Healthcare. We Care.

aspen HOLDINGS

Annual Financial Statements 2020

Aspen 2020

Contents

All company names have been abbreviated throughout the Annual Financial Statements and appear on page 133.

Certificate of the Company Secretary

In my capacity as the Company Secretary & Group Governance Officer, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2020, 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 & Group Governance Officer

Johannesburg
27 October 2020

Audit & Risk Committee report

The table below reflects a summary of the activities undertaken by the Audit & Risk Committee during the year in terms of its terms of reference and in support of the Board, with the resulting material outcomes from these activities:

Activities	Outcome
Engagement with the Group's external auditors	• Concluded an extensive request-for-audit-proposals ("RFAP") and selection process in respect of the appointment of an external audit firm and designated auditor of the Company and the Group to replace PwC. Following this process, the Audit & Risk Committee, selected Ernst & Young Inc. ("E&Y") as the audit firm, and Derek Engelbrecht as designated auditor, to be recommended to shareholders for appointment, having satisfied itself of the capacity and independence of this recommended firm and designated auditor; • Determined the fees to be paid to the auditor and the auditor's terms of engagement; • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor; • Determined the nature and extent of any non-audit services that the auditor may provide to the Group; and • Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group which are of a material nature as provided for in the Group's non-audit services policy; and • Calls for the necessary reports and letters issued by the Independent Regulatory Board ("IRBA") of South Africa, a summary of the firm's monitoring processes and outcome of any legal or disciplinary proceedings which may have been instituted against the firm or designated auditor by the IRBA.
Compliance with Companies Act requirements	• Prepared this report in compliance with section 94(7)(f) of the Companies Act, which report has been included in the Annual Financial Statements by reference; • Stands ready to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, including the Summarised Group Annual Financial Statements contained in the Integrated Report, the internal financial controls of the Company and the Group or any related matter; and • Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.
Internal financial controls, internal audit and combined assurance	• Assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during the year under review and that the results of the audit tests conducted indicate that the internal financial controls provided a sound basis for the preparation of financial statements; • Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the internal audit function, as well as the expertise and experience of the Chief Audit Executive; and • Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate.
Oversight of risk management	• Monitored the implementation of the Group risk policy and Group risk plan as approved by the Board; • Reviewed and considered the activities and reports of the Group executive risk forum and Tax Committee; • Reviewed and considered business unit risk reports presented to the Committee; • Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes; • Reviewed and recommended for approval the Group's risk appetite framework; • Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported by the Group's internal and external auditors; and • Reviewed and approved the adequacy of the Group's insurance cover.
Integrated reporting	• Reviewed the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements; and • Considered financial-related tip-off reports and management actions to address these.
Assurance in respect of financial expertise of the Financial Director and finance function	• Confirmed the expertise and experience of the: – Deputy Group Chief Executive who performs the duties of the Company's Financial Director; and – Group's finance function and the senior members of management responsible for the Group's finance function, including the Group Finance Officer.

Audit & Risk Committee report continued

Audit & Risk Committee Terms of Reference

The Committee has adopted formal Terms of Reference as incorporated in the Board Charter which have been approved by the Board of Directors. The Terms of Reference are reviewed as necessary. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein, as well as in the Companies Act.

Committee members and attendance at meetings

The Committee is constituted as a statutory committee in terms of the provisions of section 94 of the Companies Act and has an independent role with accountability to both the Board and shareholders. The Audit & Risk Committee currently consists of four independent non-executive directors elected by shareholders at the annual general meeting, on the recommendation of the Board. The Board elects the Chairman of the Audit & Risk Committee.

The Deputy Group Chief Executive, Group Finance Officer, Chief Audit Executive, Group Tax Executive, Company Secretary & Group Governance Officer, Group Risk & Sustainability Manager and representatives of the internal and external auditors attend meetings by invitation. From time to time other executives and directors of the Group attend meetings of the Committee as requested. The Committee has unrestricted access to the external and internal auditors.

In accordance with the Terms of Reference, the Committee meets at least four times annually, but more often if necessary. During the year under review, the Committee met eight times, with most of the additional meetings being held in order for the RFAP process to be implemented and finalised. Each of the scheduled meetings is preceded by a pre-meeting during which the Chairman ascertains the key issues requiring consideration and to be addressed. All directors have a standing invite to attend meetings and the minutes of meetings are made available to all directors by means of a database of documents they can access online. The Chairman of the Committee provides the Board with a verbal report of the Committee's activities at each Board meeting. During the year, the Committee met with the external auditors and with the Chief Audit Executive without management being present. No matters that required attention arose from these meetings.

The Chairman of the Committee represents the Audit & Risk Committee at the annual general meeting each year.

The Company Secretary & Group Governance Officer is the secretary of the Committee.

The Remuneration & Nomination Committee, through its nomination process, ensures that members are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes.

The following table of attendance at Audit & Risk Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

Audit & Risk Committee	28 August 2019	10 September 2019	23 October 2019[(1)]	23 October 2019[(2)]	18 November 2019	**28 February 2020**	**28 May 2020**	**18 June 2020**
Linda de Beer	√	√	√	√	√	√	√	√
Ben Kruger	√	√	√	√	√	√	√	√
Babalwa Ngonyama (Chairman)	√	√	√	√	√	√	√	√
Sindi Zilwa**	√	√	√	√	√	√	√	√
Roy Andersen*	√	√	N/A	N/A	N/A	**N/A**	**N/A**	**N/A**

** Mr Andersen retired from the Board and Committee with effect from 30 September 2019.*
*** Ms Zilwa stepped down as a member of the Committee with effect from 15 October 2020.*

The overall average attendance for the Audit & Risk Committee meetings held during the year was 100%.

Roles and responsibilities

The Committee has an independent role with accountability to both the Board and our shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other senior members of management.

The Committee is, *inter alia*, responsible for assisting the Board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of the Group and Company Annual Financial Statements in line with the relevant financial reporting standards as applicable from time to time. The Committee's responsibilities can be divided into two broad categories:

Statutory duties

External auditor

The Committee has satisfied itself that the external auditor for the 2020 financial year, PricewaterhouseCoopers Inc., was independent of the Group, as required by the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee was satisfied with the quality of the external audit work performed by PricewaterhouseCoopers Inc. in respect of all of the Group's subsidiaries, including Aspen's South African subsidiaries which were audited by both PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. on a shared basis, and that the firm and relevant designated auditor were accredited with the JSE list of auditors and the Independent Regulatory Body of Auditors and hold the requisite certifications and registrations. In recommending PricewaterhouseCoopers Inc. for appointment as proposed external auditor for the 2020 financial year, the Committee called for and considered:

- The decision letter and findings report of the inspection report issued in respect of the firm by the IRBA of South Africa on both the firm and the designated individual director;

- A summary of the firm's monitoring procedures; and
- The outcome and summary of any legal or disciplinary proceedings which may have been instituted by the IRBA against the firm and designated individual auditor.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2020.

In line with the South African Regulatory Board of Auditors' rule issued on mandatory audit firm rotation and the RFAP process followed to replace PricewaterhouseCoopers Inc., the Committee agreed to recommend to shareholders the appointment of E&Y as the external audit firm for the Company and Group and recommended the appointment of Derek Engelbrecht as the designated auditor, responsible for performing the functions of auditor, for the 2021 financial year. Motlanalo Inc. has been recommended for appointment in respect of the joint audit of Pharmacare Limited, along with E&Y and the full audit of Fine Chemicals Corporation (Pty) Limited – two of the Company's South African subsidiaries in the forthcoming year.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The Committee approved the terms of the service agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy. During the year an amount of R3 373 936 was paid to PricewaterhouseCoopers Inc. in respect of non-audit services, which is approximately 7% of the external audit fee paid for the year. The external auditor is invited to and attend all Audit & Risk Committee's deliberations, except those which may present a conflict of interest to this audit firm or the designated auditor. The external auditor is required to meet independently with the Committee at least annually. A schedule of findings by the external auditor arising from the annual statutory audit is tabled and presented at an Audit & Risk Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. The external auditor has expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2020.

Internal financial controls

The key internal financial controls in operation for all significant operating businesses within the Group are documented in formalised financial internal control frameworks and these frameworks are maintained and updated by financial management during the course of the year or as part of the year-end process.

Based on the results of the formal documented review of the design, implementation and effectiveness of the Group's systems of internal financial controls conducted by Group internal audit, supported by approved outsourced internal audit service providers during the 2020 financial year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audits, no material breakdowns in the functioning of the internal financial controls were noted during the year under review.

The results of the audit tests conducted indicate that the internal financial controls provide a sound basis for the preparation of financial statements.

Expertise and experience of the Financial Director and the finance function

The Committee has considered and is satisfied with the expertise and experience of the Deputy Group Chief Executive who performs the duties of the Company's Financial Director, Gus Attridge CA(SA).

Furthermore, the Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the Group's finance function and experience of the senior members of management responsible for the Group's finance function, including the Group Finance Officer.

Annual Financial Statements

The Audit & Risk Committee assists the Board with all financial reporting and reviews the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information.

The Committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the Company and the Group and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's report titled "Combined Findings of the JSE Proactive Monitoring of Financial Statements: Reviews Done 2011 to 2019", dated 11 October 2019, as well as the report entitled, "Activities of the Financial Reporting Investigation Panel in 2019" dated 22 October 2019.

The following key audit matters were considered were considered by the Audit & Risk Committee in relation to these Annual Financial Statements:

Matter	Outcome
Impairment of intangible assets	The Audit & Risk Committee reviewed and interrogated all elements supporting the valuation and measurement of goodwill and indefinite life intangible assets which included stress testing the process and key assumptions underpinning the valuations. The process of reviewing the classification of intangible assets and the criteria for determining whether these assets met the definition of indefinite life intangible assets was extensively reviewed and the Committee was satisfied that the classification and valuation of indefinite life intangible assets was materially correct and fairly presented. Rigorous impairment testing of tangible and intangible asset values was once again performed, resulting in total impairments of R1,447 million, of which R1,339 million related to intangible asset impairments.
Divestment of the Company's Japanese business to Sandoz	On 31 January 2020, the Group completed the divestment of its Japanese Business to Sandoz, a division of Novartis. The accounting treatment of the Japanese Business divestment was considered as a key audit matter as it represents a material transaction to the Group and because of the quantum of, and complexity and judgement required in calculating the loss on disposal. In addition to this, the classification of the Japanese Business as a discontinued operation would result in additional disclosures in the Group Statement of Comprehensive Income in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Audit & Risk Committee was satisfied that the Group's accounting treatment in respect of this divestment was appropriate and that all additional disclosure requirements have been met.

Audit & Risk Committee report continued

Going concern
The Audit & Risk Committee reviewed a documented assessment by management of the going concern premise of the Group before recommending to the Board that the Group is a going concern and will remain so for the foreseeable future. The Committee reviews all proposed intercompany funding proposals and distributions to shareholders in terms of sections 44, 45 and 46 of the Companies Act, recommending such funding arrangements to the Board for consideration. As part of the going concern assessment for the financial year, the Board considered the potential implications of COVID-19 and agreed that, while the situation is still evolving, it will not have a significant adverse effect on Aspen's business. There has also been no immediate material impact on Aspen's business that requires adjustments or disclosure in the financial statements for the year ended 30 June 2020. The impact is, however, being assessed on a continuing basis.

Duties assigned by the Board
The duties and responsibilities of the members of the Committee are set out in the Audit & Risk Committee Terms of Reference included in the Board Charter and which is approved by the Board.

Integrated reporting
The Committee fulfils an oversight role regarding the Group's Integrated Report and the reporting process, including the system of internal financial controls. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors.

During the 2020 financial year, the Committee considered the results of the sustainability audits conducted by Environmental Resources Management and limited assurance engagements performed on selected key performance indicators by Environmental Resources Management, PricewaterhouseCoopers Inc., as the Group's external auditors, and internal audit. The Committee is satisfied that the sustainability information, as presented in the 2020 Integrated Report, is reliable, consistent and fairly presented.

Tax and treasury oversight
The Committee also receives regular feedback from both our Group Tax Committee and Group Treasury Committee. The Group Tax Committee is charged with ensuring all Group companies implement the Group's tax philosophy and policies and comprises the Deputy Group Chief Executive, Group Finance Officer, Group Financial Executives and Group Tax Executive, who meet on a regular basis to discuss the status of the Group's tax affairs. The Group Treasury Committee is charged with monitoring the Group's performance in managing the risks identified in the Group treasury policy and comprises the Deputy Group Chief Executive, Group Finance Officer, Group Corporate Finance Executive and Group Treasury Executive. The executives responsible for the Group's tax and treasury functions attend the quarterly meetings of the Committee to report on notable matters arising within the areas of their responsibility during the quarter.

Significant tax and treasury matters are brought to the attention of the Committee should they be raised between regular meetings.

Internal audit
The Audit & Risk Committee is responsible for overseeing internal audit and has considered and approved the internal audit charter and internal audit's annual risk-based audit plan.

Internal audit reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Group's significant operations. Various financial internal control audits were outsourced to an auditing firm, ensuring that specialist resources are utilised for financial internal control assessments. The internal audit plan follows a three-year cycle and is revised regularly in accordance with the risk profiles as discussed and tabled at the Audit & Risk Committee meetings with any changes to the internal audit plan being approved by the Committee.

Each internal audit conducted is followed up by a detailed report to operational and senior management, including recommendations on aspects requiring improvement. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit & Risk Committee at each Committee meeting. Copies of the detailed reports are also provided to the Audit & Risk Committee together with an overall summary of the audit result for each audit.

The Chief Audit Executive has direct access to the Committee, primarily through its Chairman, and attends Audit & Risk Committee meetings by invitation.

The Audit & Risk Committee is responsible for the appointment and removal of the Chief Audit Executive. The Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the internal audit function. The Committee has considered and is satisfied with the effectiveness of the internal audit function. The Committee has also considered and is satisfied with the expertise and experience of the Chief Audit Executive.

An external and independent assessment of the internal audit function was performed in May 2017, in line with our requirement for an external review every five years. The assessment indicated positive results and the function's general conformance with the Institute of Internal Auditors Standards.

Combined assurance
We apply a combined assurance approach to the Group's key risks to validate the effectiveness of controls related to risk responses and mitigation activities and thereby corroborate management's self-assessment of the effectiveness of existing risk responses. This provides the Board with a corroborated evaluation of the risk responses and mitigation controls through a combination of the following five lines of assurance:

- The organisation's line functions that own and manage risks – first line of assurance;
- Specialist functions that facilitate and oversee risk management and compliance – second line of assurance;
- Internal assurance providers – third line of assurance;
- Independent external assurance providers – fourth line of assurance; and
- Governing body and committees – fifth line of assurance.

The required level of combined assurance is determined by the effectiveness of the risk response activities and the impact of such risk to the Group. No significant areas of overlap or assurance gaps have been identified during the year and the levels of assurance are considered appropriate.

Whistle-blowing
Our whistle-blowing arrangements are approved and monitored by the Audit & Risk Committee and the Social & Ethics Committee. The Group Ethics Committee (a management committee consisting of four senior functional executives) receives and deals with any concerns or complaints, whether from within or outside

Aspen, through an independent specialised tip-offs call centre, and tables this information and the results of follow-ups at each Social & Ethics Committee meeting. Financial and internal control-related tip-offs are then also tabled at the Audit & Risk Committee meetings.

Both committees are satisfied that instances of whistle-blowing received during the year were appropriately dealt with.

Risk governance

Oversight of the Group's risk management function has been assigned to the Audit & Risk Committee.

The Board considers risk management to be a key process in the responsible pursuit of strategic objectives and in the effective management of related material issues across the Group. Our management culture is underpinned by effective risk identification and mitigation activities which are applied, on a day-to-day basis, through a system of internal controls, monitoring mechanisms and relevant stakeholder engagement activities. In accordance with the Group's risk philosophy, business activities and business plans are aligned to the Group's governance, economic, environmental and social aspirations.

The Board of Directors is responsible for the governance of risk across the Group, for setting the risk appetite and for monitoring the effectiveness of our risk management processes. This responsibility is delegated to the Audit & Risk Committee.

The Group's integrated risk management model considers strategic, operational, financial and compliance risks. Reputational risks and uncertain risks, which are inherent to our business and to the pharmaceutical industry in general, are also identified, monitored, recorded and appropriately managed. Risk indicators and risk appetite are reviewed and approved by the Board on an annual basis or more frequently where required. The boards of directors of our subsidiary companies are responsible for oversight of the risk management processes implemented at the relevant business units and for monitoring the effectiveness of the implemented risk management systems to ensure business continuity. Evaluations of material risks and of the effectiveness of the risk management process were conducted during the year by the Group Executive Risk Forum and the findings of these evaluations were reported to the Committee. Following a comprehensive review of risks and mitigating controls at the Audit & Risk Committee meeting, the Committee formulated an overall conclusion and submitted a formal risk review report to the Board. The Committee's report included an opinion on the overall status of material residual, reputational and uncertain risks with reference to the adequacy of related mitigating controls and to the approved risk appetite. The report also presented an opinion on the effectiveness of the risk management process implemented in the Group, supported by the internal audit report.

In arriving at its opinion, the Audit & Risk Committee undertook the following activities:

- Monitored the implementation of the Group risk policy and Group risk plan as approved by the Board;
- Reviewed and considered the activities and reports of the Group executive risk forum;
- Reviewed and considered business unit risk reports presented to the Committee;
- Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes;
- Reviewed and considered the status of financial, IT and internal controls, for the year under review, as reported by the Group's internal and external auditors; and
- Reviewed and approved the adequacy of the Group's insurance cover, after having considered the claims for the prior year, a summary of the proposed insurance arrangements for the ensuing year and the insurable, but uninsured risks.

At year end, the Board was satisfied with the status and effectiveness of risk governance in the Group and adequacy of mitigation plans for material risks. Internal audit found the implemented risk management process to be effective and has made recommendations for improvement which will be implemented as part of the continuous improvement process.

I & T governance

The Committee periodically reviews the Group's maturity in respect of IT governance by considering reports from the Group Digital Technology function and assurance as provided by the internal audit function in accordance with the approved internal audit plan.

A focus area for the Committee during this year has been on performing a critical evaluation of the Group's Information & Technology governance framework and on developing an appropriate roadmap for refining and expanding this framework to better evaluate, direct and monitor Aspen's Information & Technology assets as well as to align IT services with the Group's current and future business needs. Further information in respect of this initiative is detailed on page 81 of our Integrated Report.

Business system implementation by various Aspen businesses and functional departments across the Group are in progress and are being monitored by the I&T Steering Committee. A programme to mitigate infrastructure technology security risks and maturity is being coordinated centrally and includes the introduction of supporting policies and procedures. Mitigation plans have been introduced to address the risk of material operational and disruptive incidents. No material incidents of this nature occurred during the year.

Recommendation of the Integrated Report and related sustainability information for approval by the Board

At its meeting held on 21 October 2020, the Audit & Risk Committee reviewed and recommended the Integrated Report and related sustainability information, as well as the Annual Financial Statements for approval by the Board of Directors.

The Audit & Risk Committee is satisfied that it has complied with its statutory responsibilities and the responsibilities assigned to it by the Board.

Babalwa Ngonyama CA(SA)
Audit & Risk Committee Chairman

Statement of responsibility by the Board of Directors

The Board of Directors ("Board") is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 30 June 2020 ("Annual Financial Statements") of Aspen Pharmacare Holdings Limited and its subsidiaries.

The Board considers that in preparing the Annual Financial Statements it has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards ("IFRS") that it considers to be applicable have been followed. The Board is 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 further acknowledge that they are responsible for the content of the Integrated Report and its supplementary documents, as well as its consistency with the Annual Financial Statements.

The Board has 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 operate in a well-established control environment, which is 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 Board has no reason to believe that the Group or any company within the Group will not continue on the going concern basis in the foreseeable future, based on forecasts, available cash resources and facilities. These Annual Financial Statements support the viability of the Company and the Group.

We have also considered the potential implications of COVID-19 in the assessment of the Group's ability to continue as a going concern and whereas the situation is still evolving, we believe it will not have a significant adverse effect on our business. There has been no immediate material impact on our business that requires adjustments or disclosure in the financial statements for the year ended 30 June 2020. However, the impact is being assessed on a continuing basis.

The Aspen Code of Conduct has been adhered to in all material respects.

The Group's external auditor, PricewaterhouseCoopers Incorporated, audited the Annual Financial Statements and its report is presented on page 9.

The Annual Financial Statements were prepared under the supervision of Deputy Group Chief Executive, Gus Attridge CA(SA), approved by the Board of Directors on 27 October 2020 and are signed on its behalf.

A signed copy of these Annual Financial Statements is available for inspection at the Company's registered office.

Kuseni Dlamini
Chairman

Gus Attridge
Deputy Group Chief Executive

Johannesburg
27 October 2020

Directors' report

The directors have pleasure in presenting their report for the Group and the Company for the year ended 30 June 2020.

Nature of business

Aspen is a global supplier and manufacturer of specialty, branded and generic pharmaceuticals, with an extensive basket of medicines that provide treatment for a broad spectrum of acute and chronic conditions experienced through all stages of life. The Group continues to benefit the lives of patients using its medicines, reaching more than 150 countries.

Financial results and review of operations

The financial results of the Group are set out on pages 14 to 108 and of the Company on pages 110 to 133 of the Annual Financial Statements. The segmental analysis is included on pages 22 to 26.

The consolidated earnings attributable to equity holders of the Company amounted to R4 664 million for the year, compared with R6 463 million for the previous year, a decrease of 28%. Headline earnings per share from continuing operations ("HEPS") increased by 9% from 1 158,1 cents to 1 268,0 cents.

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

Share capital

There was no change to the authorised ordinary share capital of Aspen during the year. No changes to the issued share capital were effected during the year:

	Number of shares million	Share capital R'million
Ordinary shares		
Opening balance	**456,5**	**2 089**
Shares issued – share schemes	**–**	**–**
	456,5	**2 089**

Further details of the authorised and issued share capital of the Company are given in note 13 of the Group Annual Financial Statements and note 9 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.

Directorate and Secretary

The names of the directors in office at the date of this report are set out on pages 20 and 21 of the Integrated Report. The Company Secretary & Group Governance Officer is Riaan Verster. His business and postal addresses appear on the inside back cover of this report.

Roy Andersen retired from the Board on 30 September 2019.

In terms of the Company's Memorandum of Incorporation, Linda de Beer, Chris Mortimer, David Redfern and Sindi Zilwa retire by rotation, and being eligible, offer themselves for re-election.

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

Details of directors' interests in the Company's issued shares are shown on page 123 of the Integrated Report and directors' remuneration details are set out in note 26 of the Group Annual Financial Statements.

The following changes have taken place in the interests of the directors in the shares of the Company between 30 June 2020 and the date of this report:

- 7 837 shares were transferred to Stephen Saad in October 2020 in terms of the vesting arrangements of the South African Management Deferred Incentive Bonus Scheme; and
- 6 480 shares were transferred to Gus Attridge in October 2020 in terms of the vesting arrangements of the South African Management Deferred Incentive Bonus Scheme.

Group share trading policy

It is Group policy that directors and their associates are not to deal in shares or otherwise transact in the securities of the Company for the periods from half year-end and year-end to 24 hours after publication of the half year-end and year-end results or when the Company is trading under a cautionary announcement.

Transactions

The following notable transactions were effected during the 2020 financial year (refer to note 25 of the Group Annual Financial Statements):

Japanese business

In November 2019 the Group concluded an agreement (subject to conditions precedent) to divest of its Japanese operations and any related intellectual property to Sandoz, a Novartis Division. Sandoz is a multinational pharmaceutical company and a global leader in generic and biosimilar medicines, headquartered in Holzkirchen, Germany. In Aspen's interim results for the six months ended 31 December 2019, the Japanese business was classified as a discontinued operation with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5. The transaction was effective from 31 January 2020.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which were fulfilled in June 2020) in terms of which the commercialisation and distribution rights for its major public sector ARVs were licensed to Laurus Labs Limited ("Laurus"), a leading Indian API manufacturer. In terms of the agreement, Aspen would continue to toll manufacture the products for Laurus. The transaction forms part of Aspen's strategy to exit the commercialisation of public sector ARVs while ensuring that the South African government gets access to competitively priced ARVs. The public sector ARV portfolio included in the transaction (mainly Tribuss and Emdolten) with Laurus has been classified as a discontinued operation. Aspen will continue to sell ARVs in the South African private sector.

Memorandum of Incorporation

No changes were made to the Company's Memorandum of Incorporation during the year ended 30 June 2020 and up until the date of this report.

Directors' report continued

Dividend to shareholders
Taking into account the uncertainty created by the current COVID-19 pandemic, notice is hereby given that the Board has decided that it would not be prudent to declare a dividend at this time. The Board will re-evaluate the circumstances regularly with a view to declaring a dividend when it is prudent to do so.

Going concern and impact of COVID-19
These Annual Financial Statements have been prepared on the going concern basis. Based on the Group's reserves, positive cash flows and cash balances, the availability of unutilised funding facilities and the budgets for the period to June 2021, the Board believes that the Group and the Company have adequate resources to continue in operation for the next 12 months.

We have also considered the potential implications of COVID-19 in the assessment of the Group's ability to continue as a going concern and whereas the situation is still evolving, we believe that it will not have a significant adverse effect on our business. There has been no immediate material impact on our business that requires adjustments or disclosures in the financial statements for the year ended 30 June 2020. However, the impact is being assessed on a continuing basis.

Special resolutions
At the annual general meeting of Aspen shareholders convened on 5 December 2019, the following special resolutions were passed by the Company:
- approval of remuneration for non-executive directors for the year ended 30 June 2020 and for the period 1 July 2019 to the date of the 2020 annual general meeting;
- a general authority was granted for the Company and any of its subsidiaries to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until the Company's next annual general meeting, or until revoked at a special general meeting of shareholders; and
- a general authority was granted for the Company to acquire shares in the Company from time to time, up to 20% of the Company's issued share capital.

More information on these resolutions can be obtained from the Company Secretary & Group Governance Officer at rverster@aspenpharma.com.

The following special resolutions were passed by the South African subsidiaries of the Company during the year:
- a general authority was granted to Pharmacare Limited ("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;
- a general authority was granted to Fine Chemicals Corporation (Pty) Limited ("FCC") to provide direct or indirect financial assistance to a related or inter-related company to FCC. This authority is valid until FCC's next annual general meeting, or until revoked at a special general meeting of shareholders;
- a general authority was granted to Aspen Finance (Pty) Limited to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until Aspen Finance (Pty) Limited's next annual general meeting, or until revoked at a special general meeting of shareholders; and
- the remuneration payable to the non-executive directors of Aspen Finance (Pty) Limited was approved.

Auditors
The Audit & Risk Committee ("A&R Co") and Board have recommended that Ernst & Young Inc. be appointed as the external auditor of the Group and the Company, and that Derek Engelbrecht be appointed as the designated auditor for this purpose, 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 A&R Co has addressed the specific responsibility required by it in terms of the Companies Act and that membership of the A&R Co will be proposed to shareholders by ordinary activities of the A&R Co contained within the A&R Co Report available online at http://www.aspenpharma.com/investor-information/.

Investments in subsidiaries and structured entities
The financial information in respect of the Group and the Company's interests in its material operating subsidiaries and structured entities is set out in note 23 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 33 of the Group Annual Financial Statements and note 19 of the Company Annual Financial Statements.

Borrowings
Borrowings at year-end (net of cash and cash equivalents) amounted to R35 228 million (2019: R38 984 million) and are made up as follows:

	2020 R'million	2019 R'million
Non-current borrowings	**36 019**	39 713
Current borrowings	**6 302**	8 248
Cash and cash equivalents	**(7 093)**	(8 977)
	35 228	38 984

The level of borrowings is authorised in terms of the Company and its subsidiaries' Memoranda of Incorporation and have been authorised in terms of the required Board approvals.

A detailed list of borrowings is set out in note 16 of the Group Annual Financial Statements.

Subsequent events
In September 2020 (refer SENS announcement of 8 September 2020) the Group concluded an agreement (subject to conditions precedent) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan") for a purchase consideration of EUR641,9 million, plus the cost of the related inventory (the "Transaction"). It is anticipated that the Transaction will complete before 31 December 2020. Mylan is a global pharmaceutical company, with principal offices in Canonsburg, Pennsylvania, United States of America. The Transaction was not considered highly probable as at 30 June 2020 and accordingly will be disclosed as a post-balance sheet non-adjusting event in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* and *IAS 10 – Events after the Reporting Period*.

Independent auditor's report

To the Shareholders of Aspen Pharmacare Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Aspen Pharmacare Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, 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 (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Aspen Pharmacare Holdings Limited's consolidated and separate financial statements set out on pages 14 to 133 comprise:
- the group and company statements of financial position as at 30 June 2020;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

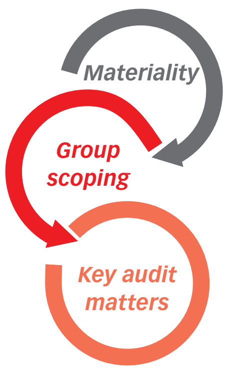
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview



Overall Group materiality

- Overall group materiality: R374 million, which represents 5% of consolidated profit before tax from continuing operations, adjusted for non-recurring items.

Group audit scope

- Our audit included full scope audits of the Company's financially significant components. Analytical procedures were performed over the remaining components.

Key audit matters

- Impairment of intangible assets; and
- Divestment of the Company's Japanese business to Sandoz.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report

to the shareholders of Aspen Pharmacare Holdings Limited *continued*

Overall Group materiality	R374 million.
How we determined it	5% of consolidated profit before tax from continuing operations, adjusted for non-recurring items.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. Consolidated profit before tax from continuing operations was adjusted for once-off transaction costs relating to terminations and divestments, and once-off impairments of intangible assets including goodwill, as these are not considered to be part of the normal operations of the Group. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of financially significant components, based on indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax. Based on this assessment we identified 15 financially significant components. The financially significant components of the Group were subject to full scope audits of their financial reporting information submitted to the Company, which in aggregate account for a majority of the consolidated revenue, consolidated profit before tax and consolidated total assets of the Group.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient and appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The group engagement team met with the component auditors of the most significant audit components and engaged with the remaining component auditors by means of discussing pertinent matters and reviewing reporting documents submitted to us as the group engagement team.

In order to obtain sufficient audit evidence in respect of non-significant components, the group engagement team performed analytical review procedures on their financial information. These components have been assessed to be financially inconsequential to the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of intangible assets *(This key audit matter applies to the consolidated and separate financial statements)* Intangible assets for the Group and Company amounts to R73,040 million and R948 million, respectively, and represents a material portion of the Group and Company's total assets. The Group performs an annual impairment assessment in terms of International Accounting Standard (IAS) 36, *Impairment of Assets* on indefinite useful life intangible assets, or more frequently if there are impairment indicators. Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are impairment indicators. Impairment testing is performed by comparing the recoverable amount to the carrying value of the intangible asset. The recoverable amounts of the intangible assets are determined as the higher of value-in-use and fair value less costs to sell. The determination of the recoverable amount is subjective in nature due to management's judgement in determining the revenue growth, profit margins, tax rates, terminal values, future cash flows and discount rates attributed to cash generating units (CGUs) and the future performance of the assets based on various criteria as disclosed in notes to the consolidated and separate financial statements referenced below. Impairment charges in the Group and Company related to intangible assets amounted to R1,339 million (Company: R5 million) for the financial year and have been recognised in the Group and the Company's statements of comprehensive income. The determination of impairment charges, including the judgments and estimates applied by management, are inherently sensitive to changes in the underlying assumptions and were therefore considered to be a matter of most significance to the current year audit. Refer to note 2 (Intangible assets) to the consolidated financial statements and note 2 (Intangible assets) to the separate financial statements, for further detail.	We obtained the Group's assessment of the recoverable amount for a sample of intangible assets and tested the reasonableness of key assumptions, including revenue growth, profit margins, tax rates, terminal values and discount rates used by management to approved product business plans and independent external sources, including country specific economic forecasts. We found management's key assumptions to be in line with these forecasts and accepted how management's assessment of the recoverable amount was reflected in future performance estimates. Utilising our valuations expertise, we assessed the reasonability of the discount rates used with reference to market data and widely applied foreign risk premiums. In addition, we performed a sensitivity analysis over the data used by management to evaluate the impact of individual assumptions on the overall impairment charge recognised. Based on our work performed, we accepted the discount rate applied by management. We evaluated management's determination of the CGUs and found this to be the lowest level at which intangible assets are monitored. We compared the future cash flow forecasts to approved budgets and the historical performance of the individual products and, based on our comparison, accepted the forecasts. For impairment charges recognised, we tested the mathematical accuracy of management's recoverable amount calculations and recalculated the impairment expenses. We noted no material differences.

Independent auditor's report

to the shareholders of Aspen Pharmacare Holdings Limited *continued*

Key audit matter	***How our audit addressed the key audit matter***
Divestment of the Company's Japanese business to Sandoz *(This key audit matter applies to the consolidated financial statements only)* On 31 January 2020, the Group completed the divestment of its Japanese business to Sandoz, a division of Novartis Pharma K.K. In terms of the transaction, the disposal group included the following key elements: • Shares in Aspen Japan K.K.; and • Intellectual property commercialised by Aspen Global Incorporated and Aspen Japan K.K. in Japan. We considered the accounting treatment of the Japanese divestment to be a matter of most significance to the current year audit due to the following: • the accounting considerations related to the milestone payments required judgement such as whether the milestone payments should be included in the consideration; • the classification of the Japanese business as a discontinued operation resulted in additional disclosures, and complexity in the preparation of the Group financial statements in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations; and • it represents a material transaction to the Group. The impact of the transaction has been disclosed in note G (Proceeds received from sale of discontinued operations) and note 25 (Discontinued operations) to the consolidated financial statements.	We inspected the agreements of sale between the Company and Sandoz ("the agreements") to assess the appropriate accounting treatment of the transaction in accordance with the requirements of IFRS 5 related to presenting discontinued operations. We noted no matters requiring further consideration. We held discussions and performed inquiries with the Group's transactions team to obtain an understanding of the disposal process and milestone payments contained in the agreements. We tested the loss on disposal of the Japanese business by comparing the consideration received to the agreements and the Company's bank account, and by comparing the net assets disposed of to underlying accounting records. We noted no material differences in this regard. In testing the loss on disposal we challenged, through discussions, management's accounting of the milestone payments which were included in the consideration in respect of the sale. We accepted management's conclusions in this regard. We reconciled the discontinued operations results, as disclosed in the consolidated financial statements, to the business unit reporting available in the Group's financial reporting system. Based on the procedures performed, we accepted management's presentation of the discontinued operation. We evaluated the adequacy of the disclosure of the disposal in the consolidated financial statements by testing the completeness and accuracy of the assets and liabilities included in the disposal group, and the results presented as discontinued operations, including measurement of the same, with reference to the requirements of IFRS 5. We noted no matters requiring further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Aspen Holdings Annual Financial Statements 2020", which includes the Directors' Report, the Audit & Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, and the document titled "Aspen Holdings Integrated Report 2020". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Aspen Pharmacare Holdings Limited for 23 years.

PricewaterhouseCoopers Inc.
Director: A Tshesane
Registered Auditor
4 Lisbon Lane, Waterfall City
27 October 2020

Group statement of financial position

at 30 June 2020

	Notes	2020 R'million	2019 R'million
Assets			
Non-current assets			
Intangible assets	2	**73 040**	66 468
Property, plant and equipment	3	**14 232**	12 065
Right-of-use assets	4	**601**	–
Goodwill	5	**5 375**	4 649
Deferred tax assets	6	**1 714**	1 163
Contingent environmental indemnification assets	7	**324**	801
Other non-current assets	8	**1 145**	1 018
Total non-current assets		**96 431**	86 164
Current assets			
Inventories	9	**16 413**	14 648
Receivables and other current assets	10	**13 232**	12 511
Cash and cash equivalents	11	**7 093**	8 977
Total operating current assets		**36 738**	36 136
Assets classified as held-for-sale	12	**–**	16
Total current assets		**36 738**	36 152
Total assets		**133 169**	122 316
Shareholders' equity			
Retained income		**45 911**	41 246
Non-distributable reserves		**21 354**	11 005
Share capital (including treasury shares)	13	**1 902**	1 911
Share-based compensation reserve	15	**48**	49
Ordinary shareholders' equity		**69 215**	54 211
Non-controlling interests	14	**2**	2
Total shareholders' equity		**69 217**	54 213
Liabilities			
Non-current liabilities			
Borrowings	16	**36 019**	39 713
Other non-current liabilities	17	**4 957**	3 702
Unfavourable and onerous contracts	18	**927**	1 055
Deferred tax liabilities	6	**2 701**	2 049
Contingent environmental liabilities	7	**324**	801
Retirement and other employee benefit obligations	19	**945**	744
Total non-current liabilities		**45 873**	48 064
Current liabilities			
Borrowings	16	**6 302**	8 248
Trade and other payables	20	**9 691**	9 555
Other current liabilities	21	**1 665**	1 911
Unfavourable and onerous contracts	18	**421**	325
Total current liabilities		**18 079**	20 039
Total liabilities		**63 952**	68 103
Total equity and liabilities		**133 169**	122 316

Group statement of comprehensive income

for the year ended 30 June 2020

	Notes	2020 R'million	Restated* 2019 R'million
Continuing operations			
Revenue	22	**38 647**	35 514
Cost of sales		**(19 314)**	(16 930)
Gross profit		**19 333**	18 584
Selling and distribution expenses		**(6 528)**	(6 380)
Administrative expenses		**(3 231)**	(2 992)
Other operating income		**515**	658
Other operating expenses		**(3 029)**	(5 586)
Operating profit	23	**7 060**	4 284
Investment income	27	**156**	439
Financing costs	28	**(1 614)**	(2 372)
Profit before tax		**5 602**	2 351
Tax	29	**(991)**	(671)
Profit after tax from continuing operations		**4 611**	1 680
Discontinued operations			
Profit after tax from discontinued operations	25	**53**	4 784
Profit for the year		**4 664**	6 464
Other comprehensive income, net of tax			
Net gains/(losses) from cash flow hedging in respect of business acquisitions		**67**	(32)
Currency translation gains/(losses)	32	**10 282**	(19)
Remeasurement of retirement and other employee benefit obligations**		**1**	(47)
Total comprehensive income		**15 014**	6 366
Profit for the year attributable to			
Equity holders of the parent		**4 664**	6 463
Non-controlling interests		**–**	1
		4 664	6 464
Total comprehensive income attributable to			
Equity holders of the parent		**15 014**	6 365
Non-controlling interests		**–**	1
		15 014	6 366
Earnings per share			
Basic and diluted earnings per share (cents)	30		
From continuing operations		**1 010,2**	367,8
From discontinued operations		**11,6**	1 048,1
		1 021,8	1 415,9

* *Restated for discontinued operations.*

** *Remeasurement of retirement and other employee benefit obligations will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.*

Group statement of changes in equity

for the year ended 30 June 2020

	Share capital (including treasury shares) R'million	Non-distributable reserves: Hedging reserve R'million	Non-distributable reserves: Foreign currency translation reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Total attribu-table to equity holders of the parent R'million	Non-control-ling interests R'million	Total R'million
Balance at 30 June 2018	1 905	446	10 610	60	36 326	49 347	28	49 375
Total comprehensive income	–	(32)	(19)	–	6 416	6 365	1	6 366
Profit for the year	–	–	–	–	6 463	6 463	1	6 464
Other comprehensive losses	–	(32)	(19)	–	(47)	(98)	–	(98)
Dividends paid	–	–	–	–	(1 437)	(1 437)	–	(1 437)
Movement in joint ventures	–	–	–	–	(45)	(45)	–	(45)
Acquisition of non-controlling interests	–	–	–	–	(14)	(14)	(27)	(41)
Deferred incentive bonus shares exercised	35	–	–	(35)	–	–	–	–
Treasury shares purchased	(29)	–	–	–	–	(29)	–	(29)
Share-based payment expenses	–	–		24	–	24	–	24
Balance at 30 June 2019	**1 911**	**414**	**10 591**	**49**	**41 246**	**54 211**	**2**	**54 213**
Total comprehensive income	**–**	**67**	**10 282**	**–**	**4 665**	**15 014**	**–**	**15 014**
Profit for the year	**–**	**–**	**–**	**–**	**4 664**	**4 664**	**–**	**4 664**
Other comprehensive income	**–**	**67**	**10 282**	**–**	**1**	**10 350**	**–**	**10 350**
Treasury shares purchased	**(41)**	**–**	**–**	**–**	**–**	**(41)**	**–**	**(41)**
Deferred incentive bonus shares exercised	**32**	**–**	**–**	**(32)**	**–**	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**–**	**31**	**–**	**31**	**–**	**31**
Balance at 30 June 2020	**1 902**	**481**	**20 873**	**48**	**45 911**	**69 215**	**2**	**69 217**

Group statement of cash flows

for the year ended 30 June 2020

	Notes	2020 R'million	Restated* 2019 R'million
Cash flows from operating activities			
Cash generated from operations	A	**11 302**	9 540
Financing costs paid	B	**(1 780)**	(2 132)
Investment income received	C	**149**	390
Tax paid	D	**(1 411)**	(1 796)
Cash generated from operating activities		**8 260**	6 002
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(2 039)**	(2 442)
Proceeds on the sale of property, plant and equipment		**6**	9
Acquisition of subsidiaries and joint ventures	E	**–**	(1 016)
Payment of deferred, fixed and contingent consideration relating to prior year business acquisitions		**(338)**	(5 644)
Proceeds received on sale of other non-current assets		**86**	42
Contractual adjustments – Nutritionals business consideration	F	**(334)**	–
Net proceeds received on disposal of Nutritionals business	G	**–**	12 016
Proceeds received on disposal of Asia Pacific non-core pharmaceutical portfolio	G	**389**	1 299
Proceeds received on disposal of Japanese business	G	**4 229**	–
Proceeds received on disposal of assets classified as held-for-sale		**32**	25
Capital expenditure – intangible assets	H	**(651)**	(1 141)
Proceeds on sale of intangible assets	I	**244**	90
Cash received from investing activities		**1 624**	3 238
Cash flows from financing activities			
Proceeds from borrowings		**14 217**	23 365
Repayment of borrowings		**(25 475)**	(33 123)
Repayment of lease liabilities		**(166)**	–
Dividends paid		**–**	(1 437)
Acquisition of non-controlling interest in subsidiary		**–**	(41)
Treasury shares purchased		**(41)**	(29)
Cash outflow from financing activities		**(11 465)**	(11 265)
Movement in cash and cash equivalents before currency translation movements		**(1 581)**	(2 025)
Currency translation movements		**1 050**	59
Movement in cash and cash equivalents		**(531)**	(1 966)
Cash and cash equivalents at the beginning of the year		**6 148**	8 114
Cash and cash equivalents at the end of the year	J	**5 617**	6 148
Discontinued operations included in the above:			
Cash generated from operating activities		**43**	351
Cash generated from investing activities		**4 284**	12 299
Cash disposed of in subsidiaries		**(109)**	(63)
		4 218	12 587

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances, short-term bank deposits less bank overdrafts.

* *Restated for discontinued operations.*

Notes to the Group statement of cash flows

for the year ended 30 June 2020

		2020 R'million	2019 R'million
A.	**Cash generated from operations**		
	Operating profit	**7 420**	5 064
	Amortisation of intangible assets	**632**	490
	Depreciation of property, plant and equipment and right-of-use assets	**971**	784
	Impairment charges	**2 385**	4 622
	Reversal of impairment charges	**(2)**	(26)
	Loss on sale of property, plant and equipment	**18**	24
	(Profit)/loss on sale of intangible assets	**(222)**	40
	(Profit)/loss on sale of assets classified as held-for-sale	**(19)**	16
	Expenses incurred not paid	**175**	538
	Release of environmental liability	**–**	(81)
	Share-based payment expense – employees	**49**	37
	Deferred revenue	**(35)**	(38)
	Reversal of deferred consideration no longer payable	**–**	(264)
	Unfavourable and onerous contracts	**(351)**	(377)
	Other non-cash items	**89**	89
	Cash operating profit	**11 110**	10 918
	Working capital movements	**192**	(1 378)
	Increase in inventories	**(727)**	(1 028)
	Decrease in trade and other receivables	**1 618**	869
	Decrease in trade and other payables	**(699)**	(1 219)
		11 302	9 540
B.	**Financing costs paid**		
	Interest expense (excluding lease liabilities)	**(1 469)**	(1 898)
	Interest expense on lease liabilities	**(58)**	–
	Net foreign exchange losses	**(15)**	–
	Borrowing costs capitalised to property, plant and equipment	**(238)**	(234)
		(1 780)	(2 132)
C.	**Investment income received**		
	Interest received per statement of comprehensive income	**156**	439
	Less: Non-cash investment income	**(7)**	(49)
		149	390
D.	**Tax paid**		
	Amounts payable at the beginning of the year	**(718)**	(194)
	Tax charged to the statement of comprehensive income	**(1 290)**	(2 332)
	Transfer to assets classified as held-for-sale	**32**	–
	Currency translation movements	**(86)**	12
	Amounts owing at the end of the year	**927**	999
	Amounts receivable at the end of the year	**(276)**	(281)
		(1 411)	(1 796)

E. Acquisition of subsidiaries and joint ventures

2019 – Nutritionals business joint venture acquisition and disposal

During 2019, as part of the disposal of the Nutritionals business, Aspen acquired the remaining 50% of both the New Zealand New Milk ("NZNM") and Aspen Hong Kong joint ventures for a consideration of R1 016 million. This led to these joint ventures being 100% owned subsidiaries of the Group. As these two subsidiaries were held exclusively with a view to resell Aspen made the choice to account for these subsidiaries using the "short-cut method" given in the IFRS 5 implementation guidance.

Subsidiaries acquired exclusively with the view to resale are valued at fair value less costs to sell. This valuation resulted in a R756 million fair value gain recognised in discontinued operations (included in profit on sale of discontinued operations). Refer to note 25 of the Annual Financial Statements.

		2020 R'million	2019 R'million
F.	**Contractual adjustments – Nutritionals business consideration**		
	Amounts provided in prior year, paid in current year	(225)	–
	Current year losses incurred included in loss on sale of discontinued operations	(109)	–
		(334)	–

G. Proceeds received from sale of discontinued operations

Proceeds received on disposal of Japanese business	June 2020 R'million
Proceeds	
Proceeds receivable	5 274
Proceeds outstanding at year-end*	(936)
Classified as other current receivables	(461)
Classified as other non-current receivables	(475)
Cash disposed of in subsidiaries	(109)
Cash inflow per statement of cash flows	4 229
Assets disposed	
Non-current assets	
Property, plant and equipment	4
Right-of-use assets	22
Goodwill	45
Intangible assets	4 689
Total non-current assets	4 760
Current assets	
Inventories	427
Receivables and other current assets	403
Cash and cash equivalents	109
Total current assets	939
Total assets	5 699
Liabilities	
Non-current liabilities	
Borrowings	(3)
Retirement and other employee benefit obligations	(4)
Deferred tax liabilities	(82)
Total non-current liabilities	(89)
Current liabilities	
Trade and other payables	(664)
Borrowings	(271)
Current tax liabilities	(32)
Total current liabilities	(967)
Total liabilities	(1 056)
Net assets disposed	4 643
Liabilities raised as part of disposal	
Non-current liabilities	
Other non-current financial liabilities	471
Current liabilities	
Other current financial liabilities	276
Net liabilities raised	747
Loss on sale of discontinued operations	(116)

* *The future disposal consideration receivables are dependent upon the achievement of various supply-related, licence extension and new business development milestones.*

Notes to the Group statement of cash flows continued

for the year ended 30 June 2020

G. Proceeds received from sale of discontinued operations continued

	June 2019		
	Nutritionals business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	Total R'million
Proceeds			
Proceeds received	12 079	2 199	14 278
Proceeds outstanding at year-end	–	(900)	(900)
Cash disposed of in subsidiaries	(63)	–	(63)
Cash inflow per statement of cash flows	12 016	1 299	13 315
Assets disposed			
Non-current assets			
Property, plant and equipment	723	–	723
Goodwill	413	906	1 319
Intangible assets	2 176	1 110	3 286
Investments in joint ventures	1 983	–	1 983
Other non-current financial receivables	–	308	308
Deferred tax assets	2	–	2
Total non-current assets	5 297	2 324	7 621
Current assets			
Inventories	817	–	817
Receivables and other current assets	241	–	241
Cash and cash equivalents	63	–	63
Total current assets	1 121	–	1 121
Total assets	6 418	2 324	8 742
Liabilities			
Trade and other payables	(91)	–	(91)
Deferred tax liabilities	(33)	–	(33)
Total liabilities	(124)	–	(124)
Net assets disposed	6 294	2 324	8 618
Liabilities raised as part of disposals*			
Non-current liabilities			
Other non-current financial liabilities	618	81	699
Current liabilities			
Other current financial liabilities	233	86	319
Net liabilities raised	851	167	1 018
Profit/(loss) on sale of discontinued operations	5 690	(292)	5 398
Profit/(loss)	4 934	(292)	4 642
Fair value gain on revaluation of joint ventures	756	–	756

* *The liabilities raised relating to disposals include post-closing working capital true-up adjustments, warranties related to saleability of inventory and other clawback mechanisms associated to the assets which have been disposed.*

		2020 R'million	2019 R'million
H.	**Capital expenditure – intangible assets**		
	Capital expenditure – intangible assets	**(651)**	(1 522)
	Consideration outstanding	**–**	381
		(651)	(1 141)
I.	**Proceeds on sale of intangible assets**		
	Proceeds receivable from sale of intangible assets	**402**	90
	Outstanding proceeds from sale of intangible assets	**(158)**	–
		244	90
J.	**Cash and cash equivalents**		
	Bank balances	**6 441**	8 677
	Short-term bank deposits	**530**	234
	Cash-in-transit and cash-on-hand	**122**	66
	Cash and cash equivalents per the statement of financial position	**7 093**	8 977
	Less: Bank overdrafts^	**(1 476)**	(2 829)
	Cash and cash equivalents per the statement of cash flows	**5 617**	6 148

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

Group segmental analysis

for the year ended 30 June 2020

Segmental reporting

The Group shows its reportable segments to reflect the operating model which aligns to the way in which the business is managed and reported on to the Chief Operating Decision Maker ("CODM").

Business segments of the Group are split between the Commercial Pharmaceuticals and Manufacturing segments.

Commercial Pharmaceuticals consists of the following business segments:

- Sterile Focus Brands segment which includes the Anaesthetics and Thrombosis portfolios;
- Regional Brands which are products that are managed on a regional basis; and
- The total Pharmaceutical segment has been split at a revenue and gross margin level between the Commercial Pharmaceuticals and Manufacturing segments to give separate visibility to the gross margins earned by each of these segments.

The Manufacturing segment relates to the manufacture and sale of active pharmaceutical ingredient and finished dose form products to third-party customers.

The costs relating to manufacturing activities which support the manufacture and sale of Commercial Pharmaceutical Brands are included in the gross margins of the Commercial Pharmaceuticals segment and the costs supporting the manufacture and sale of active pharmaceutical ingredients and finished dose form products to third-party customers are included in the Manufacturing segment gross margin.

The entity-wide revenue disclosure reflects the regional split of revenue within the reportable segments. The regions are as follows:

- Sub-Saharan Africa;
- Developed Europe;
- Australasia;
- Latin America;
- Developing Europe & CIS;
- China;
- Japan;
- Other Asia;
- MENA; and
- USA & Canada.

The financial information of the Group's reportable segments is reported to the CODM for purposes of allocating resources between the segments and assessing their performance.

Each of the reportable segments is managed by a segment manager.

Restatement of the Group Segmental analysis

Commercial responsibility for Turkey has been moved to MENA from Developed Europe and consequently the prior year numbers have been restated to reflect this segmental change.

The sale of Nadroparine to a manufacturer in Italy has been reclassified from Commercial Pharmaceuticals to Manufacturing due to a revision of the contractual arrangement with the manufacturer.

Group segmental analysis continued

for the year ended 30 June 2020

	June 2020				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharmaceuticals R'million	Manufacturing R'million	Total R'million
Revenue	14 263	16 881	31 144	7 503	38 647
Cost of sales	(6 223)	(7 844)	(14 067)	(5 247)	(19 314)
Gross profit	8 040	9 037	17 077	2 256	19 333
Selling and distribution expenses					(6 528)
Contribution profit					12 805
Administrative expenses					(3 231)
Net other operating income					428
Depreciation					966
Normalised EBITDA*					10 968
Adjusted for:					
Depreciation					(966)
Amortisation					(615)
Profit on sale of assets					223
Net impairment of assets					(1 458)
Restructuring costs					(413)
Transaction costs					(445)
Product litigation costs					(234)
Operating profit					7 060
Gross profit (%)	56,4	53,5	54,8	30,1	50,0
Selling and distribution expenses (%)					16,9
Contribution profit (%)					33,1
Administrative expenses (%)					8,4
Normalised EBITDA (%)					28,4

** Normalised EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items as defined by the Group's accounting policy.*

Group segmental analysis continued

for the year ended 30 June 2020

	Restated June 2019**				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharmaceuticals R'million	Manufacturing R'million	Total R'million
Revenue	13 524	15 823	29 347	6 167	35 514
Cost of sales	(5 852)	(6 669)	(12 521)	(4 409)	(16 930)
Gross profit	7 672	9 154	16 826	1 758	18 584
Selling and distribution expenses					(6 380)
Contribution profit					12 204
Administrative expenses					(2 992)
Net other operating income					332
Depreciation					733
Normalised EBITDA*					10 277
Adjusted for:					
Depreciation					(733)
Amortisation					(437)
Loss on sale of assets					(80)
Reversal of deferred consideration no longer payable					264
Net impairment of assets					(3 812)
Restructuring costs					(131)
Transaction costs					(540)
Product litigation costs					(524)
Operating profit					4 284
Gross profit (%)	56,7	57,9	57,3	28,5	52,3
Selling and distribution expenses (%)					18,0
Contribution profit (%)					34,4
Administrative expenses (%)					8,4
Normalised EBITDA (%)					28,9

	Change %				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharmaceuticals %	Manufacturing %	Total %
Revenue	5	7	6	22	9
Cost of sales	6	18	12	19	14
Gross profit	5	(1)	1	28	4
Selling and distribution expenses					2
Contribution profit					5
Administrative expenses					8
Net other operating income					29
Depreciation					32
Normalised EBITDA*					7

* *Normalised EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*

** *Restated for discontinued operations and segmental reclassifications.*

Group revenue segmental analysis

for the year ended 30 June 2020

	June 2020 R'million	Restated* June 2019 R'million	Change %
Commercial Pharmaceuticals by customer geography	**31 144**	29 347	6
Developed Europe	**7 548**	7 002	8
Sub-Saharan Africa	**7 194**	6 752	7
Australasia	**4 229**	4 048	4
Latin America	**3 412**	3 083	11
China	**2 940**	2 872	2
Developing Europe & CIS	**2 551**	2 516	1
Other Asia	**1 381**	1 343	3
MENA	**1 305**	1 056	24
USA & Canada	**584**	675	(13)
Manufacturing revenue by geography of manufacture			
Manufacturing revenue – finished dose form	**1 388**	1 235	12
Developed Europe	**681**	627	9
Australasia	**393**	372	6
Sub-Saharan Africa	**314**	236	33
Manufacturing revenue – active pharmaceutical ingredients	**6 115**	4 932	24
Developed Europe	**5 628**	4 466	26
Sub-Saharan Africa	**372**	353	5
Other Asia	**115**	113	2
Total manufacturing revenue	**7 503**	6 167	22
Total revenue	**38 647**	35 514	9
Summary of regions			
Developed Europe	**13 857**	12 095	15
Sub-Saharan Africa	**7 880**	7 341	7
Australasia	**4 622**	4 420	5
Latin America	**3 412**	3 083	11
China	**2 940**	2 872	2
Developing Europe & CIS	**2 551**	2 516	1
Other Asia	**1 496**	1 456	3
MENA	**1 305**	1 056	24
USA & Canada	**584**	675	(13)
Total revenue	**38 647**	35 514	9

** Restated for discontinued operations and segmental reclassifications.*

aspen HOLDINGS

Group revenue segmental analysis continued

for the year ended 30 June 2020

Commercial Pharmaceuticals therapeutic area analysis

	30 June 2020				
	Anaesthetics Brands R'million	**Thrombosis R'million**	**Sterile Focus Brands R'million**	**Regional Brands R'million**	**Total R'million**
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	**2 677**	**3 087**	**5 764**	**1 784**	**7 548**
Sub-Saharan Africa	**118**	**6**	**124**	**7 070**	**7 194**
Australasia	**665**	**18**	**683**	**3 546**	**4 229**
Latin America	**994**	**76**	**1 070**	**2 342**	**3 412**
China	**2 078**	**815**	**2 893**	**47**	**2 940**
Developing Europe & CIS	**174**	**1 942**	**2 116**	**435**	**2 551**
Other Asia	**691**	**144**	**835**	**546**	**1 381**
MENA	**266**	**198**	**464**	**841**	**1 305**
USA & Canada	**304**	**10**	**314**	**270**	**584**
	7 967	**6 296**	**14 263**	**16 881**	**31 144**

	Restated June 2019*				
	Anaesthetics Brands R'million	Thrombosis R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	2 191	3 032	5 223	1 779	7 002
Sub-Saharan Africa	111	8	119	6 633	6 752
Australasia	663	22	685	3 363	4 048
Latin America	894	75	969	2 114	3 083
China	1 976	869	2 845	27	2 872
Developing Europe & CIS	283	1 868	2 151	365	2 516
Other Asia	675	167	842	501	1 343
MENA	237	118	355	701	1 056
USA & Canada	321	14	335	340	675
	7 351	6 173	13 524	15 823	29 347

	Change %				
	Anaesthetics Brands %	Thrombosis %	Sterile Focus Brands %	Regional Brands %	Total %
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	22	2	10	0	8
Sub-Saharan Africa	6	(25)	4	7	7
Australasia	0	(18)	0	5	4
Latin America	11	1	10	11	11
China	5	(6)	2	74	2
Developing Europe & CIS	(39)	4	(2)	19	1
Other Asia	2	(14)	(1)	9	3
MENA	12	68	31	20	24
USA & Canada	(5)	(29)	(6)	(21)	(13)
	8	2	5	7	6

** Restated for discontinued operations and segmental reclassifications.*

Notes to the Group Annual Financial Statements

for the year ended 30 June 2020

1. Changes in accounting policies/new standards adopted by the Group

IFRS 16 – *Leases*

The Group applied IFRS 16 – *Leases* retrospectively from 1 July 2019, using the modified retrospective approach. Comparatives are not restated under this approach. Consequently, there was no impact to opening retained earnings on adoption of IFRS 16 – *Leases*. The new accounting policies are disclosed in notes 4 and 16.

On adoption of IFRS 16 – *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 – *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5%.

The Group classified a number of leases of vehicles and land and buildings as finance leases under IAS 17 – *Leases*. For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 – *Leases* immediately before that date.

Expedients as permitted by the standard

(i) The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 – *Leases* to leases previously classified as operating leases under IAS 17 – *Leases*:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 – *Leases* and IFRIC 4 – *Determining whether an Arrangement contains a Lease*.

Measurement of liabilities

	R'million
Operating lease commitments disclosed at 30 June 2019	642
Unreported opening lease commitments*	141
Adjusted operating lease commitments at 30 June 2019	783
Discounted using incremental borrowing rate at the date of initial application	647
Add: finance lease liabilities recognised at 30 June 2019	20
Less: short-term leases not recognised as a liability	(23)
Less: low-value leases not recognised as a liability	(6)
Lease liability recognised at 1 July 2019	638
Split of balance	
Non-current lease liabilities	194
Current lease liabilities	444
	638

* *At 30 June 2019, R141 million relating to operating leases was not disclosed in the operating lease commitments note. This has been included above as part of opening lease liability reconciliation on adoption of IFRS 16 –* Leases. *All contracts that meet the definition of a lease are actively managed and accounted for under* IFRS 16 – Leases.

Measurement of right-of-use assets

On adoption of IFRS 16 – *Leases*, the associated right-of-use assets for all leases were measured on a prospective basis at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019.

Adjustments recognised in the statement of financial position on 1 July 2019

	R'million
The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:	
Property, plant and equipment	(42)
Right-of-use assets	680
Total assets	638
Split of balance	
Non-current lease liabilities	194
Current lease liabilities	444
Total liabilities	638

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

1. Changes in accounting policies/new standards adopted by the Group continued

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16 – *Leases* because it is not a party to any lease agreements where it is a lessor.

IFRIC 23 – *Uncertainty over Income Tax Treatments*

As of 1 July 2019, Aspen adopted the interpretation IFRIC 23 – *Uncertainty over Income Tax Treatments* which clarifies the accounting treatment for uncertainties in income taxes as a part of the application of IAS 12 – *Income taxes*. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed and uncertain tax positions are measured at the most likely outcome. The Aspen Group maintains a provision, applying the principles of IFRIC 23 – *Uncertainty over Income Tax Treatments* using methodologies that are made available in IFRIC 23 – *Uncertainty over Income Tax Treatments* that are consistent with the methods that the Aspen Group has been following prior to the implementation of IFRIC 23 – *Uncertainty over Income Tax Treatments*. The Aspen Group was not required to raise a provision, to bring into account exposures that existed at 30 June 2019, as the Aspen Group held an adequate provision at that time.

Non-current assets

2. Intangible assets

Accounting policy

Recognition and measurement

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are not revalued.

Cost

Intellectual property

The International Financial Reporting Standards do not prescribe a specific method of accounting for acquisitions of intangible assets that involve future contingent and/or milestone payments. An accounting policy choice exists and the financial liability approach has been adopted to account for these types of transactions in preference to the cost accumulation method. Under the financial liability approach, the liability is recognised at fair value at the date of initial recognition of the asset and subsequently remeasured through the statement of comprehensive income to account for changes in fair value of the liability. This will account for a higher intangible asset value and corresponding liability on acquisition when compared to the cost accumulation method, with the accounting for notional interest on the capitalised future payments.

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 future economic benefits for the Group.

Development costs

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.

Development costs directly attributable to the production of new or substantially improved products or processes controlled by the Group are capitalised (until the date of commercial production) 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. Research expenditure is charged to the statement of comprehensive income when incurred.

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 appropriate 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.

Product participation and contractual rights

Rights acquired to co-market or manufacture certain third-party products are capitalised to intangible assets. Intellectual property relating to the acquired rights are not owned by Aspen.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond 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.

2. **Intangible assets** continued

Accumulated amortisation

Intellectual property
Definite intangible assets are recognised at cost and amortised on a straight-line basis over their estimated remaining useful lives. Estimated useful lives are reviewed annually.

Amortisation is included in other operating expenses in the statement of comprehensive income.

Development costs
Development costs 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.

Product participation and contractual rights
Product participation and other acquired product-related contracted distribution rights are capitalised and amortised over the remaining contractual term net of any contracted residual values.

Software
Computer software is recognised at cost and amortised on a straight-line basis over its estimated remaining useful lives. Estimated useful lives are reviewed annually.

Impairment

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 future economic benefits for the Group.

An impairment assessment is performed on indefinite useful life intangible assets annually, or more frequently if there are impairment indicators. Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are impairment indicators. Impairment testing is performed by comparing the recoverable amount to the carrying amount of the intangible asset.

The recoverable amounts of the intangible assets are determined as the higher of value-in-use and fair value less costs to sell.

Fair value less costs to sell
In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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 a period of up to five years and are extrapolated over the useful life of the asset to reflect the long-term plans of the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.

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 takes 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 and forecasts.

The weighted average cost of capital 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.

Intangible assets that have been impaired in past financial years are reviewed for possible reversal of impairment at each reporting date.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

2. Intangible assets continued

Significant judgements and estimates

Indefinite useful life intangible assets

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

- historical product sales, volume and profitability trends as well as the expected uses for the assets 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;
- the strategy (2021 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 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;
- 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.

In assessing whether any intangible assets ought to be reclassified from indefinite life to definite life, in addition to specific known events that could indicate a reclassification is appropriate, management considers the following key criteria when selecting intangible assets for such an assessment:

- Intangible assets that have low headroom and for which the outlook reflects compound sales declines; or
- Intangible assets which have been impaired in consecutive years; or
- Intangible assets which are expected to have a negative growth in the medium to long term.

Indefinite useful life intangible assets constitute 89% of total intangible assets (2019: 89% of total intangible assets).

Definite useful life intangible assets

Amortisation rates and residual values

The Group amortises its assets over their estimated useful lives. 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 lifecycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for intangible assets. Only in the event of contractual obligations in terms of which a termination consideration is payable to the Group will management apply a residual value to the intangible asset.

The estimated remaining useful life information for 2020 was as follows:

Intellectual property	Up to 39 years
Product participation and other contractual rights	Up to 39 years
Computer software	Up to 9 years

2. Intangible assets continued

Reconciliation of balance

2020	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
Carrying amount					
Cost	**77 551**	**2 268**	**1 794**	**2 611**	**84 224**
Accumulated amortisation	**(2 077)**	**(371)**	**(334)**	**(1 363)**	**(4 145)**
Accumulated impairment losses	**(6 639)**	**(395)**	**(1)**	**(4)**	**(7 039)**
	68 835	**1 502**	**1 459**	**1 244**	**73 040**
Movement in intangible assets					
Carrying amount at the beginning of the year	**62 848**	**1 178**	**1 397**	**1 045**	**66 468**
Additions	**228**	**139**	**–**	**284**	**651**
Disposals	**(162)**	**(14)**	**–**	**(4)**	**(180)**
Amortisation	**(256)**	**(68)**	**(17)**	**(291)**	**(632)**
Reclassification between categories	**(53)**	**9**	**10**	**34**	**–**
Reclassification from property, plant and equipment	**–**	**316**	**–**	**58**	**374**
Reclassification to assets classified as held-for-sale	**(4 666)**	**(7)**	**–**	**(16)**	**(4 689)**
Impairment losses	**(1 209)**	**(127)**	**–**	**(3)**	**(1 339)**
Currency translation movements	**12 105**	**76**	**69**	**137**	**12 387**
	68 835	**1 502**	**1 459**	**1 244**	**73 040**

2019	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
Carrying amount					
Cost	69 108	1 768	1 691	2 026	74 593
Accumulated amortisation	(1 787)	(311)	(293)	(941)	(3 332)
Accumulated impairment losses	(4 473)	(279)	(1)	(40)	(4 793)
	62 848	1 178	1 397	1 045	66 468
Movement in intangible assets					
Carrying amount at the beginning of the year	68 468	1 261	1 414	1 020	72 163
Additions	1 057	209	–	256	1 522
Disposals	(70)	(60)	–	–	(130)
Amortisation	(185)	(49)	(17)	(239)	(490)
Reclassification between categories	3	(3)	–	–	–
Reclassification to assets classified as held-for-sale	(3 277)	(9)	–	–	(3 286)
Impairment losses	(2 966)	(162)	–	(3)	(3 131)
Currency translation movements	(182)	(9)	–	11	(180)
	62 848	1 178	1 397	1 045	66 468

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

2. Intangible assets continued

Indefinite useful life intangible assets

Split of balance	2020 R'million	2019 R'million
(1) AstraZeneca Anaesthetics portfolio	**21 522**	19 284
(2) GSK Thrombosis business	**13 598**	11 196
(3) MSD business	**9 406**	7 672
(4) GSK Anaesthetics portfolio	**4 847**	4 893
(5) ELIZ products	**4 139**	4 163
(6) Specialist Global Brands	**3 552**	3 483
(7) Mono-Embolex business	**2 539**	2 085
(8) GSK OTC Brands	**2 194**	2 108
(9) GSK Classic Brands	**910**	1 051
Other brands	**2 144**	3 060
	64 851	58 995

The key brands for the above mentioned indefinite life intangible assets are as follows
(1) Diprivan, EMLA, Marcaine, Naropin and Xylocaine.
(2) Arixtra and Fraxiparine.
(3) Desogrestrel, Dexamethasone, Meticorten, Orgaran, Ovestin and Testosterone.
(4) Ultiva, Nimbex, Mivacron and Tracrium.
(5) Eltroxin, Lanoxin, Imuran and Zyloric.
(6) Alkeran, Leukeran, Purinethol, Lanvis, Septrin and Trandate.
(7) Mono-Embolex.
(8) Phillips Milk of Magnesia, Solpadeine and Cartia.
(9) Augmentin, Imigran, Lamictal, Mesasil and Wellvone.

Impairment of intangible assets

Key assumptions used in the impairment tests for significant indefinite useful life intangible assets were as follows in 2020:

	Carrying amount of intangible assets (R'million)	Period covered by budgets and forecasts	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
ELIZ products	**4 139**	**5 years**	**2**	**56**	**0**	**10**
Specialist Global Brands	**3 552**	**5 years**	**(4)**	**56**	**0**	**10**
GSK OTC Brands	**2 194**	**5 years**	**7**	**49**	**0**	**11**
GSK Classic Brands	**910**	**5 years**	**1**	**64**	**0**	**9**
Mono-Embolex business	**2 539**	**5 years**	**2**	**39**	**0**	**7**
MSD business	**9 406**	**5 years**	**5**	**72**	**0**	**8**
GSK Thrombosis business	**13 598**	**5 years**	**(1)**	**53**	**0**	**9**
AstraZeneca Anaesthetics portfolio	**21 522**	**5 years**	**3**	**62**	**0**	**8**
GSK Anaesthetics portfolio	**4 847**	**5 years**	**(1)**	**60**	**0**	**9**

Average compound annual growth rate during the period covered by above mentioned budgets and forecasts.
* *Average growth rate used to extrapolate cash flows beyond period covered by above mentioned budgets and forecasts.*

Based on the calculations the appropriate impairments and reversal of impairments were recognised for these indefinite useful life intangible assets.

The directors and management have performed a sensitivity analysis in order to consider and assess the impact of possible changes in key assumptions on the recognised impairments. The assumptions that are considered to be the main drivers in the calculation of the value of the intangible assets and where changes are reasonably possible are: price levels, the growth rate of the assets beyond the five-year forecast period and the discount rate used.

2. **Intangible assets** continued

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modelling. It is the directors' and management's view that the appropriate impairments and reversal of impairments were recognised at 30 June 2020.

	1% point reduction in revenue due to price reductions R'million	1% point reduction in terminal growth* R'million	0,5% point increase in the pre-tax discount rate R'million
Specialist Global Brands	23	145	95
GSK OTC Brands	29	34	27
GSK classic Brands	12	32	26
MSD business	43	30	158
GSK Thrombosis business	–	97	–
GSK Anaesthetics portfolio	17	64	31

** Average growth rate used to extrapolate cash flows beyond period covered by above mentioned budgets and forecasts.*

The directors and management consider that changes in excess of those shown above are not probable and that the remaining headroom between the value determined in the impairment tests and the carrying amounts of the indefinite useful life intangible assets is sufficient to support the above disclosure.

Key assumptions used in the impairment tests for significant indefinite useful life intangible assets were as follows in 2019:

	Carrying amount of intangible assets (R'million)	Period covered by budgets and forecasts	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
ELIZ products	4 163	5 years	2	58	0	11
Specialist Global Brands	3 483	5 years	(5)	61	(1)	11
GSK OTC Brands	2 108	5 years	5	57	0	13
GSK Classic Brands	1 051	5 years	0	66	(1)	9
Mono-Embolex business	2 085	5 years	(1)	33	0	6
MSD business	7 672	5 years	4	71	0	9
GSK Thrombosis business	11 196	5 years	2	49	0	10
AstraZeneca Anaesthetics portfolio	19 284	5 years	2	56	0	10
GSK Anaesthetics portfolio	4 893	5 years	3	55	0	11

 # Average compound annual growth rate during the period covered by above mentioned budgets and forecasts.
** Average growth rate used to extrapolate cash flows beyond period covered by above mentioned budgets and forecasts.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

2. Intangible assets continued

	Note	2020 R'million	2019 R'million
Impairment of intangible assets (included in other operating expenses)			
Impairment of intangible assets can be split as follows:			
Hydroxyprogesterone Caproate ("HPC")	1	**640**	–
GSK OTC Brands	2	**286**	–
GSK Classic Brands distributed in Australia		**133**	180
Development costs in South Africa	3	**96**	162
Specialist Global Brands	4	**63**	876
MSD business		**52**	158
South African Regional Brands		**25**	321
Other		**24**	105
GSK Anaesthetics portfolio		**20**	264
Zantac		**–**	719
ELIZ products		**–**	248
Novartis Brands		**–**	98
		1 339	3 131

The impairments have generally arisen as a result of a decline in the outlook of revenue and profitability but notable circumstances exist in the case of:

(1) The introduction by market leader of a novel delivery system coupled with material price reductions by other competitors has resulted in a full impairment of this brand which is sold exclusively in the United States.

(2) The majority of this impairment relates to one brand that is primarily sold in the Middle East and which is experiencing a more subdued commercial outlook and heightened risk environment.

(3) Product development projects which were no longer technically or commercially feasible.

(4) Decline in sales outlook in the United States of one of the oncology products.

2. **Intangible assets amount** continued

The carrying amount of intangible assets impaired have been determined based on either fair value less costs to sell or value-in-use calculations, using a five-year forecast horizon.

Other key assumptions used relating to the material brands that have been impaired were:

	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Specialist Global Brands	(3)	74	0	10
GSK OTC Brands	9	40	0	15
GSK Classic Brands distributed in Australia	2	53	0	9

Average compound annual growth rate during the period covered by above mentioned budgets and forecasts.
* *Average growth rate used to extrapolate cash flows beyond the period covered by above mentioned budgets and forecasts.*

Reversal of impairment of intangible assets (included in other operating income)

No reversal of impairments were noted for the current financial year (2019: Nil).

	2020 R'million	2019 R'million
Commitments		
Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following:		
Authorised and contracted for	540	210
Authorised but not yet contracted for	359	691
	899	901

Other disclosures

No intangible assets have been pledged as security for borrowings.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

3. Property, plant and equipment

Accounting policy

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

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

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount 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.

Depreciation
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.

Impairment
The Group reviews the carrying amount of its property, plant and equipment annually and if events occur which call into question the carrying amount 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.

Significant judgements and estimates

Depreciation and residual values
The Group depreciates its assets over their estimated useful lives. 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 lifecycles and maintenance programmes. These depreciation rates represent management's current best estimate of the useful lives of these assets.

Significant judgement is applied by management when determining the residual values for property, plant and equipment. When determining the residual value the following factors are taken into account:
- external residual value information (if available); and
- internal technical assessments for complex plant and machinery.

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

Depreciation rates
The estimated remaining useful life information for 2020 was as follows:

Buildings	Up to 50 years
Plant and equipment	Up to 24 years
Computer equipment	Up to 10 years
Office equipment and furniture	Up to 10 years

3. Property, plant and equipment continued

Reconciliation of balance

2020	Land and buildings R'million	Plant and equipment R'million	Other tangible assets[@] R'million	Capital work-in-progress R'million	Total R'million
Carrying amount					
Cost	5 380	7 441	1 506	6 468	20 795
Accumulated depreciation	(1 649)	(3 513)	(975)	–	(6 137)
Accumulated impairment losses	(17)	(67)	(4)	(338)	(426)
	3 714	3 861	527	6 130	14 232
Movement in property, plant and equipment					
Carrying amount at the beginning of the year	3 707	3 493	470	4 395	12 065
Additions	31	329	67	1 612	2 039
Borrowing costs capitalised*	–	–	–	238	238
Disposals	(6)	(14)	(5)	–	(25)
Depreciation	(186)	(461)	(138)	–	(785)
Reclassification between categories	(148)	165	61	(78)	–
Reclassification to intangible assets**	–	–	–	(374)	(374)
Reclassification to assets classified as held-for-sale	–	–	(3)	(1)	(4)
Impairment losses	–	(1)	–	(11)	(12)
Reversal of impairment losses	–	2	–	–	2
Currency translation movements	316	348	75	349	1 088
	3 714	3 861	527	6 130	14 232

2019	Land and buildings R'million	Plant and equipment R'million	Other tangible assets[@] R'million	Capital work-in-progress R'million	Total R'million
Carrying amount					
Cost	4 951	6 259	1 196	4 721	17 127
Accumulated depreciation	(1 144)	(2 691)	(723)	–	(4 558)
Accumulated impairment losses	(100)	(75)	(3)	(326)	(504)
	3 707	3 493	470	4 395	12 065
Movement in property, plant and equipment					
Carrying amount at the beginning of the year	3 566	3 082	412	4 308	11 368
Additions	277	551	134	1 480	2 442
Borrowing costs capitalised*	–	–	–	234	234
Disposals	(4)	(19)	(9)	(1)	(33)
Depreciation	(192)	(453)	(139)	–	(784)
Reclassification between categories	613	820	94	(1 527)	–
Reclassification to assets classified as held-for-sale	(338)	(366)	(19)	–	(723)
Impairment losses	(275)	(193)	(17)	(56)	(541)
Reversal of impairment losses	5	12	9	–	26
Currency translation movements	55	59	5	(43)	76
	3 707	3 493	470	4 395	12 065

[@] *Other tangible assets comprise of computer equipment, office equipment and furniture.*

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 8,3% (2019: 8,0%).*

** *This reclassification relates to development costs and software classified as capital work-in-progress in the prior year.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

3. Property, plant and equipment continued

Impairments

	2020 R'million	2019 R'million
Split balance		
European factories	–	393
South African factories	11	142
Other	1	6
	12	541

European factories
In the prior year the impairment related mainly to Aspen Oss, whereby there were two major impairments:

- The facility at Boxtel was fully impaired at a value of R306 million. This facility manufactures a female hormonal product mainly for MSD. Volumes have reduced significantly over the past couple of years and the future volume outlook is not favourable as MSD has discontinued the finished product in various regional markets.
- One of the Heparin production facilities is no longer productive given the reduction in sourced global mucosa volumes and is not in use. The impairment value was R87 million.

South African factories
In 2020 and 2019 the impairment for SA operations relates to various strategic projects which have been discontinued as they are no longer commercially viable.

Commitments

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. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following:

	2020 R'million	2019 R'million
Authorised and contracted for	1 279	1 258
Authorised but not yet contracted for	2 175	3 191
	3 454	4 449

Operating lease commitments

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.

The future minimum operating lease payments are as follows

	2020 R'million	2019 R'million
Less than one year	–	166
Between one and five years	–	442
Later than five years	–	34
	–	642

Operating leases comprises a number of individually insignificant leases. These leasing arrangements do not impose any significant restrictions on the Group. These leases are accounted for in terms of IAS 17 – *Leases* in the prior year.

Other disclosure

Summary of land and buildings

	2020 R'million	2019 R'million
Land	747	631
Buildings	2 967	3 076
	3 714	3 707

3. Property, plant and equipment continued

The depreciation charge was classified as follows in the statement of comprehensive income:

	2020			Restated 2019		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Cost of sales	**681**	**–**	**681**	621	47	668
Selling and distribution expenses	**25**	**–**	**25**	26	4	30
Administrative expenses	**77**	**2**	**79**	86	–	86
	783	**2**	**785**	733	51	784

No property, plant and equipment was pledged or committed as security for any borrowings.

4. Right-of-use assets

Accounting policy

Group's leasing activities

The Group's leases include office and warehouse buildings, vehicles, plant and machinery and computer hardware. Rental contracts are for fixed periods varying between two and ten years but may have renewal periods as described below.

From 1 July 2019, at inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition and measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Depreciation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as the shorter of the asset's useful life and the lease term including options to extend and or terminate the lease if the Group is reasonably certain it will exercise the option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated remaining useful life information for 2020 was as follows:

Buildings	Up to 10 years
Motor vehicles	Up to 5 years
Plant and machinery	Up to 6 years
Computer hardware	Up to 5 years

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

4. Right-of-use assets continued

Accounting policy

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle, significance of related leasehold improvements and past history of terminating/not renewing leases.

The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the Group and the lessor to terminate the lease without a termination penalty. In determining whether the Group has an economic incentive to not exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

Lease and non-lease components

A number of lease contracts include both lease and non-lease components (e.g. maintenance, security, taxes etc). The Group allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices. The stand-alone prices of each component are based on available market prices. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in the statement of comprehensive income as they are incurred.

Short-term leases and leases of low-value assets

The Group elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Reconciliation of balance

2020	Buildings R'million	Motor vehicles R'million	Plant and machinery R'million	Computer hardware R'million	Total R'million
Carrying amount					
Cost	579	185	10	26	800
Accumulated depreciation	(129)	(58)	(5)	(7)	(199)
	450	127	5	19	601
Movement in right-of-use assets					
Additions	555	172	8	24	759
Depreciation	(122)	(54)	(4)	(6)	(186)
Reclassification to assets classified as held-for-sale	(22)	–	–	–	(22)
Currency translation movements	39	9	1	1	50
	450	127	5	19	601

4. **Right-of-use assets** continued

Commitments

Short-term leases and leases of low-value assets

	2020 R'million	2019 R'million
The Group has a number of insignificant short-term and low-value leased assets which includes leases of offices, warehouses and other equipment. These are not included in the right-of-use assets but expensed in terms of IFRS 16 – *Leases*.		
Less than 1 year	30	–
Between 1 and 5 years	64	–
Later than 5 years	2	–
	96	–

Short-term leases and leases of low-value assets comprise a number of individually insignificant leases. These leasing arrangements do not impose any significant restrictions on the Group.

Amount recognised in the statement of comprehensive income

	2020 R'million	2019 R'million
Buildings	122	–
Motor vehicles	54	–
Plant and machinery	4	–
Computer hardware	6	–
Depreciation of right-of-use assets	186	–
Interest expense (included in finance costs)	58	–
Expenses relating to short-term and low-value leases (included in operating expenses)	94	–
Amount recognised in the statement of cash flows		
Interest paid (included in cash flows from operating activities)	58	–
Repayment of lease liabilities (included in financing activities)	166	–
Total cash outflow	224	–

The depreciation charge was classified as follows in the statement of comprehensive income:

	2020		
	Continuing R'million	Discontinued R'million	Total R'million
Cost of sales	19	–	19
Selling and distribution expenses	9	–	9
Administrative expenses	155	3	158
	183	3	186

Other disclosure

No right-of-use asset was pledged or committed as security for any borrowings.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

5. Goodwill

Accounting policy

Recognition and measurement

Goodwill on the acquisition of subsidiaries or businesses is capitalised and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses.

Cost

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 interests 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.

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

Impairment

For the purposes of impairment testing, goodwill is allocated to the smallest cash generating unit. 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. Impairment assessments are performed annually, or more frequently if there are indicators that the balance might be impaired. Impairment testing is performed by comparing the value-in-use of the cash generating unit to the carrying amount. Impairment testing is only performed on cash generating units that are considered to be significant in comparison to the total carrying amount of goodwill.

Value-in-use

Key assumptions 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 a five-year period 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 pre-tax based on an assessment of the current risks applicable to the specific entity and country in which it operates.

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 rates 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 and forecasts.

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

Impairment losses recognised for goodwill are not reversed in subsequent financial years.

5. **Goodwill** continued

	2020 R'million	2019 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**4 649**	6 126
Transfer to assets classified as held-for-sale	**(45)**	(1 319)
Impairment loss	**(96)**	(111)
Currency translation movements	**867**	(47)
	5 375	4 649
Split of balance		
Sigma business – Australasia	**3 787**	3 132
AstraZeneca Anaesthetics portfolio	**369**	324
MSD business	**224**	271
Other	**995**	922
	5 375	4 649

Impairment of goodwill

Key assumptions on the impairment tests for goodwill were as follows in 2020:

	Carrying amount of goodwill (R'million)	Period covered by budgets and forecasts	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Capital expenditure (per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Sigma business – Australasia^	**3 787**	**5 years**	**2**	**39**	**AUD7 million**	**3**	**10**
AstraZeneca Anaesthetics portfolio	**369**	**5 years**	**3**	**62**	**–**	**0**	**8**
MSD business	**224**	**5 years**	**5**	**72**	**–**	**0**	**8**

Based on the calculations the goodwill relating to the MSD business was impaired by R83 million (2019: R36 million). In addition goodwill of R13 million (2019: R75 million) relating to the GSK anaesthetics portfolio was impaired.

The directors and management have considered and assessed reasonably possible changes in key assumptions that could cause the carrying amounts of the various elements of goodwill to exceed their values in use. The assumptions that are considered to be the main drivers in the calculation of the value of goodwill and where changes are reasonably possible are price levels, the growth rate of the relevant businesses beyond the five-year forecast period and the discount rate used. Reasonably possible changes in these key assumptions are: a 1% reduction in revenue due to price declines, a 1% reduction in the terminal growth rate and a 0,5% increase in the pre-tax discount rate. In all cases none of these changes resulted in a possible impairment of greater than R20 million.

Key assumptions on the impairment tests for goodwill were as follows in 2019:

	Carrying amounts of goodwill (R'million)	Period covered by forecasts and budgets	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Capital expenditure (per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Sigma business – Australasia^	3 132	5 years	0	51	AUD3 million	3	11
AstraZeneca Anaesthetics portfolio	324	5 years	2	56	–	0	10
MSD business	271	5 years	4	71	–	0	9

Average compound annual growth rate during the period covered by abovementioned budgets and forecasts.

* *Average growth rate used to extrapolate cash flows beyond the period covered by above mentioned budgets and forecasts.*

^ *Following the reshaping of the Australian business, which included the divestment and discontinuation of certain non-core pharmaceutical products in the previous financial year, the business has been consolidated under one cash generating unit, which incorporates the Sigma goodwill. This has led to updated assumptions in the current financial year.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

6. Deferred tax

Accounting policy

Recognition and measurement

Deferred tax is provided using the liability method, providing for temporary differences arising between the tax base and the accounting carrying amount of amounts reflected in the consolidated financial statements. Deferred tax is, however, not provided for temporary differences that arise from the initial recognition of an asset or liability where that transaction does not affect accounting and tax profits or losses. The only exception to this being when that asset or liability arises in terms of a business combination. Deferred tax is determined at tax rates that are enacted or substantively enacted at year-end and are expected to apply when that temporary difference reverses.

Deferred tax is not provided on temporary differences arising on investments in subsidiaries and associates 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 only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

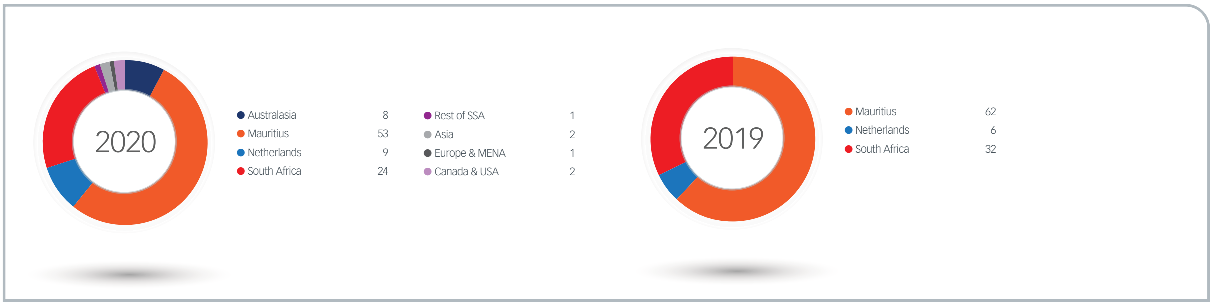
Significant judgements and estimates

A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that taxable profits will arise in future against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date to ensure that the tax benefit will be realised. If it is determined that the tax benefit will not be realised, the deferred tax asset will be reversed.

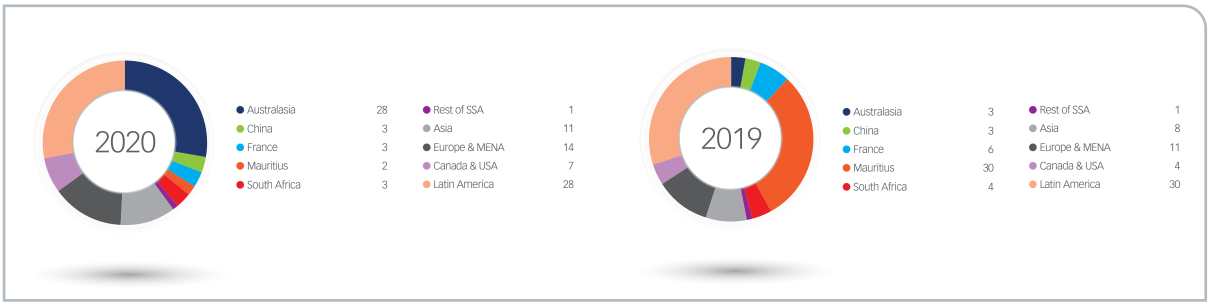
	2020 R'million	2019 R'million
Reconciliation of balance		
Deferred tax liabilities – opening balance	**2 049**	2 213
Deferred tax assets – opening balance	**(1 163)**	(966)
Net deferred tax liabilities – opening balance	**886**	1 247
Statement of comprehensive income credit	**(43)**	(312)
Charge to equity	**1**	(5)
Transfer to classified assets held-for-sale	**(82)**	(31)
Currency translation movements	**225**	(13)
	987	886
Split of balance		
Deferred tax liabilities	**2 701**	2 049
Deferred tax assets	**(1 714)**	(1 163)
	987	886
Deferred tax balance comprises		
Intangible assets	**2 189**	1 958
Property, plant and equipment	**664**	396
Non-current liabilities	**228**	212
Provisions	**(716)**	(696)
Onerous contracts	**(270)**	(241)
Tax losses	**(908)**	(525)
Retirement benefit obligations	**(198)**	(134)
Other receivables and payables	**(75)**	(47)
Other	**73**	(37)
	987	886

6. Deferred tax continued

Deferred tax asset
(%)



Deferred tax liability
(%)



	2020 R'million	2019 R'million
The statement of comprehensive income (credit)/debit comprises		
Intangible assets	**(128)**	(41)
Property, plant and equipment	**292**	(92)
Non-current liabilities	**24**	(68)
Provisions	**44**	(110)
Onerous contracts	**22**	137
Tax losses	**(358)**	(168)
Retirement benefit obligations	**(3)**	(8)
Other receivables and payables	**60**	29
Other	**4**	9
	(43)	(312)

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

6. Deferred tax continued

The statement of comprehensive income (credit)/debit comprises continued

On an annual basis, the Group assesses its deferred tax assets, especially relating to the timing of use of those assets. During the current year, we specifically considered the recoverability of the deferred tax assets relating to assessed losses as the remaining deferred tax assets are realised during the subsequent year as provisions are reversed for accounting purposes and realised for tax purposes. In performing the assessment of deferred tax assets relating to assessed losses, we considered the duration in which those deferred tax assets will be utilised by applying a combination of the stress-tested management's earnings projections and the domestic tax rules relating to the utilisation of those assessed losses. To the extent that we believe that the deferred tax asset will be utilised within the foreseeable future, a deferred tax asset is raised. If, however, the domestic tax law, limits our ability to claim the assessed losses against taxable income (by way of example, in Brazil) or due to the fact that we believe the deferred tax asset will not be utilised in the foreseeable future, we would only raise a deferred tax asset based on the lower of the total assessed loss and the projected earnings.

During the current year, the Group raised additional deferred tax assets in relation to our Canadian, Mexican, South African and US businesses relating to assessed losses that are projected to arise for these businesses. The Group is confident that these deferred tax assets will materialise in the foreseeable future.

In addition, the Group monitors changes in statutory tax rates to ensure the deferred tax asset or liability appropriately reflects the benefit or expense that will arise as the deferred tax asset or liability materialises. During the current fiscal year, the impact of changes in statutory tax rates was specifically considered in relation to France and the Netherlands and adjustments to the deferred tax balances have been incorporated in the balances that have been disclosed for the respective Group companies.

The Group does report its deferred tax assets and liabilities based on its ability to net those off against one another, assuming that the asset and liability arises in the same tax group for tax purposes. Other than Australia, all deferred tax assets and liabilities are reflected on a net basis within the same legal entity as they are recoverable from the same tax authority, with the consolidated number being included in the Group results.

7. Contingent environmental assets and indemnification liabilities

Accounting policy

Recognition and measurement

The contingent environmental indemnification assets and contingent environmental liabilities relate to environmental remediation required at the Moleneind site at Oss, in the Netherlands. The remediation is being managed, undertaken and funded by MSD. However, as owner of the site, Aspen Oss has inherited a legal obligation for the remediation for which it has been indemnified by MSD. Consequently, Aspen has recognised contingent liabilities and corresponding contingent indemnification assets based on an independent estimate of the remediation cost. In view of MSD's involvement in the remediation process, the balances have been referred to as contingent as the settlement of the liabilities and the realisation of the indemnification assets are not expected to have any cash flow implications for the Group.

Liabilities for environmental restoration are recognised when the Group has a legal or a constructive obligation, as a result of a past event, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation and the obligation can be measured reliably. The environmental liabilities are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

	2020 R'million	2019 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**801**	802
Decrease in liability from updated assessment	**(579)**	–
Currency translation movements	**102**	(1)
	324	801

Decrease in liability from updated assessment

An updated assessment has been concluded by MSD in consultation with management on the estimated pollution and the soil remediation cost for the Moleneind land at Aspen Oss resulting in a reduction of the environmental asset and related liability from EUR50 million to EUR17 million.

8. Other non-current assets

Accounting policy

Recognition and measurement

Other non-current and current receivables

Other non-current and current receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. No fair value adjustment is made for the effect of time value of money where receivables have a short-term profile.

We considered the expected credit losses on non-current and current receivables under the general model and the impact is not considered material.

Outstanding proceeds are of a contractual nature and no expected credit loss provision has been raised in accordance with IFRS 9 – *Financial Instruments*.

Investments in joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group had interests in joint ventures which were accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

	Notes	2020 R'million	2019 R'million
Split of balance			
Other non-current receivables	8.1	**1 145**	1 018
Investments in joint ventures	8.2	**–**	–
		1 145	1 018

8.1 Other non-current receivables and current receivables

	2020 R'million	2019 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**1 450**	942
Proceeds received per cash flow statement – other	**(86)**	(42)
Proceeds received per cash flow statement from the disposal of the Asia Pacific non-core pharmaceutical portfolio	**(389)**	–
Outstanding proceeds on disposal of the Asia Pacific non-core pharmaceutical portfolio	**186**	934
Transfer to assets classified as held-for-sale	**–**	(308)
Outstanding proceeds from sale of Fludrocortisone intellectual property in UK and Europe – average exchange rate per cash flow statement	**158**	–
Outstanding proceeds on disposal of the Japanese business – average exchange rate per cash flow statement	**936**	–
Impairment of enterprise development loans	**(13)**	–
Currency translation movements	**519**	(76)
	2 761	1 450
Split of balance		
Non-current	**1 145**	1 018
Current	**1 616**	432
	2 761	1 450
Summary of balance (non-current and current)		
Employee benefits – reimbursive rights	**279**	245
Exports advance to API supplier	**303**	269
Outstanding proceeds on disposal of the Japanese business – closing exchange rate	**1 159**	–
Enterprise development loans	**36**	54
Outstanding proceeds from the disposal of the Asia Pacific non-core pharmaceutical portfolio	**776**	882
Outstanding proceeds from sale of Fludrocortisone intellectual property in UK and Europe – closing exchange rate	**208**	–
	2 761	1 450
Split of balance		
Financial instruments	**2 482**	1 205
Non-financial instruments	**279**	245
	2 761	1 450

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

8. Other non-current assets continued

8.1 Other non-current receivables continued

Employee benefits – reimbursive rights

As part of the GSK thrombosis business acquisition in 2014, Aspen acquired certain non-current employee-related liabilities (which have been included in retirement and other employee benefit obligations on the statement of financial position). As part of the agreement GSK is responsible for pre-acquisition liabilities. The value of the non-current employee-related liabilities acquired are based on independent valuations and as such an equal and opposite asset was recognised. GSK will reimburse Aspen as and when the liabilities are paid out to employees who qualify for the benefits. Management considers the credit risk associated with these non-current receivables to be low.

Exports advance to API supplier

The export advance was made to a supplier of active pharmaceutical ingredients and is to be settled through the provision of a certain level of inventory annually over the course of a 10-year supply agreement.

Enterprise development loans

Various agreements have been entered into with several BBBEE beneficiaries whereby loan funding has been advanced by Aspen. These loans have various terms ranging from three to five years and all the loans will be repaid at the end of their respective terms. The loans bear interest at the South African prime rate plus margins ranging from minus 2% to plus 1% (2019: South African prime rate plus margins ranging from minus 2% to plus 1%).

All the loans are secured by either immovable property, specified movable assets or cession of specified book debts. In the current year an assessment was performed on these loans and the Group recognised an impairment against these enterprise development loans. These secured loans were granted to local small businesses who have been heavily impacted by COVID-19 and Aspen has consequently taken a conservative approach and raised an impairment provision for those loans which Aspen considered to have a high risk of not being recovered.

Outstanding proceeds – Asia Pacific non-core pharmaceutical portfolio

The unconditional deferred consideration of AUD30 million which was due by Mylan in January 2020 was received on due date. A final conditional deferred consideration receivable in September 2020 was estimated in the prior year at a value of AUD49 million. Following the achievement of certain contractual conditions which were not considered probable in the prior year, the estimated receivable which is no longer conditional has increased to AUD67 million. The incremental value of AUD18 million has been disclosed as an additional profit on the sale of the Asia Pacific non-core pharmaceutical portfolio and included in discontinued operations. In a separate transaction also related to the disposal of non-core pharmaceutical products in Asia Pacific an unconditional deferred consideration of AUD12 million was received in December 2019.

Outstanding proceeds from disposal of Japanese business

The outstanding proceeds are contingent on the achievement of various supply-related, licence extension and new business development milestones. The amount can be split as follows:

	2020 R'million
Ultiva licence extension milestone receivable – current	193
Uninterrupted supply milestone payment	881
Current	382
Non-current	499
New business development milestone – non-current	85
	1 159

Ultiva licence extension milestone

The Ultiva brand is currently commercialised in Japan by Janssen. Aspen will receive a milestone payment from Sandoz based on their ability to renew the contract at more favourable terms. The milestone payment is based on achievement of an extended contract with Janssen as well as improved supply prices. An 80% probability has been applied to this scenario that Aspen will be able to secure the contract extension as well as provide certain levels of improved supply prices. Management's best estimate is a contingent receivable of EUR10 million with receipt expected in financial year 2022.

Uninterrupted supply milestone payment

As part of the disposal of the Japanese business Aspen Global has also entered into a Manufacturing and Supply Agreement with Sandoz for a period of five years, with a further two-year extension option. Aspen will be entitled to a total milestone receipt of EUR50 million over three calendar years (the first year ending December 2020) based upon meeting contractual stock supply service levels in each contract year. Aspen has included a total contingent receivable of EUR47 million in the statement of financial position. Based on the expected performance Aspen has included 100% of the first two milestones and conservatively 80% of the third milestone. The discount rate used in present valuing the supply milestone receipt was 2,2% and the present value is EUR45 million.

8. Other non-current assets continued

8.1 Other non-current receivables continued

	EUR million
Split of balance:	
Year ending 30 June 2021 (100% probability)	**20**
Year ending 30 June 2022 (100% probability)	**15**
Year ending 30 June 2023 (EUR15 million at 80% probability)	**12**
	47

New business development milestone

Aspen has the opportunity to receive new product introduction milestones in terms of the disposal contract. An initial amount of EUR5 million has been included based upon the registration of a new product with an expected launch in September 2020 with the milestone being based on its post-launch projected performance. The payment of the milestone is expected to be settled 12 months from launch, being September 2021. This receivable will be reviewed on an annual basis and is dependant upon further product introductions and the future performance of these products. The milestone payment is based on multiples of gross profit achievement over the five-year contract period. The discount rate used in present valuing the new business development milestone receipt was 2,2%.

Outstanding proceeds from the disposal of Fludrocortisone in UK and Europe

Effective 28 February 2020, Aspen disposed of its rights to Fludrocortisone in the UK and Europe for a total consideration of EUR24 million with EUR13 million being received on the transaction date and EUR11 million being receivable on 31 July 2020.

Exposure to credit risk

All of the Group's non-current and current financial assets at amortised cost are considered to have a reduced credit risk (other than enterprise development loans) as there are no historical losses, therefore no loss allowance has been recognised for expected losses. The Group considers a financial instrument to have low credit risk when it has a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

8.2 Investments in joint venture

	2020 R'million	2019 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**–**	194
Acquisition of remaining shares in joint ventures	**–**	1 016
Transfers to assets classified as held-for-sale	**–**	(1 983)
Fair value gain on revaluation	**–**	756
Other	**–**	(45)
Share of after tax net profit of joint ventures	**–**	62
	–	–

NZ New Milk

On 31 October 2014, the Company acquired a 50% shareholding in NZ New Milk, a producer of infant nutritionals incorporated in Auckland, New Zealand. The company is a private company and no quoted market price is available for its shares. As part of the disposal of the Nutritionals business in the prior year, Aspen acquired the remaining 50% of the NZ New Milk joint venture for a total consideration of R808 million. This led to this joint venture being a 100% owned subsidiary of the Group. As this subsidiary was held exclusively with a view to resell, Aspen made a choice to account for the subsidiary using the "short-cut method" given in the IFRS 5 – *Non-current assets held-for-sale and discontinued operations* implementation guidelines. This subsidiary was acquired exclusively with a view to resell and has been valued at fair value less costs to sell. This valuation resulted in R614 million fair value gain recognised in discontinued operations (included in profit on sale of discontinued operations).

Aspen Nutritionals Hong Kong Limited

On 8 March 2017, the Company acquired a 50% shareholding in Aspen Nutritionals Hong Kong Limited, a company incorporated in Hong Kong. It is one of the Company's exclusive distributors of the "Alula" infant milk products. The company is a private company and no quoted market price is available for its shares. As part of the disposal of the Nutritionals business in the prior year, Aspen acquired the remaining 50% shareholding in Aspen Nutritionals Hong Kong Limited for a consideration of R208 million. This led to this joint venture being a 100% owned subsidiary of the Group. As this subsidiary was held exclusively with a view to resell, Aspen made a choice to account for the subsidiary using the "short-cut method" given in the IFRS 5 – *Non-current assets held-for-sale and discontinued operations* implementation guidelines. This subsidiary was acquired exclusively with a view to resell and has been valued at fair value less costs to sell. This valuation resulted in R142 million fair value gain recognised in discontinued operations (included in profit on sale of discontinued operations).

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

Current assets

9. Inventories

Accounting policy

Recognition and measurement

The Group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Cost is determined on the first-in-first-out basis. Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Inventories are subsequently measured at the lower of cost and net realisable value. 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.

A provision for obsolete inventories is established when there is evidence that no future economic benefits will be obtained for such inventories. The carrying amount of the inventories is reduced and the amount of the loss is recognised in the statement of comprehensive income within cost of sales.

Significant judgements and estimates

Estimation of provision for obsolete stock

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

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

	2020 R'million	2019 R'million
Summary of balance		
Raw materials	**3 877**	3 460
Work-in-progress	**3 785**	5 627
Finished goods	**8 243**	5 124
Consumables	**508**	437
	16 413	14 648
Impairment of inventories		
The impairment charge (included in cost of sales) is made up as follows		
Impairment of inventories recognised as an expense*	**1 050**	477
Movement in the provision for impairment	**(103)**	106
	947	583

** The write-down relates to expired pharmaceutical finished product inventories and manufacturing inventories write-offs. Due to the finite shelf life of pharmaceutical products they are more susceptible to impairment. The manufacturing entities inherently incur inventory write-offs as a result of production related inefficiencies.*

	2020 R'million	2019 R'million
Reconciliation of provision for impairment		
Balance at the beginning of the year	**967**	832
Raised during the year	**663**	590
Utilised during the year	**(766)**	(484)
Transfer to assets held-for-sale	**(5)**	–
Currency translation movements	**137**	29
	996	967

Other disclosures

Inventories to the value of R3 billion (2019: R2 billion) have been pledged as security for the 10-year interest free loan from MSD. Refer to note 17.1.

All inventories are at cost, except for raw materials of R521 million (2019: R182 million) which were carried at net realisable value.

10. Receivables and other current assets

Accounting policy

Recognition and measurement

Receivables and other current assets (except for trade receivables which are initially measured at transaction price) are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. No fair value adjustment is made for the effect of time value of money where receivables have a short-term profile. Financial assets and liabilities are in the Group statement of financial position when the Group becomes a party to the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Other receivables comprise receivables mainly of a contractual nature, initially recognised at fair value and subsequently at amortised cost. The remainder of other receivables which are not of a contractual nature is recognised initially at fair value and subsequently at fair value through profit and loss.

The Group applies the IFRS 9 – *Financial Instruments* simplified approach to measuring expected credit losses which use an expected credit loss allowance/provision for all trade receivables. None of the trade and other receivables have a significant financing component.

IFRS 9 allows an entity to use a simplified "provision matrix" for calculating expected losses as a practical expedient for trade receivables, if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

We considered the expected credit losses on receivables other than trade receivables under the general model and the impact is not considered material.

This provision is recognised through the use of an allowance account for losses. The carrying amount of the asset is reduced and the amount of the loss is recognised 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.

A default in trade receivables is when the counterparty fails to meet payment terms of 30 days. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group for a period of greater than 180 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is credited against administrative expenses in the statement of comprehensive income.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

10. Receivables and other current assets continued

	Notes	2020 R'million	2019 R'million
Split of balance			
Trade and other receivables	10.1	**11 323**	11 762
Derivatives	10.2	**17**	36
Current tax assets		**276**	281
Other current receivables	8.1	**1 616**	432
		13 232	12 511

10.1 Trade and other receivables

	2020 R'million	2019 R'million
Summary of balance		
Trade receivables	**9 280**	9 446
Allowance account for losses	**(228)**	(460)
Net trade receivables	**9 052**	8 986
Indirect taxes	**813**	1 032
Prepayments	**329**	380
Other	**1 129**	1 364
	11 323	11 762
Split of balance		
Financial assets	**9 471**	9 445
Non-financial assets	**1 852**	2 317
	11 323	11 762

Impairment of trade and other receivables

	2020 R'million	2019 R'million
The impairment charge (included in administrative expenses) is made up as follows		
Bad debts written-off	**246**	–
Movement in the allowance account for losses	**(268)**	201
	(22)	201

The majority of the write-off relates to long outstanding debtors in the Nutritionals business disposed of in May 2019.

	2020 R'million	2019 R'million
Reconciliation of allowance account for losses*		
Balance at the beginning of the year	**460**	261
Raised during the year	**102**	277
Utilised during the year	**(370)**	(76)
Currency translation movements	**36**	(2)
	228	460

** The allowance account for losses includes specific and expected credit loss provisions.*

10. Receivables and other current assets continued

10.1 Trade and other receivables continued

Other disclosures

Credit risk

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations of the financial condition of customers are performed and where appropriate credit guarantee insurance cover is purchased. Balances to the value of R898 million (2019: R739 million) were covered by credit guarantee insurance. 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. None of the debtors balances in June 2020 or June 2019 constitutes a significant concentration of credit risk. There are no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2020 and 2019.

The Group has made allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Amounts past their due dates which are not provided for are considered to be recoverable.

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.

Age analysis of trade receivables (financial instruments only)

2020	Fully performing R'million	Past due by 1 to 30 days R'million	Past due by 31 to 90 days R'million	Past due by 91 to 180 days R'million	Past due by more than 180 days R'million	Total R'million
Expected credit loss %*	<1%	1%	1%	<1%	21%	
Gross trade receivables	6 984	1 289	480	243	284	9 280
Specific provisions – 100% considered unrecoverable	(18)	(1)	(6)	(10)	(128)	(163)
Gross trade receivables net of specific provision	6 966	1 288	474	233	156	9 117
Expected credit loss provision	(23)	(3)	(6)	(2)	(31)	(65)
Net carrying amount	6 943	1 285	468	231	125	9 052
2019						
Expected credit loss %*	<1%	1%	1%	<1%	13%	
Gross trade receivables	7 628	633	488	306	391	9 446
Specific provisions – 100% considered unrecoverable	(89)	(25)	(13)	(3)	(250)	(380)
Gross trade receivables net of specific provision	7 539	608	475	303	141	9 066
Expected credit loss provision	(19)	(5)	(3)	(1)	(52)	(80)
Net carrying amount	7 520	603	472	302	89	8 986

* *The expected credit loss provision ("ECL") for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions. Specific provisions are raised when there is objective evidence that the amount outstanding will no longer be received in full. These assumptions remain unchanged from the prior year.*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles over a period of three years before 30 June 2019 or 30 June 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables.

The impact of forward looking information has been taken into account in the determination of the expected credit loss provision as reflected above. We have also considered the potential implications of COVID-19 in the assessment of the allowance account for losses and while the situation is still evolving, we believe that it will not have a significant adverse effect on the recoverability of debtors.

10. Receivables and other current assets continued

10.1 Trade and other receivables continued

	2020 R'million	2019 R'million
Currency analysis of trade and other receivables (financial instruments only)		
Australian Dollar	**722**	683
Brazilian Real	**319**	362
Euro	**2 308**	2 128
Mexican Peso	**270**	323
Pound Sterling	**127**	208
South African Rand	**1 566**	1 814
Russian Ruble	**215**	223
US Dollar	**2 345**	1 974
Other currencies	**1 599**	1 730
	9 471	9 445

General

The Group holds no collateral over any trade and other receivables.

Trade and other receivables are predominantly non-interest bearing.

10.2 Derivative financial instruments – asset

	2020 R'million	2019 R'million
Balance at the beginning of the year	**36**	26
Fair value gains recognised in the statement of comprehensive income	**(129)**	(35)
Fair value losses recognised in equity	**81**	71
Transfer from/(to) liabilities	**24**	(26)
Translation of foreign operations	**5**	–
	17	36
Split of balance		
Forward exchange contracts	**11**	34
Interest rate swaps	**6**	2
	17	36

This balance consists of derivatives where hedge accounting was not applied.

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

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 forward exchange contracts and interest rate swaps were classified as "level 2" assets in the fair value measurement hierarchy. None of the financial assets were reclassified out of "level 2" during the current year.

11. Cash and cash equivalents

Accounting policy

Recognition and measurement
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 bank balances and short-term bank deposits. For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances, short-term bank deposits less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Bank overdrafts are repayable on demand.

Financial assets
Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 16.

	2020 R'million	2019 R'million
Summary of balance		
Bank balances	**6 441**	8 677
Short-term bank deposits	**530**	234
Cash-in-transit and cash-on-hand	**122**	66
	7 093	8 977

Other disclosures

Credit risk
Treasury counterparties consist of a diversified group of financial institutions. Cash balances are placed 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. At 30 June 2020, more than 97% (2019: 97%) of the Group's cash and cash equivalent balances were held with institutions with an international credit rating of BB+ or better.

Currency analysis of cash and cash equivalents	2020 R'million	2019 R'million
Australian Dollar	**277**	827
Euro	**2 078**	2 338
South African Rand	**1 552**	3 066
US Dollar	**1 236**	795
Other currencies	**1 950**	1 951
	7 093	8 977

General

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

The average effective interest rate on interest bearing cash and cash equivalents is 3,7% (2019: 4,5%).

12. Assets classified as held-for-sale

Accounting policy

Recognition and measurement
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 amount 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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

12. Assets classified as held-for-sale continued

Reconciliation of balance

	2020 R'million	2019 R'million
Balance at the beginning of the year	**16**	135
Disposals	**(5 406)**	(9 677)
Nutritionals business	**–**	(7 145)
Asia Pacific non-core pharmaceutical portfolio	**–**	(2 491)
Japanese business	**(5 390)**	–
Other	**(16)**	(41)
Reclassification from various asset classes	**5 390**	9 558
	–	16
Split of balance		
Property, plant and equipment	**–**	16
	–	16
Carrying amount		
Cost	**–**	16
Accumulated impairment losses	**–**	–
	–	16

Disposals

2020 – Japanese business

In November 2019, the Group concluded an agreement (subject to conditions precedent) to divest of its Japanese operations and any related intellectual property to Sandoz, a Novartis Division. Sandoz is a multinational pharmaceutical company and a global leader in generic and biosimilar medicines, headquartered in Holzkirchen, Germany. In Aspen's interim results for the six months ended 31 December 2019 the Japanese business was classified as a discontinued operation with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5 – *Non-current assets held-for-sale and Discontinued Operations*. The transaction was concluded effective 31 January 2020. Refer to note 25 for details of the performance for the seven months (2019: 12 months).

2019 – Asia Pacific non-core pharmaceutical portfolio

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the prior year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. At 30 June 2019, these divestments and discontinuations were completed and the results of the divestments are included as part of discontinued operations.

2019 – Nutritionals business

In September 2018, the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

For details of assets disposed as well as proceeds received refer to note G in the notes of the cash flow statement.

Shareholders' equity

13. Share capital (including treasury shares)

Accounting policy

Share capital
Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs.

Treasury shares
Shares in the Company held by Group subsidiaries and unvested restricted shares held for employee participants in the Group's share plan are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity. The issued and weighted average number of shares is reduced by the treasury shares for the purposes of the basic, headline earnings and normalised headline earnings per share calculations. Dividends received on treasury shares are eliminated on consolidation except to the extent that they are paid to participants in the share plan.

When treasury shares held for participants in the share plan vest in such participants, the shares will no longer be classified as treasury shares, their cost will no longer be deducted from equity and their number will be taken into account for the purposes of basic, headline earnings and normalised headline earnings per share calculations.

	Notes	2020 R'million	2019 R'million
Split of balance			
Share capital	13.1	2 089	2 089
Treasury shares	13.2	(187)	(178)
		1 902	1 911

13.1 Share capital

	2020 R'million	2019 R'million
Authorised		
717 600 000 (2019: 717 600 000) ordinary shares of no par value	–	–
Issued		
456 451 541 (2019: 456 451 541) ordinary shares of no par value	2 089	2 089

Reconciliation of shares

	Million	Million
Shares in issue at the beginning of the year	456,5	456,5
Shares issued – share schemes	–	–
	456,5	456,5

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.

13.2 Treasury shares

	R'million	R'million
Treasury shares held		
929 754 (2019: 651 070) ordinary shares of no par value	187	178
Reconciliation of balance		
At the beginning of the year	178	184
Shares purchased	41	29
Deferred incentive bonus shares exercised	(32)	(35)
	187	178

Reconciliation of shares

	Million	Million
Number of shares at the beginning of the year	0,6	0,5
Shares purchased	0,4	0,2
Deferred incentive bonus shares exercised	(0,1)	(0,1)
	0,9	0,6

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

14. Non-controlling interests

	2020 R'million	2019 R'million
Balance at the beginning of the year	**2**	28
Share of profits	**–**	1
Acquisition of subsidiary	**–**	(27)
	2	2

15. Share-based compensation reserve

Accounting policy

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 as well as 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 in the Aspen share price.

When instruments are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital.

The Aspen Share Incentive Trusts regulate the operation of the share incentive schemes and are consolidated into the Annual Financial Statements.

Equity-settled schemes

The equity-settled schemes (Aspen Share Incentive Scheme, Aspen Share Appreciation Plan and South African Management Deferred Incentive Bonus Scheme) 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 Group.

15. Share-based compensation reserve continued

Summary of schemes

The Group currently operates the following share-based payment schemes

The Aspen South African Management Deferred Incentive Bonus Scheme

	Medium-term component of the scheme	Long-term component of the scheme
Nature and strategic intent of the scheme	The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. While it has the same performance measures as the annual cash incentive, it introduces a retention element through the three-year deferral to ensure that critical executive and professional skills are retained and that there is congruence between the interests of executive and managerial employees and shareholders. Considering that most eligible employees have historically elected to receive the value of the award in Aspen shares (2020: 88%, 2019: 90% and 2018: 93%), it is believed that the alignment between the strategic goals of the Group in respect of sustainable value creation and employee interests is being achieved.	The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives.
Determination of value of awards	The award value varies according to the level of seniority of the executive or manager and is determined according to the achievement of the same performance targets which apply to the annual cash incentive. The maximum award does not exceed 33% of the total remuneration cost in any instance, except for executive directors' awards which are capped at a maximum of 41,25% of their total remuneration cost. To encourage the holding of shares within the Company, an enhancement of 10% is given to employees who elect to receive the award in shares.	The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and at the discretion of the Committee.
Vesting	Awards are deferred for three years, and eligible employees are given the choice at the date of the award to receive the deferred bonus in cash or Aspen shares. To the extent that an employee elects to receive shares pursuant to the award, share awards are acquired and held by the Aspen Share Incentive Trust (in respect of awards made up until 2015) and an unrelated intermediary (in respect of awards made from 2016 onwards) to enable Aspen to settle its future obligation to participating employees upon vesting. No shares are issued in terms of this scheme and it has no dilutive effect. Should the employee retire within the three-year period, the vesting of the awards will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	These awards vest after a period of 10 years and may only be settled in shares. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the five, seven or 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

15. Share-based compensation reserve continued

The Aspen International Phantom Share Scheme

	Medium-term component of the scheme	Long-term component of the scheme
Nature and strategic intent of the scheme	In order to incentivise the management of Aspen's non-South African businesses in the medium term, a phantom share scheme exists for selected employees. The scheme has been designed to incentivise managers for the medium term, align their goals with those of the Aspen Group and to match their reward to movements 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.	The Aspen International Phantom Share Scheme is aimed at ensuring the retention of a limited number of key offshore senior executives.
Determination of value of awards	Awards are linked to performance of the employee, the business and growth in the Aspen share price. The value of awards that can be awarded annually in terms of this component of the scheme is capped, with this cap varying according to the level of seniority of the executive or manager and territory of employment.	The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and are determined at the discretion of the Committee.
Vesting	The phantom shares entitle eligible employees to receive a cash amount which is linked to the Aspen share price. Awards vest after a period of three years and are paid out in cash to the employee by the Aspen business employing him or her. Should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	These awards vest after a period of five, seven or 10 years, and are settled in cash. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration.

Aspen SA Phantom Share Scheme

	Short to medium-term component of the scheme	Long-term component of the scheme
Nature and strategic intent of the scheme	In order to attract and retain new hires at senior to top management level in South Africa, a phantom share scheme has been introduced for selected employees in the short to medium term. The value of the awards granted to employees in terms of this scheme is on an *ad hoc* basis and are determined at the discretion of the Committee.	n/a
Determination of value of awards	Awards are linked to the employment terms agreed upon and is linked to the movement in the Aspen share price. The value of awards are awarded upon the start date of the employee.	
Vesting	Awards are deferred for one to three years and eligible employees are given the choice at the date of the award to receive the deferred bonus in cash or phantom shares. To the extent that an employee elects to receive the deferred bonus(es) in phantom shares, the bonus(es) will be increased by 10% in terms of the provisions of the scheme. The scheme operates on a phantom basis and is based on the movement in the Aspen share price and settled in cash. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	

15. Share-based compensation reserve continued

Reconciliation of schemes

Aspen South African Management Deferred Incentive Bonus Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2019 '000#	Awarded during the year^ '000	Released during the year '000	Lapsed/ cancelled during the year '000*	**Shares outstanding on 30 June 2020 '000#**	**Fair value at award date (R)**	**Share price at award date (R)**
326,70	May 2026	214	–		–	**214**	**365,00**	**317,50**
305,86	Oct 2019	86	–	(85)	(1)	**–**	**373,26**	**310,00**
305,18	Oct 2020	111	–	(9)	(5)	**97**	**297,84**	**319,45**
164,96	Oct 2021	181	–	(18)	(10)	**153**	**256,77**	**174,64**
105,11	Oct 2022	–	210	(4)	(8)	**198**	**104,65**	**90,04**
106,74	May 2024	–	134	–	–	**134**	**105,11**	**106,74**
106,74	May 2026	–	134	–	–	**134**	**105,11**	**106,74**
		592	478	(116)	(24)	**930**		

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

The total number of shares were not vested at 30 June 2020 and 30 June 2019.
* *Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are reallocated to future grants.*
^ *During the year the Group bought 0,4 million shares (2019: 0,2 million shares) that will be held in the respective Aspen Group employee company until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.*

Aspen South Africa Phantom Share Scheme*

Award price (R)	Expiry date	Awarded during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2020 '000#**
112,67	Oct 2021	30	–	–	**30**
112,67	Oct 2022	31	–	–	**31**
131,00	Oct 2020	13	–	–	**13**
131,00	Oct 2021	15	–	–	**15**
131,00	Oct 2022	16	–	–	**16**
		105	–	–	**105**

* *This scheme was introduced during the current financial year for the first time.*
# *The total number of shares were not vested at 30 June 2020.*

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R143,51.

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R1,5 million.

Aspen International Phantom Share Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2019 '000#	Awarded during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2020 '000#**
326,70	May 2026	48	–	–	–	**48**
316,00	Oct 2019	88	–	(84)	(4)	**–**
286,55	Oct 2020	106	–	(10)	(5)	**91**
160,18	Oct 2021	255	–	(31)	(20)	**204**
83,41	Oct 2022	–	426	(26)	(25)	**375**
106,74	May 2024	–	67	–	–	**67**
106,74	May 2026	–	67	–	–	**67**
		497	560	(151)	(54)	**852**

The total number of shares were not vested at 30 June 2020 or 30 June 2019.

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R143,51 (2019: R100,45).

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R52 million (2019: R28 million).

Non-current liabilities

16. Borrowings

Accounting policy

Recognition and measurement

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 selected 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 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 Group presents separately non-current and 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.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are expensed in the statement of comprehensive income in the period in which they are incurred.

Financial liabilities at amortised cost

Borrowings are classified as 'liabilities at amortised cost' in terms of IFRS 9 – *Financial Instruments*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment, unless if such costs or fees incurred are incremental and are directly related to the issue of the new debt instrument in which case any such costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the new financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Lease liabilities

The lease liability is initially measured at the present value of the following i.e. fixed payments, variable lease payments that are based on an index or rate, amounts that are expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group uses judgement in determining its borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country and currency.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are 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. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. Borrowings continued

Currency analysis and maturity profile of total borrowings

	2020			2019		
	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
Lease liabilities						
Various currencies	190	436	626	14	6	20
	190	436	626	14	6	20
Bank overdrafts						
Rand	1 476	–	1 476	2 829	–	2 829
	1 476	–	1 476	2 829	–	2 829
Unsecured loans						
(1) Euro syndicated term loan	–	26 392	26 392	–	31 454	31 454
(2) Australian Dollar syndicated revolving loan	–	2 990	2 990	–	2 572	2 572
Australian Dollar – capital raising fees	–	(7)	(7)	–	(9)	(9)
(3) Rand syndicated term loan	–	6 300	6 300	–	5 800	5 800
(4) Rand – other	1 337	–	1 337	2 074	–	2 074
Rand – capital raising fees	–	(13)	(13)	(7)	(12)	(19)
(5) Euro – other	3 299	–	3 299	3 051	–	3 051
Euro – capital raising fees	–	(79)	(79)	–	(98)	(98)
(6) Japanese Yen – other	–	–	–	287	–	287
	4 636	35 583	40 219	5 405	39 707	45 112
Total borrowings	6 302	36 019	42 321	8 248	39 713	47 961

(1) Euro syndicated term

The loan comprises	Amount EUR'million	Date obtained	Term	Interest terms*
Facility B loan	500	May 2018	Four years repayable July 2022	EURIBOR + margin of 1,95%
Facility C loan	853	May 2018	Four years repayable July 2022	EURIBOR + margin of 2,00%#

	Facility B loan EUR'million	Facility C loan EUR'million	Total EUR'million
Year ending 30 June 2023	500	853	1 353
	500	853	1 353

(2) Australian Dollar syndicated revolving loan

The loan comprises	Amount AUD'million	Date obtained	Term	Interest terms*
Facility G loan	250	May 2018	Four years repayable July 2022	BBSY + margin of 1,70%

Margin quoted for Facility C loan includes utilisation fees of 0,40%. To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 2,50 and 3,00. To the extent that EURIBOR is negative, EURIBOR is set at nil.

* *To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 2,50 and 3,00.*

16. Borrowings continued

(3) Rand syndicated term

The loan comprises	Amount R'million	Date obtained	Term	Interest terms*
Facility D loan	4 800	May 2018	Four years repayable July 2022	JIBAR + margin of 1,65%
Facility E loan	1 500	May 2018	Four years repayable July 2022	JIBAR + margin of 1,70%

The repayment profile is set out below

	Facility D loan – Pharmacare R'million	Facility E loan – Pharmacare R'million	Total R'million
Year ending 30 June 2023	4 800	1 500	6 300
	4 800	1 500	6 300

(4) Rand – other

The loan comprises	Amount R'million	Term	Interest terms
Various short-term loans	520	On demand	Ranging between 5,00% and 6,25%
Trade finance	2	Less than three months	JIBAR + margin of 0,75%
Various short-term loans	265	Ranging between three and six months	SAFEX + margin of 1,15%
Various short-term loans	550	Ranging between six months and three years	JIBAR + margin ranging between 1,30% and 1,67%

(5) Offshore – other

The loan comprises	Amount EUR'million	Term	Interest terms
Various short-term loans	170	Less than three months	EURIBOR + margin of between 1,05% and 2,50%

* *To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 2,50 and 3,00.*

16. **Borrowings** continued

Interest rate profile of total borrowings

	2020			2019		
	Total R'million	**Interest rate %**	**Average effective interest rate %**	Total R'million	Interest rate %	Average effective interest rate %
Bank overdrafts – floating rate (linked to South African prime overdraft rate)	**1 476**	**Rates ranging between prime and prime less 3,0%**	**5,8**	2 829	Rates ranging between prime and prime less 3,0%	7,2
Unsecured loans – floating rate	**40 845**			45 132		
Linked to BBSY	**2 990**	**+ margin of 1,70%**	**2,1**	2 572	+ margin of 1,95%	3,2
Linked to SAFEX	**265**	**+ margin of 1,15%**	**4,8**	805	+ margin ranging between 1,5% and 1,6%	8,1
Linked to JIBAR	**6 852**	**+ margin ranging between 0,75% and 1,70%**	**5,8**	6 284	+ margin ranging between 0,75% and 1,6%	8,9
Linked to overnight call rate	**520**	**Overnight call rates ranging between 5% and 6,25%**	**5,7**	785	Overnight call rates ranging between 7,9% and 8,5%	7,9
Linked to EURIBOR	**29 691**	**+ margin ranging between 1,05% and 2,5%**	**2,1**	34 505	+ margin ranging between 1% and 2,61%	2,2
Linked to TIBOR	**–**	**–**	**–**	287	+ margin of 0,3%	0,4
Lease liabilities	**626**	**Various**	**–**	20	Various	–
Capital raising fees	**(99)**	**–**	**–**	(126)	–	–
Total borrowings	**42 321**			47 961		

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

16. Borrowings continued

The below table demonstrates the cumulative change in margin applicable to the Group's syndicated term and revolving loans for changes in its leverage ratio

2020		2019	
>3,75 but <4,00	**+0,40%**	>4,50 but <4,75	+0,75%
>3,50 but <3,75	**+0,25%**	>4,25 but <4,50	+0,525%
>3,00 but <3,50	**+0,10%**	>4,00 but <4,25	+0,325%
>2,50 but <3,00	**0%**	>3,75 but <4,00	+0,15%
>2,00 but <2,50	**-0,10%**	>3,50 but <3,75	0%
<2,00	**-0,20%**	>3,00 but <3,50	-0,15%
		>2,50 but <3,00	-0,25%
		>2,00 but <2,50	-0,35%
		<2,00	-0,45%

Definitions

JIBAR – Johannesburg Interbank Average Rate
SAFEX – South African Futures Exchange
EURIBOR – Euro Interbank Offered Rate
BBSY – Bank Bill Swap Yield
TIBOR – Tokyo Interbank Offered Rate

Other disclosures

	2020 R'million	2019 R'million
Reconciliation of balance		
Balance at the beginning of the year	**47 961**	57 950
Repayment of borrowings	**(25 475)**	(33 124)
Repayment of lease liabilities	**(166)**	–
Proceeds from borrowings	**14 217**	23 365
Capital raising fees released	**45**	70
Lease liabilities capitalised	**759**	–
Decrease of bank overdrafts	**(1 353)**	(228)
Transfer to assets classified as held-for-sale	**(274)**	–
Increase/(decrease) in non-Rand borrowings as a result of movements in foreign exchange rates	**6 607**	(72)
	42 321	47 961
Split of balance		
Non-current liabilities	**36 019**	39 713
Current liabilities	**6 302**	8 248
	42 321	47 961
Currency analysis of lease liabilities		
Euro	**228**	–
Australian Dollar	**135**	–
South African Rand	**88**	20
Chinese Renminbi	**66**	–
Mexican Peso	**32**	–
Brazilian Real	**14**	–
US Dollar	**6**	–
Other	**57**	–
	626	20

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

- South African Rand denominated facilities of R2 329 million (2019: R3 875 million);
- Euro denominated facilities of EUR407 million (2019: EUR415 million);
- Australian Dollar denominated facility of AUD70 million (2019: AUD90 million); and
- Japanese Yen denominated facilities of JPYnil (2019: JPY4 300 million).

These facilities may only be drawn to the extent that the facilities are not currently subject to an event of default.

17. Other non-current liabilities

Accounting policy

Recognition and measurement

Other non-current financial liabilities

Other non-current financial liabilities are recognised initially at fair value and expected future payments are discounted to present value using an appropriate market-related discount rate. The liabilities are subsequently measured at amortised cost using the effective interest rate method. The amount expected to be settled within 12 months from year-end date is shown as current and the amounts expected to be settled 12 months after year-end date is shown as non-current on the statement of financial position.

The difference between the total capital repayments and the present value of the liabilities will be released to financing costs in the statement of comprehensive income over the terms on the liabilities.

Deferred revenue

The Group recognises, as deferred revenue, contributions by third parties to the cost of specific capital expenditure projects. Deferred revenue is recognised at the fair value of the consideration received in advance. Upon completion of a relevant capital expenditure project the related deferred revenue is released to the statement of comprehensive income over the remaining term of the supply contract with the contributing third party. 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.

Environmental liabilities

Environmental liabilities are recognised when the Group has a legal or a constructive obligation, as a result of a past event, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation and the obligation can be measured reliably.

Financial liabilities

Other non-current financial liabilities are classified as 'liabilities at amortised cost' in terms of IFRS 9 – *Financial Instruments*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Summary of balance

	Notes	2020 R'million	2019 R'million
Other non-current financial liabilities	17.1	**4 842**	3 570
Deferred revenue	17.2	**105**	124
Environmental liabilities	17.3	**10**	8
		4 957	3 702

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

17. Other non-current liabilities continued

17.1 Other non-current and current financial liabilities

	2020 R'million	2019 R'million
Reconciliation of balance		
Balance at the beginning of the year	**4 184**	8 081
Repayments	**(564)**	(5 644)
Disposal of Nutritionals business – contractual price adjustment	**(225)**	–
Disposal of Asia Pacific non-core pharmaceutical portfolio – contractual payment obligations	**(21)**	(185)
Disposal of Japanese business – contractual payment obligations	**(57)**	–
AstraZeneca – deferred consideration relating to intellectual property acquired	**(168)**	–
AstraZeneca – deferred consideration relating to anaesthetics acquired	**–**	(4 634)
GSK – deferred consideration relating to anaesthetics acquired	**–**	(768)
Other	**(93)**	(57)
Additions due to new deals	**779**	1 546
Disposal of Japanese business – deferred conditional contractual payment obligations	**747**	–
Conditional transaction related China set up costs	**–**	295
Disposal of Nutritionals business – deferred conditional contractual payment obligations	**–**	851
AstraZeneca – deferred consideration relating to intellectual property acquired	**–**	233
Disposal of Asia Pacific non-core pharmaceutical portfolio – deferred conditional contractual payment obligations	**–**	167
Other	**32**	–
Notional interest	**191**	274
Currency translation movements	**750**	44
Reversal of deferred consideration no longer payable to GSK	**–**	(264)
Other#	**103**	147
	5 443	4 184
Split of balance		
Non-current	**4 842**	3 570
Current	**601**	614
	5 443	4 184
Split of balance		
10-year interest free loan	**3 012**	2 308
Disposal of Nutritionals business – deferred conditional contractual payment obligations	**619**	852
Conditional transaction related China set up costs	**365**	294
Disposal of Asia Pacific non-core pharmaceutical portfolio – deferred conditional contractual payment obligations	**138**	161
AstraZeneca – deferred consideration relating to intellectual property acquired	**61**	229
Disposal of Japanese business – deferred conditional contractual payment obligations	**861**	–
Other#	**387**	340
	5 443	4 184

Other includes various individually immaterial financial liabilities and gains/losses on cash flow hedges included in the hedging reserve.

17. Other non-current liabilities continued

17.1 Other non-current financial liabilities continued

10-year interest free loan

As part of a historical business combination, Aspen acquired inventories to the value of R3 billion, a portion of which was funded by way of a 10-year, interest free loan from MSD. The discount rate used in valuing this loan was 8%. This loan was obtained in October 2013 and is repayable at the end of the 10-year period.

In addition to inventories given as security for this loan (refer to note 9), the Group provided a further guarantee to the value of EUR190 million (R3 706 million) to MSD.

Conditional transaction related China set up costs

Transaction related set up costs for China are conditional upon the achievement of defined performance-related milestones payable in December 2021. The liability has been determined based upon management's judgement relating to the expected achievement levels of the performance-related milestones. The expense has been classified as a transaction cost in terms of the Group's accounting policy and has been excluded from normalised headline earnings. The second measurement period was the two years to December 2019 and accordingly a provision has been estimated for the June 2020 financial year, with an estimated liability payable in December 2021 of USD21 million (2019: USD21 million).

Deferred consideration payable to AstraZeneca – Other

During the prior financial year the Group entered into two transactions with AstraZeneca

Zuvamor

On 1 January 2019, Pharmacare Limited ("PL") acquired the exclusive rights to promote and distribute Zuvamor in South Africa for a period of four years. Zuvamor is a statin medication, used to prevent cardiovascular disease in those at high risk and treats abnormal lipids. Based on the expected performance of the brand over the term of the agreement, the deferred consideration recognised is 100% of the expected payments under the agreement, which we consider to be highly probable. Further to this, PL has been granted the option to purchase the brand after the four years for a consideration of USD1 million. In the current year R24 million was paid. It is expected that PL will exercise its option to acquire the brand post the agreement. The transaction has been classified as an intangible asset acquisition and not a business combination.

The discount rate used in present valuing the option was 4,9%.

The discount rate used in present valuing the milestone payments was 13%.

The repayment profile for the sales-related payments is set out below

	2020 R'million	2019 R'million
Year ended 30 June 2020	–	24
Year ending 30 June 2021	26	26
Year ending 30 June 2022	28	28
Year ending 30 June 2023	28	28
	82	106
	USD'million	USD'million
The repayment profile for the option is set out below		
Year ending 30 June 2023	1	1
	1	1

Trustan

On 30 December 2018, the Company acquired the exclusive rights to commercialise Trustan in South Africa for a period of 10 years for a consideration of USD30 million, USD20 million of which has been paid in the prior year, and USD10 million paid in the current year. Trustan is a proton pump inhibitor. It is used for treatment of gastrointestinal reflux disease; for duodenal and gastric ulcers; and for conditions associated with hypersecretion of gastric acid, including Zollinger-Ellison syndrome. The full title of the brand transferred to the Group post the agreement in the prior year. The transaction was classified as an intangible asset acquisition and not a business combination in the prior year.

The repayment profile for the sales related payments is set out below:

	2020 USD'million	2019 USD'million
Year ended 30 June 2020	–	10
	–	10

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

17. Other non-current liabilities continued

17.1 Other non-current financial liabilities continued

Asia Pacific non-core pharmaceutical portfolio

As part of the disposal of the Asia Pacific non-core pharmaceutical portfolio in the prior year, the Group entered into a supply contract with Mylan for a minimum period of five years for the supply of products at a fixed price. Liabilities were recognised to meet the contractual supply obligations. In the current year R21 million was repaid.

The provision profile is set out below

	2020 AUD'million	2019 AUD'million
Year ended 30 June 2020	–	9
Year ending 30 June 2021 to 2024	8	8
	8	17

Nutritionals business

In the prior year the Group concluded an agreement to divest of its Nutritionals business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. The transaction was concluded effective 31 May 2019 and the results of the disposals were included as part of discontinued operations.

The amount can be split as follows

	2020 R'million	2019 R'million
Working capital – true-up adjustments As part of the disposal of the Nutritionals business in the prior year certain working capital true-up adjustments associated with the assets disposed were paid to Lactalis in October 2019. The amount in the statement of financial position in the prior year represented management's best estimate of the expected payment. The final agreed payment amounted to R334 million resulting in an additional loss on sale of business of R109 million.	–	233
Performance warranty The performance warranty is based on the expected profit performance of the disposed portfolio in Asia over three years. The liability recognised is NZD65 million based on management's best estimate of the expected performance. The amount will be payable by latest 31 December 2021.	619	619
	619	852

Japanese business

As part of the disposal of the Japanese business, Aspen Global has entered into a manufacturing and supply agreement with Sandoz for a period of five years with a further two-year extension option. Aspen Global have underwritten supply prices to Sandoz based upon achieving future expected cost savings. The unfavourable difference between the actual estimated future supply costs and the underwritten supply prices ("supply price rebate") has been calculated and amounts to a net present value obligation of EUR44 million of which EUR6 million was paid in the current year. The discount rate used was 2,2%.

The repayment profile for the supply price rebate is set out below

	2020 EUR'million	2019 EUR'million
Year ending 30 June 2021	11	–
Year ending 30 June 2022	11	–
Year ending 30 June 2023	8	–
Year ending 30 June 2024	3	–
Year ending 30 June 2025	3	–
Year ending 30 June 2026	2	–
	38	–

17. Other non-current liabilities continued

17.2 Deferred revenue

Reconciliation of balance

	2020 R'million	2019 R'million
Balance at the beginning of the year	163	201
Recognised in the statement of comprehensive income#	(35)	(38)
Currency translation movements	32	–
	160	163

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

	2020 R'million	2019 R'million
Split of balance		
Non-current	105	124
Current	55	39
	160	163
Split of balance		
Capital expenditure projects – Aspen Oss	160	163
	160	163

17.3 Contingent environmental liabilities

Reconciliation of balance

	2020 R'million	2019 R'million
Balance at the beginning of the year	8	88
Release to statement of comprehensive income	–	(81)
Currency translation movements	2	1
	10	8

The environmental liabilities relate to the estimated cost of remediating soil contamination at the Boxtel site in the Netherlands. The risk was reassessed by an independent expert in the previous year with a significant reduction in risk being the outcome. The residual provision relates to minor remediation required which will be undertaken over the next 12 months.

18. Unfavourable and onerous contracts

Accounting policy

Recognition and measurement

An unfavourable and onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The Group has entered into binding legal agreements for the supply of products to vendors at below market value and/or cost to manufacture. The estimated costs required to settle the obligation are discounted to present value using appropriate market-related discount rates.

An unfavourable contract is principally based on the difference between the market price and the contract selling price.

Certain supply contracts for the third-party manufacture of products in Aspen Oss and in Aspen NDB have been classified as either unfavourable or onerous. The unfavourable contracts will be released to revenue over the term and quantity of supply of the contracts in terms of IFRS 15 – *Revenue from Contracts with Customers*. The onerous contracts are accounted for in terms of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

	2020 R'million	2019 R'million
Reconciliation of balance		
Balance at the beginning of the year	1 380	1 756
Release to the statement of comprehensive income	(351)	(377)
Currency translation movements	319	1
	1 348	1 380
Split of balance		
Non-current	927	1 055
Current	421	325
	1 348	1 380

19. Retirement and other employee benefit obligations

Accounting policy

Pension benefits
The Group operates or contributes to defined contribution plans and defined benefit plans for its employees in certain countries in which it operates.

Defined contribution plans
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 24 and 26 of the Group Annual Financial Statements.

Defined benefit plans
A defined benefit plan is a pension plan that is not a defined contribution plan. It defines the amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit pension plans is actuarially calculated separately for each plan by deducting the fair value of plan assets from the present value of the gross obligation for retirement benefit obligations. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

This future benefit is discounted to determine its present value, using discount rates based on government bonds, that have maturity dates approximating the terms of the Group's obligations and which are denominated in the currency in which the benefits are expected to be paid. Independent actuaries perform the calculation annually using the projected unit credit method.

Past service costs are recognised immediately in the statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are recognised in other comprehensive income as remeasurements in the period in which they arise.

Other non-current employee benefits
Some group companies provide other non-current benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to a given age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. 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. These obligations are valued annually by independent qualified actuaries.

Defined benefit plans – post-retirement medical aid obligations
In terms of Group policy post-retirement medical aid benefits are not provided for any employees, with the exception of certain South African employees who joined the Group before 28 February 2000. The Group has honoured its contractual commitment in respect of post-retirement medical aid obligations to these employees and pensioners employed before the change in policy.

The present value of the expected future post-retirement medical aid 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. Post-retirement medical aid obligations are accounted for using the same accounting methodologies as described for the defined benefit plans – pension.

19. Retirement and other employee benefit obligations continued

The Group operates or contributes to defined contribution plans, defined benefit plans and other long-term plans in certain countries in which it operates.

Defined contribution plans

Contributions by the Group and in some cases the employees are made to funds set up in South Africa, Australia, Malaysia, Taiwan, Ireland, the Netherlands, Brazil, Tanzania, Kenya and Uganda while no contributions are made to plans established in other geographic areas.

Total contributions paid to the various funds by the Group amounted to R382 million for the current financial year (2019: R388 million). The Group has no further payment obligations once the contributions have been paid. The payments made are expensed as incurred in the statement of comprehensive income and are included in staff costs.

Defined benefit plans

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

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

Long-term employee benefits

Contributions by the Group are made to funds set up in Germany and France while no contributions are made to plans established in other geographic areas.

				Principal actuarial assumptions		
	Last actuarial valuation done	Full/ interim valuation	Valuation method adopted	Discount rate	Medical inflation rate	Salary increase rate
France	June 2020	Full	Projected unit credit	1,0% (2019: 1,0%)	N/A	1,8% (2019: 2,3%)
Germany	June 2020	Full	Projected unit credit	1,0% (2019: 1,3%)	N/A	2,0% (2019: 2,0%)
Kenya	June 2020	Full	Projected unit credit	10,0% (2019: 9,7%)	N/A	12,0% (2019: 12,0%)
Mexico	December 2019	Full	Projected unit credit	7,2% (2019: 9,0%)	N/A	5,5% (2019: 5,5%)
The Philippines	June 2020	Full	Projected unit credit	3,4% (2019: 5,2%)	N/A	6,0% (2019: 6,0%)
South Africa	June 2020	Full	Projected unit credit	12,3% (2019: 10,1%)	9,1% (2019: 8.0%)	N/A
Tanzania	June 2020	Full	Projected unit credit	11,0% (2019: 14,3%)	N/A	9,0% (2019: 8,0%)

These plans have been assessed by independent qualified actuaries and have been found to be in a sound financial position.

Weighted average assumptions used in performing actuarial valuations determined in consultation with independent actuaries.

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

19. Retirement and other employee benefit obligations continued

	2020 R'million	2019 R'million
Amounts recognised in the statement of financial position		
Present value of retirement and other employee benefit obligations*	945	744
Deferred tax	(198)	(134)
	747	610

* *Included in this amount is an obligation of R279 million (2019: R242 million) for which the Group has a reimbursive right. Refer to note 8.1 for more detail.*

	2020 R'million	2019 R'million
Retirement and other employee benefit obligations comprise		
Unfunded present value of retirement and other employee benefit obligations	1 114	883
Fair value of plan assets	(169)	(139)
	945	744
The movement in the liability recognised in the statement of financial position is as follows		
Balance at the beginning of the year	883	766
Current service costs (included in staff costs – cost of sales)	59	50
Benefits paid	(21)	(15)
Contributions paid to the plan by the employer	–	4
Net interest expense	13	19
Remeasurements recognised in other comprehensive income – actuarial (gains)/losses from changes in financial assumptions	(4)	52
– Actuarial (gains)/losses from changes in demographic assumptions	(20)	9
– Actuarial losses from changes in financial assumptions	16	43
Currency translation movements	184	7
	1 114	883
The movement in the fair value of plan assets recognised in the statement of financial position is as follows		
Balance at the beginning of the year	139	131
Benefits paid	(3)	(1)
Net interest income	1	1
Remeasurements – actual return on plan assets	(1)	(2)
Currency translation movements	33	10
	169	139
Fair value of plan assets		
The assets of the pension funds are invested as follows		
European government bonds	115	131
Other	54	8
	169	139

19. Retirement and other employee benefit obligations continued

Sensitivity analysis

The effect of a 1% change in the assumed discount rate, medical inflation rate and salary increase rate would not have a significant effect on the amounts reported for retirement and other employee benefit obligations.

Five-year summary

At 30 June	**2020 R'million**	2019 R'million	2018 R'million	2017 R'million	2016 R'million
Present value of retirement and other employee benefit obligations	**1 114**	883	766	698	800
Fair value of plan assets	**(169)**	(139)	(131)	(128)	(141)
Deficit to be funded	**945**	744	635	570	659

Key risks associated with retirement and other employee benefit obligations

(1) Inflation risk: the risk that future inflation is higher than expected.
(2) Medical inflation risk: the risk that future contributions to the medical aid scheme increase faster than assumed.
(3) Longevity: the risk that continuation members live longer than expected and hence the subsidy is payable for longer than expected.
(4) Investment risk: the risk that the return earned by the assets is lower than expected and hence the assets are insufficient.
(5) Salary risk: the risk that future salaries are higher than expected.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

Current liabilities

20. Trade and other payables

Accounting policy

Recognition and measurement
Trade and other payables are recognised when the Group has a legal or a constructive obligation, as a result of a past event, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation and the obligation can be measured reliably.

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities
Financial instruments related to trade and other payables are classified as 'at amortised cost' in terms of IFRS 9 – *Financial Instruments*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Summary of balance

	2020 R'million	2019 R'million
Trade payables	3 369	3 928
Accrued expenses	2 577	2 016
Indirect taxes	425	425
Leave pay	593	486
Bonuses	412	359
Other	2 315	2 341
	9 691	9 555
Split of balance		
Financial liabilities	6 817	6 614
Non-financial liabilities	2 874	2 941
	9 691	9 555
Other disclosures		
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	682	694
Euro	2 925	1 826
Kenyan Shilling	69	80
Mexican Peso	284	342
Philippine Peso	40	39
Pound Sterling	126	297
South African Rand	1 185	1 469
Tanzanian Shilling	54	6
US Dollar	1 153	1 276
Japanese Yen	5	323
Other currencies	294	262
	6 817	6 614

All trade and other payables are predominantly non-interest bearing.

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

21. Other current liabilities

Accounting policy

Financial liabilities at amortised cost
This category of financial liabilities comprises other financial liabilities. 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.

	Notes	2020 R'million	2019 R'million
Split of balance			
Current tax liabilities		**927**	999
Deferred revenue	17.2	**55**	39
Derivative financial instruments	21.1	**82**	259
Other current financial liabilities	17.1	**601**	614
		1 665	1 911

21.1 Derivative financial instruments – liability

	2020 R'million	2019 R'million
Balance at the beginning of the year	**259**	75
Fair value (gains)/losses recognised in the statement of comprehensive income	**(122)**	180
Fair value (gains)/losses recognised in equity	**(108)**	32
Transfer from/(to) assets	**24**	(26)
Translation of foreign operations	**29**	(2)
	82	259
Split of balance		
Forward exchange contracts	**17**	232
Interest rate swaps	**65**	27
	82	259

This balance consists of derivatives where hedge accounting was not applied.

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

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 rate.

Interest rate swaps and forward exchange contracts are classified as "Level 2" liabilities in the fair value measurement hierarchy. None of the financial liabilities were reclassified out of "Level 2" in the current year.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

Statement of comprehensive income

22. Revenue

Accounting policy

Recognition and measurement
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 and royalties is derived from the supply of speciality, branded and generic pharmaceutical products to provide treatment for a broad spectrum of acute and chronic conditions.

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer.

The following indicators are used by the Group in determining when control has passed to the customer:
- the Group has a right to payment for the product or service;
- the customer has legal title to the product;
- the Group has transferred physical possession of the product to the customer;
- the customer has the significant risk and rewards of ownership of the product; and
- the customer has accepted the product.

Revenue is measured based on the consideration specified in a contract with a customer and in compliance with legislated pricing in the various regulated markets.

The Group evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a net basis:
- the Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- the Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Group has discretion in establishing the price for the specified good or service, excluding pricing set according to regulations.

In the determination of revenue, all intra-group transactions are excluded.

No significant element of financing is deemed present, other than on onerous contracts, as the sales are made with credit terms less than one year. The onerous contracts are discounted to present value using appropriate market-related discount rates.

The main streams of revenue and the base of recognition are as follows:

Sale of goods:
Revenue is recognised at a point in time when control of the pharmaceutical products supplied has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been dispatched to the specific location, the risks of obsolescence and loss have been transferred and the customer accepted the products in accordance with the sales contract. Revenue is recorded at the price specified in the contract in compliance with regulated pricing in regulated markets, net of discounts and value added tax. Revenue and receivables are recorded when control of the products are transferred, as this is the point in time that the consideration is unconditional as only the passage of time is required before payment is due.

Co-marketing fees:
Co-marketing fees is a revenue that the Group receives in exchange for providing a service to arrange specified sales of speciality, branded and generic pharmaceuticals to a customer as an agent. Revenue is based on an upfront agreed upon fee driven by sales volumes. The sales volumes are products delivered at a point in time to customers.

Revenue and receivables are recorded on co-marketing fees when performance obligations according to the contract for arranging sales to customers have been met and the products have been delivered to the customer. Delivery occurs when the products have been dispatched to the specific location, the risks of obsolescence and loss have been transferred and the customer accepted the goods in accordance with the co-marketing agreement.

22. **Revenue** continued

Accounting policy continued

Onerous contracts:
At the date that Aspen acquired the API business, Aspen accounted for the acquisition of the business, including the 10-year supply contract, as a business combination. Application of the principles in IFRS 3 – *Business Combinations* gave rise to Aspen recognising an onerous and unfavourable contract related to the supply agreement at the acquisition date.

The subsequent accounting for the unfavourable contract is considered in the context of IFRS 15 – *Revenue from Contracts with Customers* as it represents the difference between the market price and selling price of the products (i.e. linked to an element of revenue). Accounting for the unfavourable contract as an element of revenue has been determined on a straight-line basis as this is the best depiction of the transfer of products.

Summary of balance

	2020			Restated 2019		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Sale of goods	**38 179**	**1 888**	**40 067**	34 883	6 827	41 710
Co-marketing fees	**117**	**–**	**117**	254	–	254
Unfavourable contract release	**351**	**–**	**351**	377	–	377
	38 647	**1 888**	**40 535**	35 514	6 827	42 341

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

23. Operating profit

	2020			Restated 2019		
	Continuing R'million	Discontinued R'million	Total R'million	Continuing R'million	Discontinued R'million	Total R'million
Operating profit has been arrived at after charging/(crediting):						
(Profit)/loss on sale of tangible and intangible assets	(223)	–	(223)	80	–	80
– Loss on the sale of property, plant and equipment	18	–	18	24	–	24
– (Profit)/loss on the sale of intangible assets	(222)	–	(222)	40	–	40
– (Profit)/loss on sale of assets classified as held-for-sale	(19)	–	(19)	16	–	16
Auditors' remuneration	64	1	65	44	8	52
– Audit fees	61	1	62	39	–	39
Current year	60	1	61	38	–	38
Prior year underprovision	1	–	1	1	–	1
– Other services – tax consulting	–	–	–	1	–	1
– Other services – due diligence	–	–	–	2	8	10
– Other services	3	–	3	2	–	2
Net impairment charges	2 383	–	2 383	4 459	137	4 596
– Impairment of intangible assets (included in – other operating expenses)	1 339	–	1 339	3 131	–	3 131
– Impairment charge – inventories (included in cost of sales)	947	–	947	583	–	583
– Impairment of property, plant and equipment (included in other operating expenses)	12	–	12	541	–	541
– Reversal of impairment losses on property, plant and equipment (included in other operating income)	(2)	–	(2)	(26)	–	(26)
– Impairment of other non-current and current receivables (included in other operating expenses)	13	–	13	55	–	55
– Impairment of goodwill (included in other operating expenses)	96	–	96	111	–	111
– Trade receivables – impairment/(reversal) charge for bad and doubtful debts (included in administrative expenses)	(22)	–	(22)	64	137	201
Repairs and maintenance expenditure on property, plant and equipment	683	–	683	636	9	645
Short-term and low-value leases	21	–	21	94	–	94
– Land and buildings	11	–	11	54	–	54
– Plant and equipment	9	–	9	7	–	7
– Office equipment, computer equipment and furniture	1	–	1	33	–	33
Restructuring costs	413	27	440	131	22	153
Transaction costs	445	12	457	540	238	778
Product litigation costs	234	–	234	524	–	524
Reversal of deferred consideration no longer payable	–	–	–	(264)	–	(264)
Profit on sale of discontinued operations	–	(34)	(34)	–	(5 398)	(5 398)
– Fair value gain on revaluation of joint ventures	–	–	–	–	(756)	(756)
– Profit on sale	–	(34)	(34)	–	(4 642)	(4 642)

24. Expenses by nature

Continuing operations	Cost of sales R'million	Selling and distribution expenses R'million	Administrative expenses R'million	Net other operating expenses R'million	Total R'million
	2020				
Cost of material and production-related variances	**10 940**	**–**	**–**	**–**	**10 940**
Personnel costs and other staff-related costs	**4 302**	**2 845**	**1 581**	**–**	**8 728**
Depreciation and amortisation	**700**	**34**	**232**	**615**	**1 581**
Advertising and marketing expenses	**–**	**1 003**	**–**	**–**	**1 003**
Transport and warehousing costs	**563**	**1 006**	**–**	**–**	**1 569**
Net impairment charges	**947**	**–**	**22**	**1 458**	**2 427**
Legal and consulting fees	**343**	**217**	**474**	**–**	**1 034**
Property costs	**436**	**2**	**29**	**–**	**467**
Repairs and maintenance expenditure on property, plant and equipment	**668**	**–**	**15**	**–**	**683**
Transaction costs	**–**	**–**	**–**	**445**	**445**
Restructuring costs	**–**	**–**	**–**	**413**	**413**
Regulatory expenses	**–**	**401**	**–**	**–**	**401**
Product litigation costs	**–**	**–**	**–**	**234**	**234**
Profit on sale of tangible and intangible assets	**–**	**–**	**–**	**(223)**	**(223)**
Other	**415**	**1 020**	**878**	**(428)**	**1 885**
	19 314	**6 528**	**3 231**	**2 514**	**31 587**

Continuing operations	Cost of sales R'million	Selling and distribution expenses R'million	Administrative expenses R'million	Net other operating expenses R'million	Total R'million
	Restated* 2019				
Cost of material and production-related variances	9 589	–	–	–	9 589
Personnel costs and other staff-related costs	3 956	2 803	1 594	–	8 353
Depreciation and amortisation	621	26	86	437	1 170
Advertising and marketing expenses	–	1 040	–	–	1 040
Transport and warehousing costs	455	1 068	–	–	1 523
Net impairment charges	583	–	64	3 812	4 459
Reversal of deferred consideration no longer payable	–	–	–	(264)	(264)
Legal and consulting fees	394	212	374	–	980
Property costs	388	2	39	–	429
Repairs and maintenance expenditure on property, plant and equipment	618	–	18	–	636
Transaction costs	–	–	–	540	540
Restructuring costs	–	–	–	131	131
Regulatory expenses	–	303	–	–	303
Product litigation costs	–	–	–	524	524
Loss on sale of tangible and intangible assets	–	–	–	80	80
Other	326	926	817	(332)	1 737
	16 930	6 380	2 992	4 928	31 230

* *Restated for discontinued operations and combining other operating income and expenses for enhanced disclosure.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

25. Discontinued operations

Asia Pacific non-core pharmaceutical portfolio

During the financial year ended 30 June 2019 the Group divested and discontinued a portfolio of non-core pharmaceutical products in the Asia Pacific region and the results of these divestments and discontinuations were reported as discontinued operations and included in the "Other" category of the discontinued operations statement of comprehensive income.

Nutritionals business

During the financial year ended 30 June 2019 the Group divested its Nutritionals business and the results were reported as discontinued operations in the discontinued operations statement of comprehensive income. In the current financial year the performance below only includes contractual adjustments and payments, and in the prior year includes 11 months of performance.

Japanese business

In November 2019 the Group concluded an agreement (subject to conditions precedent) to divest of its Japanese operations and any related intellectual property to Sandoz, a Novartis Division. Sandoz is a multinational pharmaceutical company and a global leader in generic and biosimilar medicines, headquartered in Holzkirchen, Germany. In Aspen's interim results for the six months ended 31 December 2019 the Japanese business was classified as a discontinued operation with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5 – *Non-current Assets Held-for-Sale and Discontinued Operations*. The transaction was concluded effective 31 January 2020 and the results below shows the performance for the seven months (2019: 12 months) under discontinued operations.

Public sector ARVs

The Group concluded a transaction in September 2019 (subject to conditions precedent which were fulfilled in June 2020) in terms of which the commercialisation and distribution rights for its major public sector ARVs were licensed to Laurus, a leading Indian API manufacturer. In terms of the agreement Aspen would continue to toll manufacture the products for Laurus. The deal forms part of Aspen's strategy to exit the commercialisation of public sector ARVs while ensuring that the South African government gets access to competitively priced ARVs. The public sector ARV portfolio included in the transaction (mainly Tribuss and Emdolten) with Laurus has been classified as a discontinued operation and performance is included in the "Other" category of the discontinued operations statement of comprehensive income below. Aspen will continue to sell ARVs in the South African private sector.

Summarised discontinued operations statement of comprehensive income

	2020			
	Nutritionals business R'million	Japanese business R'million	Other* R'million	Total R'million
Revenue	–	1 434	454	1 888
Gross profit	–	637	123	760
Operating expenses	–	(337)	(7)	(344)
Normalised EBITA	–	300	116	416
Depreciation	–	5	–	5
Normalised EBITDA	–	305	116	421
Adjusted for:				
Depreciation	–	(5)	–	(5)
Amortisation	–	(17)	–	(17)
Transaction costs	(2)	(10)	–	(12)
Restructuring costs	(27)	–	–	(27)
Operating (loss)/profit	(29)	273	116	360
Net financing costs	–	(74)	–	(74)
Foreign exchange gains on disposal	–	42	–	42
(Loss)/profit before tax	(29)	241	116	328
Tax	10	(42)	(49)	(81)
(Loss)/profit after tax from discontinued operations	(19)	199	67	247
(Loss)/profit on the sale of discontinued operations (after tax)	(109)	(178)	93	(194)
(Loss)/profit on sale of discontinued operations (before tax)	(103)	(117)	186	(34)
Tax on (loss)/profit on sale of discontinued operations	(6)	(61)	(93)	(160)
(Loss)/profit from discontinued operations	(128)	21	160	53

25. **Discontinued operations** continued

Discontinued operations – performance indicators

	Cents
Basic earnings per share – cents	**11,6**
Headline earnings per share – cents	**54,1**
Normalised headline earnings per share – cents	**50,5**

	Restated 2019			
	Nutritionals business R'million	Japanese business R'million	Other* R'million	Total R'million
Revenue	2 730	2 123	1 974	6 827
Gross profit	1 175	920	543	2 638
Operating expenses	(1 015)	(553)	(74)	(1 642)
Net other operating income	97	–	–	97
Normalised EBITA	257	367	469	1 093
Depreciation	47	4	–	51
Normalised EBITDA	304	371	469	1 144
Adjusted for:				
Depreciation	(47)	(4)	–	(51)
Amortisation	(35)	(18)	–	(53)
Transaction costs	(238)	–	–	(238)
Restructuring costs	(22)	–	–	(22)
Operating (loss)/profit	(38)	349	469	780
Net financing costs	(128)	(105)	–	(233)
Foreign exchange gains on disposals	159	–	–	159
Operating (loss)/profit after investment income and financing costs	(7)	244	469	706
Share of after-tax net profit of joint ventures	62	–	–	62
Profit before tax	55	244	469	768
Tax	(122)	(54)	(154)	(330)
(Loss)/profit after tax from discontinued operations	(67)	190	315	438
Profit/(loss) on the sale of discontinued operations (after tax)	4 863	–	(517)	4 346
Profit/(loss) on sale of discontinued operations (before tax)	5 690	–	(292)	5 398
Tax on profit/(loss) on sale of discontinued operations	(827)	–	(225)	(1 052)
Profit/(loss) after tax from discontinued operations	4 796	190	(202)	4 784

Discontinued operations – performance indicators

	Cents
Basic earnings per share – cents	1 048,1
Headline earnings per share – cents	95,9
Normalised headline earnings per share – cents	121,6

** Included in other is revenue split as follows:*

	2020 R'million	2019 R'million
Public ARVs	**251**	1 235
Asia Pacific non-core pharmaceutical portfolio	**203**	739
	454	1 974

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

26. Directors and employees

Accounting policy

Directors' and prescribed officers' remuneration

The directors' and prescribed officers' remuneration represent the remuneration paid to, or receivable by, directors and prescribed officers in their capacity as director, prescribed officer or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Group Annual Financial Statements. This disclosure is provided in terms of the JSE Listings Requirements. A legal opinion obtained by the Company has confirmed that there are no individuals who can be considered as prescribed officers of the Company.

	2020 R'thousands	2019 R'thousands
Directors' remuneration		
Non-executive directors – fees		
Roy Andersen	205	623
John Buchanan	–	34
Linda de Beer	889	608
Kuseni Dlamini	1 223	1 164
Ben Kruger	685	88
Themba Mkhwanazi	464	56
Chris Mortimer	443	308
Babalwa Ngonyama	977	761
David Redfern	349	267
Sindi Zilwa	854	701
Total (A)	6 089	4 610
Executive directors		
Gus Attridge	18 986	11 472
Remuneration	6 547	6 260
Retirement and medical aid benefits	1 135	1 068
Performance bonus	9 218	2 414
Share-based payment expense	2 086	1 730
Stephen Saad	22 967	13 894
Remuneration	7 964	7 594
Retirement and medical aid benefits	1 329	1 258
Performance bonus	11 151	2 921
Share-based payment expense	2 523	2 121
Total (B)	41 953	25 366
Total remuneration paid by the Company (A+B)	48 042	29 975

26. Directors and employees continued

	2020			Restated 2019		
	Con-tinuing R'million	Discon-tinued R'million	Total R'million	Con-tinuing R'million	Discon-tinued R'million	Total R'million
Staff costs						
Wages and salaries	**7 259**	**102**	**7 361**	6 982	577	7 559
Defined contribution plan expenses	**395**	**7**	**402**	389	32	421
Defined benefit plan expenses	**71**	**–**	**71**	68	–	68
Share-based payment expense – deferred incentive bonus	**35**	**–**	**35**	30	–	30
Share-based payment expense – phantom share scheme	**15**	**–**	**15**	7	–	7
Other company contributions	**244**	**3**	**247**	466	66	532
	8 019	**112**	**8 131**	7 942	675	8 617
Amount included in cost of sales	**4 031**	**20**	**4 051**	3 936	265	4 201
Wages and salaries	**3 791**	**20**	**3 811**	3 530	236	3 766
Benefits	**240**	**–**	**240**	406	29	435
Amount included in selling and distribution expenses	**2 570**	**70**	**2 640**	2 479	356	2 835
Wages and salaries	**2 210**	**61**	**2 271**	2 141	292	2 433
Benefits	**360**	**9**	**369**	338	64	402
Amount included in administrative expenses	**1 418**	**22**	**1 440**	1 527	54	1 581
Wages and salaries	**1 258**	**21**	**1 279**	1 311	49	1 360
Benefits	**160**	**1**	**161**	216	5	221
Total number of employees at year-end	**9 868**	**–**	**9 868**	10 001	–	10 001
Full-time employees	**9 069**	**–**	**9 069**	9 289	–	9 289
Part-time employees	**799**	**–**	**799**	712	–	712

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

27. Investment income

Accounting policy

Recognition and measurement

Investment income comprises interest received on bank balances and short-term deposits and is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

	2020			2019		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Interest on bank balances and short-term deposits	**141**	**–**	**141**	213	–	213
Other	**15**	**–**	**15**	226	–	226
	156	**–**	**156**	439	–	439

28. Financing costs

Accounting policy

Recognition and measurement

Financing costs comprise interest paid on borrowings, unwinding of notional interest on discounted liabilities, changes in the fair value of financial assets and liabilities at fair value through profit or loss, foreign exchange gains or losses and any gains or losses on hedging instruments that are recognised in the statement of comprehensive income. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2020			Restated 2019		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Interest paid	**1 396**	**74**	**1 470**	1 953	233	2 186
Bank overdrafts and borrowings	**1 238**	**74**	**1 312**	1 783	233	2 016
Leases	**58**	**–**	**58**	–	–	–
Other	**100**	**–**	**100**	170	–	170
Capital raising fees released – transactions	**45**	**–**	**45**	70	–	70
Notional interest on financial instruments	**182**	**–**	**182**	274	–	274
Net foreign exchange losses/(gains)	**15**	**(42)**	**(27)**	–	(159)	(159)
Fair value (gains)/losses on derivative financial instruments	**(7)**	**–**	**(7)**	66	–	66
Foreign exchange (gains)/losses on acquisitions	**(17)**	**–**	**(17)**	9	–	9
	1 614	**32**	**1 646**	2 372	74	2 446

Financing costs above exclude financing costs of R238 million which have been capitalised during 2020 to capital work-in-progress (2019: R234 million). Refer to note 3 for detail.

29. Income tax

Accounting policy

The tax expense comprises current tax, deferred tax, capital and wealth taxes and withholding taxes. The tax expense does not include taxes associated with amounts reflected in other comprehensive income and equity. The tax associated with those amounts is reflected directly in other comprehensive income or equity.

Current tax
The current tax charge is the tax that is expected to be payable on the profits generated during the year and any adjustments to the tax payable in respect of prior years. The current tax charge also includes provisions where it is likely that a tax authority may take a different position to the filing positions taken by the Group.

Deferred tax
The deferred tax charge is the tax that is expected to be payable in future or relief that is expected to materialise in future, applying the liability method. The deferred tax charge includes adjustments to the opening deferred tax balances to recognise tax filing adjustments and to adjust the statutory tax rate that is utilised for determining the opening deferred tax balance.

Capital and wealth taxes
Capital and wealth tax is payable at varying rates by companies in the Aspen Group. These taxes generally arise in Latin America and Asia.

Withholding taxes
Withholding tax is payable at varying rates on interest, management fees, licences and dividends which are declared by one Group company to another Group company.

Significant judgements and estimates

IFRIC 23 – *Uncertainty over Income Tax Treatment*
As of 1 July 2019, Aspen adopted the interpretation IFRIC 23 which clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

In applying IFRIC 23 the Aspen Group has assessed the risk profile of all uncertain tax matters based on the following criteria:
- the outcome of similar historical or current audits within the Group;
- consensus opinions from expert advisers regarding areas and levels of tax risk;
- the outcome of tax audits that have been launched against other multinational groups, to the extent the fact pattern is similar to that of the Aspen Group; and
- changes in tax law impacting existing or future tax matters.

Based on this assessment, the potential cash tax outflow for each uncertain tax matter is quantified using the applicable statutory tax rate and applying a risk probability factor (exercising judgement on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probalised risk values are consolidated in arriving at the Group's total estimated uncertain tax provision. The Aspen Group was not required to raise a take-on provision, to bring into account exposures that existed at 30 June 2019, as the Aspen Group held an adequate provision at that time on the basis that it had historically applied the principles of IFRIC 23 – *Uncertainty over Income Tax Treatment* when raising those historic provisions.

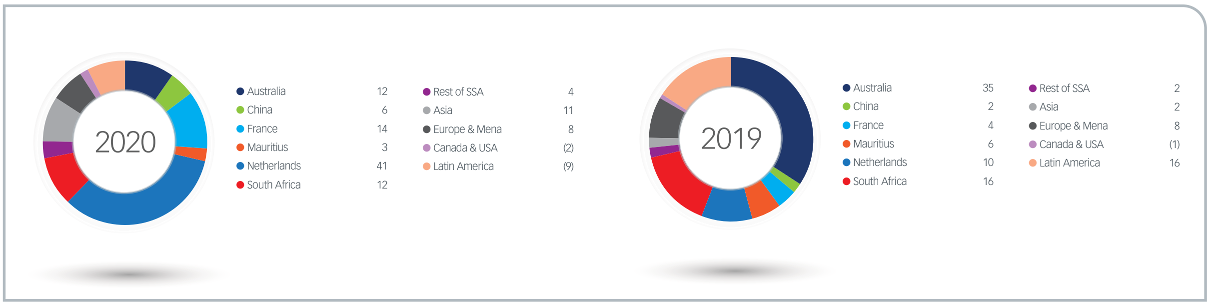
Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

Summary of balance

	2020			Restated 2019		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Current tax						
– Current year	**1 228**	**241**	**1 469**	1 005	1 381	2 386
– Prior year	**(182)**	**–**	**(182)**	(63)	–	(63)
Deferred tax						
– Current year	**(72)**	**–**	**(72)**	(271)	–	(271)
– Prior year	**29**	**–**	**29**	(41)	–	(41)
Capital and wealth taxes	**3**	**–**	**3**	9	–	9
Withholding taxes	**(15)**	**–**	**(15)**	32	–	32
	991	**241**	**1 232**	671	1 381	2 052

The Group operates in 56 countries across the world which have statutory rates of tax from 0% to 40%. The main contributors to the Group's overall tax liability are located in Australasia, China, France, Mauritius, the Netherlands and South Africa. The overall contribution is reflected as follows:



29. Income tax continued

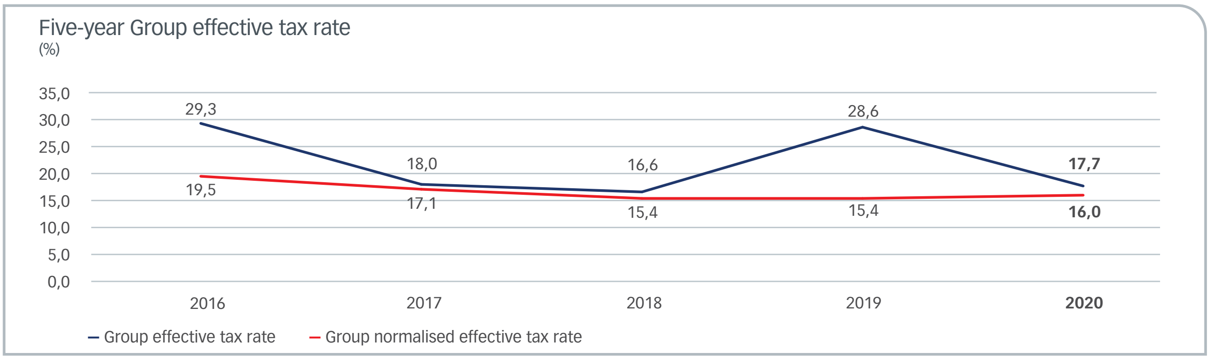
Group's effective tax rate

The Group's effective tax rate has been restated to provide additional information relating to the key drivers of the effective tax rate. The effective tax rate has been calculated as follows:

	2020 %	Restated 2019 %
South African tax rate	**28,0**	28,0
Differences in foreign tax rates:		
Mauritius[1]	**(6,4)**	(8,9)
Other[2]	**(0,5)**	2,0
Aggregate statutory base tax rate	**21,1**	21,1
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income arising from underlying tax credits[3]	**(4,5)**	(6,1)
Other non-taxable income[4]	**0,3**	(1,6)
Withholding and other taxes[5]	**(0,3)**	1,2
Capital and wealth taxes[6]	**0,1**	0,3
Disallowed holding company expenses	**0,1**	0,3
Prior year adjustments	**(2,9)**	(3,2)
Government incentives	**(0,2)**	(1,8)
Travel, entertainment, gifts and staff welfare[7]	**0,1**	1,5
Provision for uncertain tax positions	**1,5**	1,9
Other disallowed expenses[8]	**0,7**	1,8
Normalised effective tax rate	**16,0**	15,4
Movement in rate due to transactions excluded from normalised headline earnings:		
Disallowed impairments	**1,1**	6,9
Non-taxable capital (losses)/gains	**(0,6)**	1,5
Disallowed restructuring, transaction costs and finance costs	**0,9**	3,5
Disallowed product litigation costs	**0,3**	1,2
Group's effective rate of tax	**17,7**	28,5

[1] *The statutory rate of tax in Mauritius is 15%. This rate is, however, subject to various credits that are available, which do fluctuate from year to year. The Aspen Group's Mauritius-based operations (namely Aspen Global) contributes -6,4% (2019: -8,9%) to the differences in foreign tax rates with the balance being contributed by the rest of the Group.*
[2] *The statutory tax rates in the remaining countries range from 0% to 40%. On an overall basis, these entities contribute -0,5% (2019: 2,0%) to the differences in foreign rates of tax. The movement from one year to the next arises from a change in the contribution of each Group entity's profits to the overall profits (refer to footnote 1 above).*
[3] *Under Mauritius tax law, a portion of the income earned by Aspen Global is not subject to tax in Mauritius due to the fact that it is shielded by corporate tax that has been paid to other tax authorities which relates to dividends that are received by Aspen Global from its subsidiaries.*
[4] *This includes amounts that are subject to withholding and other taxes which are, consequently, not taxable at the corporate tax level.*
[5] *The withholding tax credit has arisen due to a reduction in the accrued withholding tax rate being higher than the actual withholding tax rate because, at the time that the withholding tax was paid, there had been a statutory reduction in the withholding tax rate.*
[6] *Capital and wealth taxes have reduced as a result of once-off additional taxes, which arose in 2019, no longer applying in 2020.*
[7] *This amount has reduced as a consequence of reduced expenditure arising from COVID-19.*
[8] *This includes consulting fees, contributions to share schemes, donations, fines and penalties and other costs that are non-deductible. These items are immaterial on an individual basis.*

The Group's effective tax rate has been as follows over the preceding five years



The effective tax rate is higher in the 2016 and 2019 fiscal year due to the write-off of the Venezuelan operations in 2016 and higher impairments in 2019.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

30. Earnings per share

Accounting policy

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

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

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 had two categories of dilutive potential ordinary shares, namely share options and share appreciation rights. 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. No dilutive adjustments have been made to earnings.

Headline earnings per share
The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and Circular 1 of 2019.

Normalised headline earnings per share
Normalised headline earnings are headline earnings adjusted for specific non-trading items, being transaction costs and other acquisition and disposal-related gains or losses (including any gains or losses arising from the remeasurement of the fair value of liabilities for future contingent and/or milestone payments relating to intangible asset acquisitions accounted for under the cost accumulation method), restructuring costs, settlement of product-related litigation costs, net monetary adjustments and currency devaluations relating to hyperinflationary economies and significant once-off tax provision charges or credits arising from the resolution of prior year tax matters.

30. Earnings per share continued

Reconciliation of earnings

	2020			Restated 2019		
	Con-tinuing R'million	Discon-tinued R'million	Total R'million	Con-tinuing R'million	Discon-tinued R'million	Total R'million
Profit attributable to equity holders of the parent	**4 611**	**53**	**4 664**	1 679	4 784	6 463
Impairment of property, plant and equipment	**8**	**–**	**8**	422	–	422
– Gross amount	**12**	**–**	**12**	541	–	541
– Tax effect	**(4)**	**–**	**(4)**	(119)	–	(119)
Reversal of impairment losses on property, plant and equipment	**(1)**	**–**	**(1)**	(17)	–	(17)
– Gross amount	**(2)**	**–**	**(2)**	(26)	–	(26)
– Tax effect	**1**	**–**	**1**	9	–	9
Impairment of other non-current and current receivables	**9**	**–**	**9**	55	–	55
– Gross amount	**14**	**–**	**14**	55	–	55
– Tax effect	**(5)**	**–**	**(5)**	–	–	–
Impairment of intangible assets	**1 282**	**–**	**1 282**	2 993	–	2 993
– Gross amount	**1 339**	**–**	**1 339**	3 131	–	3 131
– Tax effect	**(57)**	**–**	**(57)**	(138)	–	(138)
(Profit)/loss on the sale of intangible assets	**(216)**	**–**	**(216)**	40	–	40
– Gross amount	**(222)**	**–**	**(222)**	40	–	40
– Tax effect	**6**	**–**	**6**	–	–	–
Loss on the sale of property, plant and equipment	**13**	**–**	**13**	16	–	16
– Gross amount	**18**	**–**	**18**	24	–	24
– Tax effect	**(5)**	**–**	**(5)**	(8)	–	(8)
Profit on the sale of assets classified as held-for-sale	**(14)**	**–**	**(14)**	(9)	–	(9)
– Gross amount	**(19)**	**–**	**(19)**	16	–	16
– Tax effect	**5**	**–**	**5**	(25)	–	(25)
Impairment of goodwill	**96**	**–**	**96**	107	–	107
– Gross amount	**96**	**–**	**96**	111	–	111
– Tax effect	**–**	**–**	**–**	(4)	–	(4)
Loss/(profit) on sale of discontinued operations**	**–**	**194**	**194**	–	(4 346)	(4 346)
– Gross amount	**–**	**34**	**34**	–	(5 398)	(5 398)
– Tax effect	**–**	**160**	**160**	–	1 052	1 052
Headline earnings*	**5 788**	**247**	**6 035**	5 286	438	5 724
Restructuring costs	**307**	**17**	**324**	100	16	116
– Gross amount	**413**	**27**	**440**	131	22	153
– Tax effect	**(106)**	**(10)**	**(116)**	(31)	(6)	(37)
Transaction costs	**402**	**9**	**411**	547	216	763
– Gross amount	**490**	**12**	**502**	610	238	848
– Tax effect	**(88)**	**(3)**	**(91)**	(63)	(22)	(85)
Foreign exchange (gain)/loss on acquisitions	**(17)**	**(42)**	**(59)**	9	(114)	(105)
– Gross amount	**(17)**	**(42)**	**(59)**	9	(159)	(150)
– Tax effect	**–**	**–**	**–**	–	45	45
Product litigation costs	**205**	**–**	**205**	459	–	459
– Gross amount	**234**	**–**	**234**	524	–	524
– Tax effect	**(29)**	**–**	**(29)**	(65)	–	(65)
Reversal of deferred consideration no longer payable	**–**	**–**	**–**	(264)	–	(264)
– Gross amount	**–**	**–**	**–**	(264)	–	(264)
– Tax effect	**–**	**–**	**–**	–	–	–
Normalised headline earnings*	**6 685**	**231**	**6 916**	6 137	556	6 693

* *All adjustments to profit attributable to equity holders of the parent have been disclosed net of tax. Headline and normalised headline earnings are disclosed net of income from non-controlling interests which are immaterial.*

*** In 2019 includes fair value gain on revaluation of joint ventures totalling R756 million.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

30. Earnings per share continued

	2020 million	2019 million
Shares		
Weighted average number of shares in issue	**456,5**	456,5
Weighted average number of shares for diluted earnings per share	**456,5**	456,5

Performance per share

	2020			2019 Restated		
	Continuing cents	**Discontinued cents**	**Total cents**	Continuing cents	Discontinued cents	Total cents
Basic earnings per share	**1 010,2**	**11,6**	**1 021,8**	367,8	1 048,1	1 415,9
Headline earnings per share	**1 268,0**	**54,1**	**1 322,1**	1 158,1	95,9	1 254,0
Normalised headline earnings per share	**1 464,6**	**50,5**	**1 515,1**	1 344,8	121,6	1 466,4
Diluted earnings per share	**1 010,2**	**11,6**	**1 021,8**	367,8	1 048,1	1 415,9
Diluted headline earnings per share	**1 268,0**	**54,1**	**1 322,1**	1 158,1	95,9	1 254,0
Diluted normalised headline earnings per share	**1 464,6**	**50,5**	**1 515,1**	1 344,8	121,6	1 466,4

31. Cash dividend

Accounting policy

Dividends are only accounted for in the Annual Financial Statements in the year that it is paid and are approved by the Board of Directors.

No dividend per share was accounted for in the statement of changes in equity for the year ended 30 June 2020 (2019: 315 cents per share), in accordance with IAS 10 – *Events after Reporting Period*.

32. Currency translation gains/(losses)

Currency translation gains/(losses) on the translation of the offshore businesses are as a result of the difference between the weighted average exchange rate used for trading results and the opening and closing exchange rates applied in the statement of financial position. For the year the weaker closing Rand translation rate has increased the Group's net asset value (2019: decreased).

33. Financial risk management

33.1 Introduction

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

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

The Audit & Risk Committee is responsible for the establishment and oversight of the Group's risk management framework. This framework is formally documented, and stipulates the responsibilities and processes for monitoring and managing the risks to which the Group is exposed.

The Group Treasury Committee monitors treasury relevant risks (i.e. liquidity, foreign exchange, interest rate, covenants, counterparty, etc.) affecting the Group, on a periodic basis, and provides guidance to local management in managing these risks. Local management is empowered, within the relevant approvals frameworks, to make decisions regarding how to manage these risks, as well as taking ownership for the implementation of any related action. The Group Treasury Committee reports to the Audit & Risk Committee.

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.

33. Financial risk management continued

33.2 Financial instruments by category

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

June 2020	At fair value through other comprehensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Other non-current receivables	–	866	866
Other current receivables	–	1 616	1 616
Trade and other receivables	–	9 471	9 471
Forward exchange contracts (gross settled)	11	–	11
Interest rate swaps (net settled)	6	–	6
Cash and cash equivalents	–	7 093	7 093
Total financial assets	17	19 046	19 063
Financial liabilities			
Unsecured loans	–	40 219	40 219
Lease liabilities	–	626	626
Bank overdrafts	–	1 476	1 476
Other non-current financial liabilities	–	4 842	4 842
Other current financial liabilities	–	601	601
Trade and other payables	–	6 817	6 817
Forward exchange contracts (gross settled)	17	–	17
Interest rate swaps (net settled)	65	–	65
Total financial liabilities	82	54 581	54 663

June 2019			
Financial assets			
Other non-current receivables	–	773	773
Other current receivables	–	432	432
Trade and other receivables	–	9 445	9 445
Forward exchange contracts (gross settled)	34	–	34
Interest rate swaps (net settled)	2	–	2
Cash and cash equivalents	–	8 977	8 977
Total financial assets	36	19 627	19 663
Financial liabilities			
Unsecured loans	–	45 112	45 112
Lease liabilities	–	20	20
Bank overdrafts	–	2 829	2 829
Other non-current financial liabilities	–	3 570	3 570
Other current financial liabilities	–	614	614
Trade and other payables	–	6 614	6 614
Forward exchange contracts (gross settled)	232	–	232
Interest rate swaps (net settled)	27	–	27
Total financial liabilities	259	58 759	59 018

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

33. Financial risk management continued

33.3 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 include 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.

33.3.1 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 revenue, purchases, other financial assets and liabilities, as well as 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. The Aspen Board defines the Group's appetite for economic risk.

Foreign currency risks are managed through the Group's financing policies and selective use of 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 2020 and 2019 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments and no hedge accounting was applied other than in respect of the Nutritionals business disposal in the prior year: Ineffectiveness that arises from cash flow hedges is recognised in the statement of comprehensive income. There were no material ineffectiveness in 2020 and 2019.

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

June 2020	Foreign amount million	Forward cover value R'million	Marked to market value R'million	Cumulative liability/ (asset) R'million
Imports*				
Euro	**5**	**92**	**103**	**(11)**
Australian Dollar	**21**	**260**	**260**	**–**
		352	**363**	**(11)**
Exports*				
Euro	**55**	**1 073**	**1 056**	**17**
Chinese Renminbi	**(263)**	**(644)**	**(645)**	**1**
US Dollar	**(45)**	**(774)**	**(775)**	**1**
Russian Ruble	**1 265**	**312**	**314**	**(2)**
		(33)	**(50)**	**17**
June 2019				
Imports*				
Swiss Franc	–#	4	4	–
Euro	(60)	(988)	(954)	(34)
		(984)	(950)	(34)
Exports*				
Australian Dollar	51	440	1 578	(1 138)
Euro	22	365	352	13
Pound Sterling	25	4 818	3 684	1 134
US Dollar	98	34 968	34 746	222
Russian Ruble	505	113	112	1
		40 704	40 472	232

** Includes forward exchange contracts that represent imports and exports being managed on a net basis.*
 # Foreign amounts are less than 1 million.

33. Financial risk management continued

33.3 Market risk management

33.3.1 Foreign currency risk continued

Definitions

Marked to market value
Foreign notional amount translated at the market forward rate at 30 June.

Forward cover value
Foreign notional amount translated at the contracted rate.

The maturity profile of all the forward exchange contracts at year-end (including those contracts for which the underlying transactions were recorded but payments not reflected by year-end) have a maturity date of less than one year.

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, Chinese Renminbi, New Zealand Dollar, Australian Dollar and Russian Ruble. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding currency translation movements 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 other comprehensive income of R10 282 million at 30 June 2020 (2019: debit of R19 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 2019.

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/ (decreased) profit before tax by the amounts shown below.

	Change in exchange rate %	Weakening in functional currency 2020 R'million	2019 R'million
Denominated: Functional currency			
Rand:US Dollar	10	**8**	132
Rand:Euro	10	**103**	(18)
Rand:Pound Sterling	10	**–**	44
US Dollar:Euro	10	**123**	22
Euro:Chinese Renminbi	10	**85**	–
Euro:Mexican Peso	10	**102**	–
Rand:New Zealand Dollar	10	**(62)**	–
Other exposures	10	**84**	113
		443	293

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

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

	Spot rate 2020	Spot rate 2019	Average rate 2020	Average rate 2019
Euro	**19,50**	16,02	**17,33**	16,19
Australian Dollar	**11,96**	9,89	**10,49**	10,15
US Dollar	**17,36**	14,09	**15,68**	14,19
Chinese Renminbi	**2,46**	2,05	**2,23**	2,08
Mexican Peso	**0,75**	0,73	**0,76**	0,74
Brazilian Real	**3,17**	3,66	**3,48**	3,68
Pound Sterling	**21,47**	17,89	**19,73**	18,37
Russian Ruble	**0,24**	0,22	**0,23**	0,22
New Zealand Dollar	**11,19**	9,46	**9,95**	9,52

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

33. Financial risk management continued

33.3 Market risk management

33.3.2 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 amount	
	2020 R'million	2019 R'million
Variable rate instruments		
Other non-current and current receivables	**(2 482)**	(1 205)
Cash and cash equivalents	**(2 777)**	(4 202)
Borrowings	**34 416**	41 501
Other non-current and current financial liabilities	**5 443**	4 184
	34 600	40 278
Fixed rate instruments		
Borrowings	**8 004**	6 586
	8 004	6 586

Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contracts ("IRS") were in place at 30 June 2020

	Outstanding contract amount R'million	Fixed interest rate %	Expiry date
Euro syndicated term loan – Facility B loan – Aspen Finance	5 851	0,09% (three-month EURIBOR floored at nil)	31 March 2022
Australian Dollar revolving credit facility – Facility G loan – Aspen Asia Pacific	2 153	1,64% (three-month BBSY)	31 March 2022

With respect to the IRSs related to the Facility B and G loans, the IRSs were designated in a cash flow hedge relationship. The nature of the risks that were hedged (interest rate risk) was the variability of the periodic interest payments on the hedged items, attributable to movements in the EURIBOR and BBSY interest rates, respectively. Gains and losses recognised in the hedging reserve in equity at 30 June 2020 will be continuously released to the statement of comprehensive income as interest (finance costs) on the loans.

The maturity profile of the gross contract amounts at 30 June 2020 is between one and two years.

Sensitivity analysis

An increase of 100 basis points in each of the individual interest rate categories for the year ended 30 June would have decreased profit before tax by the following

	2020 R'million	2019 R'million
Three-month EURIBOR	**145**	229
Three-month BBSY	**4**	23
Three-month JIBAR, SAFEX and South African prime overdraft rate	**82**	78
	231	330

An decrease of 100 basis points in each of the individual interest rate categories for the year ended 30 June would have increased profit before tax by the following

	2020 R'million	2019 R'million
Three-month EURIBOR	**(11)**	(19)
Three-month BBSY	**4**	23
Three-month JIBAR, SAFEX and South African prime overdraft rate	**82**	78
	75	82

33. Financial risk management continued

33.3 Market risk management

33.3.2 Interest rate risk continued

Changes in market interest rates also affected 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, remained constant.

An increase of 1% in the EURIBOR yield curve at 30 June 2020 would result in a decrease of R54 million (2019: R72 million) in the fair value of the derivative liabilities in the statement of financial position. A decrease of 1% in the EURIBOR yield curve at 30 June 2020 would result in an increase of R0,1 million (2019: R0,2 million) in the fair value of the derivative liabilities in the statement of financial position.

An increase of 1% in the BBSY yield curve at 30 June 2020 would result in a decrease of R37 million (2019: R46 million) in the fair value of the derivative liabilities in the statement of financial position. A decrease of 1% in the BBSY yield curve at 30 June 2020 would result in an increase of R39 million (2019: R49 million) in the fair value of the derivative liabilities in the statement of financial position.

33.4 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 16 for detail.

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

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

	Undiscounted cash flows				
2020	**On demand R'million**	**< 1 year R'million**	**1 – 5 years R'million**	**> 5 years R'million**	**Total R'million**
Financial assets					
Other non-current and current financial receivables	–	1 611	648	300	2 559
Trade and other receivables (financial instruments only)	–	9 471	–	–	9 471
Forward exchange contracts (gross settled)*	–	11	–	–	11
Gross cash inflows	–	363	–	–	363
Gross cash outflows	–	(352)	–	–	(352)
Cash and cash equivalents	6 563	530	–	–	7 093
Interest rate swaps (net settled)	–	6	–	–	6
Total financial assets	6 563	11 629	648	300	19 140
Financial liabilities					
Unsecured loans	–	(5 690)	(36 571)	–	(42 261)
Bank overdrafts	(1 476)	–	–	–	(1 476)
Lease liabilities	–	(190)	(436)	(20)	(646)
Trade and other payables (financial instruments only)	–	(6 817)	–	–	(6 817)
Other non-current and current financial liabilities	–	(468)	(5 961)	(38)	(6 467)
Forward exchange contracts (gross settled)*	–	(17)	–	–	(17)
Gross cash inflows	–	33	–	–	33
Gross cash outflows	–	(50)	–	–	(50)
Interest rate swaps (net settled)	–	(65)	–	–	(65)
Total financial liabilities	(1 476)	(13 247)	(42 968)	(58)	(57 749)
Net exposure	5 087	(1 618)	(42 320)	(242)	(38 609)

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

33. Financial risk management continued

33.4 Liquidity risk continued

2019	Undiscounted cash flows On demand R'million	< 1 year R'million	1 – 5 years R'million	> 5 years R'million	Total R'million
Financial assets					
Other non-current and current financial receivables	–	527	245	26	798
Trade and other receivables (financial instruments only)	–	9 877	–	–	9 877
Forward exchange contracts (gross settled)*	–	34	–	–	34
Gross cash inflows	–	(950)	–	–	(950)
Gross cash outflows	–	984	–	–	984
Cash and cash equivalents	8 744	234	–	–	8 978
Interest rate swaps (net settled)	–	2	–	–	2
Total financial assets	8 744	10 674	245	26	19 689
Financial liabilities					
Unsecured loans	–	(6 811)	(41 935)	–	(48 746)
Bank overdrafts	(2 829)	–	–	–	(2 829)
Lease liabilities	–	(14)	(6)	–	(20)
Trade and other payables (financial instruments only)	–	(6 614)	–	–	(6 614)
Other non-current and current financial liabilities	–	(1 330)	(652)	(3 438)	(5 420)
Forward exchange contracts (gross settled)*	–	(232)	–	–	(232)
Gross cash inflows	–	(40 704)	–	–	(40 704)
Gross cash outflows	–	40 472	–	–	40 472
Interest rate swaps (net settled)	–	(27)	–	–	(27)
Total financial liabilities	(2 829)	(15 028)	(42 593)	(3 438)	(63 888)
Net exposure	5 915	(4 354)	(42 348)	(3 412)	(44 199)

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

33.5 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 and current receivables, derivative financial instruments 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 trade receivables covered by credit guarantee insurance. Refer to the respective notes for more detail on how the Group manages credit risks for these financial assets.

33. **Financial risk management** continued

33.6 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, balance the interests of all providers of capital and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, other financial liabilities and equity attributable to shareholders of the parent, comprising share capital, treasury shares, 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 this capital structure on at least a semi-annual basis. As part of the review, the Board considers the Group's solvency, liquidity, and other relevant factors which may pose a risk to the Group's ability to continue as a going concern. Based on recommendations by the Board, the Group may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

There were no changes to the Group's approach to capital management during the year.

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

	30 June 2020	31 December 2019
Debt (net of cash and cash equivalents) may not exceed this multiple of earnings before interest, tax, depreciation, non-recurring items and amortisation ("EBITDA")	**3,50**	4,00
EBITDA must not be below this multiple of net finance charges	**3,50**	3,50

At 31 December 2019 and for the year ended 30 June 2020, all the above covenants were complied with.

34. 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, various companies in the Group entered into service, lending, financial guarantees and transactions relating to the buying and selling of goods with one another, on an arm's length basis. These intra-group transactions have been eliminated on consolidation. Refer to note 23 of the Company Annual Financial Statements for a list of material operating subsidiaries and structured entities. 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 practicing attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Group. During the year, total legal fees to Chris Mortimer & Associates expensed in the statement of comprehensive income was R10,9 million (2019: R12,6 million). There were no balances outstanding at 30 June 2020 (2019: nil).

Directors' and prescribed officers' remuneration is disclosed in note 26.

Transactions with Group directors and prescribed officers

Key management personnel consist of directors of key Group companies.

The key management personnel compensation consists of:

	2020 R'million	2019 R'million
Short-term employee benefits	**152**	123
Post-employment benefits	**8**	8
Share-based payment expense	**13**	11
Total key management remuneration paid	**173**	142
Number of employees included above	**27**	26

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2020

35. Contingent liabilities

Other contingent liabilities

The Group has a number of individually insignificant contingent liabilities amounting to R57 million (2019: R78 million).

Potential disputed matter – European Commission

In May 2017, the European Commission ("EC") opened an investigation in terms of Article 102 of the TFEU in respect of Aspen's pricing practices for its products containing the active pharmaceutical ingredients Chlorambucil, Melphalan, Mercaptopurine, Tioguanine and Busulfan ("Products"). The investigation covers all the European Economic Areas, excluding Italy.

Aspen and the EC have settled the revised net selling prices of each of the Products in each of the Member States. The Aspen Commitments (settlement) are in the process of Member State review and should this process not raise any substantive issues the EC intends to accept the Commitments and make them binding upon Aspen. Once the Commitments are accepted by the EC, Aspen will need to work with each of the Member States on their implementation.

In terms of the Commitments, which are in respect of the Products:

i. Aspen will undertake to reduce its prices of the Products to achieve a predetermined EBITDA margin and, subject to exceptional circumstances, not exceed these prices for a period of 10 years.
ii. Aspen will commit to continuing supply of the Products for a period of at least five years. Should it elect to discontinue the supply of any of the Products prior to the end of 10 years, Aspen will either sell the rights to the Product(s) so discontinued or maintain the relevant marketing authorisations for the balance of 10 years.
iii. Aspen will make a one-time payment to the ultimate funders of the Products in each Member State. This payment will be calculated as the difference between Aspen's actual sales of the Products in the Member State between 1 October 2019 and the implementation date of the new prices and the same sales had they been made at the revised lower prices. It is estimated that the revised prices will be formally introduced in Q4 2020 in which case the payment will cover a period of between 12 and 15 months.
iv. The estimate of the above payment, based on an average 73% reduction in the prices of the Products, is between EUR20 million and EUR24 million which would be paid over an estimated implementation period of six months.

Consistent with Article 9 of Regulation 1/2003, these Commitments do not constitute an acknowledgement that Aspen has infringed EU competition law. Upon acceptance of the Commitments, the Commission will discontinue the investigation in the case, without concluding whether there has been or still is an infringement of EU law.

An estimated liability relating to the one-time payment of EUR24 million has been provided for as a current liability in the statement of financial position.

36. Subsequent event

In September 2020 (refer SENS announcement of 8 September 2020) the Group concluded an agreement (subject to conditions precedent) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan") for a purchase consideration of EUR642 million, plus the cost of the related inventory ("the Transaction"). It is anticipated that the Transaction will complete before 31 December 2020. Mylan is a global pharmaceutical company, with principal offices in Canonsburg, Pennsylvania, United States of America. Mylan has a significant presence in Europe, generating sales of over USD4 billion in 2019. The Transaction was not considered highly probable at 30 June 2020 and accordingly is disclosed as a post-balance sheet non-adjusting event in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* and IAS 10 – *Events after the Reporting Period*.

Residual accounting policies

for the year ended 30 June 2020

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 Annual Financial Statements are set out in each of the respective notes. Any accounting policies that are general in nature, and/or are applicable to more than one specific note, have been disclosed below.

Except as otherwise disclosed, these policies are consistent in all material respects with those applied in previous years.

Basis of preparation of financial results

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The results, cash flows and financial position of a subsidiary that operates in a hyperinflationary economy have been expressed in terms of the measuring unit current at the reporting date. The methods used to measure fair value and the adjustments made to account for these subsidiaries are discussed further in the accounting policies and in the respective notes.

The 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 Annual Financial Statements are disclosed in each of the respective notes.

Group accounting

The Annual Financial Statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis. A listing of the Group's material operating subsidiaries and structured entities are set out in note 23 of the Company Annual Financial Statements.

Subsidiaries

The financial results of subsidiaries (including structured 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.

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the Company Annual Financial Statements. 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.

A subsidiary acquired exclusively with a view to resell is valued at fair value less costs to sell, at each reporting date, as a single unit of account. There is no requirement to fair value the entity's individual assets and liabilities. The entity's identifiable liabilities are measured at fair value, and this amount is added to the fair value less costs to sell amount, to ascertain the value of the assets to be disclosed.

Subsidiaries held exclusively with a view to resell and meet the definition of a discontinued operation in accordance with IFRS 5 – *Non-current assets held-for-sale and discontinued operations*.

Aspen applied the "short-cut method" given in the IFRS 5 – *Implementation Guidance* to account for these subsidiaries.

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 on non-current assets, that loss is charged to the statement of comprehensive income.

Changes in ownership in subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – 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 re-measured 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

Residual accounting policies continued

for the year ended 30 June 2020

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. Non-controlling interests at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

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 – *Business Combinations*.

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.

Significant judgement is applied by management when considering whether a transaction should be classified as a business combination or as an asset acquisition. A business combination consists of three components, namely:

- Inputs;
- Processes; and
- Outputs.

Management would consider all the facts and circumstances of the transactions to determine if all the inputs and processes are acquired to create outputs that result in economic inflows or profits to the Group. If management can demonstrate that outflows are created that result in inflows to the Group the transaction is accounted for as a business combination rather than an asset acquisition.

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 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.

Currency 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 movements in other comprehensive income and deferred in equity in the foreign currency translation reserve.

On consolidation, currency translation movements 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

Financial instruments

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
- 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 in the hedging reserve are accounted for in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Fair value 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, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying 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 to 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 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.

Residual accounting policies continued

for the year ended 30 June 2020

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 and current receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- other non-current financial liabilities;
- other current financial liabilities;
- current borrowings; and
- non-current borrowings.

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

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.

Reclassifications and presentation

The Annual Financial Statements have been rounded and disclosed in R'million in the current year to augment effective financial analysis.

Certain amounts have been combined and/or reclassified in the Annual Financial Statements due to either their similarity in nature or not being individually material to disclose separately.

Accounting policies specific to the Company

All the accounting policies disclosed in the Group Annual Financial Statements are applicable to the Company Annual Financial Statements. The following additional accounting policies are applicable to the Company Annual Financial Statements:

Revenue

The revenue accounting policy for the Company is consistent with that of the Group with the exception of dividends received from subsidiaries and royalties which is included in revenue. The Company earns royalties from subsidiaries based on sales for the use of intangible assets owned by the Company.

The revenue streams of the Company include royalties, administrative fees received from subsidiaries and dividends received from subsidiaries. Due to dividend income not being considered as revenue from contracts with customers, the revenue streams accounted for in accordance with IFRS 15 – *Revenue from Contracts with Customers* relates to royalties and administrative fees received from subsidiaries.

Amounts due by Group companies

Amounts due by Group companies are classified as 'Amortised cost' in terms of IFRS 9 – *Financial Instruments: Recognition and Measurement*. Amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets as they all have maturities less than 12 months from year-end. The Group determines the classification of its financial asset at initial recognition when the Group becomes party to the contractual provisions of the instrument.

If there is no history of write-offs, no expected credit loss provision will be raised in accordance with IFRS 9.

Amounts due to Group companies

Amounts due to Group companies are classified as 'liabilities at amortised cost' in terms of IFRS 9 – *Financial Instruments: Recognition and Measurement*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Constant exchange rate report

The presentation currency of the Group is Rand.

In addition to that the Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in a supplementary unaudited annexure. Refer to page 134.

New standards, amendments and interpretations

The following standards, amendments and interpretations were effective for the first time in the year ended 30 June 2020:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IFRS 9 – *Financial instruments* on prepayment features with negative compensation and modification of financial liabilities	• The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.	Financial years beginning on or after 1 January 2019.	The Group applied this amendment from the financial year ending 30 June 2020. No material impact for the Group.
IFRS 16 – *Leases*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC 15 – *Operating Leases – Incentives* and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.	Financial years beginning on or after 1 January 2019.	The Group applied this amendment from the financial year ending 30 June 2020. Refer to note 1 where the detailed impact is disclosed.

Residual accounting policies continued

for the year ended 30 June 2020

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IAS 19 – *Employee benefits* on plan amendment, curtailment or settlement.	These amendments require an entity to: • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss The impact of the amendments is to confirm that these effects are not offset.	Financial years beginning on or after 1 January 2019.	The Group applied this amendment from the financial year ending 30 June 2020. No material impact for the Group.
Amendments to IAS 28 – *Investments in associates and joint ventures* – long-term interests in associates and joint ventures	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.	Financial years beginning on or after 1 January 2019.	The Group applied this amendment from the financial year ending 30 June 2020. No material impact for the Group.
IFRIC 23 – *Uncertainty over income tax treatments*	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.	Financial years beginning on or after 1 January 2019.	The Group applied this amendment from the financial year ending 30 June 2020. Refer to note 1 where the detailed impact is disclosed.

The following standards, amendments and interpretations were not yet effective for the year ended 30 June 2020:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 1 – *Presentation of financial statements* and IAS 8 – *Accounting policies, changes in accounting estimates and errors* on the definition of material.	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*	Financial years beginning on or after 1 January 2020.	The Group will apply this amendment from financial year ending 30 June 2021. No material impact expected to the Group.

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IFRS 3 – *Business combinations* Definition of a business	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	Financial years beginning on or after 1 January 2020.	The Group will apply this amendment from financial year ending 30 June 2021. No material impact expected to the Group.
IFRS 17 – *Insurance contracts*	The IASB issued IFRS 17 – *Insurance contracts*, and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	Financial years beginning on or after 1 January 2022.	The Group will apply this amendment from financial year ending 30 June 2023. No material impact expected to the Group.
Amendments to IFRS 9 – *Financial Instruments*, IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosure – Interest rate benchmark reform*	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.	Financial years beginning on or after 1 January 2020.	The Group will apply this amendment from financial year ending 30 June 2021. No material impact expected to the Group.

Residual accounting policies continued

for the year ended 30 June 2020

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 were issued in December 2017 and were effective for the financial year ended 30 June 2020:

- IFRS 3 – *Business combination*;
- IFRS 11 – *Joint arrangements*;
- IAS 12 – *Income taxes*; and
- IAS 23 – *Borrowing cost.*

Company Annual Financial Statements

for the year ended 30 June 2020

aspen HOLDINGS

Company statement of financial position

at 30 June 2020

	Notes	2020 R'million	2019 R'million
Assets			
Non-current assets			
Investments in subsidiaries	1	**19 131**	18 633
Intangible assets	2	**948**	857
Property, plant and equipment	3	**160**	171
Investment in joint venture	4	**–**	–
Deferred tax assets	5	**26**	25
Other non-current financial assets	6	**73**	27
Total non-current assets		**20 338**	19 713
Current assets			
Amounts due by Group companies	1	**322**	637
Cash and cash equivalents	7	**496**	934
Receivables and prepayments	8	**121**	132
Current tax assets		**37**	21
Total current assets		**976**	1 724
Total assets		**21 314**	21 437
Shareholders' equity			
Retained income		**16 971**	16 608
Share capital	9	**3 225**	3 225
Non-distributable reserve		**146**	105
Share-based compensation reserve		**109**	98
Total shareholders' equity		**20 451**	20 036
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	11	**619**	619
Total non-current liabilities		**619**	619
Current liabilities			
Amounts due to Group companies	1	**69**	388
Other payables	10	**175**	175
Other financial liabilities	11	**–**	219
Total current liabilities		**244**	782
Total liabilities		**863**	1 401
Total equity and liabilities		**21 314**	21 437

Company statement of comprehensive income

for the year ended 30 June 2020

	Notes	2020 R'million	2019 R'million
Revenue	12	**1 209**	3 530
Administrative expenses		**(545)**	(589)
Other operating income		**–**	834
Other operating expenses		**(280)**	(483)
Operating profit	13	**384**	3 292
Investment income	16	**44**	107
Financing costs (paid)/received	17	**(3)**	2
Profit before tax		**425**	3 401
Tax	18	**(62)**	(336)
Profit for the year and total comprehensive income		**363**	3 065

Company statement of changes in equity

for the year ended 30 June 2020

		Non-distributable reserves				
	Share capital R'million	Hedging reserve R'million	FVOCI reserve R'million	Share-based compensation reserve R'million	Retained income R'million	Total R'million
Balance at 1 July 2018	3 225	143	(11)	94	14 980	18 431
Total comprehensive income	–	–	–	–	3 065	3 065
Profit for the year	–	–	–	–	3 065	3 065
Dividends paid	–	–	–	–	(1 437)	(1 437)
Share-based payment expenses	–	–	–	29	–	29
Revaluation of other non-current financial assets	–	–	(27)	–	–	(27)
Deferred incentive bonus shares exercised	–	–	–	(25)	–	(25)
Balance at 30 June 2019	**3 225**	**143**	**(38)**	**98**	**16 608**	**20 036**
Total comprehensive income	**–**	**–**	**–**	**–**	**363**	**363**
Profit for the year	**–**	**–**	**–**	**–**	**363**	**363**
Share-based payment expenses	**–**	**–**	**–**	**34**	**–**	**34**
Revaluation of other non-current financial assets	**–**	**–**	**41**	**–**	**–**	**41**
Deferred incentive bonus shares exercised	**–**	**–**	**–**	**(23)**	**–**	**(23)**
Balance at 30 June 2020	**3 225**	**143**	**3**	**109**	**16 971**	**20 451**

Company statement of cash flows

for the year ended 30 June 2020

	Notes	2020 R'million	2019 R'million
Cash flows from operating activities			
Cash generated from operations	A	**539**	2 697
Financing costs (paid)/received	B	**(3)**	2
Investment income received	C	**44**	107
Tax paid	D	**(75)**	(309)
Cash generated from operating activities		**505**	2 497
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(4)**	(6)
Capital expenditure – intangible assets	E	**(148)**	(329)
Proceeds on sale of intangible assets		**1**	83
(Payments)/proceeds on the sale of assets classified as held-for-sale	G	**(40)**	2 401
Capital injection in subsidiaries		**(407)**	(1 124)
Acquisition of joint venture		**–**	(808)
Acquisition of available-for-sale financial assets		**(33)**	(18)
Cash inflows/(outflows) – amounts due by Group companies		**226**	(331)
Contractual adjustments – Nutritionals business consideration		**(74)**	–
Payment of deferred, fixed and contingent consideration relating to prior year business acquisitions		**(145)**	–
Cash used in investing activities		**(624)**	(132)
Cash flows from financing activities			
Dividends paid		**–**	(1 437)
Cash (outflows)/inflows – amounts due to Group companies		**(319)**	32
Cash used in financing activities		**(319)**	(1 405)
Cash and cash equivalents			
Movement in cash and cash equivalents		**(438)**	960
Cash and cash equivalents at the beginning of the year		**934**	(26)
Cash and cash equivalents at the end of the year	F	**496**	934

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances less bank overdrafts.

Notes to the Company statement of cash flows

for the year ended 30 June 2020

			2020 R'million	2019 R'million
A.	**Cash generated from operations**			
	Operating profit		**384**	3 292
	Amortisation of intangible assets		**51**	40
	Depreciation of property, plant and equipment and right-of-use assets		**15**	18
	Impairment – intangible assets		**5**	56
	Impairment – amounts due by Group companies		**10**	72
	Impairment – investment in subsidiaries		**21**	92
	Loss/(profit) on the sale of assets classified as held-for-sale	G	**40**	(833)
	Deferred incentive bonus shares exercised		**(23)**	(25)
	Share-based payment expense – employees		**24**	17
	Withholding taxes		**(4)**	(6)
	Other non-cash items		**5**	6
	Cash operating profit		**528**	2 729
	Working capital movements		**11**	(32)
	Decrease/(increase) in receivables and prepayments		**11**	(116)
	Increase in other payables		**–**	84
			539	2 697
B.	**Financing costs (paid)/received**			
	Net foreign exchange (losses)/gains		**(3)**	2
			(3)	2
C.	**Investment income received**			
	Interest received		**44**	107
			44	107
D.	**Tax paid**			
	Amounts receivable at the beginning of the year		**21**	42
	Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)		**(59)**	(330)
	Amounts receivable at the end of the year		**(37)**	(21)
			(75)	(309)
E.	**Capital expenditure – intangible assets**			
	Additions to intangible assets		**(148)**	(474)
	Consideration outstanding		**–**	145
			(148)	(329)
F.	**Cash and cash equivalents**			
	Cash and cash equivalents per the statement of cash flows		**496**	934

G. (Payments)/proceeds received from sale of assets classified as held-for-sale

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. The transaction was concluded effective 31 May 2019 and the results of the profit on the sale of assets classified as held for sale was accounted for in the statement of comprehensive income. In the current financial year the performance below only includes contractual adjustments and 11 months of performance in the prior year.

	2020 Nutritionals business R'million	2019 Nutritionals business R'million
(Payments)/proceeds		
Proceeds received	**–**	2 401
Payments made	**(40)**	–
Cash (outflow)/inflow per cash flow statement	**(40)**	2 401
Assets disposed		
Non-current assets		
Intangible assets	**–**	6
Investments in joint ventures	**–**	869
Total non-current assets	**–**	875
Net assets disposed	**–**	875
Liabilities raised as part of disposals*		
Non-current liabilities		
Financial liabilities	**–**	619
Current liabilities		
Financial liabilities	**–**	74
Net liabilities raised	**–**	693
(Loss)/profit on sale of assets classified as held-for-sale	**(40)**	833
(Loss)/profit	**(40)**	219
Fair value gain on revaluation of joint venture	**–**	614

** The liabilities raised relating to disposals include certain working capital true-up adjustments associated with the assets disposed.*

Notes to the Company annual financial statements

for the year ended 30 June 2020

1. Investments in subsidiaries

	2020 R'million	2019 R'million
Summary of balance		
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**19 131**	18 633
Reflected as current assets		
Amounts due by Group companies#	**322**	637
Reflected as current liabilities		
Amounts due to Group companies#	**(69)**	(388)
	19 384	18 882

The intra-group facilities, all bear interest at varying rates depending on whether or not the amounts are treated as a shareholder loan, is financing that has been provided or arises from the ad hoc recovery of expenditure/provision of services. Interest is not levied on current payables and receivables unless the credit days are exceeded, in which case interest is levied on the amounts that remain overdue.

For further details of interests in material operating subsidiaries please refer to note 23.

Reconciliation of investment in subsidiaries

	2020 R'million	2019 R'million
Balance at the beginning of the year	**18 633**	17 590
Capital injection in subsidiaries per statement of cash flows	**407**	1 124
Alphamed Formulations Pvt Limited	**32**	60
Fine Chemicals Corporation (Pty) Limited	**375**	1 000
Kama Industries Ltd	**–**	40
Beta Healthcare (Uganda) Ltd	**–**	24
Amounts due by group companies capitalised	**99**	–
Shelys Pharmaceuticals International Limited	**99**	–
Impairments	**(21)**	(92)
Brimpharm SA (Pty) Limited	**(10)**	–
Kama Industries Limited	**(11)**	(37)
Aspen Pharma Investments Inc.	**–**	(55)
Share-based payment expenses capitalised	**13**	11
	19 131	18 633

Amounts due by Group companies

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 R'million	2019 R'million
Amounts due by Group companies	**322**	637
	322	637
Ageing of financial assets		
Fully performing	**322**	637

Impairment losses are recorded in the allowance account for losses until the Company 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.

Based on the application current year assessment resulted in an impairment loss of R10 million (2019: R21 million) recognised in the statement of comprehensive income.

2. Intangible assets

Reconciliation of balance

2020	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
Carrying amount				
Cost	**1 578**	**43**	**335**	**1 956**
Accumulated amortisation	**(776)**	**(43)**	**(107)**	**(926)**
Accumulated impairment losses	**(78)**	**–**	**(4)**	**(82)**
	724	**–**	**224**	**948**
Movement in intangible assets				
Carrying amount at the beginning of the year	**746**	**–**	**111**	**857**
Additions	**2**	**–**	**146**	**148**
Disposals	**–**	**–**	**(1)**	**(1)**
Amortisation	**(23)**	**–**	**(28)**	**(51)**
Impairment losses	**(1)**	**–**	**(4)**	**(5)**
	724	**–**	**224**	**948**
2019				
Carrying amount				
Cost	1 575	43	227	1 845
Accumulated amortisation	(753)	(43)	(81)	(877)
Accumulated impairment losses	(76)	–	(35)	(111)
	746	–	111	857
Movement in intangible assets				
Carrying amount at the beginning of the year	382	–	186	568
Additions	435	–	39	474
Disposals	–	–	(83)	(83)
Amortisation	(9)	–	(31)	(40)
Impairment losses	(56)	–	–	(56)
Transfer to assets classified as held-for-sale	(6)	–	–	(6)
	746	–	111	857

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

2. Intangible assets continued

Indefinite useful life intangible assets

Split of balance	2020 R'million	2019 R'million
GSK OTC Brands#	**232**	232
Other	**108**	108
	340	340

 # Key assumptions on impairment tests for the GSK OTC Brands were as follows:

- *period covered by the forecasts and budgets of five years (2019: five years);*
- *average growth in revenue per annum of 5% (2019: 9%);*
- *average gross profit percentage per annum of 57% (2019: 56%);*
- *growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 0% (2019: 3%); and*
- *average annual pre-tax discount rate applied to cash flows of 13% (2019: 19%).*

Based on the above calculations no impairments were recognised for the indefinite useful life intangible assets other than reported in the note. For detailed sensitivities on the intangible assets refer to note 2 of the Group Annual Financial Statements.

Commitments

Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following:

	2020 R'million	2019 R'million
Authorised and contracted for	**380**	–
Authorised but not yet contracted for	**255**	174
	635	174

Other disclosure

No intangible assets were pledged or committed as security for borrowings.

3. Property, plant and equipment

Reconciliation of balance

2020	Buildings R'million	Other tangible assets^ R'million	Total R'million
Carrying amount			
Cost	**158**	**77**	**235**
Accumulated depreciation	**(17)**	**(58)**	**(75)**
	141	**19**	**160**
Movement in property, plant and equipment			
Carrying amount at the beginning of the year	**144**	**27**	**171**
Additions	**1**	**3**	**4**
Depreciation	**(4)**	**(11)**	**(15)#**
	141	**19**	**160**
2019			
Carrying amount			
Cost	157	74	231
Accumulated depreciation	(13)	(47)	(60)
	144	27	171
Movement in property, plant and equipment			
Carrying amount at the beginning of the year	144	39	183
Additions	3	3	6
Depreciation	(5)	(13)	(18)#
Reclassification between categories	2	(2)	–
	144	27	171

^ *Other tangible assets comprise computer equipment, office equipment and furniture.*
# *Depreciation charge is included in administrative expenses on the statement of comprehensive income.*

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

3. Property, plant and equipment continued

Commitments

Capital commitments

Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following:

	2020 R'million	2019 R'million
Authorised but not yet contracted for	**31**	37
	31	37

Short-term leases and leases of low-value assets

The Company rents buildings under non-cancellable leases and also rents office equipment and furniture that are cancellable at various short-term notice periods by either party. The prior year future minimum lease commitments have not been restated and relate to leases which have been capitalised at 1 July 2019 as result of IFRS 16 adoption.

	2020 R'million	2019 R'million
Minimum future lease commitments		
Land and buildings	**–**	1
Office equipment and furniture	**–**	1
Lease commitments	**–**	2
The future minimum lease commitments are as follows:		
Less than one year	**–**	1
Between one and five years	**–**	1
	–	2

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

Other disclosure

No property, plant and equipment was pledged or committed as security for any borrowings.

4. Investment in joint venture

Reconciliation of balance

	2020 R'million	2019 R'million
Carrying amount at the beginning of the year	**–**	61
Acquisition of remaining share in joint venture	**–**	808
Transfer to assets classified as held-for-sale	**–**	(869)
Carrying amount at the end of the year	**–**	–

On 31 October 2014, the Company acquired a 50% shareholding in NZNM, a producer of infant nutritionals incorporated in Auckland, New Zealand. The company is a private company and no quoted market price is available for its shares. As part of the disposal of the Nutritionals business, Aspen acquired the remaining 50% of the NZNM joint venture for a total consideration of R808 million. This led to this joint venture being a 100% owned subsidiary of the Group. As this subsidiary was held exclusively with a view to resell, Aspen made a choice to account for the subsidiary using the "short-cut method" given in the IFRS 5 – *Non-Current Assets Held-for-Sale and Discontinued Operations* implementation guidelines. This subsidiary was acquired exclusively with a view to resell and has been valued at fair value less costs to sell. This valuation resulted in R614 million fair value gain recognised in the statement of comprehensive income.

5. Deferred tax assets

	2020 R'million	2019 R'million
Reconciliation of balance		
Opening balance	**25**	25
Statement of comprehensive income charge – included in tax	**8**	1
Statement of comprehensive income statement credit – prior year adjustment	**(7)**	(1)
	26	25
Deferred tax balance comprises		
Property, plant and equipment	**4**	(4)
Intangible assets	**(3)**	15
Other payables	**25**	14
	26	25
The statement of comprehensive income charge comprises		
Property, plant and equipment	**8**	(2)
Intangible assets	**(18)**	2
Receivables and prepayments	**–**	(2)
Other payables	**11**	2
	1	–

6. Other non-current financial assets

	2020 R'million	2019 R'million
At the beginning of the year	**27**	41
Acquisition of shares in Aspen Pharmacare Holdings Limited*	**33**	18
Disposal of shares in Aspen Pharmacare Holdings Limited^	**(28)**	(5)
Revaluation to fair value – charged to equity	**41**	(27)
At the end of the year	**73**	27

The Aspen Pharmacare Holdings Limited shares are fair valued by reference to the stock exchange quoted bid prices. These assets are classified as fair value through other comprehensive income as per IFRS 9 – *Financial Instruments*. These shares are classified as "level 1" assets in the fair value measurement hierarchy.

** Shares are purchased and held by the Company until vesting of deferred incentive bonus takes place.*
^ Shares given to employees on vesting.

7. Cash and cash equivalents

	2020 R'million	2019 R'million
Summary of balance		
Bank balances	**496**	934

Other disclosure

The average effective interest rate on cash and cash equivalents is 5,8% (2019: 7,2%).

The total amount of cash and cash equivalents is exposed to credit risk, and are held with highly reputable banks. The Company does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings.

All cash and cash equivalents are denominated in Rand.

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

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

8. Receivables and prepayments

	2020 R'million	2019 R'million
Summary of balance		
Prepayments	**14**	17
Interest accrued	**2**	10
Indirect taxes	**17**	8
Other	**88**	97
	121	132
Split of balance		
Financial assets	**88**	97
Non-financial assets	**33**	35
	121	132

Other disclosure

The Company holds no collateral over any receivables and prepayments.

Receivables and prepayments are non-interest bearing.

All receivables and prepayments classified as financial instruments are fully performing and are denominated in Rand.

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

9. Share capital

Summary of balance

	2020 R'million	2019 R'million
Authorised		
717 600 000 (2019: 717 600 000) ordinary shares with no par value	**–**	–
Issued		
456 451 541 (2019: 456 451 541) ordinary shares with no par value	**3 225**	3 225

	2020 '000	2019 '000
Shares in issue at the beginning of the year	**456,5**	456,5
Shares issued – share schemes	**–**	–
Shares in issue at the end of the year	**456,5**	456,5

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.

10. Other payables

	2020 R'million	2019 R'million
Summary of balance		
Accrued expenses	**46**	10
Leave pay	**20**	15
Bonuses	**74**	49
Other	**35**	101
	175	175
Split of balance		
Financial liabilities	**68**	101
Non-financial liabilities	**107**	74
	175	175

Other disclosures

All other payables (financial instruments only) are predominantly non-interest bearing and denominated in Rand.

11. Other financial liabilities

	2020 R'million	2019 R'million
Reconciliation of balance		
Nutritionals business working capital – true-up adjustments	**–**	74
Nutritionals business performance warranty	**619**	619
Consideration payable to AstraZeneca – Trustan	**–**	145
	619	838
Split of balance		
Financial liabilities	**–**	219
Non-financial liabilities	**619**	619
	619	838

Nutritionals business

In the prior year the Company concluded an agreement to divest of its Nutritionals business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. The transaction was concluded effective 31 May 2019 and the results of the disposals were included as part of discontinued operations.

Split of balance

	2020 R'million	2019 R'million
Working capital – true-up adjustments As part of the disposal of the Nutritionals business in the prior year certain working capital true-up adjustments associated with the assets disposed were paid to Lactalis in October 2019. The amount in the statement of financial position in the prior year represented management's best estimate of the expected payment. The final agreed payment amounted to R114 million resulting in an additional loss on sale of business of R40 million.	**–**	74
Performance warranty The performance warranty is based on the expected profit performance of the disposed portfolio in Asia over three years. The liability recognised is NZD65 million based on management's best estimate of the expected performance. The amount will be payable by latest 31 December 2021.	**619**	619
	619	693

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

11. Other financial liabilities continued

Consideration payable to AstraZeneca – Trustan

On 30 December 2018, the Company acquired the exclusive rights to commercialise Trustan in South Africa for a period of 10 years for a consideration of USD30 million, USD20 million of which has been paid in the prior year, and USD10 million paid in the current year. Trustan is a proton pump inhibitor. It is used for treatment of gastrointestinal reflux disease; for duodenal and gastric ulcers; and for conditions associated with hypersecretion of gastric acid, including Zollinger-Ellison syndrome. The full title of the brand transferred to the Company post the agreement in the prior year. The transaction was classified as an intangible asset acquisition and not a business combination in the prior year.

The repayment profile for the sales-related payments is set out below:

	2020 USD'million	2019 USD'million
Year ended 30 June 2020	**–**	10
	–	10

12. Revenue

	2020 R'million	2019 R'million
Summary of balance		
Royalties^	**256**	309
Administrative fees received from subsidiaries^	**418**	597
Dividends received from subsidiaries and joint ventures	**535**	2 624
	1 209	3 530

^ *Represents revenue from contracts with customers.*

13. Operating profit

	2020 R'million	2019 R'million
Operating profit has been arrived at after charging:		
Audit fees	**14**	23
Current year	**13**	12
Prior year underprovision	**1**	1
Other services – due diligence for transactions	**–**	10
Impairment – intangible assets (included in other operating expenses)	**5**	56
Impairment – investment in subsidiaries (included in other operating expenses)	**22**	92
Impairment – amounts due by Group companies	**10**	72
Transaction costs	**3**	217
Short-term leases and leases of low-value assets	**–**	1

14. Expenses by nature*

	2020 R'million	2019 R'million
Depreciation of property, plant and equipment	**15**	18
Amortisation of intangible assets	**50**	40
Impairment – intangible assets	**5**	56
Impairment – investment in subsidiaries	**22**	92
Impairment – amounts due by Group companies	**10**	72
Personnel costs and other staff-related costs	**397**	382
Property costs	**4**	4
Transaction costs	**3**	217
Legal and consulting fees	**33**	19
Insurance	**40**	30
Information technology costs	**124**	99
Loss/(profit) on sale of assets classified as held-for-sale	**40**	(833)
Other	**82**	42
	825	238
Classified as		
Administrative expenses	**545**	589
Net other operating expenses/(income)	**280**	(351)
	825	238

* *Combining other operating income and expenses for enhanced disclosure.*

15. Directors and employees

Staff costs

	2020 R'million	2019 R'million
Wages and salaries	**284**	268
Defined contribution plans	**34**	33
Share-based payment expense – deferred incentive bonus (equity portion)	**24**	17
Cash portion	**2**	–
Equity portion	**22**	17
Other employee contributions	**7**	8
	349	326

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

16. Investment income

	2020 R'million	2019 R'million
Summary of balance		
Interest received on bank balances	**44**	40
Interest received – other	**–**	67
	44	107

17. Financing costs (paid)/received

	2020 R'million	2019 R'million
Summary of balance		
Net foreign exchange (losses)/gains	**(3)**	2
	(3)	2

18. Tax

	2020 R'million	2019 R'million
Summary of balance		
Current tax	**59**	330
Deferred tax	**(1)**	–
Withholding tax	**4**	6
Total tax charge	**62**	336

Reconciliation of effective tax rate	2020 %	2019 %
South African current tax rate	**28,0**	28,0
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income	**(34,4)**	(21,2)
Withholding and other taxes	**0,6**	0,2
Disallowed holding expenses	**9,8**	0,3
Prior year adjustments	**(1,9)**	0,4
Other disallowed including provisions for uncertain tax positions	**1,5**	0,1
Normalised effective tax rate	**3,6**	7,8
Movement in rate due to transactions excluded from normalised headline earnings:		
Disallowed impairments	**1,5**	1,6
Disallowed restructuring, transaction costs and financing costs	**9,2**	0,4
Effective tax rate	**14,3**	9,8

19. Related party transactions

Transactions with shareholders

The Company did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 26 of the Group's 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 23 for a list of the material operating subsidiaries and structured entities.

None of the balances are secured.

	2020 R'million	2019 R'million
The following intra-group transactions took place between Aspen Holdings and Group companies during the current year		
Royalties received	**256**	309
Pharmacare Limited	**256**	304
Other subsidiaries	**–**	5
Administration fees received	**418**	597
Aspen Global Incorporated	**91**	226
Aspen Healthcare FZ LLC	**16**	19
Aspen Notre Dame de Bondeville SAS	**16**	19
Aspen Oss B.V	**29**	33
Aspen Pharma Ireland Limited	**20**	15
Pharmacare Limited	**74**	88
Other subsidiaries	**172**	197
Dividends received (and paid to the Company)	**535**	2 624
Aspen Global Incorporated	**487**	2 306
New Zealand New Milk	**–**	44
Aspen Oss	**–**	234
Other subsidiaries	**48**	40
The following intra-group balances were outstanding between Aspen Holdings and Group companies at year-end		
Amounts reflected as current assets	**322**	637
Aspen Global Incorporated	**38**	172
The Aspen Share Incentive Scheme Trust	**36**	46
Shelys Pharmaceuticals International Limited	**35**	146
Pharmacare Limited	**47**	62
Aspen Labs S.A. de C.V.	**4**	43
Other subsidiaries	**162**	168
Amounts reflected as current liabilities	**69**	388
Pharmacare Limited	**2**	320
Aspen Port Elizabeth (Pty) Limited	**27**	27
Other subsidiaries	**40**	41

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

19. 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 of 2008.

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 practicing 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 R0.3 million (2019: R9.0 million) and no balance was outstanding at year-end (2019: nil).

Transactions with key management personnel

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

Key management personnel compensation consists of:

	2020 R'million	2019 R'million
Short-term employee benefits	**63**	53
Post-employment benefits	**6**	5
Share-based payment expense	**10**	9
Total key management remuneration paid	**79**	67
Number of employees included above	**15**	14

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

20. Financial risk management

20.1 Introduction

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

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

The Audit & Risk Committee is responsible for the establishment and oversight of a risk management framework which is applicable to the Company. This framework is formally documented, and stipulates the responsibilities and processes for monitoring and managing the risks to which the Company is exposed.

The Company measures and monitors treasury relevant risks (i.e. liquidity, foreign exchange, interest rate, covenants, counterparty, etc.) affecting it, and reports on these risks to the Group Treasury Committee on a periodic basis. The Group Treasury Committee provides the Company guidance with respect to managing these risks. However, the Company's management is empowered, within the relevant approvals frameworks, to make decisions regarding how to manage these risks, as well as taking ownership for the implementation of any related action. The Group Treasury Committee reports to the Audit & Risk Committee.

Risk management and measurement relating to each of these risks is discussed under the headings below.

20.2 Financial instruments by category

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

June 2020	At fair value through other compre-hensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Receivables and prepayments (financial instruments only)	–	88	88
Cash and cash equivalents	–	496	496
Amounts due by Group companies	–	322	322
Other non-current financial assets	73	–	73
Total financial assets	73	906	979
Financial liabilities			
Other payables	–	68	68
Amounts due to Group companies	–	69	69
Total financial liabilities	–	137	137

June 2019	At fair value through other comprehensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Receivables and prepayments (financial instruments only)	–	97	97
Cash and cash equivalents	–	934	934
Amounts due by Group companies	–	637	637
Other non-current financial assets	27	–	27
Total financial assets	27	1 668	1 695
Financial liabilities			
Other payables	–	101	101
Amounts due to Group companies	–	388	388
Total financial liabilities	–	489	489

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

20. Financial risk management continued

20.3 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 Company is primarily exposed to include 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 Company's exposure to market risk or the manner in which it manages and measures the risk since the previous period.

20.4 Foreign currency risk

The Company's transactions are predominantly entered into in Rand. However, the Company's operations utilise various foreign currencies (currencies other than the operations functional currencies) in respect of expenses incurred. Consequently the Company 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 other than Rand.

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

At 30 June 2020 and 30 June 2019 the Company had no outstanding forward exchange contracts.

Sensitivity analysis

The Company had 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 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 Company is mainly exposed to fluctuations in foreign exchange rates in respect of the Euro and New Zealand Dollar (none in the prior year). The analysis considered the impact of changes in foreign exchange rates on the statement of comprehensive income.

The analysis had been performed on the basis of the change occurring at the start of the reporting period and assumed that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2019.

A 10% weakening in the Rand against the foreign exchange rates to which the Company is exposed at the reporting date, would have decreased profit before tax by R64 million (2019: R15 million).

A 10% strengthening in the Rand against the foreign exchange rates would have the equal and opposite effect on profit before tax, on the basis that all other variables remain constant.

20.5 Interest rate risk

The Company's interest rate risk arises from interest on cash and cash equivalents and other non-current receivables. Exposure to interest rate risk is monitored on a continuous and proactive basis.

	Carrying amount	
	2020 R'million	2019 R'million
Variable rate instruments		
Receivables and prepayments	**(2)**	(10)
Cash and cash equivalents	**(496)**	(934)
	(498)	(944)

Sensitivity analysis

The Company is exposed mainly to fluctuations in the South African prime overdraft rate. Changes in market interest rates affect the interest income and expense of floating rate financial instruments.

An increase of 1% in interest rates for the year ended 30 June would have increased profit before tax by R5 million and increased profit before tax by R9 million in 2019. A decrease of 1% will have an equal and opposite effect on profit before tax.

20. Financial risk management continued

20.6 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 income, bank funding and financing from Group companies. Adequate banking facilities and reserve borrowing capacities are maintained. The Company manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

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

	Undiscounted cash flows			
June 2020	**On demand R'million**	**< 1 year R'million**	**1 – 5 years R'million**	**Total R'million**
Financial assets				
Receivables and prepayments (financial instruments only)	**–**	**88**	**–**	**88**
Cash and cash equivalents	**–**	**496**	**–**	**496**
Other non-current financial assets	**–**	**24**	**49**	**73**
Amounts due by Group companies	**322**	**–**	**–**	**322**
Total financial assets	**322**	**608**	**49**	**979**
Financial liabilities				
Other payables (financial instruments only)	**–**	**(68)**	**–**	**(68)**
Amounts due to Group companies	**(69)**	**–**	**–**	**(69)**
Total financial liabilities	**(69)**	**(68)**	**–**	**(137)**
Net exposure	**253**	**540**	**49**	**842**

	Undiscounted cash flows			
June 2019	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
Financial assets				
Receivables and prepayments (financial instruments only)	–	97	–	97
Cash and cash equivalents	–	934	–	934
Other non-current financial assets	–	9	18	27
Amounts due by Group companies	637	–	–	637
Total financial assets	637	1 040	18	1 695
Financial liabilities				
Other payables (financial instruments only)	–	(101)	–	(101)
Non-current financial liabilities		(145)	–	(145)
Amounts due to Group companies	(388)	–	–	(388)
Total financial liabilities	(388)	(246)	–	(634)
Net exposure	249	794	18	1 061

20.7 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by monitoring procedures.

Credit risk primarily arises from receivables and prepayments, derivative financial instruments and cash and cash equivalents. The Company's maximum exposure to credit risk is represented by the carrying amounts of these financial assets. Refer to the respective notes for more detail on how the Company manages credit risks for these financial assets.

Notes to the Company annual financial statements continued

for the year ended 30 June 2020

20. Financial risk management continued

20.8 Capital risk

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 equity attributable to holders of the parent comprising share capital, 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 this capital structure on at least a semi-annual 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 Company may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

Aspen Pharmacare Holdings Limited ("the Company") and its subsidiaries (together "the Group"), has resolved to continue to support Pharmacare Limited using the facilities available to the Group, if required, to ensure Pharmacare Limited meets its obligations to repay debts to both related parties and external creditors for as long as it may be required. The directors of Aspen Pharmacare Holdings Limited have passed a directors' resolution in terms of section 45 of the Companies Act to continue its financial assistance to Pharmacare Limited and have resolved that this resolution remains in place for as long as the liquidity and funding is required.

There were no changes to the Company's approach to capital management during the year.

21. Contingent liabilities

Guarantees to financial institutions

The Company, along with Aspen Finance (Pty) Limited, Aspen Global Incorporated, Pharmacare Limited, and Aspen Asia Pacific (Pty) Limited (and its active subsidiaries) (collectively, the "Guarantors") is a guarantor with respect to a significant portion of the Group's banking/funding facilities. The following facility amounts (which exclude facilities where the Company is the only borrower thereto) were, as of 30 June 2020, collectively guaranteed by the Company (and in most cases, along with the Guarantors):

	2020 million	2019 million
AUD denominated facilities	**358**	350
EUR denominated facilities	**2 642**	2 884
USD denominated facilities	**133**	100
ZAR denominated facilities	**14 950**	18 765

There were no breaches of the contractual terms of these facilities during the current financial year, and as such no creditor with respect to these facilities has called upon any of these guarantees provided by the Company.

22. Changes In accounting policies/new standards adopted by the Company

IFRS 16 – *Leases*

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC 15, "Operating Leases – Incentives" and SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

Management has assessed the impact of IFRS 16 and concluded that there is no material impact (less than R1 million on a net book value) on the Company's financial statements for the year ended 30 June 2020.

IFRIC 23 – *Uncertainty over income tax treatments*

As of 1 July 2019, Aspen adopted the interpretation IFRIC 23 which clarifies the accounting treatment for uncertainties in income taxes as a part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed and uncertain tax positions are measured at the most likely outcome. The Company maintains a provision, applying the principles of IFRIC 23 using methodologies that are made available in IFRIC 23 that are consistent with the methods that the Company has been following prior to the implementation of IFRIC 23. The Company was not required to raise a provision, to bring into account exposures that existed at 30 June 2019, as the Company held an adequate provision at that time.

23. Material operating subsidiaries and structured entities

Country of incorporation	Company	Currency	Issued capital '000	Effective Group holding 2020 %	Effective Group holding 2019 %	Investment 2020 R'million	Investment 2019 R'million
Subsidiaries							
Direct							
India	Alphamed Formulations Pvt Limited	INR	–#	**100**	100	**246**	214
Germany	Aspen Bad Oldesloe GmbH	EUR	50	**100**	100	**685**	685
Mauritius	Aspen Global Incorporated	EUR	908 529	**100**	100	**8 654**	8 654
France	Aspen Notre Dame de Bondeville SAS	EUR	266 311	**100**	100	**3 780**	3 780
The Netherlands	Aspen Oss B.V.	EUR	53 000	**100**	100	**1 389**	1 389
Kenya	Beta Healthcare International Limited	KES	30 000	**100**	100	**7**	7
South Africa	Fine Chemicals Corporation (Pty) Limited	ZAR	–#	**100**	100	**1 705**	1 330
South Africa	Pharmacare Limited	ZAR	1 395	**100**	100	**2 105**	2 092
South Africa	Aspen Finance (Pty) Limited	EUR	12 000	**100**	100	**213**	213
Various	Various	Δ	Δ	**Δ**	Δ	**347**	269
Indirect							
France	Aspen France SAS	EUR	–	**100**	100	**–**	–
Germany	Aspen Europe GmbH	EUR	–	**100**	100	**–**	–
United Arab Emirates	Aspen Healthcare FZ LLC	USD	82	**100**	100	**–**	–
Russia	Aspen Health LLC	RUB	615 400	**100**	100	**–**	–
Japan	Aspen Japan K.K.	JPY	–	**–**	100	**–**	–
Brazil	Aspen Pharma – Indústria Farmacêutica Limitada	BRL	385 066	**100**	100	**–**	–
Ireland	Aspen Pharma Ireland Limited	EUR	42 001	**100**	100	**–**	–
Australia	Aspen Pharma (Pty) Limited	AUD	11 862	**100**	100	**–**	–
Australia	Aspen Pharmacare Australia (Pty) Limited	AUD	167 373	**100**	100	**–**	–
Tanzania	Shelys Pharmaceuticals Limited	TZS	6 723 843	**100**	100	**–**	–
Mexico	Wyeth, S de R. L. de C.V.	MXN	2 196 046	**100**	100	**–**	–
Various	Various	Δ	Δ	Δ	Δ	**–**	–
Trusts (structured entities)^							
South Africa	Aspen Share Appreciation Plan	ZAR	N/A	**100**	100	**–**	–
South Africa	Aspen Share Incentive Scheme	ZAR	N/A	**100**	100	**–**	–
Total investments in subsidiaries						**19 131**	18 633

 # Less than 1 000.
^ These trusts are structured entities which are consolidated into the Group Annual Financial Statements and are not subject to any other risk exposure.
Δ These direct and indirect holdings are made up of various subsidiaries incorporated in multiple territories.

Detailed information is only given in respect of the Company's material operating subsidiaries. The Company maintains a register of all subsidiaries and structured entities available for inspection at the registered office of Aspen Holdings.

Definitions

AUD: Australian Dollar
BRL: Brazilian Real
EUR: Euro
KES: Kenyan Shilling
RUB: Russian Ruble
MXN: Mexican Peso
TZS: Tanzanian Shilling
USD: US Dollar
ZAR: South African Rand
INR: Indian Rupee

Illustrative constant exchange rate report – Annexure 1

Illustrative constant exchange rate report on selected financial data

The Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in the tables below.

The pro forma constant exchange rate information is presented to demonstrate the impact of fluctuations in currency exchange rates on the Group's reported results. The constant exchange rate report is the responsibility of the Group's board of directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The pro forma information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group at 30 June 2020. The illustrative constant exchange rate report on selected financial data has been derived from the audited financial information and has been reported on by Aspen's auditors in an assurance report, which is available for inspection at the Company's registered office.

The Group's financial performance is impacted by numerous currencies which underlie the reported trading results, where even within geographic segments, the Group trades in multiple currencies ("source currencies"). The constant exchange rate restatement has been calculated by adjusting the prior year's restated results at the current year's reported average exchange rates. Restating the prior year's numbers provides illustrative comparability with the current year's reported performance by adjusting the estimated effect of source currency movements.

The listing of average exchange rates against the Rand for the currencies contributing materially to the impact of exchange rate movements are set out below:

	June 2020 average rates R	June 2019 average rates R
Euro	**17,327**	16,193
Australian Dollar	**10,494**	10,149
US Dollar	**15,677**	14,194
Chinese Renminbi	**2,229**	2,080
Mexican Peso	**0,759**	0,735
Brazilian Real	**3,478**	3,647
British Pound	**19,735**	18,367
Canadian Dollar	**11,659**	10,723
Russian Ruble	**0,234**	0,216
Polish Zloty	**3,969**	3,770

Revenue, other income, cost of sales and expenses

For purposes of the constant exchange rate report the restated prior year's source currency revenue, other income, cost of sales and expenses have been restated from the prior year's relevant average exchange rate to the current year's relevant reported average exchange rate.

Interest paid net of investment income

Net interest paid is directly linked to the source currency of the borrowings on which it is levied and is restated from the prior year's relevant reported average exchange rate to the current year's relevant reported average exchange rate.

Tax

The tax charge for purposes of the constant currency report has been recomputed by applying the actual effective tax rate to the restated profit before tax.

Illustrative constant exchange rate report on selected financial data continued

Key constant exchange rate indicators	**Reported June 2020 (June 2020 at June 2020 average rates) R'million**	Restated* reported June 2019 (June 2019 at June 2019 average rates) R'million	Change at reported exchange rates %	Restated* illustrative constant exchange rates (June 2019 at June 2020 average rates) R'million	Change at constant exchange rates %
Continuing operations					
Revenue	**38 647**	35 514	9	37 320	4
Gross profit	**19 333**	18 584	4	19 364	0
Normalised EBITDA	**10 968**	10 277	7	10 699	3
Operating profit	**7 060**	4 284	65	4 307	64
Normalised headline earnings	**6 685**	6 137	9	6 380	5
Earnings per share (cents) (basic and diluted)	**1 010,2**	367,8	175	342,2	195
Headline earnings per share (cents) (basic and diluted)	**1 268,0**	1 158,1	9	1 192,9	6
Normalised headline earnings per share (cents) (basic and diluted)	**1 464,6**	1 344,8	9	1 397,7	5

	June 2020 %	Restated* June 2019 %
Revenue currency mix		
Euro	**32**	32
South African Rand	**18**	17
Australian Dollar	**11**	11
Chinese Renminbi	**8**	8
US Dollar	**7**	7
Brazilian Real	**4**	3
Mexican Peso	**3**	3
British Pound	**2**	2
Canadian Dollar	**1**	1
Russian Ruble	**1**	1
Polish Zloty	**1**	1
Other currencies	**12**	14
Total	**100**	100

* *Restated for discontinued operations.*

Illustrative constant exchange rate report – Annexure 1 continued

Group segmental analysis

	June 2020 (June 2020 at 2020 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharmaceuticals R'million	Manufacturing R'million	Total R'million
Revenue	14 263	16 881	31 144	7 503	38 647
Cost of sales	(6 223)	(7 844)	(14 067)	(5 247)	(19 314)
Gross profit	8 040	9 037	17 077	2 256	19 333
Selling and distribution expenses					(6 528)
Contribution profit					12 805
Administrative expenses					(3 231)
Net other operating income					428
Depreciation					966
Normalised EBITDA*					10 968
Adjusted for:					
Depreciation					(966)
Amortisation					(615)
Profit on sale of assets					223
Net impairment of assets					(1 458)
Restructuring costs					(413)
Transaction costs					(445)
Product litigation costs					(234)
Operating profit					7 060
Gross profit (%)	56,4	53,5	54,8	30,1	50,0
Selling and distribution expenses (%)					16,9
Contribution profit (%)					33,1
Administrative expenses (%)					8,4
Normalised EBITDA (%)					28,4

** Normalised EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*

Group segmental analysis continued

	Restated* illustrative constant exchange rate June 2019 (June 2019 at 2020 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharmaceuticals R'million	Manufacturing R'million	Total R'million
Revenue	14 399	16 343	30 742	6 578	37 320
Cost of sales	(6 248)	(6 944)	(13 192)	(4 764)	(17 956)
Gross profit	8 151	9 399	17 550	1 814	19 364
Selling and distribution expenses					(6 676)
Contribution profit					12 688
Administrative expenses					(3 102)
Net other operating income					354
Depreciation					759
Normalised EBITDA*					10 699
Adjusted for:					
Depreciation					(759)
Amortisation					(456)
Loss on sale of assets					(84)
Reversal of deferred consideration no longer payable					282
Net impairment of assets					(4 084)
Restructuring costs					(139)
Transaction costs					(591)
Product litigation costs					(561)
Operating profit					4 307
Gross profit (%)	56,6	57,5	57,1	27,6	51,9
Selling and distribution expenses (%)					17,9
Contribution profit (%)					34,0
Administrative expenses (%)					8,3
Normalised EBITDA (%)					28,7

** Restated for discontinued operations and segmental reclassifications.*

	Change %				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharmaceuticals %	Manufacturing %	Total %
Revenue	(1)	3	1	14	4
Cost of sales	0	13	7	10	8
Gross profit	(1)	(4)	(3)	24	0
Selling and distribution expenses					(2)
Contribution profit					1
Administrative expenses					4
Net other operating income					21
Depreciation					27
Normalised EBITDA*					3

** Normalised EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items as defined in the Group's accounting policy.*

Illustrative constant exchange rate report – Annexure 1 continued

Group revenue segmental analysis

	June 2020 (June 2020 at 2020 average rates) R'million	Restated* illustrative constant exchange rate June 2019 (June 2019 at 2020 average rates) R'million	Change in constant exchange rates %
Commercial Pharmaceuticals by customer geography	**31 144**	30 742	1
Developed Europe	**7 548**	7 498	1
Sub-Saharan Africa	**7 194**	6 810	6
Australasia	**4 229**	4 189	1
Latin America	**3 412**	3 093	10
China	**2 940**	3 077	(4)
Developing Europe & CIS	**2 551**	2 682	(5)
Other Asia	**1 381**	1 493	(8)
MENA	**1 305**	1 162	12
USA & Canada	**584**	738	(21)
Manufacturing revenue by geography of manufacture			
Manufacturing revenue – finished dose form	**1 388**	1 317	5
Australasia	**393**	378	4
Developed Europe	**681**	686	(1)
Sub-Saharan Africa	**314**	253	24
Manufacturing revenue – active pharmaceutical ingredients	**6 115**	5 261	16
Developed Europe	**5 628**	4 780	18
Sub-Saharan Africa	**372**	360	3
Other Asia	**115**	121	(5)
Total manufacturing revenue	**7 503**	6 578	14
Total revenue	**38 647**	37 320	4
Summary of regions			
Developed Europe	**13 857**	12 964	7
Sub-Saharan Africa	**7 880**	7 423	6
Australasia	**4 622**	4 567	1
Latin America	**3 412**	3 093	10
China	**2 940**	3 077	(4)
Developing Europe & CIS	**2 551**	2 682	(5)
Other Asia	**1 496**	1 614	(7)
MENA	**1 305**	1 162	12
USA & Canada	**584**	738	(21)
Total revenue	**38 647**	37 320	4

** Restated for discontinued operations and segmental reclassifications.*

Commercial Pharmaceuticals therapeutic area analysis

	June 2020 (June 2020 at 2020 average rates)				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	**2 677**	**3 087**	**5 764**	**1 784**	**7 548**
Sub-Saharan Africa	**118**	**6**	**124**	**7 070**	**7 194**
Australasia	**665**	**18**	**683**	**3 546**	**4 229**
Latin America	**994**	**76**	**1 070**	**2 342**	**3 412**
China	**2 078**	**815**	**2 893**	**47**	**2 940**
Developing Europe & CIS	**174**	**1 942**	**2 116**	**435**	**2 551**
Other Asia	**691**	**144**	**835**	**546**	**1 381**
MENA	**266**	**198**	**464**	**841**	**1 305**
USA & Canada	**304**	**10**	**314**	**270**	**584**
	7 967	**6 296**	**14 263**	**16 881**	**31 144**

	Restated* illustrative constant exchange rate June 2019 (June 2019 at 2020 average rates)				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	2 346	3 247	5 593	1 905	7 498
Sub-Saharan Africa	112	7	119	6 691	6 810
Australasia	686	23	709	3 480	4 189
Latin America	882	75	957	2 136	3 093
China	2 117	931	3 048	29	3 077
Developing Europe & CIS	299	1 990	2 289	393	2 682
Other Asia	749	185	934	559	1 493
MENA	255	130	385	777	1 162
USA & Canada	349	16	365	373	738
	7 795	6 604	14 399	16 343	30 742

** Restated for discontinued operations and segmental reclassifications.*

	Change in constant exchange rates				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
By customer geography					
Commercial Pharmaceuticals					
Developed Europe	14	(5)	3	(6)	1
Sub-Saharan Africa	5	(14)	4	6	6
Australasia	(3)	(22)	(4)	2	1
Latin America	13	1	12	10	10
China	(2)	(12)	(5)	62	(4)
Developing Europe & CIS	(42)	(2)	(8)	11	(5)
Other Asia	(8)	(22)	(11)	(2)	(8)
MENA	4	52	21	8	12
USA & Canada	(13)	(38)	(14)	(28)	(21)
	2	(5)	(1)	3	1

Unaudited share statistics

Analysis of shareholders at 30 June 2020

	Number of shareholders	% of shareholders	Number of shares	% of total shareholding
Ordinary shares				
Size of holding				
1 – 2 500	38 905	91,8	12 737 100	2,8
2 501 – 12 500	2 176	5,1	11 487 797	2,5
12 501 – 25 000	411	1,0	7 344 764	1,6
25 001 – 50 000	297	0,7	10 568 349	2,3
50 001 and over	588	1,4	414 313 531	90,8
	42 377	100,0	456 451 541	100,0

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2020, the following are the top 10 registered institutional shareholders:

	Number of shares	% of total shareholding
Institutional shareholder		
Public Investment Corporation	55 781 582	12,2
Coronation Asset Management	48 003 421	10,5
Foord Asset Management	20 370 557	4,5
Sanlam Investment Management	16 961 386	3,7
BlackRock	16 437 911	3,6
The Vanguard Group Inc.	14 699 659	3,2
Allan Gray (Pty) Ltd	10 991 262	2,4
Investec Wealth & Investment	7 774 107	1,7
State Street Global Advisors Ltd	7 197 597	1,6
Old Mutual Ltd	6 405 945	1,4
	204 623 427	44,8

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2020, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 123 of the Remuneration Report.

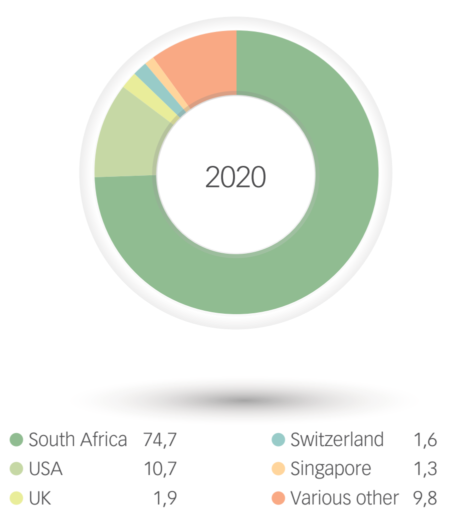
	Number of shares	% of total shareholding
Shareholder		
Government Employees Pension Fund	71 694 131	15,7
Saad, SB	57 151 972	12,5
Attridge, MG	19 017 021	4,2
Alexander Forbes Investments	10 968 235	2,4
Ceppwawu Investments (Pty) Ltd	10 053 368	2,2
Coronation Balanced Plus Fund	8 022 016	1,8
Vanguard Total International Stock Index	6 808 361	1,5
Coronation Top 20 Fund	6 398 154	1,4
Foord Balanced Fund	6 201 766	1,4
GIC Asset Management Pte Ltd	5 340 472	1,2
	201 655 496	44,3

Shareholders' spread

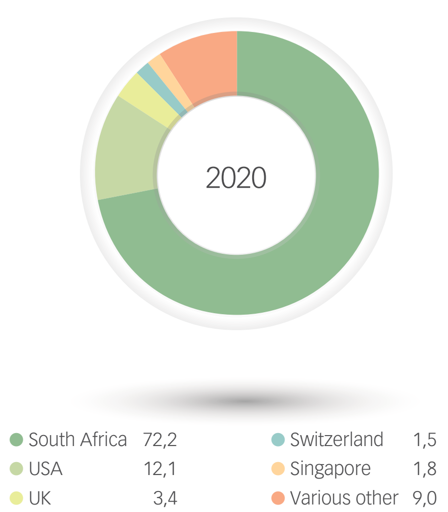
As required by paragraph 8.63 and in terms of paragraph of 4.25 of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2020 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	**13**	**149 097 845**	**32,7**
Directors of the Company and directors of material subsidiaries	11	76 410 230	16,8
Government Employees Pension Fund ("GEPF")	1	71 694 131	15,7
Employee share trusts – treasury shares	1	993 484	0,2
Public shareholders	**42 364**	**307 353 696**	**67,3**
Total shareholding	**42 377**	**456 451 541**	**100,0**
Public shareholders (including the GEPF)	**42 365**	**379 047 827**	**83,0**

Beneficial shareholders – country (%)

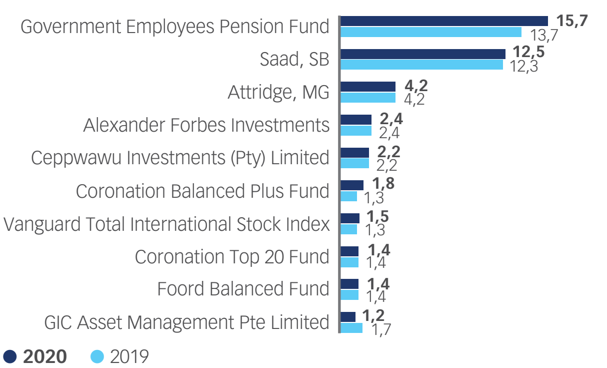


Institutional shareholders – country (%)

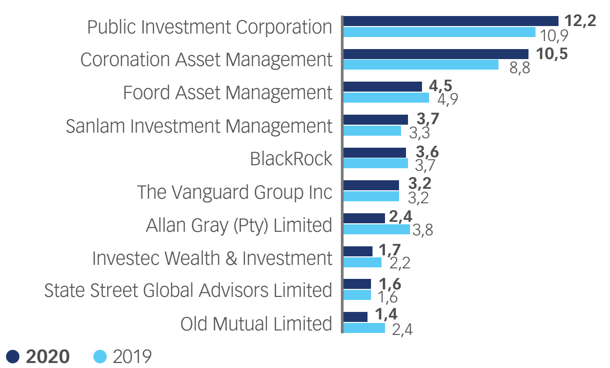


The geographical split of beneficial and institutional shareholders above is based on shareholders who own more than 25 000 Aspen shares.

Top 10 beneficial shareholders (%)



Top 10 institutional shareholders (%)



Percentages for top 10 beneficial shareholders and top 10 institutional shareholders reflected above are as a percentage of the total issued share capital of the Company.

Abbreviations of pharmaceutical regulatory authorities and acronyms (manufacturing capabilities)

ANDA	Abbreviated new drug application
ANSM	French National Agency for Medicinal and Health Product Safety
ANVISA	Brazilian National Health Surveillance Agency
ASN	Nuclear Safety Authority for E-beam
COFEPRIS	Mexican Federal Commission for Protection against Health Risk
DQS	Deutsche Gesellschaft zur Zertifizierung von Management Systemen
EDQM	European Directorate for the Quality of Medicines
EFDA	Ethiopian Food and Drug Administration
EMA	European Medicines Agency
FMHACA	Ethiopian Food, Medicine and Healthcare Administration Control Authority
FSSC	Food Safety System Certification
GCC	Middle East and North African Gulf Cooperation Council
GFDA	Ghanian Food and Drugs Authority
GMP	Good Manufacturing Practice
GRA	German Regulatory Authority
HPB	Health Protection Branch (Canada)
ICHA	Ivory Coast Health Authority
INVIMA	Colombia National Food and Drug Surveillance Institute
IRA	Israeli Regulatory Authorities
ISO	International Organisation for Standardisation
KFDA	Korean Food and Drug Administration
Kℓ	Kilolitre
KvH	Kilo vessel hours
LAsD	Local vs Federal Agencies
LRA	Libyan Regulatory Authorities
MCAZ	Medicines Control Agency of Zimbabwe
MHRA	United Kingdom Medicines and Health Products Regulatory Agency
MOH – DRC	Ministry of Health – Democratic Republic of Congo
NAFDAC	Nigerian National Agency for Food and Drug Administration and Control
NDA	New drug application
OHSAS	Occupational Health and Safety Management Systems

PMDA	Japanese Pharmaceutical and Medical Device Agency
PMPB	Malawian Pharmacy, Medicines and Poisons Board
PPB	Kenyan Pharmacy and Poisons Board
Russian MoIT	Ministry of Industry and Trade of the Russian Federation
SAHPRA	South African Health Products Regulatory Authority
TFDA	Tanzania Food and Drug Authority
TGA	Australian Therapeutic Goods Administration
TMDA	Tanzania Medicines and Medical Devices Authority
TRA	Turkish Regulatory Authority
UHT	Ultra-high temperature
UNDA	Ugandan National Drug Authority
US FDA	United States Food and Drug Administration
WHO	World Health Organization
ZAMRA	Zambia Medicine Regulatory Authority

Administration

Company Secretary & Group Governance Officer

Riaan Verster

BProc, LLB, LLM (Labour Law)

Registered office and postal address

Building Number 8, Healthcare Park, Woodlands Drive, Woodmead

PO Box 1587, Gallo Manor, 2052

Telephone +27 11 239 6100

Telefax +27 11 239 6144

Registration number

1985/002935/06

Share code

APN ISIN: ZAE 000066692

APN Legal Entity Identifier ("LEI"): 635400ZYSN1IRD5QWQ94

Website address

www.aspenpharma.com

Auditors

PricewaterhouseCoopers Inc.

Sponsors

Investec Bank Limited

Transfer secretaries

Link Market Services South Africa (Pty) Limited

13th Floor, 19 Ameshoff Street, Braamfontein, 2001, South Africa

PO Box 4844, Johannesburg, 2000, South Africa

Telephone 011 713 0800

Email: info@linkmarketservices.co.za

Disclaimer

Bastion

Aspen Holdings Head Office
Durban, South Africa
Aspen Place, 9 Rydall Vale Park
Douglas Saunders Drive
La Lucia Ridge
Tel: +27 31 580 8600

www.aspenpharma.com