
Pharmacare Limited	**30,5**	27,1
Shelys Pharmaceuticals Limited	**0,4**	0,2
Expenses paid on behalf of the Company and recovered by Group companies	**(84,3)**	(76,3)
Aspen Bad Oldesloe GmbH	**–**	(0,2)
Aspen Europe GmbH	**(0,8)**	–
Aspen Global Incorporated	**–**	(6,4)
Pharmacare Limited	**(83,5)**	(69,4)
Shelys Pharmaceuticals Limited	**–**	(0,3)
Repayments of outstanding amounts to the Company	**(119,5)**	(294,9)
Aspen Asia Company Limited	**(0,2)**	–
Aspen Asia Pacific Pty Limited	**(0,6)**	–
Aspen Pharmacare Australia Pty Limited	**(1,2)**	(0,8)
Aspen Bad Oldesloe GmbH	**(1,2)**	(0,5)
Aspen Pharma – Industria Farmacêutica Limitada	**(2,7)**	(6,3)
Aspen Health Care FZ LLC	**(1,2)**	(0,4)
Aspen Global Incorporated	**(26,4)**	(27,4)
Aspen Labs S.A. de C.V.	**(2,2)**	–
Beta Healthcare International Limited	**(0,7)**	(7,0)
Fine Chemicals Corporation (Pty) Limited	**(4,6)**	(4,1)
Pharmacare Limited	**(77,6)**	(241,3)
Shelys Pharmaceuticals International Limited	**–**	(7,1)
Solara S.A. de C.V.	**(0,9)**	–
Interest-free loans advanced	**153,5**	–
Beta Healthcare International Limited	**50,5**	–
Shelys Pharmaceuticals Limited	**48,5**	–
Shelys Pharmaceuticals International Limited	**54,5**	–
Other movements	**(150,8)**	(8,9)
Aspen Share Incentive Scheme (deferred incentive bonus contributions)	**7,5**	7,0
Aspen USA Incorporated	**–**	3,4
Brimpharm Australia Pty Limited	**–**	1,6
Brimpharm SA (Pty) Limited	**–**	2,1
Share trust contributions made by the Company to the share trusts	**(158,3)**	(23,0)

20. RELATED PARTY TRANSACTIONS continued

Transactions and balances with directors

All directors have given general declarations of interest in terms of section 75 of the Companies Act. These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Company in terms of a customer/supplier relationship.

These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's-length transactions, and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R0,2 million (2011: R0,2 million) and no balance was outstanding at year-end (2011: no balance outstanding).

Transactions with key management personnel

Key management personnel consist of directors (including executive directors).

Key management personnel compensation consists of:

	2012 R'million	2011 R'million
Short-term employee benefits	**24,5**	16,5
Post-employment benefits	**2,3**	1,1
Share-based payment expense	**11,7**	4,7
Total key management remuneration paid	**87,6**	22,3
Number of employees included above	**15**	11

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

21. COMMITMENTS

Operating lease commitments

	2012 R'million	2011 R'million
Land and buildings	**4,4**	6,7
The future minimum operating lease payments are as follows:		
Less than 1 year	**2,1**	2,1
Between 1 and 5 years	**2,3**	4,6
	4,4	6,7

– The lease for the Durban head office has a remaining term of two years with a five-year renewal option.
– The lease is subject to an annual escalation of 9%.

22. CONTINGENT LIABILITIES

Tax contingency

Following an audit, SARS notified Aspen by way of a combination of letters of findings and notices of assessment of its intention to impose tax on various South African companies relating to the current and prior years. These letters deal mainly with corporate income tax and employees' tax issues. Aspen has responded to these letters of findings and is in the process of objecting to the assessments raised. Aspen believes that all issues raised by SARS are defendable and that Aspen has sufficient evidence to support its views and treatment of these tax matters. Due to the uncertainties inherent in the process, particularly in the early stages, the quantum of the amounts claimed by SARS and the timing of resolution of these matters cannot be determined.

23. FINANCIAL RISK MANAGEMENT

23.1 Introduction

The Company is exposed to liquidity, credit, foreign currency and interest rate risk arising from its financial instruments. The Audit & Risk Commitee has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out by the Group Treasury Management department, using guidance provided by the Audit & Risk Committee.

A formal treasury policy, approved by the Audit & Risk Committee, setting out the role and responsibility of the Group Treasury Management department and the management of risk is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management department identifies, evaluates and hedges financial risks.

The Audit & 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 and measurement relating to each of these risks is discussed under the headings below.

23.2 Financial instruments by category

The carrying value of financial instruments by category is as follows:

	Loans and receivables R'million	At amortised cost R'million	Total R'million
June 2012			
Financial assets			
Other non-current financial receivables	**25,0**	**–**	**25,0**
Receivables and prepayments (financial instruments only)	**3,0**	**–**	**3,0**
Cash and cash equivalents	**171,6**	**–**	**171,6**
Total financial assets	**199,6**	**–**	**199,6**
Financial liabilities			
Unsecured loans	**–**	**25,0**	**25,0**
Other payables (financial instruments only)	**–**	**10,6**	**10,6**
Total financial liabilities	**–**	**35,6**	**35,6**
June 2011			
Financial assets			
Other non-current financial receivables	7,2	–	7,2
Receivables and prepayments (financial instruments only)	7,6	–	7,6
Cash and cash equivalents	87,0	–	87,0
Total financial assets	101,8	–	101,8
Financial liabilities			
Preference shares – liability component	–	381,3	381,3
Unsecured loans	–	497,4	497,4
Bank overdrafts	–	3,3	3,3
Other payables (financial instruments only)	–	19,4	19,4
Total financial liabilities	–	901,4	901,4

23. FINANCIAL RISK MANAGEMENT continued

23.3 Foreign currency risk

The Company's operations only utilised the functional currency of the Group in 2012, being Rand. In 2011, the Company's operations utilised one foreign currency (US Dollar), in respect of amounts due by Group companies and consequently the Company was exposed to exchange rate fluctuations that had an impact on cash flows.

Foreign currency risks are managed through the Company's financing policies and selective use of forward exchange contracts.

Exposure to currency risk

There was no exposure to currency risk in the 2012 financial year. In the prior year, the Company used a sensitivity analysis technique that measured the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the Rand against the US Dollar, from the rate applicable at 30 June 2011, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

At 30 June 2011, if the Rand had strengthened or weakened by 10% against the US Dollar, with all other variables held constant, the profit before tax for the year would have increased or decreased by R7,8 million, mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated amounts due by Group companies.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant.

23.4 Interest rate risk

The Company's interest rate risk arises from interest on bank overdrafts, borrowings, shareholders' loans, cash and cash equivalents and other financial receivables. Exposure to interest rate risk is not hedged, but is monitored on a continuous and proactive basis.

Interest rate sensitivity

The Company is exposed mainly to fluctuations in the following market interest rates: South African prime overdraft rate and JIBAR. Changes in market interest rates affect the interest income and expense of floating rate financial instruments.

An increase of 100 basis points in interest rates at 30 June would have decreased profit before tax by R1,7 million in 2012 and R3,4 million in 2011. A decrease of 100 basis points will have an equal and opposite effect on profit before tax.

23.5 Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The Company manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

The Company finances its operations through a mixture of retained earnings, short-term bank funding and financing from Group companies. Adequate banking facilities and reserve borrowing capacities are maintained.

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

The following are the undiscounted contractual maturities of financial assets and liabilities:

		Undiscounted cash flows		
	On demand R'million	<1 year R'million	1 – 5 years R'million	Total R'million
June 2012				
Financial assets				
Other non-current financial receivables	–	2,5	32,7	35,2
Receivables and prepayments (financial instruments only)	–	3,0	–	3,0
Cash and cash equivalents	171,6	–	–	171,6
Amounts due by Group companies	289,1	–	–	289,1
Total financial assets	460,7	5,5	32,7	498,9
Financial liabilities				
Unsecured loans	–	(25,0)	–	(25,0)
Other payables (financial instruments only)	–	(10,6)	–	(10,6)
Amounts due to Group companies	(305,6)	–	–	(305,6)
Total financial liabilities	(305,6)	(35,6)	–	(341,2)
Net exposure before financial guarantees	155,1	(30,1)	32,7	157,7
Non-derivative financial liabilities – financial guarantees	–	(3 323,0)	(1 680,0)	(5 003,0)
Net exposure after financial guarantees	155,1	(3 353,1)	(1 647,3)	(4 845,3)

23. FINANCIAL RISK MANAGEMENT continued

23.5 Liquidity risk continued

		Undiscounted cash flows		
	On demand R'million	<1 year R'million	1 – 5 years R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	–	–	7,9	7,9
Receivables and prepayments (financial instruments only)	–	7,6	–	7,6
Amounts due by Group companies	106,6	–	–	106,6
Cash and cash equivalents	87,0	–	–	87,0
Total financial assets	193,6	7,6	7,9	209,1
Financial liabilities				
Preference shares – liability component	–	(381,3)	–	(381,3)
Bank overdrafts	(3,3)	–	–	(3,3)
Unsecured loans	–	(497,4)	–	(497,4)
Amounts due to Group companies	(376,6)	–	–	(376,6)
Other payables (financial instruments only)	–	(19,4)	–	(19,4)
Total financial liabilities	(379,9)	(898,1)	–	(1 278,0)
Net exposure before financial guarantees	(186,3)	(890,5)	7,9	(1 068,9)
Non-derivative financial liabilities – financial guarantees	–	(4 149,2)	(1 638,5)	(5 787,7)
Net exposure after financial guarantees	(186,3)	(5 039,7)	(1 630,6)	(6 856,6)

23.6 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by monitoring procedures.

Credit risk primarily arises from receivables and prepayments, other non-current financial receivables and cash and cash equivalents. The Company's maximum exposure to credit risk is represented by the carrying values of these financial assets.

Receivables and prepayments

Receivables and prepayments are carefully monitored for impairment.

Cash and cash equivalents

Treasury counterparties consist of prime financial institutions. The Company does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All bank balances are held with highly reputable banks.

Other non-current financial receivables

The recoverability of other non-current financial receivables are monitored as appropriate.

23.7 Capital risk disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of borrowings, more specifically current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, preference shares and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Company's approach to capital management during the year.

24. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Country of incorporation	Company
Subsidiaries	
Direct	
South Africa	African Health Networks (Pty) Limited
Germany	Aspen Bad Oldesloe GmbH
Mauritius	Aspen Global Incorporated
South Africa	Aspen Pharmacare International (Pty) Limited
United States	Aspen USA Incorporated
Australia	Brimpharm Australia Pty Limited*
South Africa	Brimpharm SA (Pty) Limited*
South Africa	Fine Chemicals Corporation (Pty) Limited
South Africa	Formule Naturelle (Pty) Limited
South Africa	Pharmacare Limited
Kenya	Shelys Africa Limited**
Indirect	
Australia	Arrow Pharmaceuticals Pty Limited
Hong Kong	Aspen Asia Company Limited
Australia	Aspen Asia Pacific Pty Limited
Germany	Aspen Europe GmbH
United Arab Emirates	Aspen Health Care FZ LLC
Mexico	Aspen Labs S.A. de C.V.
South Africa	Aspen Nutritionals (Pty) Limited
Australia	Aspen Pharma Pty Limited (formerly Sigma Pharmaceuticals Pty Limited)
Australia	Aspen Pharmacare Australia Pty Limited
Brazil	Aspen Pharma – Indústria Farmacêutica Limitada

 # Less than 1 000.

** During the year the Company acquired a further 42,5% shareholding in Brimpharm SA (Pty) Limited effective from 31 May 2012. This increases the ownership in Brimpharm SA (Pty) Limited to 92,5%.*

*** During the year the Company acquired the remaining 40% non-controlling interest in Shelys Africa Limited effective from 14 April 2012. This increases the ownership in Shelys Africa Limited to 100%.*

Currency	Issued capital '000	Effective Group holding 2012 %	Effective Group holding 2011 %	Investment 2012 R'million	Investment 2011 R'million	Amounts (due to)/due by Group companies 2012 R'million	Amounts (due to)/due by Group companies 2011 R'million
ZAR	20	**100**	100	**–**	–	**–**	–
EUR	50	**100**	100	**685,1**	685,1	**0,2**	–
USD	1 008 881	**100**	100	**8 647,1**	8 644,7	**4,9**	8,5
ZAR	–[#]	**100**	100	**25,4**	25,4	**(29,1)**	(29,1)
USD	–	**–**	100	**–**	8,1	**–**	–
AUD	–[#]	**93**	50	**–**	–	**6,1**	5,8
ZAR	4	**93**	50	**80,3**	40,5	**–**	–
ZAR	–[#]	**100**	100	**329,7**	329,5	**(0,2)**	0,1
ZAR	–[#]	**100**	100	**–**	35,0	**–**	–
ZAR	1 395	**100**	100	**2 015,0**	2 003,6	**(249,2)**	(320,4)
KES	196 198	**100**	60	**373,2**	231,5	**–**	–
AUD	–[#]	**100**	100	**–**	–	**–**	–
HKD	77	**100**	100	**–**	–	**–**	–
AUD	495 772	**100**	100	**–**	–	**2,0**	–
EUR	13	**100**	100	**–**	–	**0,1**	0,9
USD	82	**100**	100	**–**	–	**1,3**	1,0
MXN	161 208	**100**	100	**–**	–	**2,3**	1,0
ZAR	1	**100**	100	**–**	–	**–**	–
AUD	11 862	**100**	100	**–**	–	**–**	–
AUD	17 373	**100**	100	**–**	–	**16,8**	0,8
BRL	314 830	**100**	100	**–**	–	**8,1**	5,1

24. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES continued

Country of incorporation	Company
Indirect continued	
Ireland	Aspen Pharma Trading Limited
Philippines	Aspen Philippines Incorporated***
South Africa	Aspen Port Elizabeth (Pty) Limited
South Africa	Aspen SVP (Pty) Limited
Venezuela	Aspen Venezuela C.A.
Kenya	Beta Healthcare International Limited**
Kenya	Beta Healthcare (Kenya) Limited**
Uganda	Beta Healthcare (Uganda) Limited**
Australia	Chemists' Own Pty Limited
Mauritius	Dismedical International Limited
Australia	Fawns & McAllan Pty Limited
Australia	Herron Pharmaceuticals Pty Limited
Australia	Orphan Australia Pty Limited
Australia	Orphan Holdings Pty Limited
Cyprus	PharmaLatina Holdings Limited
Australia	QP Pharmaceuticals Pty Limited
Tanzania	Shelys Pharmaceuticals Limited**
Mauritius	Shelys Pharmaceuticals International Limited**
Australia	Aspen (Hong Kong) Pty Limited
Mexico	Solara, S.A. de C.V.
Australia	Stephen Hunter (Pharmaceuticals Exports) Pty Limited
Uruguay	Strides Latina S.A.
Trusts (special purpose entities)^	
South Africa	Aspen Share Appreciation Plan
South Africa	Aspen Share Incentive Scheme
South Africa	Aspen South African Workers' Share Plan
Total investments in subsidiaries	

^ *These trusts are special purpose entities which are consolidated into the Group Annual Financial Statements.*

Less than 1 000.

** *During the year the Company acquired the remaining 40% non-controlling interest in Shelys Africa Limited effective from 14 April 2012. This increases the ownership in Shelys Africa Limited to 100%.*

*** *This company was incorporated in October 2011.*

The Company maintains a register of all subsidiaries and incorporated joint ventures, available for inspection at the registered office of Aspen Pharmacare Holdings Limited.

Currency abbreviations					
AUD:	Australian Dollar	KES:	Kenyan Shilling	USD:	US Dollar
BRL:	Brazilian Real	MXN:	Mexican Peso	VEF:	Venezuela Bolivares Fuertes
EUR:	Euro	PHP:	Philippines Peso	ZAR:	Rand
GBP:	Pound Sterling	TZS:	Tanzanian Shilling		
HKD:	Hong Kong Dollar	UGX:	Ugandan Shilling		

Currency	Issued capital '000	Effective Group holding 2012 %	2011 %	Investment 2012 R'million	2011 R'million	Amounts (due to)/due by Group companies 2012 R'million	2011 R'million
EUR	–#	**100**	100	**–**	–	**1,4**	–
PHP	40	**100**	–	**–**	–	**0,3**	–
ZAR	400	**100**	100	**9,8**	9,8	**(27,1)**	(27,1)
ZAR	–#	**100**	100	**–**	–	**–**	–
VEF	8 477	**80**	80	**–**	–	**–**	–
KES	30 000	**100**	60	**–**	–	**61,9**	11,7
KES	20 000	**100**	60	**–**	–	**–**	–
UGX	40 000	**100**	60	**–**	–	**–**	–
AUD	–#	**100**	100	**–**	–	**–**	–
EUR	10 000	**100**	100	**–**	–	**–**	–
AUD	102	**100**	100	**–**	–	**–**	–
AUD	2	**100**	100	**–**	–	**–**	–
AUD	328	**100**	100	**–**	–	**–**	–
AUD	10 979	**100**	100	**–**	–	**–**	–
USD	30	**100**	100	**–**	–	**–**	–
AUD	–#	**100**	100	**–**	–	**–**	–
TZS	6 723 843	**100**	60	**–**	–	**51,4**	2,5
USD	–#	**100**	60	**–**	–	**111,8**	55,6
HKD	–#	**100**	100	**–**	–	**–**	–
MXN	96 056	**100**	100	**–**	–	**0,1**	0,9
AUD	–#	**100**	100	**–**	–	**–**	–
USD	14 148	**100**	100	**–**	–	**–**	–
ZAR	n/a	**100**	100	**–**	–	**–**	–
ZAR	n/a	**100**	100	**–**	–	**20,4**	12,7
ZAR	n/a	**100**	100	**–**	–	**–**	–
				12 165,6	12 013,2	**(16,5)**	(269,8)

Annexure 1

The calculation of normalised headline earnings per share is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised headline earnings is not an IFRS requirement.

		Continuing operations	
	Growth	**2012 R'million**	2011 R'million
Normalised headline earnings per share			
Reconciliation of normalised headline earnings			
Headline earnings		**2 834,6**	2 211,7
Adjusted for:			
Restructuring costs (net of tax)		**52,0**	23,1
Transaction costs (net of tax)		**24,8**	121,7
Foreign exchange gain on transaction funding (net of tax)		**(34,5)**	–
Normalised headline earnings		**2 876,9**	2 356,5
Weighted average number of shares in issue ('000)*		**436 303**	432 914
Normalised headline earnings per share (cents)	21%	**659,4**	544,3
Normalised diluted headline earnings per share			
Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.			
Normalised headline earnings		**2 876,9**	2 356,5
Adjusted for:			
Preference shares dividends paid		**23,1**	26,3
Notional interest – liability component of preference shares		**(4,5)**	(5,3)
Adjusted normalised headline earnings		**2 895,5**	2 377,5
Weighted average number of shares for diluted headline earnings per share ('000)		**455 160**	454 360
Adjustment for share options and share appreciation rights ('000)		**1 355**	3 846
Total number of convertible preference shares ('000)		**17 502**	17 600
Weighted average number of shares in issue ('000)*		**436 303**	432 914
Diluted normalised headline earnings per share (cents)	22%	**636,2**	523,3

**After deduction of weighted average number of treasury shares.*

	Discontinued operations		Total	
	2012	2011	**2012**	2011
	R'million	R'million	**R'million**	R'million
	1,7	40,6	**2 836,3**	2 252,3
	–	3,7	**52,0**	26,8
	–	–	**24,8**	121,7
	–	–	**(34,5)**	–
	1,7	44,3	**2 878,6**	2 400,8
	436 303	432 914	**436 303**	432 914
	0,4	10,2	**659,8**	554,6
	1,7	44,3	**2 878,6**	2 400,7
	–	–	**23,1**	26,3
	–	–	**(4,5)**	(5,3)
	1,7	44,3	**2 897,2**	2 421,8
	455 160	454 360	**455 160**	454 360
	1 355	3 846	**1 355**	3 846
	17 502	17 600	**17 502**	17 600
	436 303	432 914	**436 303**	432 914
	0,4	9,7	**636,6**	533,0

Annexure 2

CURRENCY OF FINANCIAL STATEMENTS

The Annual Financial Statements are expressed in Rand.

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLARS FOR CONVENIENCE PURPOSES (UNAUDITED)

The statements of comprehensive income, financial position and cash flows have been translated from Rand into US Dollar to enable offshore shareholders to interpret the financial performance in a universally measurable currency. These translated statements are unaudited, have been provided for illustrative purposes only and may not fairly present the Group's financial position and results of operations and cash flows. The directors are responsibile for the preparation of this information. A limited assurance report on this unaudited financial information prepared by the Company's auditors is available for inspection at the Company's registered office.

Statement of comprehensive income and statement of cash flows information were translated at an average rate of R7,78 (2011: R6,97).

The statement of financial position information was translated at a closing rate of R8,19 (2011: R6,78).

	2012 Unaudited USD'million	2011 Unaudited USD'million
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012 FOR CONVENIENCE PURPOSES (UNAUDITED)		
CONTINUING OPERATIONS		
Revenue	1 961,9	1 777,8
Cost of sales	(1 026,2)	(971,9)
Gross profit	935,7	805,9
Net operating expenses	(401,7)	333,3
Operating profit before amortisation	534,0	472,6
Amortisation of intangible assets	(27,3)	(20,5)
Operating profit	506,7	452,1
Investment income	35,4	27,7
Financing costs	(99,8)	(86,9)
Profit before tax	442,3	392,9
Tax	(99,3)	(83,5)
Profit after tax from continuing operations	343,0	309,4
DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	20,5	62,3
Profit for the year	363,5	371,7
OTHER COMPREHENSIVE INCOME		
Other comprehensive income, net of tax	190,4	10,5
Total comprehensive income	553,9	382,2
Profit for the year attributable to		
Equity holders of the parent	362,4	370,1
Non-controlling interests	1,1	1,6
	363,5	371,7
Total comprehensive income attributable to		
Equity holders of the parent	552,4	381,2
Non-controlling interests	1,5	1,0
	553,9	382,2

	2012 Unaudited USD'million	2011 Unaudited USD'million
UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012 CONVERTED INTO US DOLLARS FOR CONVENIENCE PURPOSES		
ASSETS		
Non-current assets		
Property, plant and equipment	**464,9**	538,6
Intangible assets	**2 102,3**	1 997,5
Other non-current financial assets	**32,5**	33,7
Total non-current assets	**2 599,7**	2 569,8
Current assets		
Inventories	**402,0**	387,6
Trade and other receivables	**467,2**	481,4
Cash and cash equivalents	**404,7**	448,3
Cash restricted for use	**0,1**	4,2
Total operating current assets	**1 274,0**	1 321,5
Assets classifed as held-for-sale	**–**	61,1
Total current assets	**1 274,0**	1 382,6
Total assets	**3 873,7**	3 952,4
SHAREHOLDERS' EQUITY		
Ordinary shareholders' equity	**2 123,8**	1 927,5
Preference shares – equity component	**–**	23,9
Non-controlling interests	**1,1**	8,4
Total shareholders' equity	**2 124,9**	1 959,8
LIABILITIES		
Non-current liabilities		
Preference shares – liability component	**–**	56,2
Borrowings	**763,8**	626,7
Other non-current financial liabilities	**25,6**	24,6
Deferred tax liabilities	**65,5**	74,5
Total non-current liabilities	**854,9**	782,0
Current liabilities		
Trade and other payables	**357,7**	417,5
Borrowings	**504,0**	757,8
Other current financial liabilities	**32,2**	30,7
Total operating current liabilities	**893,9**	1 206,0
Liabilities associated with assets held-for-sale	**–**	4,6
Total current liabilities	**893,9**	1 210,6
Total liabilities	**1 748,8**	1 992,6
Total equity and liabilities	**3 873,7**	3 952,4
UNAUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012 FOR CONVENIENCE PURPOSES (UNAUDITED)		
Cash generated from operating activities	**374,0**	351,1
Cash used in investing activities	**(341,6)**	(810,5)
Cash (used in)/generated from financing activities	**(37,1)**	466,2
Translation effects on cash and cash equivalents of foreign operations	**2,1**	13,1
Movement in cash and cash equivalents	**(2,6)**	20,0
Cash and cash equivalents at the beginning of the year	**258,5**	238,5
Cash and cash equivalents at the end of the year	**255,9**	258,5

Annexure 3

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2012

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding
Size of holding				
1 – 2 500	17 730	80,7	12 396 946	2,7
2 501 – 12 500	3 200	14,6	17 048 120	3,8
12 501 – 25 000	419	1,9	7 382 212	1,6
25 001 – 50 000	227	1,0	8 013 716	1,8
50 001 and over	391	1,8	409 938 463	90,1
	21 967	100,0	454 779 457	100,0

Major shareholders

Fund managers

According to the register of shareholders at 30 June 2012, the following are the top 10 registered fund managers.

Fund manager	Number of shares	% of total shareholding
Public Investment Corporation	41 880 927	9,2
Foord Asset Management	13 038 829	2,9
First State Investments	12 516 308	2,8
Allan Gray Asset Management	12 255 469	2,7
Fidelity Investments	9 968 700	2,2
Coronation Fund Managers	8 049 676	1,8
Vanguard	7 990 282	1,8
STANLIB Asset Management	7 020 740	1,5
BlackRock	5 979 340	1,3
Old Mutual Investment Group	4 637 668	1,0
	123 337 939	27,2

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2012, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 150 and 151 of this report.

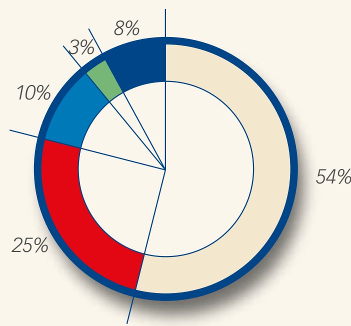
Shareholder	Number of shares	% of total shareholding
Glaxo Group Ltd	84 703 136	18,6
Stephen Saad	55 103 463	12,1
Government Employees Pension Fund	48 154 119	10,6
Imithi Investments (Pty) Ltd	21 160 724	4,7
Gus Attridge	18 823 100	4,1
Fidelity	9 641 887	2,1
First State Investments	8 059 068	1,8
Vanguard	7 276 055	1,6
Investment Solutions	6 903 764	1,5
Allan Gray	6 705 484	1,5
	266 530 800	58,6

Group annual financial statements | Non-current assets | Current assets | Shareholders' equity | Non-current liabilities | Current liabilities | Statement of comprehensive income | Other disclosures | Company annual financial statements | Annexures | Shareholders' information

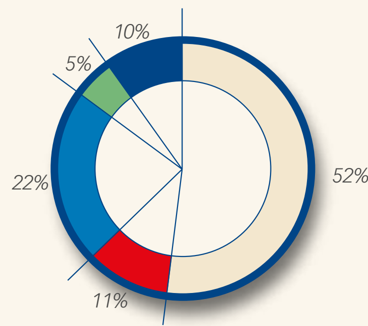
Shareholders' spread

As required by paragraph 8.63 and terms of paragraph of 4.25 of the JSE's Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2012 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	16	161 651 245	35,5
Directors	14	76 354 260	16,8
Glaxo Group	1	84 703 136	18,6
Employee share trusts – Treasury shares	1	593 849	0,1
Public shareholders	21 951	293 128 212	64,5
Total shareholding	21 967	454 779 457	100,0



Beneficial shareholders

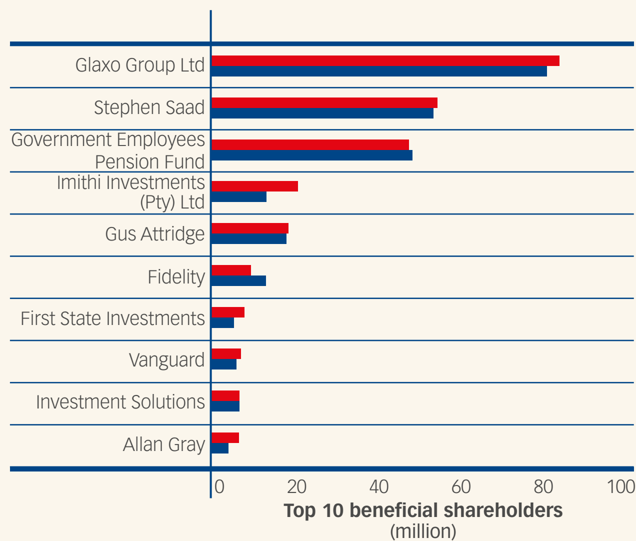


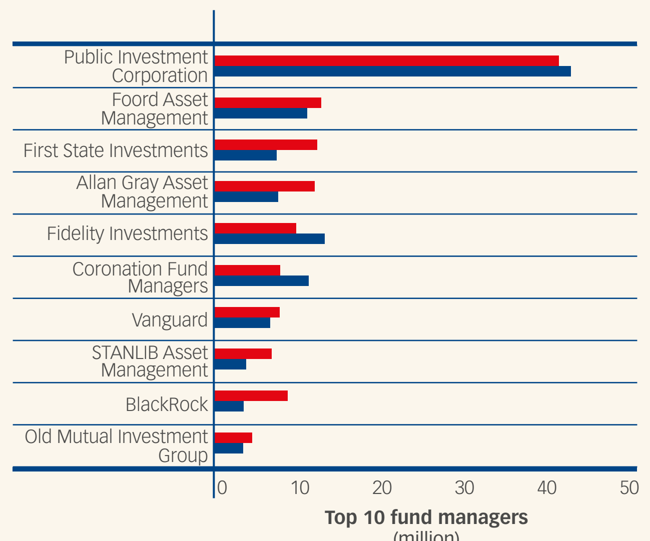
Fund managers

Geographical split of shareholders 2012

South Africa *United Kingdom* *USA* *Luxembourg* *Other*

The analysis of the geographical split of beneficial shareholders is based on shareholders who own more than 50 000 Aspen shares.





2012 2011

Annexure 4

BOARD OF DIRECTORS

Stephen Bradley **Saad** (48)

CA(SA)

Appointed: January 1999

Classification: Executive director; Group Chief Executive

A founder of Aspen, Stephen is the Group Chief Executive of Aspen.

Michael Guy (Gus) **Attridge** (51)

CA(SA)

Appointed: January 1999

Classification: Executive director; Deputy Group Chief Executive

A founder of Aspen, Gus is the Deputy Group Chief Executive of Aspen. He is also a member of the Social & Ethics Committee and attends meetings of all of the other Board Committees by invitation.

Nobuhle Judith (Judy) **Dlamini** (52)

MBChB, DOH, MBA (Wits)

Appointed: July 2005

Classification: Non-Executive; Chairman of the Board

A medical doctor by profession, Judy spent some 10 years in practice prior to attaining her MBA and making the full-time move to business.

Judy is a shareholder and non-executive director of Imithi Investments (Pty) Limited, Aspen's black economic empowerment shareholder. She is currently the Managing Director and Executive Chairman of Mbekani Health & Wellbeing (Pty) Limited, Chairman of Masibulele Pharmaceuticals (Pty) Limited and Chairman of CEPPWAWU Development Trust. Her other non-executive directorships include Northam Platinum Limited and Eyomhlaba Investment Holdings Limited. Judy is also a trustee and founder of Mkhiwa Trust, a family trust for rural development and education of previously disadvantaged individuals, and a member of the South African National AIDS Council.

Judy was appointed as Chairman of the Board in November 2007. She is a member of the Remuneration & Nomination and Social & Ethics Committees.

Douglas (Kuseni) **Dlamini** (44)

MPhil (Oxon); BSocSci (Hons), (Natal)

Appointed: April 2012

Classification: Independent Non-Executive

Kuseni was previously Chief Executive Officer of Old Mutual South Africa and Emerging Markets. He brings a wealth of economic and business skills to the Board having previously held positions as the Head of Anglo American South Africa and Executive Chairman of Richards Bay Coal Terminal Company.

Kuseni is the non-executive Chairman of both South African National Parks (SANParks) and KDI (Pty) Limited and has been appointed as the interim Chairman of Times Media Group Limited. He is also a non-executive director of Mvelaphanda Group Limited. He is a former member of the World Economic Forum's Global Agenda Council on Economic Growth and Poverty Alleviation. He is active in academic and professional bodies which include the council of the University of Pretoria, South African Institute of International Affairs and the advisory boards of the Wits Business School and Common Purpose.

Roy Cecil **Andersen** (64)

CA(SA), CPA (Texas)

Appointed: August 2008

Classification: Lead Independent Non-Executive

Roy is a Chartered Accountant with extensive experience in various industry sectors, both locally and abroad. He was previously Chairman and Chief Executive of Ernst & Young, Chief Executive of the Liberty Group Limited and a former President of JSE Limited.

Roy is currently Chairman of Murray & Roberts Holdings Limited, as well as non-executive director of Nampak Limited, SASFIN Limited and a director of Business Against Crime. He is a member of the King Committee on Corporate Governance.

Roy serves as Lead Independent Non-Executive Director and is the Chairman of the Remuneration & Nomination Committee and a member of the Audit & Risk Committee.

Mogammed Rafique **Bagus** (48)

BA, BA (Hons) (Economics), MA

Appointed: March 2003

Classification: Independent Non-Executive

Rafique is currently the Chief Executive of Morning-tide Investments Limited and has recently been appointed as the Chairman of Alexkor Limited. He was previously the Chief Executive of Trade and Investment South Africa, a division of the Department of Trade and Industry, Deputy Director General of the Department of Trade and Industry, and Special Advisor to the Minister of Public Enterprises.

Rafique is a member of the Social & Ethics Committee.

John Frederick **Buchanan** (68)

CA(SA), BTh, EDP (Columbia)

Appointed: May 2002

Classification: Independent Non-Executive

John brings vast experience to the Board having held a number of executive positions with leading South African companies. He was previously the Group Finance Director of Metal Box (South Africa) Limited and Cadbury Schweppes (South Africa) Limited, as well as a past executive director of Nampak Limited.

In addition to his non-executive directorship of Aspen, he is the Chairman of the Audit & Risk Committee and is a member of the Remuneration & Nomination Committee.

Shah Abbas **Hussain** (47)

BSc (Hons)

Appointed: December 2009

Classification: Non-Executive

Abbas has worked extensively in the global pharmaceutical industry holding a number of senior executive positions in companies internationally. He is currently the President: Europe and Emerging Markets/Asia Pacific of GSK. Abbas also sits on the Board of Viiv Healthcare (UK), a global specialist HIV company and the Duke/NUS Medical School in Singapore.

Abbas was appointed to the Board of Aspen following the series of transactions concluded with GSK in December 2009.

Christopher (Chris) Nattle **Mortimer** (51)

BA, LLB

Appointed: January 1999

Classification: Non-Executive

Chris has been a full-time practising attorney since 1988 and has extensive commercial experience. As Chris' firm is intermittently called upon to provide legal advice to the Group, he has not been classified as an independent non-executive director.

Sindiswa (Sindi) Victoria **Zilwa** (45)

CA(SA), BCompt (Hons), CTA, Advanced Taxation Certificate, Advanced Diploma in Financial Planning and Advanced Diploma in Banking

Appointed: September 2006

Classification: Independent Non-Executive

Sindi is the Chief Executive Officer of Nkonki Chartered Accountants. Sindi currently serves as a non-executive director of Discovery Holdings Limited, Woolworths Holdings Limited, Rebosis Limited and ATNS SOC Limited, is a member of the South African Institute of Chartered Accountants and Independent Regulatory Board for Auditors. Sindi previously served as Chairman of Airports Company South Africa and as a non-executive director of the Institute of Directors, Primedia Limited, Wiphold Limited and Ethos Private Equity. She has also previously chaired the BUSA Standing Committee on Transformation.

Sindi serves as Chairman of the Social & Ethics Committee and is a member of the Audit & Risk Committee.

Company Secretary

Riaan **Verster** (36)

BProc, LLB, LLM (Labour Law), ACIS

Appointed: December 2011

Annexure 4 continued

Directors' interests in Aspen shares

Shares under option offered to and accepted by executive directors in terms of the Aspen Share Incentive Scheme are as follows:

	Grant price (R)	Expiry date	Options outstanding on 30 June 2011 ('000)	Options exercised ('000)	**Options outstanding on 30 June 2012 ('000)**
Gus Attridge	9,20	Aug 2011	400	400	**–**
Stephen Saad	9,20	Aug 2011	800	800	**–**
			1 200	1 200	**–**

No share options lapsed or were cancelled during the year. The last tranche issued in terms of this scheme was awarded in September 2007.

The direct and indirect beneficial interests of the directors and their associates in the shares of the Company were:

	Direct ('000)		Indirect ('000)	
Director	**2012**	2011	**2012**	2011
Roy Andersen	**40**	40	**–**	–
Gus Attridge	**3 654**	3 154	**15 169**	15 169
Rafique Bagus	**–**	–	**9**	–
John Buchanan	**–**	–	**30**	30
Judy Dlamini	**–**	–	**2 627**	1 316
Abbas Hussain	**–**	–	**–**	–
Chris Mortimer	**78**	78	**–**	–
David Nurek	**–**	–	**19**	19
Stephen Saad	**3 801**	2 747	**51 303**	51 303
Sindi Zilwa	**–**	–	**–**	–
	7 573	6 019	**69 157**	67 837

None of the directors held any non-beneficial shares in the Company at 30 June 2012.

A legal opinion obtained by the Company has confirmed that there are no individuals who can be considered as prescribed officers of the Company.

The table below reflects the status of shares issued to executive directors in terms of the Aspen Share Appreciation Scheme in the past and exercised during the year:

	Grant price (R)	Expiry date	Rights outstanding on 30 June 2011 ('000)	Exercised ('000)	**Rights outstanding on 30 June 2012 ('000)**	**Vested ('000)**	**Non-vested ('000)**
Gus Attridge	32,82	Sept 2011	159	159	**–**	**–**	**–**
	35,53	Sept 2012	157	–	**157**	**157**	**–**
	41,03	Sept 2013	150	–	**150**	**150**	**–**
			466	159	**307**	**307**	**–**
Stephen Saad	32,82	Sept 2011	193	193	**–**	**–**	**–**
	35,53	Sept 2012	190	190	**–**	**–**	**–**
	41,03	Sept 2013	181	–	**181**	**181**	**–**
			564	383	**181**	**181**	**–**
			1 030	542	**488**	**488**	**–**

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

Shares offered to and accepted by executive directors in terms of the South African Management Deferred Incentive Bonus Scheme during the year were as follows:

	Price (R)	Maturity date	Shares outstanding on 30 June 2011 ('000)	Awarded during the year ('000)	**Shares outstanding on 30 June 2012 ('000)**
Gus Attridge	64,70	Oct 2012	24	–	**24**
	86,88	Nov 2013	19	–	**19**
	89,68	Oct 2014	–	20	**20**
			43	20	**63**
Stephen Saad	64,70	Oct 2012	29	–	**29**
	86,88	Nov 2013	24	–	**24**
	89,68	Oct 2014	–	25	**25**
			53	25	**78**
			96	45	**141**

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

Financial year-end	30 June 2012
Capital distribution paid to shareholders	15 October 2012
Annual general meeting	4 December 2012

REPORTS AND GROUP RESULTS ANNOUNCEMENT FOR THE 2013 FINANCIAL YEAR

Interim report	March 2013
Profit announcement for the year	September 2013
Annual financial statements	November 2013

Company Secretary and Group Compliance Officer
Riaan Verster
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Registration number
1985/002935/06

JSE Limited share code
APN ISIN: ZAE 000066692

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Edward Nathan Sonnenbergs Incorporated
Werksmans Inc. Attorneys

Australia
Henry David York
Herbert Smith Freehills

Auditors
PricewaterhouseCoopers Inc.

Bankers
ABSA Bank Limited
Commonwealth Bank of Australia
First National Bank, a division of FirstRand Bank Limited
Investec Bank Limited
National Australia Bank Limited
Nedbank Limited
Old Mutual Specialised Finance
Rand Merchant Bank, a division of FirstRand Bank Limited
The Standard Bank of South Africa Limited

Sponsors
Investec Bank Limited

Transfer secretaries
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Disclaimer
We may make 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", "indicate", "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, and there are risks 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 are 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 the JSE Limited, 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 report are unaudited.

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