



investing in our
future

Annual Report 2007

Contents

1	Financial highlights
2	Financial definitions
3	Aspen group structure
4	Five-year review
8	Chairman's message
12	Group Chief Executive's report
18	Financial review
20	Business unit review
	South African business
20	> Pharmaceutical division
24	> Consumer division
26	> Group operations
	International business
28	> Australia and Asia region
29	> United Kingdom and United States region
32	Sustainability report
40	Corporate social investment report
43	Transformation report
46	Directorate
48	Value added statement
49	Corporate governance report
61	Group annual financial statements
139	Notice of annual general meeting
144	Administration
144	Shareholders' diary
145	Form of proxy





Aspen is Africa's largest pharmaceutical company. The Group's commitment to investing in the future is demonstrated through the enhancement of manufacturing capacities and standards, as well as by the strengthening of its product pipeline. Aspen continues to identify and assess acquisitive opportunities which are aligned with its business strategy.

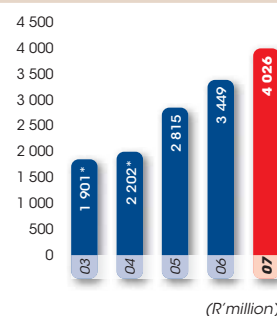
Aspen corporate profile

- > *Aspen has businesses* in Australia, India, South Africa, the United Kingdom and a start-up operation in the United States, and exports to many other territories across the globe.
- > Aspen is *Africa's largest pharmaceutical manufacturer* and a major supplier of branded and generic pharmaceutical, healthcare and nutritional products to the southern African and selected international markets.
- > Aspen is the *largest generics manufacturer* in the southern hemisphere. Aspen is also the leading supplier of generic medicines to both the private and the public sectors in South Africa.
- > Aspen is one of the top twenty generic manufacturers worldwide and *South Africa's number one generic brand*.
- > IMS ranks Aspen as *South Africa's largest pharmaceutical company* in the private sector.
- > Aspen has *nine pharmaceutical manufacturing facilities on five pharmaceutical manufacturing sites*. Four of the sites are located in South Africa and one in India.
- > Aspen has FDA, WHO, MCC, TGA, MHRA and PMDA *accredited* manufacturing facilities.
- > Aspen produces a *vast range of products* including tablets, capsules, liquids and creams.
- > Aspen is one of the *leading global players* in generic anti-retrovirals ("ARVs").
- > Aspen's products are renowned for their *quality, efficacy and affordability*. The Group's extensive basket includes branded, generic, over-the-counter ("OTC"), fast moving consumer goods ("FMCG"), personal care, nutritional and nutraceutical products.
- > Aspen produces approximately *six billion* tablets and capsules per annum.
- > Aspen has an *outstanding generic pipeline*. These products are developed under the direction of highly skilled scientists employed by Aspen and in collaboration with other global pharmaceutical companies and research facilities.
- > Aspen Australia Pty Ltd ("Aspen Australia") is one of the *fastest growing pharmaceutical companies* in that market, generating more prescriptions than many of the major multinationals.
- > Aspen Australia was nominated as the doctors' choice for the *Outstanding Pharmaceutical Company of 2007* by a panel of general practitioners.
- > Aspen is *listed* on JSE Ltd.

Financial highlights 2007

Revenue

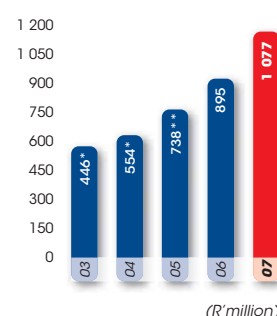
+17% > **2007: R4,026 billion**
2006: R3,449 billion



(R'million)

Operating profit

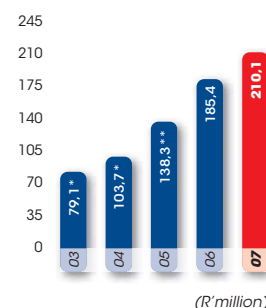
+20% > **2007: R1,077 billion**
2006: R895 million



(R'million)

Headline earnings per share

+13% > **2007: 210,1 cents**
2006: 185,4 cents



(R'million)

* SA GAAP

** Adjusted for the cost of the Black Economic Empowerment ("BEE") transaction amounting to R282,4 million.

	30 June 2007 R'million	30 June 2006 R'million	Change %	Compound growth* %
Group summary				
Revenue	4 025,9	3 449,3	17	21
Operating profit	1 076,6	894,7	20	25
Profit after tax	717,7	637,5	13	27
Net cash from operating activities	708,6	402,0	76	16
Ordinary share performance				
Earnings per share – basic (cents)	205,6	185,3	11	28
Headline earnings per share (cents)	210,1	185,4	13	28
Capital distribution per share (cents)	70,0	62,0	13	37
Operating cash flow per share (cents)	203,1	116,8	74	17

*Compound growth represents five-year compound annual growth, calculated for the period 2003 to 2007.

Financial definitions

Average

Arithmetic average between consecutive year-ends.

Capital distribution/dividend cover

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

Capital distribution/dividend per share

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

Capital distribution/dividend yield

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

Cash ratio

Cash and cash equivalents divided by current liabilities less bank overdrafts.

Compound annual growth percentage

Compound annualised year-on-year growth since 2003.

Current ratio

Current assets divided by current liabilities.

Earnings per share – basic

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

Earnings per share – diluted

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

Earnings yield

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

Effective tax rate

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

Employee statistics

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

Financing cost cover

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

Financing cost cover, excluding notional interest

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

Gross margin

Gross profit as a percentage of turnover.

Headline earnings per share

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

Headline earnings per share – diluted

Diluted headline earnings per share is calculated as described in note 31.

Long-term debt:total equity ratio

Long-term borrowings and long-term deferred-payables expressed as a percentage of total shareholders' equity.

Market capitalisation

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

Net asset value per share

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

Operating cash flow per share

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

Operating profit margin

Operating profit as a percentage of revenue.

Price:earnings ratio

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

Quick ratio

Current assets less inventories as a percentage of current liabilities.

Return on net assets

Operating profit divided by average total assets less average total liabilities.

Return on ordinary shareholders' equity

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

Return on total assets

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

Total debt (net of cash), excluding deferred-payables:total equity ratio

Sum of total borrowings and the liability component of the preference shares less cash and cash equivalents expressed as a percentage of total shareholders' equity.

Total debt (net of cash):total equity ratio

Sum of total borrowings, total deferred-payables and the liability component of the preference shares less cash and cash equivalents expressed as a percentage of total shareholders' equity.

Weighted average number of shares in issue

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

Aspen group structure

Aspen Pharmacare Holdings Limited

Aspen is a holding company that owns certain intellectual property
25 employees

Aspen Sales and Marketing

South Africa

492 employees

Aspen Pharmacare

Supplier of an extensive basket of branded, generic, OTC, FMCG and nutraceutical products to the South African market and numerous export markets.

Aspen Nutritionals

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

Australia

50 employees

Supplier of pharmaceutical and consumer brands to the Australian market and selected export territories in this region.

United Kingdom

8 employees

Co-pharma

Distributor of commodity generics into the United Kingdom market.

Aspen Resources

Intellectual property-owning and product-sourcing company.

United States

1 consultant

Start-up operation exploring strategic opportunities.

Aspen Group Operations

Wholly owned Manufacturing Sites in South Africa

Port Elizabeth Manufacturing Site

1 623 employees

Oral Solid Dose Facility

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

General Facility

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

Sterile Facility

Production capabilities in injectables (including hormonal), eye drops; and freeze-dried vials. Due to commence commercial production in the 2009 financial year.

Will be seeking accreditation from the FDA, MCC and other international agencies.

East London Manufacturing Site

504 employees

Oral Contraceptive Facility

Specialist facility for the manufacture of oral contraceptives. Accredited by the MCC.

Penicillin Facility

Specialist facility for the manufacture of penicillin. Accredited by the MCC.

General Facility

Manufacturer of tablets, capsules, ointments, lotions, liquids, tinctures, FMCG products, including aerosols and toothpastes. Accredited by the MCC.

Clayville Manufacturing Site

175 employees

Nutritional Formulations Facility

Specialist manufacturer of value-added milk powder. Accredited by HACCP.

Aspen API Joint Ventures

Owned 50/50 by Aspen and Matrix of India

Cape Town Manufacturing Site

145 employees

FCC Facility

Manufacturer of narcotic and specialist fine APIs. Supplies APIs to the South African market and numerous export territories, the largest of which is the United States. Accredited by the FDA, MCC and PMDA.

Hyderabad, India Manufacturing Site

430 employees

Astrix Facility

Manufacturer and supplier of ARV APIs to Aspen and other ARV manufacturers. Accredited by the FDA, the MCC and WHO.

Definitions

- API - Active pharmaceutical ingredient
- FDA - United States Food and Drug Administration
- HACCP - Hazardous Analysis and Critical Control Points
- MCC - South African Medicines Control Council
- MHRA - United Kingdom Medicine and Healthcare Products Regulatory Authority
- PMDA - Japanese Pharmaceutical and Medical Device Agency
- TGA - Australian Therapeutic Goods Association
- WHO - World Health Organisation

Five-year review

Group income statement						
	5 Year com- pound annual growth %	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million*	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million
Revenue	20,6	4 025,9	3 449,3	2 814,6	2 201,7	1 900,8
Cost of sales		(2 084,2)	(1 789,0)	(1 424,0)	(1 143,6)	(1 040,0)
Gross profit	22,6	1 941,7	1 660,3	1 390,6	1 058,1	860,8
Net expenses		(744,0)	(673,0)	(557,6)*	(426,3)	(357,2) ¹
Operating profit before amortisation of intangible assets	24,2	1 197,7	987,3	833,0	631,8	503,6
Amortisation of intangible assets		(121,1)	(92,6)	(94,8)	(78,0) ²	(57,9) ³
Operating profit	24,7	1 076,6	894,7	738,2	553,8	445,7
Investment income		139,8	72,9	37,6	27,3	39,2
Financing costs		(207,0)	(113,7)	(99,4)	(52,6)	(96,1)
Net profit before tax	26,9	1 009,4	853,9	676,4	528,5	388,8
Tax		(291,7)	(216,4)	(207,6)	(172,9)	(115,5)
Profit for the year	27,3	717,7	637,5	468,8	355,6	273,3
Attributable to:						
Equity holders of the parent		717,4	637,7	468,8	355,6	270,5
Minority interest		0,3	(0,2)	—	—	2,8
Group balance sheet as at 30 June						
		IFRS 2007 R'million	IFRS 2006 R'million*	IFRS 2005 R'million	SA GAAP 2004 R'million	SA GAAP 2003 R'million
Assets						
Non-current assets						
Property, plant and equipment		855,1	613,1	481,7	312,8	180,1
Goodwill		295,0	270,4	195,6	86,2	67,5
Intangible assets		844,7	803,4	665,8	441,9	437,0
Preference share investment		376,8	376,8	376,8	—	—
Other non-current financial receivables		6,0	11,9	0,1	7,5	19,4
Deferred tax assets		15,1	34,4	57,6	124,5	149,7
Total non-current assets	29,4	2 392,7	2 110,0	1 777,6	972,9	853,7
Current assets						
Inventories	44,7	936,8	798,3	428,2	245,6	213,5
Trade and other receivables	20,4	870,9	721,9	509,7	425,6	414,1
Other current assets		0,3	5,2	3,0	—	—
Cash and cash equivalents		3 331,2	625,2	439,6	465,5	200,4
Total current assets	57,8	5 139,2	2 150,7	1 380,5	1 136,7	828,0
Total assets	45,5	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7
Shareholders' equity						
Ordinary shareholders' equity		2 220,4	1 551,0	954,3	1 066,5	787,6
Equity component of preference shares		162,0	162,0	162,0	—	—
Minority interest		7,0	6,7	—	—	7,4
Total shareholders' equity	31,7	2 389,4	1 719,7	1 116,3	1 066,5	795,0
Liabilities						
Non-current liabilities						
Preference shares – liability component		403,5	403,3	406,6	—	—
Borrowings		25,9	49,0	62,7	156,2	144,7
Deferred-payables and other non-current financial liabilities		10,6	28,6	26,8	39,7	81,2
Deferred tax liabilities		65,3	99,1	71,6	61,6	42,3
Retirement benefit obligations		7,2	7,3	10,6	10,8	11,2
Total non-current liabilities	16,4	512,5	587,3	578,3	268,3	279,4
Current liabilities						
Trade and other payables	17,6	648,1	712,7	571,9	353,4	338,6
Borrowings		3 801,8	1 173,8	761,7	290,0	151,5
Deferred-payables and other current financial liabilities		65,3	4,8	48,6	55,2	66,1
Current tax liabilities		114,8	62,4	81,3	76,2	51,1
Total current liabilities	66,2	4 630,0	1 953,7	1 463,5	774,8	607,3
Total liabilities		5 142,5	2 541,0	2 041,8	1 043,1	886,7
Total equity and liabilities	45,5	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7

¹Includes a loss on disposal of discontinued operations amounting to R1,1 million.

²Includes R13,8 million amortisation of goodwill.

³Includes R8,1 million amortisation of goodwill.

Five-year review *continued*

Group cash flow statement		5 Year compound annual growth %	IFRS Year ended 30 June 2007 R' million	IFRS Year ended 30 June 2006 R' million*	IFRS Year ended 30 June 2005 R' million	SA GAAP Year ended 30 June 2004 R' million	SA GAAP Year ended 30 June 2003 R' million
Cash operating profit			1 322,0	1 127,5	929,3	670,5	508,6
Changes in working capital			(353,0)	(487,5)	(52,9)	(44,2)	(11,6)
Cash generated from operations		18,2	969,0	640,0	876,4	626,3	497,0
Net financing costs paid			(193,8)	(128,7)	(84,6)	(52,6)	(96,1)
Investment income received			139,8	72,9	37,6	27,3	39,2
Tax paid			(206,4)	(182,2)	(176,6)	(102,3)	(54,1)
Net cash from operating activities		16,4	708,6	402,0	652,8	498,7	386,0
Net cash outflow from investing activities			(431,6)	(442,0)	(799,8)	(282,6)	(351,3)
Net cash inflow/(outflow) from financing activities			(50,8)	(152,1)	115,6	54,3	20,9
Effects of exchange rate changes			9,0	14,8	5,5	(5,2)	(39,4)
Movement in cash and cash equivalents			235,2	(177,3)	(25,9)	265,2	16,2
Cash and cash equivalents at beginning of the year			262,3	439,6	465,5	200,3	184,1
Cash and cash equivalents at the end of the year			497,5	262,3	439,6	465,5	200,3
Performance of share							
Earnings per share – basic	cents	28,0	205,6	185,3	137,6*	99,8	76,6
Earnings per share – diluted	cents	28,2	201,8	179,2	133,9*	97,2	74,8
Headline earnings per share	cents	27,7	210,1	185,4	138,3*	103,7	79,1
Headline earnings per share – diluted	cents	27,9	206,1	179,3	134,3*	101,0	77,1
Capital distribution/dividend per share**	cents	36,8	70,0	62,0	48,0	30,0	20,0
Capital distribution/dividend cover**	times		2,9	3,0	2,9*	3,3	3,8
Net asset value per share	cents	29,9	633,3	446,4	281,1	297,7	222,1
Operating cash flow per share	cents	16,8	203,1	116,8	191,7	140,0	109,3
Share information							
Number of shares in issue – at the end of the year	millions		389,6	386,4	378,4	377,0	373,5
Number of shares in issue (net of treasury shares) – at the end of the year	millions		350,6	347,4	339,4	358,2	354,6
Weighted number of shares in issue	millions		348,9	344,1	340,6	356,2	353,1
Market capitalisation at year-end	R' million		14 413,9	14 102,9	9 005,3	4 788,1	2 894,3
JSE Ltd statistics							
Number of shares traded	millions		359,2	268,8	103,4	82,7	128,9
Number of shares traded as % of weighted average number of shares	%		103,0	78,1	30,3	23,2	36,5
Market price per share							
• year-end	cents		3 700	3 650	2 380	1 270	775
• highest	cents		4 016	4 450	2 500	1 410	800
• lowest	cents		3 055	2 365	1 270	775	640
Key market performance ratios							
Earnings yield	%		5,7	5,1	5,8*	8,2	10,2
Price:earnings ratio			17,6	19,7	17,2	12,3	9,8
Capital distribution/dividend yield**	%		1,9	1,7	2,0	2,4	2,6
Business performance							
Profitability							
Return on ordinary shareholders' equity	%		38,0	50,9	46,4	38,4	39,0
Return on total assets	%		14,3	21,0	23,4	26,3	26,5
Return on net assets	%		52,4	63,1	67,6	59,5	63,1
Revenue growth	%		16,7	22,6	27,8	15,8	20,1
Gross margin	%		48,2	48,1	49,4	48,1	45,3
Operating profit margin	%		26,7	25,9	26,2	25,2	23,5
Effective tax rate	%		28,9	25,3	30,7	32,7	29,7
Productivity							
Revenue per employee	R' 000		1 715	1 609	1 443	1 484	1 197
Operating profit per employee	R' 000		459	417	379	373	281
Average remuneration per employee	R' 000		244	237	204	186	147
Number of full-time employees			2 348	2 144	1 950	1 484	1 588
Liquidity and solvency							
Current ratio			111,0	110,1	94,3	146,7	136,3
Quick ratio			90,8	69,2	65,1	115,0	101,2
Cash ratio			0,7	0,3	0,3	0,6	0,3
Total debt (net of cash):total equity ratio			40,8	60,1	77,6	7,1	30,6
Total debt (net of cash), excluding deferred-payables:total equity ratio			37,7	58,2	70,9	(1,8)	12,0
Long-term debt:total equity ratio			1,5	4,5	8,0	18,4	28,4
Financing cost cover	times		5,8	8,7	8,4	12,0	5,3
Financing cost cover, excluding notional interest	times		5,8	8,7	6,0	15,6	6,4

* Where applicable, the 2006 figures have been restated due to the finalisation of the Generix International (Pty) Ltd ("Generix") business combination, which was accounted for on a provisional basis in the prior year. Refer to page 90 for detail.

** Relates to capital distribution approved after the year-end. In the 2003 and 2004 years the distribution relates to a dividend declared after year-end.

* Excludes once-off cost of the BEE transaction amounting to R282,4 million.



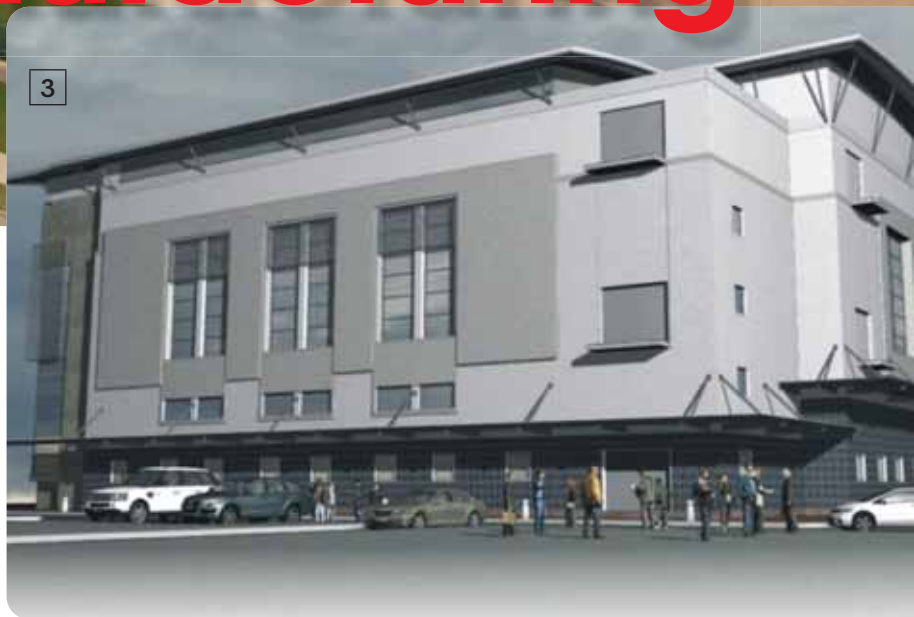
Recent and ongoing investment at Aspen's Port Elizabeth Manufacturing Facilities are comprised of:

- 1 The Sterile Facility which is presently under construction;
- 2 The Oral Solid Dose ("OSD") Facility;
- 3 An artist's impression of the upgrade of the heritage General Facility.



Investing in manufacturing

The investment in capital expenditure at the Port Elizabeth Manufacturing Site will exceed R1 billion since the production upgrade plan commenced in 2003.



Chairman's message

LEADING THE FIELD

It has been my privilege to chair the Board of Directors of Aspen for the past eight years. During that period the business has grown into the undisputed leader in the South African pharmaceutical market and the largest pharmaceutical manufacturer in the southern hemisphere.

Looking to the future

Not much time has been spent reflecting on the past as the Group has been built over these years. Rather, there has been great emphasis in looking to the future in an effort to anticipate the market's needs and demands. In the next year, implementation of these forward looking strategies will take the investment in capital expenditure on the Port Elizabeth Manufacturing Site to more than R1 billion since the commencement of the production upgrade plan in 2003. The Sterile Facility, which is about to commence its initial production trials, is on track to become Aspen's second United States Food and Drug Administration ("FDA")-approved finished dosage form ("FDF") plant. Further investment will take place this year in expanding the packing capabilities of the OSD Facility, presently South Africa's only FDA-approved pharmaceutical factory for FDF manufacture. In addition, work is well underway on the upgrade of Aspen's heritage General Facility in Port Elizabeth.

Meeting increasing standards

This investment in manufacturing capability provides the Group with the capacity necessary to pursue its growth objectives. The elevation of standards in the production facilities as a consequence of this programme of investment has also prepared Aspen for the requirements of the Pharmaceutical Inspection Convention ("PIC") to which South Africa subscribed with effect from July 2007. Becoming part of PIC should have benefits to Aspen, streamlining the regulatory requirements necessary to access export markets. The South African Medicines Control Council ("MCC") is to be commended on this initiative.

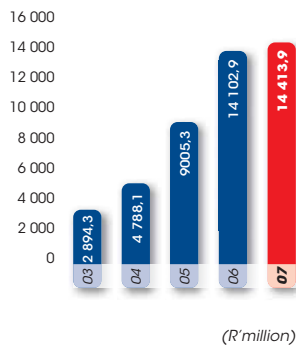
Legislative issues remain unsettled

During the past year there has not been much increase in clarity on the regulations which the South African government is seeking to introduce to the industry. In particular, the debate around the implementation of the dispensing fee as part of the measures to stimulate generic substitution remains mired in legal challenges. The proposal on international benchmarking has been tabled and responded to by industry. Consideration of the issues submitted by industry is in progress and Aspen remains confident that the consultative approach adopted by the Department of Health on this subject will lead to an informed decision. The pricing legislation has been in place since 2004 and the first increase in terms of this law was granted with effect from January 2007. Given the unfavourable movements in foreign currency rates and South African inflation since, the granting of a further price increase can be anticipated in the forthcoming months.

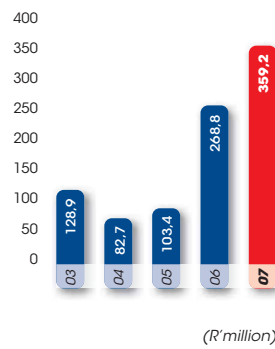
Industry declared strategic

The inclusion of the pharmaceutical industry as one of four sectors declared *strategic* by the South African government is most welcome. For many years Aspen has competed at a disadvantage to importers from the East even in the local market. Export allowances and tax breaks from their own governments, as well as anomalies in tender preferences, have significantly benefited importers competing on the South African public health tender in the past. Aspen looks forward to working with government on strategies to build the industry in South Africa, including the encouragement of local manufacture, thus allowing the country greater independence in the provision of medicines to its population.

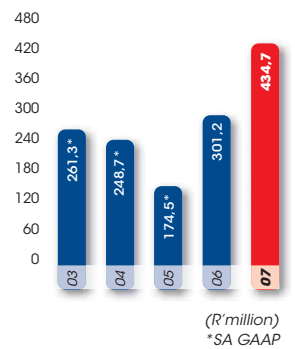
Market capitalisation



Number of shares traded



Capital expenditure



Governance and transformation

Following Aspen's annual general meeting in November this year I shall stand down as Chairman. This move is prompted by two dynamics which have risen to significant prominence during my time in this post. The first is corporate governance in terms of which the Group will be well served by the introduction of fresh blood into the position. The pursuit of effective corporate governance has been a focus. Aspen has progressed to a level where the Group is publicly recognised for its good practice in this area. The second dynamic is transformation and it gives me great satisfaction that my successor in the chair shall be Judy Dlamini. Judy's selection will unquestionably provide impetus to transformation within Aspen, an area where much progress has been made. More is still required and will be delivered. I have every confidence that Judy will fulfil her role as Chairman with the dignity, ability and experience which she has already displayed on the Board as a non-executive director. I wish her well.

Talented and dedicated personnel

It has been my great pleasure to chair the Aspen Board which comprises a group of individuals whose exceptional wisdom and insight has proven of such value to the Group. I have derived a great deal of satisfaction and pleasure from the progress that Aspen has made over the years in all aspects of its activity. Aspen has a most effective Board of Directors and talented and dedicated personnel at all levels led by Stephen Saad and Gus Attridge. The strides made by Aspen in its business, corporate governance and transformation are the product of the endeavours of the Board, Stephen and Gus, Aspen's other executives and all its employees.

Set for the future

Significant investment has been made in positioning the Group for the future. Aspen is well set to realise the reward of this investment whilst continuing to pursue a strategy aimed at identifying future opportunities.

Thanks

In conclusion I express thanks on behalf of all Aspen stakeholders to the Board, the executives and all other employees for ensuring that Aspen has again generated excellent results. Long may the trends set in the past years continue. I have every confidence that they will.

Archie Aaron
Chairman

Archie Aaron







Investing in a robust pipeline

Continuous investment in the product pipeline has enabled Aspen to lead new product launches in South Africa in recent years. With higher levels of activity than ever in sourcing, development and compilation of new dossiers for submission, Aspen's product pipeline remains a rich source of future organic growth.



Group Chief Executive's report

PREPARING FOR THE FUTURE

The past year has been particularly satisfying in the progress that has been achieved by the Group in consolidating its strengths and preparing the way for further growth of the business. Much of the work which has been done does not reflect in the year's trading results, but is an investment for the future.

Solid results

Despite a focus of attention beyond the short-term, the Group posted a solid set of results for the year ended 30 June 2007. Revenue increased by 17% to R4 billion whilst operating profit grew by 20% to R1,1 billion. Increased costs below the operating profit line diluted the growth in headline earnings per share to 13% at 210,1 cents. The pharmaceutical division of the South African business had an outstanding year and was the primary growth driver, raising earnings before interest, tax and amortisation ("EBITA") by 18% to R839 million, 70% of the Group EBITA. The Australian business was the leading performer amongst the offshore operations, recording growth in both revenue and EBITA in excess of 25%.

Consolidating regional strength

The South African pharmaceutical business is the cornerstone of the Group. Aspen's leadership role in this market has been reinforced over the past year. Already long established as the largest generic player and the number one supplier of medicines to the public health sector, Aspen has now also taken the top position in total private pharmaceutical market share and has become established as the leading exporter of pharmaceuticals from South Africa. This has been achieved in a market which has become increasingly competitive. The widest product offering, the most prolific product pipeline, the most extensive sales reach, backed by people and products of the highest quality are fundamentals which have underwritten Aspen's advances in this market.

Generics in the South African private market continued to grow strongly over the past year, increasing 25% in value terms. The switch to generics has maintained momentum and further volume gains are expected. This will be aided by the ultimate settlement of the legal dispute in respect of dispensing fees. Aspen is well placed to benefit from the upswing in demand for generics.

Pipeline to drive organic growth

Continuous investment in the product pipeline has allowed the Group to lead new product launches in South Africa in recent years. Over the past two years, Aspen has been responsible for five out of the top 10 generic product launches. There are now more than 200 Aspen products awaiting registration at the MCC. With higher levels of activity than ever in sourcing, development and compilation of new dossiers for submission, the product pipeline remains a rich source of future organic growth. The following table records the anticipated launches of Aspen's new products in the South African market by therapeutic class as at 30 June 2007.

Therapeutic class	0 – 2 years		3 – 5 years		Total	
	Number of dossiers	IMS value R'million	Number of dossiers	IMS value R'million	Number of dossiers	IMS value R'million
Central nervous system	22	284	33	248	55	532
Alimentary and metabolism	4	55	10	125	14	180
Anti-infectives	20	276	31	511	51	787
Cardiovascular	11	164	44	678	55	842
Respiratory	7	75	8	127	15	202
Musculo-skeletal	1	1	2	24	3	25
Genito-urinary system and sex hormones	1	3	1	15	2	18
Endocrine	23	239	6	135	29	374
Dermatologicals	4	66	1	27	5	93
Systemic hormones	—	—	1	5	1	5
Antineoplastics and immunomodule	9	35	22	311	31	346
Various others	22	176	2	17	24	193
TOTAL	124	1 374	161	2 223	285	3 597

Notes

- Values stated in the table above have been derived from IMS Health (Pty) Ltd ("IMS"). IMS is an independent measure of the private pharmaceutical market of South Africa. The IMS value, as set out in the table above, records the value of sales of the originator's products. In assessing the potential value to Aspen of the dossiers to be launched, the following needs to be taken into consideration:
 - The generic product of an original trades at a discount to the original product.
 - The entry of generic products to the market will result in greater competition.
- The table relates to the South African private market only. The South African public sector (tender) market has been omitted entirely.
- Products which are already registered are not included in the table.
- Not all of the dossiers have been submitted to the MCC.

Stephen Saad



ARV revenue (R'million)



Group Chief Executive's report *continued*

Increased share of public health tenders

New product launches, together with a carefully co-ordinated programme to provide the most competitive supply prices, have been instrumental in Aspen increasing its share of the public health sector tenders recently awarded. Bids are invited for these tenders every two years. The tenders are highly competed with the outcome that the South African public health sector procures medicines at amongst the lowest prices in the world. Average prices declined again in this year's tenders. Aspen's international competitiveness as a low cost quality manufacturer is validated by the market share gains achieved in the tender awards.

A leader in generic ARVs

The tender for ARV supply to the South African public health sector runs on a different cycle to the remaining tenders. The ARV tender currently in place was awarded for three years (as opposed to the two-year term of other tenders) with the next ARV tender due for award in March 2008. The upcoming ARV tender will be well competed but, with an increased product offering and the growth in volume requirements, Aspen expects to continue to be an important supplier of ARVs to the South African government.

The improved capacity of the public health services in South Africa and also in African export territories to reach patients requiring ARVs has been a strong influence in the growth of the Group's ARV business. The South African government runs the world's largest ARV programme, providing ARVs to approximately 300 000 HIV/AIDS sufferers. There has been strong public commitment from government to increased investment in this self-funded programme. Aspen's excellent relationship with most of the world's pre-eminent innovators in ARV treatments has allowed the Group to conclude technology transfer and distribution arrangements across Africa and elsewhere in the developing world for some of the most advanced ARVs coming to market.

Manufacturing core to Group strategy

The Group's relationship with the leading multi-national pharmaceutical companies also extends to manufacturing where supply contracts are being negotiated and concluded with the likes of Gilead Sciences, Inc., Bristol-Myers Squibb and Johnson & Johnson. This vote of confidence bears testimony to the technology of Aspen's production facilities, the skills of the operators and the standard of the procedures applied in the manufacturing process. Production under these contracts will commence in the year ahead and will contribute towards the more productive utilisation of the Group's manufacturing assets.

Manufacturing competence remains core to the Group's strategy. The production capabilities of the Group provide high levels of self reliance in meeting the demands of a growing domestic market and to meet the quality standards necessary to realise the opportunities identified for exports. The Sterile Facility is nearing completion and the 2009 financial year will benefit from the commencement of commercial production in the highly specialised areas of hormonal injectables, lyophilised vials and sterile eye drops.

Plans to increase African footprint

Aspen's export business has grown exponentially over the past three years. Revenue from exports together with revenue from the international operations amounted to more than R1 billion in the past year, over 25% of the Group total. The largest portion of the export business is in Africa. The Group is seeking to build on the success of this business into Africa by entering into business partnerships with established regional players. Potential partners will require sales and marketing presence and an effective distribution network. Aspen is able to bring extensive product formulations and manufacturing expertise to the partnership. Following a period of investigation into possible candidates, the process has advanced to a level of more detailed discussion with prospective partners.

Evaluating acquisitive opportunities

The Australian business has continued its record of impressive growth. Investment in its own product pipeline will stimulate organic growth in the future in a market where acquisitive opportunities have proven overpriced. The absence of material acquisitions over the past year has been a consequence of unrealistic pricing preventing the conclusion of deals which represent value rather than a lack of ambition in this regard. The Group continues to actively evaluate opportunities with particular focus on the markets of the developing world and businesses which are complementary to the areas of specialisation which are being pursued.

Focus on internal development of skills

As competition and standards rise, skills and commitment from the employee grouping becomes ever more critical. Aspen has been exceptionally well served in this area by some outstanding people. However, in order to deliver on the Group's strategies it has become apparent that we are engaged in a contest for talent in the industry. Aspen has responded by intensifying its focus on internal development of skills, augmented by the importation of international skills. The skills development objectives are closely aligned to Aspen's transformation goals.

The achievements of the past year have been made possible by a team of devoted employees determined that Aspen will retain and grow its stature as a leader, not only in South Africa, but also in international markets. My sincere thanks go to all of you who go the extra mile. The Board of Directors has once again been a great source of support in confronting the many challenges faced by the Group. I wish to extend a personal vote of gratitude to the outgoing Chairman, Archie Aaron, who has been with us since the start and has provided valuable counsel over a period of substantial growth by Aspen.

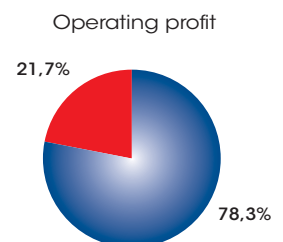
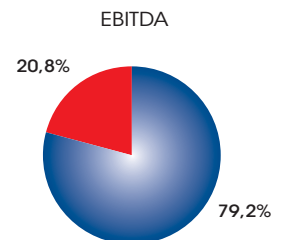
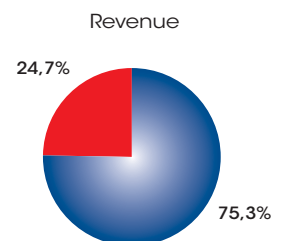
An exciting year in prospect

The forthcoming year promises to be an exciting one for the Group. Aspen looks forward to good growth in the South African pharmaceutical business based upon the market position which has been attained in the public and private sectors as well as in exports. These prospects need to be viewed against the backdrop of uncertainty in the legislative environment where developments could have an influence on performance. The recent declaration by government of the pharmaceutical industry as *strategic* is extremely encouraging and is expected to provide local manufacturers with much needed support in levelling the competitive playing fields.

The Group's commitment to investing in the future will continue through the enhancement of manufacturing capacities and standards. In addition, there will be ongoing assessment of acquisitive opportunities which are aligned with Aspen's business strategy and from which growth in shareholder value can be anticipated.

Stephen Saad
Group Chief Executive

Secondary segments: Business



● Pharmaceutical ● Consumer





Investing in **ARVs**

Investing in ARVs has been one of Aspen's strategic imperatives and the Group is acknowledged as one of the leading global players in generic ARVs. With an increased product offering and the growth in volume requirements, Aspen expects to continue to be an important supplier of ARVs to the South African government. Aspen's extensive basket of ARVs are presently used in the treatment of an estimated 500 000 patients across the African continent.



Financial review

SOUTH AFRICAN PHARMACEUTICAL DIVISION LEADS GROWTH

The pharmaceutical division in South Africa dominated performance in a year in which profits from the trading divisions increased strongly. Growth was trimmed by an increase in below-the-line charges.

Earnings characteristics

Aspen's earnings for the financial year ended 30 June 2007 were characterised as follows:

- Volume-driven revenue growth of 17% to R4,0 billion;
- Consistent gross profit margin at 48,2%;
- Growth in operating expenses constrained by economies of scale and non-recurring items in the prior year;
- Increased operating profit margin of 26,7% (25,9%) with operating profit up 20% to R1 077 billion;
- Increase in financing costs net of investment income to R67 million (R41 million) as borrowing costs rose and the Group invested more in working capital and fixed assets; and
- Higher effective tax rate of 28,9% (25,3%) due to once-off benefits enjoyed in the prior year.

The net result was an increase in net profit after tax of 13% to R718 million.

In an industry where regulation and competition have combined effectively to limit price derived growth to the minimum, increases in revenue have been driven by volume growth which has been supplemented by successful product launches. The pharmaceutical businesses led the growth in sales and contributed over 75% to Group revenue with R3 032 billion.

Growth contributors

Headline earnings per share increased by 13% to 210,1 cents. The contributors to the 13% growth can be analysed as follows:

South Africa – pharmaceutical division	18%
South Africa – consumer division	2%
Aspen Australia	2%
Astrix	2%
United Kingdom and United States businesses	1%
Funding costs	(3%)
Amortisation	(4%)
Effective tax rate	(3%)
Dilution from shares issued under share scheme	(2%)
	13%

This analysis highlights the South African pharmaceutical division as the primary growth driver over the past year. Also apparent is that it was influenced below the trading profit line that lowered the growth curve. Of particular note is the fact that an increase in amortisation charge reduced growth in headline earnings per share by 4%. Aspen considers the intellectual property on its balance sheet to have a finite useful life and thus be subject to amortisation.

Whilst this is the adopted norm amongst international competitors, Aspen's local peer group takes a more aggressive view and avoids an amortisation charge by classifying intellectual property as having an indefinite lifespan.

Normalised earnings per share up 13%

In the prior financial year the Group introduced the concept of normalised earnings to take consideration of a number of once-off transactions which distorted published earnings in the financial years ended 30 June 2006 and 2005. There were no transactions of this nature during the year ended 30 June 2007 and consequently reported earnings can be considered to be normalised earnings. On this basis, normalised earnings per share increased by 13% to 205.6 cents.

Increasing capital expenditure

The ongoing programme of investment in the Group's production facilities is reflected on the balance sheet in an increase in property, plant and equipment from R613 million to R855 million. The biggest portion of this spend has been in respect of the Sterile Facility which is due to commence commercial production in the 2009 financial year. Approximately R500 million is authorised in additional capital expenditure in the year ahead as the Sterile Facility is completed, phase one of the General Facility upgrade is undertaken and additional packing capacity is created in the OSD Facility.

Working capital investment

A further R353 million was invested in working capital. Increases in the value of inventories and receivables are trade related and the trading days represented by the balances are in accordance with established levels. Trade and other payables have decreased by R83 million and are now at a level in trade days which is considered sustainable. Factors influencing the decrease in trade and other payables were the move to 50% owned Astrix Laboratories Ltd ("Astrix") as the supplier of ARV active pharmaceutical ingredients ("APIs") and various arrangements which had allowed for extended trading terms coming to an end or not recurring.

Strong cash flows

The Group generated strong cash flows over the year with net cash from operating activities of R709 million rising by 76% and being in line with net profit after tax of R718 million. Of the R432 million of cash used in investment activities, R288 million was in respect of capital expenditure on tangible assets as discussed above and R147 million was in respect of capital expenditure on intangible assets, primarily the procuring of product dossiers for the pipeline and development costs which were capitalised.

Retention of distribution policy

Given the commitments to the capital expenditure programmes and the Group's continued search for potential acquisitive opportunities, the Board has decided to retain a three times distribution cover and has approved a distribution of 70 cents per share, an increase of 13%.



Gus Attridge

Deputy Group Chief Executive

Gus Attridge



Business unit review

South African business:

Pharmaceutical division

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

	Growth	2007 R'million	2006 R'million
Revenue	17%	2 397	2 054
Operating profit before amortisation		839	682
Adjusted for:			
- Share of PLIVA dd bid costs		—	16
- Investment in FCC written down		—	14
Normalised EBITA	18%	839	712
Normalised EBITA as a percentage of revenue		35%	35%

Good revenue growth

The pharmaceutical division delivered revenue growth of 17%. Adjusting for the effect of the sale of 50% of Fine Chemicals Corporation (Pty) Ltd ("FCC") midway through the 2006 financial year, revenue increased by 20% on a like-for-like basis. FDF pharmaceuticals increased revenue by 19%. The Department of Health granted permission to raise single exit prices by 5,2% with effect from 1 January 2007 (effective annualised increase of 2,6%). The balance of the FDF growth was achieved through strong organic generic volume growth, the annualised impact of new product launches and significant growth in ARV volumes in the South African private and public sectors as well as in African export markets.

Top market share

IMS ranked Aspen as the top company in the private pharmaceutical market in South Africa in April 2007 for the first time. Aspen retained its position as the continent's leading generics manufacturer and the largest supplier of generic medicines to the private and public sectors in South Africa.

Ongoing shift to generics

The legislative environment governing pharmaceuticals in South Africa still remains uncertain. The disputed issue concerning the amount of dispensing fees which may be charged by pharmacists and doctors will dilute the full potential for generic substitution until it is resolved. The volume shift towards generic usage as measured in counting units has nevertheless increased over the year to 62,3% (61,2%). Aspen will continue to engage constructively with government on all outstanding legislative issues including annual price reviews, international benchmarking and increased generic substitution measures.

Leading products

Aspen's rich pipeline continued to support the growth of the pharmaceutical business during the year. Most notable new prescription products launched were Aspen Simvastatin, Tamsul, Tazobax and the ARVs - Viread® and Truvada™. Additional new products included: Almadin, Nause tron and Aspen Sertraline.





Business unit review

South African business:

Pharmaceutical division continued

Generic competition has intensified with the consolidation of local and foreign generic businesses leading to the emergence of larger and better resourced competitors. Despite these market changes and the challenges imposed by uncertainties in the regulatory environment, all key brands have shown satisfactory growth. Mybulen, the non-narcotic analgesic, delivered excellent results, taking the top position in volume market share in this important category.

Leading prescription brands in the pharmaceutical division include:

Product	Description
Aspen Lamzid	For the treatment of HIV/AIDS
Mybulen	For the treatment of mild to moderate pain
Eltroxin	For the treatment of patients with under-active thyroid
Pharmapress	For the treatment of hypertension
Stilpane	For the treatment of general pain and pain associated with tension
Altosec	For the treatment of gastro-intestinal ulcers
Tazobax	For the treatment of a broad spectrum of infections

Other leading brands: Flixonase, Aspen Nevirapine, Aspen Simvastatin, Ci-Lift, Panamor and Trepiline

OTCs make gains

Aspen's OTC team was placed second in the nationwide Campbell Belman Confidence Standing Survey, an independent survey of retail pharmacies and buying groups published in December 2006. This is the fourth successive year that Aspen has held a leading position in this survey.

OTC product volumes grew ahead of the market leading to increased market share. Terbicil cream and lbumol suspension, both which were launched last year, were significant contributors to the additional growth. The total OTC market growth was lower than the rest of the pharmaceutical market increasing by only 7% year-on-year.

Leading OTC brands in the pharmaceutical division include:

Product	Description
Thinz	An appetite suppressant
Flusin	For the treatment of cold and flu symptoms
Leonor	An appetite suppressant
Lenadol	For the treatment of mild to moderate pain associated with tension and fever
Safyr Bleu	Eye drops
Somnil	For the treatment of insomnia

Other leading brands: Sinuclear, Terbicil, Mucospect, Theophen, Flutex, Hyospasmol and Bronkese

Funder recognition

Aspen's performance in the managed healthcare arena was once again independently acknowledged in the 2007 Campbell Belman Confidence Standing Survey. Aspen was ranked second amongst managed healthcare providers and funders, and was the only generics company to feature in the top 10. This is a significant achievement and represents a move from third place in the category in the prior year. Aspen was rated first in the "Trust in Product", "Future Prospects" and "Communications" sections.

Sharp increase in ARV sales

ARV revenue contribution to the Group has increased to R439 million. This represents a rise from 8% of total revenue in the prior year to 11% of total revenue in the current year showing a year-on-year growth of 65%. Aspen's ARVs are presently used in the treatment





of an estimated 500 000 patients across Africa. Aspen's ARV basket is comprised of Aspen Stavudine, Aspen Didanosine, Aspen Nevirapine, Aspen Lamivudine, Aspen Zidovudine, Aspen Lamzid (combination Lamivudine/Zidovudine) and the Aspen Lamzid/Nevirapine combo pack. New products launched during the year include Viread® and Truvada™, a leading second line treatment range of products, which are distributed under licence from Gilead Sciences, Inc. Aspen's ARV basket will be enhanced with the introduction of further originator and generic molecules during 2008.

Aspen remains the leading supplier of generic medicines to the public sector and supplies approximately 25% of all tablets and capsules procured. Non-ARV sales volumes remained stable over the period, the second year in the two-year tender cycle, with public sector turnover growth driven by the increase in ARV volumes. Aspen's local manufacturing capabilities strongly complements government's commitment to local manufacture and augurs well for future tender prospects. Additional volumes will also be derived from the increased incidence of ARV opportunistic infections and the demand for chronic medicines arising from a growing and ageing population.

Record year for FCC

FCC enjoyed a 32% increase in export volumes. This, coupled with a weaker Rand, led to FCC achieving record turnover and operating profit. Exports (primarily United States and Europe) made up 62% of turnover compared to 52% in the prior year. Fentanyl and Azathioprine were the main contributors to the export volume growth. Other core APIs include Codeine, Paracetamol, Baclofen and Thiothixene. The joint venture with Matrix Laboratories Ltd ("Matrix") which took effect in January 2006 is functioning well and further enhanced benefits are expected in the medium-term. Indications are that the favourable market conditions which supported the excellent performance in the 2007 financial year will soften in the year ahead.

Business unit review

South African business: Consumer division

The consumer division is comprised of an extensive range of products categorised in the FMCG, personal care, nutraceutical, complementary and nutritional sectors of the market.

	Growth	2007 R'million	2006 R'million
Revenue	9%	869	795
Operating profit before amortisation		214	195
Adjusted for:			
- Goodwill in respect of acquisition of Aspen Nutritional written down		—	1
- Share of PLIVA dd bid costs		—	5
Normalised EBITA	6%	214	201
Normalised EBITA as a percentage of revenue		25%	25%

Growth drivers

The consumer division achieved revenue growth of 9% over the prior period. Growth was led by good performances from toothpastes and infant nutritional.

The year under review has seen a period of product consolidation following the proliferation of new product launches in the prior year. Newly launched products included new formulations in the laxative range to substitute for the discontinuation of phenolphthalein and line extensions to the toothpaste brands. In addition, a range of traditional Dutch Medicines was acquired, further complementing Aspen's heritage range of Lennon Dutch Medicines.

The toothpaste range comprising the Mentadent P and Close-up brands was successfully re-launched in new packaging. Volume growth was pleasing and additional market share gains are targeted.

Aspen Nutritional (Pty) Ltd ("Aspen Nutritional") recorded strong volume growth with the Infacare range achieving solid market share gains. In the year ahead, containment of pricing of commodity inputs is a major challenge given current milk shortages in the market.

Top brands





Leading brands in the consumer division include:

Product	Description
Nutritionals including Infacare, the S26 range, SMA and Infasoy	Infant milk formulations
Lennon Dutch Medicines	A range of trusted remedies for assorted ailments
Mentadent P and Close-up	Toothpastes
Playboy and Playgirl	Deodorant ranges for men and young women
Prep	Derma-protective shaving range
Woodwards Gripe Water	Treatment to comfort infants with gripes
Other leading brands: Hamburg Tea, Guronsan C, Laxador and Moducare	

The consumer division is influenced by the South African retail market which is beginning to slow after an extended period of robust growth.



Business unit review

South African business:

Group operations

Aspen's Group operations is the largest producer of generic pharmaceuticals in the southern hemisphere. Ongoing investment is adding to technology and capacity ensuring these strategic production capabilities provide a competitive advantage.

South Africa joins PIC

South Africa has aligned itself with PIC with effect from 1 July 2007. PIC is an international agency developing and promoting the harmonisation of standards of good manufacturing practice. Countries which participate in PIC include many European Union countries, Australia and Canada. Aspen's past and future planned production investment initiatives take due consideration of PIC standards.

OSD Facility concentrates on ARVs

The OSD Facility has been primarily committed to the Group's manufacture of ARVs. An agreement for technical transfer and manufacture of a generic version of Atazanavir was recently concluded with Bristol-Meyers Squibb, adding further impetus to the technical ARV skill set of the OSD Facility and increasing ARV export potential. Development on Efavirenz and several fixed dose combination ARVs is complete and once these receive registration the OSD Facility will realise a significant increase in ARV outputs for the export and domestic markets. In anticipation of this increase in volume, capacity levels have been increased both in manufacturing and packing. A new tablet compression machine and packing lines have been successfully installed and commissioned. An extension to the OSD Facility has been approved in terms of which increased bottle packing capacity of 40 million bottles per annum will be added to cater for the increased demand for this packaging format of ARVs.

Upgrade project for heritage General Facility

The first phase of an upgrade project on the heritage General Facility, with an estimated cost of R240 million, has commenced. This phase covers the solid dose production area.

Increased volumes for East London

The East London Manufacturing Site continues to grow with increased volume being driven by buoyant toothpaste and penicillin sales. Production capabilities have been enhanced through ongoing investment. Further increase in output is planned with the re-alignment of products from other facilities which suit East London's flexible short-run production profile.

Process optimisation and customer service levels have been further enhanced by the successful implementation of a leading production planning and scheduling system across all pharmaceutical facilities. Focused and planned stock build of core stock items have successfully improved customer service levels. Particular emphasis is placed on ensuring adequate safety stock of crucial ARV line items.

Record infant milk volumes

Record volumes of 6 800 tons were achieved by Aspen's Nutritional Formulations Facility in Clayville. Production efficiencies were further improved with the investment in an advanced technology back of the can filling line to ensure optimum and sustainable can packing efficiency for the medium to long-term.





Aspen's manufacturing facilities include: 1 Nutritional Formulations Facility; 2 East London Manufacturing Site; 3 OSD Facility; 4 General Facility; 5 Sterile Facility.

Sterile Facility on schedule

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

Increased investment in product development

Aspen has concentrated its development efforts with offshore partners in order to focus internal resources on existing product upgrades and enhancements. The Group is seeking to expand its extensive development network in order to assure the enduring health of the Aspen pipeline.

Regulatory affairs increases new product submissions

Aspen's regulatory affairs department doubled the number of submissions to the MCC and other regulatory bodies for registration during the year. An intense resource focus on Viread® and Truvada™ ensured that registrations for these important ARVs were submitted throughout Africa. Also submitted was the Prezista™ file in key African states. Regulatory affairs also plays a critical role in securing the sustainability of the business by maintaining in excess of 1 000 dossiers comprising Aspen's generic and branded product portfolio.

Business unit review

International business:

Strong performance from the international business was driven by Aspen Australia.

	Growth	2007 R'million	2006 R'million
Revenue	27%	760	600
– Pharmaceutical	25%	635	508
– Consumer	36%	125	92
EBITA	32%	145	110
– Pharmaceutical	33%	110	83
– Consumer	30%	35	27
EBITA as a percentage of revenue		19%	18%
– Pharmaceutical		17%	16%
– Consumer		28%	29%

Aspen Australia

Pipeline in place

Aspen Australia was the leading contributor to the international business. Consistently ranked amongst the fastest growing pharmaceutical companies in Australia, Aspen Australia increased revenue by 28% to R509 million with EBITA increasing by 35% to R71 million. The results were boosted by a 19% strengthening of the Australian Dollar ("AUD") relative to the Rand. Future organic growth of the business will be stimulated by a pipeline of 21 products in various stages of development, with a heavy weighting towards sterile products.

The excellent management team in Australia has maintained growth momentum in the business by strong product focus and the addition of niche products to the portfolio. The performance of the Aspen Australian business should be seen in the context of a market in which increasing regulatory intervention has restricted growth in the government reimbursement of medicine costs to under 3%, a growth in the overall pharmaceutical market to around 6%. The Australian government has approved legislation which will lead to further price cuts of up to 25% in the reimbursement of certain products commencing in August 2008. The impact of this legislation is still being evaluated, although the nature of Aspen's product portfolio should limit the exposure.

Astrix

Strategically important to ARV business

Indian-based Astrix, jointly owned by Matrix, is a strategically important part of Aspen's ARV business. As the producer of key ARV APIs, Astrix provides Aspen with a competitive edge through backward integration. After eliminating inter-group transactions, Astrix contributed R21 million to the Group's EBITA over 12 months in the 2007 financial year compared to R14 million in the prior year. Supplies of ARVs to Aspen account for almost half of Astrix's revenue with the balance being supplied to Indian-based FDF ARV manufacturers which include Ranbaxy SA (Pty) Ltd, Cipla-Medpro (Pty) Ltd and Strides Acrolab Ltd. Pricing is extremely competitive in this market and Astrix has experienced margin contraction on first line ARV API supplies. Better margins on second line ARV APIs are expected to provide some relief in the new year.



Business unit review

International business:



Aspen Resources

Building a portfolio

Aspen Pharmacare Resources Ltd ("Aspen Resources"), the United Kingdom-based intellectual property and sourcing company performed well, increasing EBITA by 40% to R56 million. This result was aided by a relative weakening in the Rand against Pound Sterling ("GBP") of 7%. Management continues to explore the market for opportunities to expand the intellectual property portfolio. During the course of the year investments totalling R52 million were made in products which will be distributed in Thailand and Australia.

Co-pharma Ltd

Seeking a business partner

Co-pharma Ltd, the United Kingdom-based commodity generics business, extended a run of disappointing results and recorded a loss for the first time with a negative contribution to EBITA of R4 million. The Group is actively seeking a partner which will be able to take advantage of Co-pharma Ltd's strong distribution capabilities.

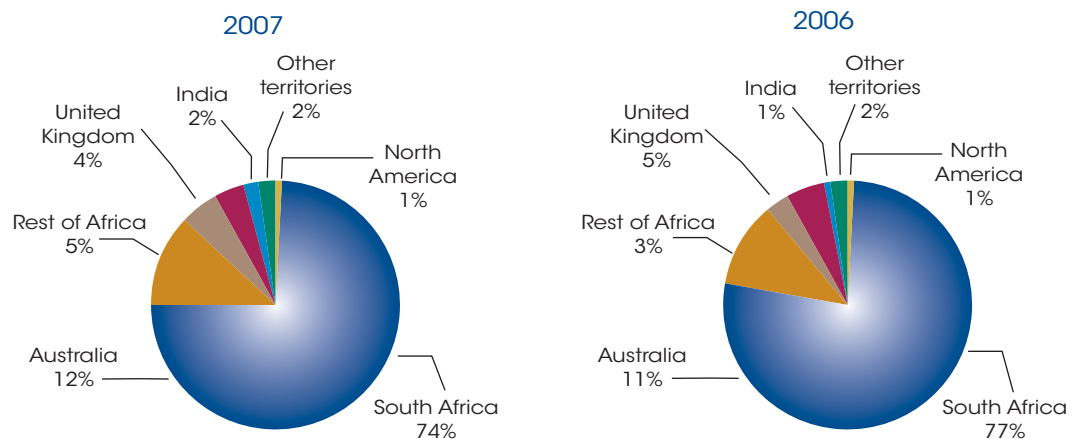
Aspen USA Inc.

Exploring new opportunities

The Group has established a United States business with the primary objective of assessing opportunities in the world's largest market.

Revenue by destination

Graphic representation of the geographical areas in which Aspen derives its revenue is set out below.







Investing in future generations

Aspen's philosophy of investing in future generations is exemplified through its participation in projects which offer hope through education, upliftment and personal enrichment.



Sustainability report

Employment equity

Aspen focuses on the recruitment and retention of suitable historically disadvantaged individuals on merit. Aspen seeks to develop historically disadvantaged employees who demonstrate potential as part of the Group's overall succession planning. Targets set for August 2007 have not been achieved in the top management category. New recruitment strategies have been implemented in an attempt to increase the intake of employment equity candidates. New employment equity targets are due for submission to the Department of Labour in October 2007.

Employment equity statistics

Category/level	30 June 2007*	Target August 2007*
Top management	4	6
Senior management	36	36
Professionally qualified	134	103
Skilled	514	314
Semi-skilled	272	151
Unskilled	770	642
Disabled	5	10

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

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

Skills development

Skills development and training remain key focus areas for the Group from both the perspectives of employee empowerment and maintenance of the Company's competitive advantage.

To this end the Group's human resources function identifies and assesses training requirements for individual employees to develop necessary competencies. In addition, learnerships in partnership with universities, technikons, colleges and private learning institutions enable Aspen to enhance its skills base. The number of learners currently enrolled in Aspen's Learnership Programme totals 48, all of whom are black.

Training programmes which were held during the year covered a broad range of skills and personal development topics, including:

Location	Training
East London Manufacturing Site	<ul style="list-style-type: none"> • Computer literacy • Communication • Excel and MS Word • Emerging leaders • Various technical courses
Centralised Warehouse	<ul style="list-style-type: none"> • Audit protocol • Customer service training • Work permit training • Various technical courses
General Facility	<ul style="list-style-type: none"> • Construction legislation • Operations management • Various technical courses
OSD Facility	<ul style="list-style-type: none"> • Advanced leadership programme • Assertiveness skills • Marketing management • Project management • Self-development • Time management • Various technical courses
Woodmead and Durban Offices	<ul style="list-style-type: none"> • Advertising, Laws and Codes of Conduct • Assertiveness skills • Computer literacy • Change management • Excel, MS Word and PowerPoint • Management development • Peer education training • Various technical courses

Of the 1 169 candidates, 90% (1 051) were black. The number of women trained as a percentage of total trainees was 32%.

Skills training at the Group's Astrix API Manufacturing Site near Hyderabad in India, which forms part of Aspen's joint venture with Matrix, covered good manufacturing practice and safety procedures.

Skills spend budgeted for 2008 for all employees is R7,4 million, R4 million of which will be allocated to black employees. This equates to 2% and 1% of payroll costs respectively.

Succession planning

Succession planning in senior management positions is the responsibility of the Remuneration & Nomination Committee which seeks to ensure that, wherever appropriate, high calibre talent for key organisational roles and professional disciplines is available. In certain instances external recruitment is necessary to supplement succession plans, although promotion from within the Group remains the priority. Succession plans at all levels of the organisation are developed in conjunction with the relevant human resources departments which are responsible for implementing appropriate development programmes to support these plans.

Health and safety

The Group ensures strict compliance with the South African Occupational Health and Safety Act, as well as with similar legislation in the other countries where Aspen has established operations.

Aspen has codified its commitment to health and safety in South Africa in a formal policy. In line with the policy, management systems and standard operating procedures at all manufacturing facilities are designed to prevent activities that may pose a potential threat to health and safety. These systems and procedures are reviewed and updated annually.

All of Aspen's facilities have safety officers and/or designated senior employees responsible for implementing and monitoring health and safety policy adherence. In addition, new employees must attend Safety, Health, Environment and Quality ("SHEQ") training, which generally educates them on the correct procedures for ensuring safe work methods and avoiding accidents. Specifically, the SHEQ induction programme encompasses:

- Operational SHEQ policy;
- SHEQ management guidelines and responsible staff duties;
- Emergency response and control;
- Hazard mitigation and emergency response to chlorine gas leaks;
- Escape mask use;
- Security guidelines for emergency situations; and
- General SHEQ rules for contractors.

Further, in line with Aspen's formal SHEQ policy, general health and safety, first aid, fire fighting and prevention, safe operating procedure and incident/accident investigation training sessions, amongst others, were offered to employees during the year.

SHEQ audits

Aspen conducts regular SHEQ audits to ensure that all its procedures comply with legislative requirements, as well as with the Group's formal SHEQ policy. External ongoing contractors are utilised where necessary to ensure effectiveness and independent recommendations for improvement.

During the year, International Risk Consulting Africa ("IRCA") conducted SHEQ quality and compliance audits at the manufacturing facilities in East London and Port Elizabeth, the Port Elizabeth Centralised Warehouse, Woodmead and Durban offices.

Woodmead office received a 2-Star rating from the IRCA audit. The monitoring and assessment system was being rolled out during the time of the audit but is now fully operational. The Port Elizabeth and East London Manufacturing Sites, as well as the Aspen Centralised Warehouse, received 3-Star ratings. Aspen is working towards achieving and retaining a minimum 4-Star rating.

Corrective actions recommended by IRCA are currently being implemented and are expected to continue for between 12 and 18 months.

At the East London Manufacturing Site, in addition to the IRCA audit, audits in respect of occupational hygiene, hazardous installation risk, fire extinguisher equipment installation, chemical risk, emergency evacuation and pressure vessels and cylinders were carried out.

At the OSD Facility, a GlaxoSmithKline Inc. audit was carried out in addition to the IRCA audit.

The SHEQ induction booklet is in the process of being upgraded and changes are aimed at new and current employees, as well as contractors.

Workplace injuries

Workplace hazards in the manufacturing facilities may be physical, psychological, mechanical and/or biological. While the primary aim is to eliminate potential hazards, this may not be feasible and procedures have therefore been put in place to mitigate threats to employees.

In order to prevent the recurrence of reported injuries or accidents, the Group's operations maintain ongoing interaction between the SHEQ management department and all other departments. The SHEQ management department ensures that any necessary corrective measures are put in place. New plans aimed at managing workplace injuries more effectively were developed during the year, including:

- Retraining of employees in terms of workplace safety;
- Past and present safety incident briefs and talks;
- Property, plant and equipment compliance enforcement at incident investigation stage;
- Work procedure/instruction enforcement at incident investigation stage;
- Regular SHEQ departmental visits; and
- Reports highlighting unsafe work conduct/conditions for employees.

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

Employee health services

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

All of FCC's staff in Cape Town are alternatively on the company or union preferred medical aid schemes or on a minimum of a hospital plan. FCC maintains a permanent medical and health clinic manned by a full time Occupational Health Medical Practitioner who provides medical screening, biological health monitoring, a range of health and social services, including substance abuse counselling, HIV/AIDS counselling and hazardous chemical substances exposure prevention, as well as primary healthcare services for employees.

The Group's Astrix plant in India also has an occupational health centre on-site with a medical practitioner available daily.

HIV/AIDS

Aspen is committed to doing everything possible to educate employees about HIV/AIDS and, to this end, aims to communicate policies, practices and procedures in a clear and unambiguous manner.

The Group continues to expand its awareness and education initiatives by providing informative materials on HIV/AIDS prevention, care, support and treatment. Materials were sourced during the year from Red Ribbon (an HIV/AIDS education initiative), distribution sites nationwide and from the South African government's HIV/AIDS Khomanani initiative.

Aspen also continued to raise awareness on World Aids Day, ensuring that peer educators remain proactive in dispensing positive information on HIV/AIDS. Further, educational CDs were distributed to the Group's peer educators who remain active and visible throughout the Group.

Condom dispensers, placed in discreet areas, are monitored to ensure that condoms are accessible to employees. In addition, the Group maintains the Red Ribbon website (a Metropolitan Health initiative) on its intranet to enable employees to benefit from the valuable information relating to HIV/AIDS.

Voluntary counselling and testing continues to be provided at all of the Group's South African operations through an independent service provider. HIV negative employees are encouraged to maintain their status through continued preventative education programmes. Employees diagnosed as zero-positive have the condition clinically managed through QualSA, a health risk management company.

In order to ensure that its HIV/AIDS policy is in line with the latest developments, trends and best practice, the Group appoints field specialists to stringently review the policy on an annual basis and incorporate changes and improvements where necessary. During the year the policy was amended to include the management of sexually transmitted infections and tuberculosis education due to their inter-relationship with HIV/AIDS. A clear summary of the Group's position with regard to retrenchment, disability, retirement, resignation and dismissal in the context of HIV/AIDS is now also included.

According to the Group's HIV/AIDS policy, surveys assessing the long and short-term impact of HIV/AIDS on the company will be conducted every alternate year. Knowledge, Attitude, Practice and Behavioural, and Actuarial studies will be conducted during the 2007/8 financial year.

Environment

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

Recycling, waste management and resource conservation

Waste minimisation remains a priority, recycling is encouraged and energy and resource conservation is undertaken wherever possible. For instance, during the year waste management and resource conservation programmes have been implemented, all of which employ independent contractors in order to ensure that programmes are conducted in line with legislative and best practice guidelines.

Specifically, the East London Manufacturing Site implemented a waste management programme using external supplier WASTE-TECH to effect disposal. In terms of minimising the quantity and toxicity of waste generated, the facility stores materials for one day's use only. Only those materials which have been approved by management are used on-site and rules governing their use are in line with material safety and data sheets.

Recycling policies were expanded at various Aspen facilities during the year, with the General Facility introducing waste glass separation in the recycling stream activities. The facility also held environmental awareness and spillage control training sessions during the year and made significant progress in meeting environmental best practice compliance standards, as reflected in the 100% ratings in respect of:

- Compliance with all environmental legislation;
- Safety management systems designed to prevent activities/conditions that threaten the environment;
- Minimising air, land or water pollution through the safer use of chemicals/hazardous chemicals;
- Minimising the quantity of toxic waste generated and the safe treatment thereof;
- Waste recycling; and
- Implementation of corrective measures, where necessary.

Additional resource conservation initiatives were implemented, such as the new energy efficient lighting system which was installed at the East London Manufacturing Site to replicate the system at the General Facility. In addition, a directive was issued that all electrical appliances, machinery, motors, lighting, air conditioning and computers not in use be switched off.

At the General Facility water consumption monitoring was introduced on a monthly basis to prevent wastage. Inspections for possible water-feed leaks take place regularly. Cooling and purging water is recycled, spillage cleanup activities have been modified in terms of sweeping and bagging where possible, and flows from sewerage and storm water drainage systems are regularly monitored.

Air pollution has been addressed by the General Facility through a Heavy Furnace Oil outsourcing initiative which is nearing completion and, once commissioned, will result in stack emissions being reduced to nil.

Group environmental evaluation

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

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

The main environmental risks, as well as mitigating measures, identified at Aspen's Manufacturing Sites are:

Description	Mitigating measures		
		Port Elizabeth, East London and FCC Manufacturing Sites	Clayville Manufacturing Site
Uncontrolled emissions	• Implementation of Standard Operating Procedures	✓	✓
	• Continuous review of relevant SHEQ management standards and codes	✓	✓
	• Pragma preventive maintenance system	✓	n/a
	• Preventive maintenance system (overhaul plant at December shutdown)	✓	✓
Uncontrolled discharges to sewerage and storm water system spillages	• Implementation of Standard Operating Procedures	✓	✓
	• Factory layout – storm water and sewer systems monitoring activities	✓	n/a
	• Industrial effluent analysis	✓	✓
	• Pragma preventive maintenance system	✓	✓
	• Permit to work system	✓	✓
Irresponsible usage – steam, water, electricity, raw materials	• Implementation of Standard Operating Procedures	✓	✓
	• Industrial effluent analysis	✓	✓
	• Regular inspections	✓	✓
	• Permit to work system	✓	✓
	• Pragma preventive maintenance system	✓	n/a
	• Preventive maintenance system (overhaul plant at December shutdown)	✓	✓
Inefficient management of waste streams – toxic, harmful materials and disposal landfill sites	• Implementation of Standard Operating Procedures	✓	✓
	• Industrial effluent analysis	✓	✓
	• Regular inspections	✓	✓
	• External waste management contract outsourced	✓	✓
Non-compliance with environmental legislation and directives	• Implementation of Standard Operating Procedures	✓	✓
	• Bi-monthly management departmental SHEQ audits	✓	Bi-annual
	• Monthly SHEQ representative departmental inspection	✓	✓
	• Regular SHEQ awareness training	✓	✓
	• New employee SHEQ induction programme	✓	✓
	• External contractor control (Permit to work system)	✓	✓
	• Regular inspections	✓	✓

Sustainability report *continued*

Description <i>continued</i>	Mitigating measures <i>continued</i>		
		Port Elizabeth, East London and FCC Manufacturing Sites	Clayville Manufacturing Site
Hazardous Chemical Substance Management and Control, i.e. pharmaceutical waste	• Implementation of Standard Operating Procedures	✓	Lab Waste
	• Permit to work system	✓	✓
	• Bi-monthly management departmental SHEQ audits	✓	Bi-annual
	• Monthly SHEQ representative departmental inspection	✓	✓
	• Regular SHEQ awareness training	✓	✓
	• New employee SHEQ induction programme	✓	✓
	• External contractor control (Permit to work system)	✓	✓
Fire and emergency spillage control	• Regular inspections	✓	✓
	• Implementation of Emergency Standard Operating Procedures	✓	✓
	• Permit to work system	✓	n/a
	• External contractor control	✓	✓
	• Regular inspections	✓	✓

Code of Ethics

As part of its zero tolerance approach to unethical behaviour, Aspen is committed to ensuring that employee and Group best practices are beyond reproach. All employees are required to adhere to the Code of Ethics, which is based on the principles of honesty, integrity and fairness.

The Code of Ethics prohibits corruption and requires employees to uphold the integrity of financial information and to be conversant with and implement the Group's SHEQ policies. It further protects the Group's intellectual and physical property, prohibits insider trading and upholds 'Best Corporate Governance Practice' at all times, whilst promoting fair, ethical and statutory compliant business practices.

New employees are introduced to the Code of Ethics on induction and it is also posted on the intranet and on public notice boards throughout the Group.

The Board's annual self-evaluation identified the need for a more stringent system to monitor violations of the Code of Ethics and for a follow-up review to be undertaken by the Audit & Risk Committee.

Whistle-blowing

To enforce the Code of Ethics, Aspen has a whistle-blowing policy that makes all employees responsible for reporting any unethical, improper or unlawful conduct. Improper conduct is defined as criminal behaviour, fraud, financial mismanagement, money laundering, unfair discriminatory practices, actions threatening health and safety, harassment and corruption.

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

Stakeholder communication

Employees

Aspen is committed to transparent and timely communication with all of the Group's stakeholders. Internal communication with employees is achieved through the intranet and notice boards and at national and workplace stakeholder forums.

The Group maintains a strong, open relationship with the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU"), which represents Aspen's unionised workers. Management holds regular meetings with union representatives to facilitate labour relations and ensure mutually beneficial outcomes to matters of debate. This relationship was strengthened with the appointment of Pasco Dyani, the national president of CEPPWAWU, to the Board as a non-executive director during the previous year.

Investors

Aspen regularly engages with major shareholders, institutional investors and analysts. Where permissible, the Group also communicates with the financial press to ensure accurate reporting. Company announcements are published on the Stock Exchange News Service and posted on the Group's website. Financial results announcements are also published in the mainstream business press and sent directly to shareholders, who are encouraged to attend the annual general meetings. Presentations and/or teleconferences of interim and final results are held where appropriate, and audience participation is widely encouraged.

Public

Aspen uses a broad spectrum of print, electronic and digital media to communicate with the mass market. The Group ensures that all forms of communication comply with industry and legislative guidelines based on the Medicines and Related Substances Control Act, Act 101 of 1965, as amended and industry norms.

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

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

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

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

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

Corporate social investment report

Aspen's fundamental precept '*Healthcare. We Care*', is manifested in its Corporate, Marketing and Corporate Social Investment ("CSI") strategies. The Group's involvement in black communities, sponsorships to various charities and educational programmes mirror its strong commitment to CSI and community upliftment.

Aspen aligns its CSI projects with its business strategy to focus strongly on the health sector. In line with its international standing as a leading manufacturer of generic ARVs, HIV/AIDS and primary healthcare remain the Group's key focus areas.

HIV/AIDS

Aspen recognises the growing severity of the HIV/AIDS pandemic and has made an unconditional grant to the SA HIV/AIDS Clinicians, an association comprising medical professionals dedicated to the prevention and treatment of HIV/AIDS, for research and education. The Group has also continued its involvement with the South African Business Coalition on HIV/AIDS, which has played an important role in the development of the government's 2007 – 2011 National Strategic Plan on HIV/AIDS. Aspen's representative serves on the South African Business Coalition on HIV/AIDS Board of Governors.

The Group has continued to provide financial assistance and information on cost-effective procurement of pharmaceuticals, particularly for the treatment of opportunistic infections in HIV/AIDS patients, to the Ikhwezi Lokusa Wellness Centre in East London. The centre is a non-profit organisation offering medical management, holistic healthcare and ARVs to HIV positive individuals. Its ARV therapy outreach programme currently includes 33 general practitioners practising mainly in the rural areas and where there are no ARV therapy accredited sites. The programme is being expanded to include additional areas in the Eastern Cape.

Aspen's financial support for the Topsy Foundation situated in Grootvlei, Mpumalanga is ongoing. The Topsy ARV Community Programme, in conjunction with *Right to Care*, provided more than 152 patients with ARV therapy assistance during the year. Access to ARV therapy continues to evade large numbers of rural communities, especially in the areas that Topsy serves.

Support for the Total Control of Epidemic which has expanded its activities to Bohlabela in the Limpopo Province and Tshepiso in Mogale City continues. Field officers conduct door-to-door HIV/AIDS education, offering voluntary testing and counselling for those living with HIV/AIDS.

In line with Aspen's commitment to stemming the plight of HIV/AIDS, the Group donated ARV products to the value of R4,8 million to the Zimbabwean Ministry of Health and Child Welfare.

During the year Aspen also introduced a new CSI beneficiary, the Ubuntu Education Fund, which falls under the ambit of the Mpilo-Lwazi Health Initiative, an HIV/AIDS management initiative focusing on the residents of Ibhayi, Port Elizabeth. The Fund's primary objective is to prevent new HIV/AIDS infections and onward transmission, as well as providing assistance to families living with HIV/AIDS through access to prevention, treatment and support.

The Fund currently provides the following integrated health services:

- Life skills training, counselling and referral services in 14 primary schools and eight high schools (reaching an estimated 13 000 learners);
- HIV/AIDS prevention workshops targeting 30 000 at-risk youth and adults;
- Case management services providing comprehensive assistance to 350 families in crisis due to HIV/AIDS, rape or abuse;
- Voluntary HIV/AIDS counselling and testing services in public primary healthcare clinics;
- Community gardens at four primary schools and one public clinic. These improve access to income and food resources for 50 families affected by HIV/AIDS; and
- Orphan and vulnerable children support services, including assistance with health service access, economic and nutritional support, learnerships/bursaries, after-school programmes and school holiday camps.

Primary healthcare

The Group has retained its association and continues to provide valued assistance and financial support to the Transkei-based Engcobo Clinic, built by Aspen and launched by former President Nelson Mandela six years ago. The Wells Estate Wellness Centre, opened a year ago in partnership with the Nelson Mandela Metropole Municipality in Motherwell, Port Elizabeth, forms part of Aspen's efforts to enhance, and where necessary, establish basic healthcare including psycho-social services and treatment for chronic diseases. The centre will serve as an HIV/AIDS clinic providing treatment, counselling, education and the administration of ARVs, and is also equipped with a dental clinic.

Healthcare

During the year the Group increased its financial support to a wider number of hospices in line with the Integrated Community Home Care model, which is encouraged in the National Strategic Plan on HIV/AIDS (2007 – 2011). Aspen added three hospices to its Gauteng portfolio of charities, and also increased its support in Free State. The following palliative care centres benefited from Aspen's support:

Gauteng	<ul style="list-style-type: none"> • Atteridgeville Hospice • MaAfrika Tikkun • Mamelodi Hospice • Pretoria Sungardens 	<ul style="list-style-type: none"> • Starfish Foundation • Tumelong Hospice • Tshepo Hope Care Centre
Free State	<ul style="list-style-type: none"> • Naledi Hospice 	<ul style="list-style-type: none"> • Starfish Foundation
Eastern Cape	Port Elizabeth: <ul style="list-style-type: none"> • The House of Resurrection • Community Chest 'Give As You Earn' initiative • St Francis Hospice • Empilweni Hospital • Starfish Foundation 	East London: <ul style="list-style-type: none"> • St Bernard's Hospice • House on the Rocks
North West Province	<ul style="list-style-type: none"> • Tapologo Hospice 	
KwaZulu-Natal	<ul style="list-style-type: none"> • Hope Centre 	<ul style="list-style-type: none"> • Ingwavuma Orphan Care

Education

Ongoing commitment to education and leadership

Healthcare education and leadership are also emphasised in the Group's CSI policies. Aspen remains a supporter of the Dr Manto Tshabalala-Msimang Health Professionals Bursary and the Foundation for Pharmaceutical Education, which assists black students in studying medicine, pharmacology and allied professions at tertiary level.

The Group further continued its support of the innovative Friends of Mosveld Trust, which offers bursaries to KwaZulu-Natal students who are committed to practising medicine and allied professions in the resource-challenged Umkhanyakude District.

Aspen's Diploma Course for Clinical Nursing Science, Health Assessment, Treatment and Care

To alleviate the critical shortage of doctors and pharmacists, the role of the trained nurse was formalised to add this valuable resource to the multi-disciplinary healthcare team. In order for clinical nurses to fulfil the role of health assessment, treatment and care, additional training and skills development are paramount.

Aspen, in partnership with the South African Military Health Service Nursing College and the Department of Health, introduced the one-year diploma accredited course in Clinical Science, Health Assessment and Care. This has attracted an investment of R15 million to date. The course has not only succeeded in qualifying 980 nurses as professionals to provide essential healthcare, especially in rural areas, but simultaneously improved the qualifications and opportunities of each individual at no cost to themselves.

The nurses received further theoretical and practical training at intervals throughout the year, which was conducted by qualified South African Mining Health Service training formation staff on their premises. Aspen specially adapted these premises to meet all training needs including accommodation, meals, transport, state of the art training equipment, text books and lecture facilities.

Regular monitoring at the nurses' workplace, with a particular focus on the views of healthcare patients, has proved that these nurses have exceeded the healthcare needs they are expected to deliver.

Training in Dispensing Practice

In order for nurses to dispense medicines in accordance with primary healthcare regulations, a dispensing licence regulated by the Pharmacy Council has become mandatory.

Through Pretoria University's Department of Pharmacology, Aspen has been able to include the Dispensing Licence Course – accredited by the Pharmacy Council – in its nurses' training curriculum. This course has received wide recognition resulting in the Metropolitan Councils requesting entrance to the course for its nurses.

Aspen also extended sponsorships to candidates from neighbouring states such as Namibia, through which the Group enabled nurses to enrol in the Dispensing Licence Course.

Healthcare. We Care.

The Group's commitment to CSI is not restricted to Group-level assistance only, evident in its consistent participation in community outreach programmes. During the year Aspen's employees again generously participated in clothing, toy and blanket drives for a number of underprivileged communities throughout the country. The Group also participated in the Cell-C 'Take a girl child to work' for the fifth consecutive year. It hosted learners and their educators from Ethembeni Enrichment Centre, Port Elizabeth, at its Port Elizabeth Manufacturing Site where they were exposed to different professions in the organisation.

Transformation report

Transformation Committee

The Transformation Committee, established in the 2006 financial year, assists the Board in its duties and obligations in respect of Aspen's transformation programmes and statutory compliance with Broad-Based Black Economic Empowerment ("BBBEE"). The Transformation Committee develops Aspen's transformation strategy, monitors Aspen's BBBEE scorecard and provides guidance on management's approach to BBBEE initiatives. In fulfilling its responsibilities the committee has due regard to the principles of governance and the code of best practice. During the year the committee's terms of reference, which were previously approved, were incorporated into the Board Charter.

In order to carry out its responsibilities, the Transformation Committee:

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

The Transformation Committee meets four times a year and is chaired by the Group Chief Executive, Stephen Saad. The members of the Transformation Committee and their attendance at the four meetings held during the past year are:

Directors	2006		2007	
	Aug	Nov	Feb	May
Gus Attridge	✓	✓	✓	✓
Rafique Bagus*†	✓	X	✓	X
Judy Dlamini*	✓	✓	✓	✓
Pasco Dyani* (alternate: Derek Thomas)	X	✓	✓	X
Stephen Saad (Chairman)	✓	✓	✓	✓
Sindi Zilwa*† (appointed 1 May 2007)	n/a	n/a	n/a	X

* *non-executive*

† *independent*

Ownership

BBBEE shareholders currently own 46,2 million ordinary shares in Aspen. A further 17,6 million preference shares which carry a right of conversion into Aspen ordinary shares in June 2012 on a one-for-one basis are controlled by BBBEE shareholders. The preference shares enjoy full voting rights on a pari passu basis with ordinary shares in Aspen. Ownership of these shares has been facilitated by Aspen. In addition, there is a meaningful value of indirect black shareholding.

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

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

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

Preferential procurement

During the year Aspen established a Preferential Procurement Steering Committee to govern the Group's progress towards meeting its procurement targets. The responsibility of establishing, reporting and increasing Aspen's BBBEE procurement spend has become a key performance area of each member of the committee. Steps have been taken to ensure that each member of the committee has a complete understanding of the new legislation.

The Group has implemented specific procedures and software to effectively manage preferential procurement. These systems and technologies assist Aspen with supplier accreditation and internal supplier verification processes. The Group has assessed the BBBEE ratings of its top 100 suppliers based on annual spend. In addition, Easydex was contracted to assist with the process of rating these suppliers. Aspen's existing financial reports and computer systems were also modified in order to extract the BBBEE spend and run the reports required. New local supply agreements have been issued requiring suppliers to have themselves independently rated and to keep the Group updated as to their transformation strategies. Measurement of achievement in preferential procurement has been frustrated by the absence of accredited rating agencies. At present Aspen has had no option but to rely upon suppliers' representations of their BBBEE status.

In the current year Aspen intends to review its supplier base and re-assess BBBEE scores to establish included and exempt spend. The definition of procurement spend has been expanded and in order to continue to comply with preferential procurement requirements Aspen will review what is defined as the total procurement spend and its reporting mechanisms. The Group will also identify potential areas of spend that can be re-directed and will align suitable spend with BBBEE compliant vendors. A mechanism will be established to ensure accurate reporting of medical aid and provident fund spend as well as other expenditure defined in the legislation as contributing to the total procurement spend.

The primary challenges faced by the Group in advancing preferential procurement is that the pharmaceutical industry has high barriers to entry mainly due to the stringent good manufacturing practice and technical requirements which suppliers are unable to meet and maintain.

Board representation

Judy Dlamini is set to succeed Archie Aaron as non-executive Chairman of the Board subsequent to Aspen's upcoming annual general meeting, further progressing the transformation of the Board. Judy was appointed to the Board in 2005 following the investment in Aspen by BBBEE group Imithi Investments (Pty) Ltd. She played a key role in the formation of Imithi Investments (Pty) Ltd and led the negotiating team through the transaction. Judy is a medical doctor and also holds an MBA. Her involvement outside of medicine has included corporate finance and business management. She is a non-executive director of Northam Platinum Holdings Ltd, Discovery Holdings Ltd, Woolworths Holdings Ltd and GijimaAst. Judy is a member of the Transformation Committee and has been appointed to the Remuneration & Nomination Committee with effect from 1 July 2007.

Archie Aaron will step down as non-executive Chairman, having served in this position since 1999. He will remain a non-executive director of Aspen.

Sindi Zilwa was appointed to the Board on 1 September 2006 as a non-executive director and she is a member of Aspen's Audit & Risk and Transformation Committees. Sindi is a Chartered Accountant and her qualifications include an Advanced Taxation Certificate, Advanced Diplomas in Financial Planning and in Banking. She is currently the chief executive of Nkonki Chartered Accountants, and has also been a member of the GAAP Monitoring Panel. Sindi holds non-executive directorships with Woolworths Holdings Ltd, Primedia Ltd, Discovery Ltd and STRATE Ltd, and is also the chairperson of the BUSA Standing Committee on Transformation.

Derek Thomas was appointed as an alternate non-executive director to Pasco Dyani on 6 February 2007. Derek attends all Transformation Committee meetings by invitation.

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

Management and employment equity

Aspen sees a close alignment between employment equity, skills development and management transformation. In an industry which is highly specialised and in which Aspen already commands the leading position, there are limited opportunities to recruit historically disadvantaged individuals at senior management level. Aspen has therefore adopted a policy of growing from within. New initiatives have recently been introduced to widen the recruitment net and to fast-track development of historically disadvantaged individuals identified as displaying management potential.

Mike Stringer has been appointed chief executive of FCC with effect from 1 September 2007. Mike is a historically disadvantaged individual who joined FCC 18 years ago as an entry-level employee working on the shop floor. By single-mindedly committing himself to realising his full potential, Mike has risen through the ranks to the top position at FCC, an amazing success story and a wonderful role model.

Refer also to the section on employment equity in the Sustainability Report on page 32.

Skills development

Refer to the section on skills development in the Sustainability Report on page 32.

Transformation Regulation

In the Financial Mail survey published in March 2007, Aspen was ranked 36th in the BBBEE ratings of South African listed companies, with a BBBEE score of 51,33%. This score places Aspen as a 'level 6' contributor in terms of the DTI Codes. Aspen is committed to achieving a 'level 4' contributor status in the medium-term.

Aspen remains actively involved in constructive consultation with the Department of Health in respect of the Healthcare Charter. The Group has been a leading partner in the Private Healthcare Forum, an industry representative body which has conducted research and made detailed written submissions to the Department of Health to assist in the development of the Healthcare Charter. The Group has also played a vital role in the National Association of Pharmaceutical Manufacturers, a representative organisation which is one of the five elected pharmaceutical representatives of the Healthcare Charter negotiating team, established by the Minister of Health. The Healthcare Charter has been referred for further discussion and Aspen remains committed to its finalisation.

Corporate Social Investment

Refer to the CSI Report on page 40.



Executive Directors

A. Stephen Bradley Saad (43)
CA(SA)

Group Chief Executive.
Chairman Transformation
Committee.
Appointed 1999.

B. Michael Guy (Gus) Afridge
(46)
CA(SA)

Deputy Group Chief Executive.
Transformation Committee
Member.
Appointed 1999.

Non-Executive Directors

1. Arthur (Archie) Jacob Aaron (75)
BCom, LLB

Senior director of Werksmans Inc. Attorneys.
Directorships include Gold Reef Casino Resorts
Ltd and Transpaco Ltd.
Appointed to the Board in 1994 and as
Chairman in 1999.

2. Mogammed Rafique Bagus (44)
BA, BA (Hons) (Economics), MA (Economics
and Econometrics)

Chief Executive Officer of Ehlobo Group.
Directorships include Samancor Chrome.
Past Chief Executive Officer of Trade and
Investment South Africa, a division of the
Department of Trade and Industry.
Transformation Committee Member.
Appointed 2003.

3. Leslie Boyd (70)
Chartered Engineer: Fellow of Institute of
Metallurgists UK, Companion, British Institute of
Management

Chairman of Imperial Holdings (Pty) Ltd,
Datatec Ltd, Metmar Ltd and Highveld Steel
& Vanadium Corporation Ltd.
Directorships include Columbus
Stainless (Pty) Ltd and Sun International Ltd.
Chairman Remuneration & Nomination
Committee.
Appointed 2003.

4. John Frederick Buchanan (63)
CA(SA), BTh

Past Group Finance Director of Cadbury
Schweppes SA Ltd.
Directorships include Business Connexion
(Pty) Ltd.
Chairman Audit & Risk Committee and
Remuneration & Nomination Committee
Member.
Appointed 2002.

5. Nobuhle Judith (Judy) Dlamini (48)
MBChB, DOH, MBA

Managing Director of Mbekani Health
& Wellbeing (Pty) Ltd and Chairman of
Masibulele Pharmaceuticals.
Shareholder and Director of Imithi
Investments (Pty) Ltd.
Directorships include Discovery Holdings Ltd,
Woolworths Holdings Ltd, Northern Platinum
and GijimaAst Ltd.
Transformation Committee Member and
Remuneration & Nomination Committee
Member (Appointed 1 July 2007).
Appointed 2005.

6. Pasco Dyani (45)
Non-executive Chairman of CEPWAWU
Investments (Pty) Ltd and National President
of CEPWAWU.

COSATU Executive Committee Member,
South African delegate to International
Federation of Chemical, Energy, Mine and
General Workers' Union.
Transformation Committee Member.
Appointed 2006.

7. Maxim Krok (51)
BProc, LLB

Director of Highveld Medical Services (Pty) Ltd.
Directorships include Gold Reef Casino Resorts
Ltd and other private companies.
Appointed 1994.

8. Christopher (Chris) Nattle Mortimer (47)
BA, LLB

Full-time practising attorney.
Audit & Risk Committee Member and
Remuneration & Nomination Committee
Member (Resigned 1 July 2007).
Appointed 1999.



9. David Morris Nurek (57)

DipLaw, Grad Dip Company Law

Executive of Investec Bank Ltd and Chairman of New Clicks Holdings Ltd.

Directorships include Foschini Ltd, Sun International Ltd, Distell Group Ltd and Pick 'n Pay Stores Ltd.

Appointed 2001.

10. Sindi Zilwa (40)

CA(SA)

Chief Executive of Nkonki Chartered Accountants.

Directorships include Discovery Ltd, Primedia Ltd, STRATE Ltd and Woolworths Holdings Ltd.

Audit & Risk Committee Member and Transformation Committee Member.

Appointed 2006.

Alternate Non-Executive Director

11. Derek Thomas (37)

MSc (Economics), MCOM (Economics), BCom (Hons) (Economics), BCom (Finance & Economics)

Alternate Director to Pasco Dyani.

Chief Executive Officer of CEPPWAWU Investments (Pty) Ltd.

Directorships include Barloworld Logistics Africa and Transpaco Ltd.

Appointed 2007.

Company Secretary

12. Hymie Aaron Shapiro (52)

CA(SA), HDip Tax Law

Appointed 1999.

Senior Executives – Aspen Pharmacare

Vincent Alexander

National Human Resources Executive.

Appointed 1 February 2007.

Lorraine Hill

Strategic Business Development and Pharmaceutical Affairs Executive.

Appointed 9 January 1994.

Andrew King

Commercial Director.

Appointed 9 July 2001.

Bert Marais

Finance and Domestic Production Senior Executive.

Appointed 1 June 2000.

Stavros Nicolaou

Strategic Trade Senior Executive.

Appointed 1 February 1994.

Senior Executives – Aspen Holdings

Sean Capazorio

Group Business Analyst.

Appointed 1 July 1996.

Mohammed Lorgat

Group Chief Risk Officer.

Appointed 1 January 1995.

Senior Executives – Aspen Australia

Gregory Lan

Managing Director.

Appointed 1 May 2001.

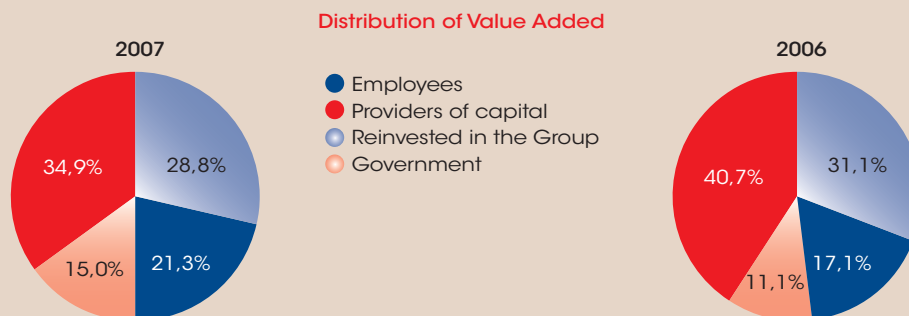
Trevor Ziman

Finance and Commercial Director.

Appointed 1 May 2001.

Value added statement for the year ended 30 June 2007

	2007 R'million	%	2006 R'million	%
Net revenue	4 026		3 449	
Local	2 917		2 573	
Exports	287		213	
Offshore	750		590	
Other revenue	72		73	
Other operating income	13		2	
Less purchased materials and services	(2 188)		(1 890)	
Value added from operations	1 851	93,0	1 561	95,5
Investment income	140	7,0	73	4,5
Total value added	1 991	100,0	1 634	100,0
Value distribution				
Employees	574	28,8	508	31,1
Providers of capital	423	21,3	280	17,1
Finance costs	207	10,4	114	6,9
Capital distribution paid to shareholders	216	10,9	166	10,2
Governments	299	15,0	182	11,1
Reinvested in the Group	695	34,9	664	40,7
Depreciation and amortisation	181	9,1	139	8,5
Deferred tax	12	0,6	53	3,3
Income retained in the business	502	25,2	472	28,9
Total value distribution	1 991	100,0	1 634	100,0
Value added statistics				
Number of full-time employees	2 348		2 144	
Revenue per employee	R'000 1 715		1 609	
Value added per employee	R'000 788		728	
Wealth created per employee	R'000 848		762	
Monetary exchanges with government				
Current taxes (including STC)	280		164	
Customs and excise duty	17		11	
RSC levies	—		5	
Rates and similar levies	2		2	
Gross contribution to central and local governments	299		182	
Additional collections on behalf of government				
Employees' taxes	115		94	
Net VAT paid	136		94	
	251		188	



Corporate governance report

A commitment to sound corporate governance principles is entrenched in Aspen's strategic and operational policies and procedures. The directors of Aspen ensure the ongoing improvement of operational and corporate practices in order to develop and enhance compliance with the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2002 ("King II").

The Board

Of the 12 directors on Aspen's Board, 10 are non-executive directors in accordance with sound corporate governance principles. Four of the 10 non-executive directors are further considered to be independent in that they have no relationship, other than holding a directorship, with the Company. As per King II the ownership of shares which is not material to either the director or the company and is not sufficient to enable the director in question to significantly influence or control management, is not viewed as an impediment to classification as an independent director.

The Board met six times during the year, including one special and one strategic meeting. Attendance by all directors at these meetings is recorded below:

Directors	2006			2007		
	Board Aug	Special Sep	Board Nov	Board Feb	Strategic Jun	Board Jun
Archie Aaron (Chairman)*	✓	✓	✓	✓	✓	✓
Gus Attridge	✓	✓	✓	✓	✓	✓
Rafique Bagus*†	✓	✓	✓	✓	✓	✗
Leslie Boyd*†	✓	✓	✓	✓	✓	✓
John Buchanan*†	✓	✓	✓	✓	✓	✓
Judy Dlamini*	✓	✓	✓	✓	✓	✓
Pasco Dyani* (alternate: Derek Thomas)	✗	✗	✗	✓	✓	✓
Maxim Krok*	✓	✗	✓	✓	✓	✓
Chris Mortimer*	✗	✓	✓	✓	✓	✓
David Nurek*	✓	✓	✓	✓	✓	✓
Stephen Saad	✓	✓	✓	✓	✓	✓
Sindi Zilwa*† (appointed 1 September 2006)	n/a	n/a	#	✓	✓	✓

* non-executive

† independent

advance notice of apology given at time of appointment

The appointment of Sindi Zilwa as an independent non-executive director during the year introduced new financial expertise to the Board and at the same time improved black female representation. Sindi has subsequently been appointed a member of the Audit & Risk and Transformation Committees.

Judy Dlamini will take over chairmanship of Aspen after the annual general meeting to be held in November 2007, replacing Archie Aaron who will remain on the Board in a non-executive capacity. Judy was appointed to the Board in 2005 following the investment in Aspen by the BBBEE group Imithi Investments (Pty) Ltd.

Derek Thomas was appointed during the year as an alternate to Pasco Dyani.

Leslie Boyd, Judy Dlamini, Maxim Krok and David Nurek will retire by rotation at the upcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Board is governed by a formal Board Charter setting out its duties and responsibilities. These include:

- Evaluating the performance of the Chairman and the directors on an annual basis prior to the annual general meeting;
- Ensuring that the policies and procedures of the Charter are complied with;
- Evaluating performance and determining key performance criteria;
- Ensuring the development and maintenance of succession plans;
- Monitoring Board plans in terms of economic, environmental and social issues relating to the Group;
- Evaluating legal and regulatory compliance; and
- Assessing and reviewing the strategic direction of the Group.

The Charter is reviewed annually in accordance with global best practice and, if necessary, is amended to ensure compliance with developments in corporate governance. Recent amendments made to the Charter include:

- Non-executive directors shall automatically retire upon attaining the age of 70 whereafter, subject to the provisions of the Companies Act, No. 61 of 1973, as amended and the Articles of Association, the Board may thereafter, at its discretion, invite the said retiree to remain as a non-executive director on a year-to-year basis;
- Updating the objectives of the Audit & Risk Committee in assisting the Board;
- The Audit & Risk Committee is to comprise of not less than two members of which the majority will be independent non-executive directors (if the committee comprises of two members, both shall be independent non-executive directors);
- The Chairman and the members of the Audit & Risk and the Remuneration & Nomination Committees will be appointed and removed from time-to-time by the Board;
- The objectives, reporting procedures, authority, composition, term of office and duties and responsibilities of the Transformation Committee;
- The Board assumes responsibility for the appointment or the removal of the external auditors on the recommendations of the Audit & Risk Committee;
- Delegation of succession planning by the Board to the Remuneration & Nomination Committee, with direct input as appropriate from the Chairman and the Group Chief Executive;
- Commitment to BBBEE and transformation under the guidance of the Transformation Committee; and
- The Terms of Reference of the Audit & Risk, the Remuneration & Nomination and the Transformation Committees were amended as set out in reports under Board Committees.

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

While non-executive directors are not involved in the day-to-day operations of the Company, they have unfettered access to management. This extends to unrestricted access to all the Group's information, records, documents, property and employees, subject to prior notice of the intended access being given to the Group Chief Executive or, in his absence, the Deputy Group Chief Executive. In addition, all directors have unrestricted access to the advice and services of the Company Secretary and are entitled, at the Company's expense, to seek independent professional advice on any matters pertaining to the Group where they deem this to be necessary.

New appointments

The Company Secretary is responsible for implementing Aspen's formal induction programme for new Board appointees.

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

Succession planning

Aspen continues to place emphasis on succession planning and has tasked the Remuneration & Nomination Committee with reviewing the Group's succession strategy for top management. Succession planning is integrated into Aspen's performance review and objective setting process for all manager level employees.

Self-evaluation

The Board conducts an annual self-evaluation exercise and an evaluation of the Audit & Risk and Remuneration & Nomination Committees. All directors completed individual self-assessments during the year. Areas identified as requiring attention in the previous Board self-evaluation were examined and recommendations to achieve improvements, which have been implemented and require further action are set out below:

Areas of improvement	Action taken/required
Demographic representation on the Board	<ul style="list-style-type: none">• Sindi Zilwa was appointed on 1 September 2006 to Aspen's Board and Audit & Risk Committee.• Judy Dlamini is to be appointed as Chairman effective subsequent to the annual general meeting to be held in November 2007.
Additional independent non-executive financial expertise	<ul style="list-style-type: none">• Appointment of Sindi Zilwa, second black female in South Africa to qualify as a Chartered Accountant.
Formal strategic plan and goals	<ul style="list-style-type: none">• An operational framework is now in place.• Strategic planning meetings are held annually at both Board and senior management levels.
Succession planning	<ul style="list-style-type: none">• A structured succession plan is to be formulated and reported to the Remuneration & Nomination Committee.• Executive level and senior management have been identified as key focus areas.
Board evaluation of the risk management processes	<ul style="list-style-type: none">• The first evaluation was undertaken in the financial year and was found to be satisfactory.• Future evaluations are to be undertaken on an annual basis.

An exception report was compiled by the Company Secretary based on recent self-evaluations for tabling at the following Board meeting. The overall result of the evaluation confirmed adherence by the Board and the Group to sound corporate governance principles.

Corporate governance report *continued*

Conflicts of interest and share dealings

The Board Charter stipulates that directors must disclose any potential conflict of interest and any other directorships held by them at every meeting of the Board, which are then recorded in the minutes of the Board meetings.

Directors are also required to disclose shareholdings in Aspen. Other than in "closed periods", defined by JSE Ltd as periods during which trading by directors and officers in Aspen shares is prohibited, directors and officers are required to obtain prior written approval from the Chairman, and in his absence, the Chairman of the Audit & Risk Committee, before trading in Aspen shares. The Company Secretary, together with Aspen's sponsor, will then ensure that the necessary announcement is published on the Stock Exchange News Service.

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

Directors' interests and shareholdings are disclosed on pages 65 and 66 of this report.

The Company Secretary

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

Board Committees

The Audit & Risk, Remuneration & Nomination and Transformation Committees are governed by formal charters which are reviewed and updated annually to reflect ongoing regulatory and corporate governance developments. Updates effected during the year are referred to in the relevant sections of this report.

These committees play an important role in enhancing governance and improving the performance of the Group.

The chairmen of the committees, or a duly authorised representative who is also a member of the committee, attend the annual general meeting in line with King II and as mandated by all committee charters. All directors use their best endeavours to attend annual general meetings.

Audit & Risk Committee

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

	2006			2007
	Aug	Sep	Nov	Feb
Archie Aaron* (resigned 30 September 2006)	✓	✓	n/a	n/a
John Buchanan*† (Chairman)	✓	✓	✓	✓
Chris Mortimer*	✓	✓	✓	✓
Sindi Zilwa*† (appointed 1 September 2006)	n/a	✓	#	✓

* non-executive

† independent

advance notice of apology given at time of appointment

As stipulated by the Committee Charter, the committee assists the Board in matters concerning financial reporting, the reviewing of annual financial statements, preliminary announcements and interim financial information, internal audit and risk management. Its responsibilities specifically include:

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

During the year, the Committee Charter was updated to further broaden its responsibilities to include:

- Reviewing the activities and organisational structure of the internal audit department;
- Reviewing the external auditors' performance and proposed audit scope and approach;
- Reviewing the effect of the systems used for monitoring compliance with laws and regulations;
- Fulfilling its fiduciary duties in respect of the internal audit department and the external auditors; and
- Monitoring all of the above.

The annual evaluation of the Audit & Risk Committee identified two areas to be addressed, which are being rectified accordingly:

- Recommendations to the Board on the appointment of external auditors will be made; and
- Disclosure will be made in the Group's annual financial statements which deals with the nature of non-audit services provided by the external auditors.

Subsequent to the appointment of Sindi Zilwa as a member of the committee and the resignation of Archie Aaron, the committee now comprises a majority of independent non-executive directors.

Recent amendments made to the Committee Charter include:

- Determination of the engagement fee threshold of R300 000 which requires the prior written consent of the chairman of the committee and in his/her absence any other member of the committee in respect of tax advice to be given by the external auditors; and
- A revision of the internal audit charter setting out the purpose, authority and responsibility of the Group internal audit function which is now incorporated as an annexure to the Board Charter.

Findings by the external auditors arising from their annual statutory audit are tabled in their management comments letter and presented at an Audit & Risk Committee meeting following the audit. The committee notes the issues raised by the auditors with management and questions them on their responses and action plans. In subsequent meetings, management reports back on actions taken until all issues are resolved. This process highlights areas requiring improvement and helps to enhance the Group's financial control processes.

Remuneration & Nomination Committee

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

	2007	
	Feb	Jun
Leslie Boyd*† (Chairman)	✓	✓
John Buchanan*†	✓	✓
Chris Mortimer*	✓	✓

* non-executive

† independent

Effective 1 July 2007:

- Judy Dlamini has been appointed to the committee; and
- Chris Mortimer has stepped down from the committee.

The committee is responsible for reviewing and amending the Group's remuneration policy and regularly reviews the Board's composition. The committee annually reviews executive directors' and senior management's remuneration based on evaluation of performance and makes recommendations to the Board on remuneration of non-executive directors.

It approves all grants and awards under both the Group's share and management incentive schemes.

The committee reports formally to the Board by submitting an appropriate report at the Board meeting following the Remuneration & Nomination Committee meeting. This gives the Board an opportunity to discuss important matters raised in the report.

It also ensures that the Board is sufficient in number, expertise and diversity to lead and control the Group and to be responsible to stakeholders for setting the strategic direction of the Group. The committee recommends key appointments such as that of the Chairman, Group Chief Executive and Deputy Group Chief Executive.

Areas previously highlighted by the Board's annual evaluation, which are now being addressed include:

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

At the invitation of the committee the Group Chief Executive and Deputy Group Chief Executive attend all meetings, except when matters relating to their own compensation are discussed.

Remuneration policy

Aspen's formal remuneration policy provides guidelines to the Group's reward philosophy, which is aimed primarily at attracting and retaining quality human capital. The Board believes that an important and substantial element of remuneration at the executive level should be performance related, with participation in both annual and long-term incentive plans, which progressively reward the executive for enhancing shareholder value. This strong alignment with performance is in the interests of shareholders and provides the executives with the unambiguous objective of delivering success to the Group's shareholders.

Basic salary is market and industry related, confirmed by periodic surveys conducted by independent consultants. The three main elements of the remuneration package for executive directors and senior management are:

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

Annual increases take the employee's performance, as well as market conditions, into consideration, while bonuses are awarded for achieving pre-determined financial targets and/or recognition of exceptional performance. When considering bonuses, performance is measured against set key performance indicators within the framework of a pre-determined maximum cap on bonuses for both employees and executive directors. Annual bonuses and basic pay are complemented by participation in share-based incentive schemes. The nature of the schemes in operation, as well as awards of options/share appreciation rights are set out in note 16 to the annual financial statements.

It is the Company's policy that the executive directors should have contracts with an indefinite term providing for a period of six months' notice. Both executive directors currently have service contracts which provide for a six month notice period.

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

Type of fee	Existing fee for the year ended 30 June 2007 R	Proposed fee for the year ending 30 June 2008 R
Board		
Chairman	300 000	320 000
Board Member	150 000	160 000
Audit & Risk Committee		
Chairman	150 000	160 000
Committee Member	75 000	80 000
Remuneration & Nomination Committee		
Chairman	50 000	55 000
Committee Member	25 000	27 500
Transformation Committee		
Committee Member	40 000	42 500

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

Transformation Committee

See Transformation Report on page 43.

Legislative and regulatory compliance

A checklist detailing compliance with the JSE Listings Requirements is completed annually by each of the directors and the Company Secretary. Areas of non-compliance, if any, are highlighted and steps put in place to ensure compliance on an ongoing basis. Completion of the checklist revealed that no areas of non-compliance exist.

Aspen's legal department has been tasked with reviewing legislative compliance on an ongoing basis as follows:

- Determining which department heads are custodians of the relevant Acts;
- Offering consultation and interpretation services to custodians of the relevant Acts, if required;
- Reviewing measures taken by the custodian in terms of achieving compliance;
- Reporting shortcomings or non-compliance to the Group Chief Risk Officer, who in turn will present such findings to the Audit & Risk Committee;
- Discussing shortcomings at management meetings; and
- Monitoring and influencing the introduction of new legislation.

The department is currently involved in developing programmes aimed at addressing this. It has researched and adopted best practice compliance principles and, in so doing, has recommended key areas of legislation with which the company is required to comply. Further, responsibility for key areas of legislation compliance has been allocated to the relevant departmental senior executives, who have been made aware of their duties in this respect.

The legal compliance monitoring strategy involves a three-phase process:

- Phase one: Compliance strategies finalised and each department provided with a draft compliance manual which identifies relevant areas of legislation. The legal department holds follow-up meetings with management to discuss the manual and allocate monitoring responsibilities.
- Phase two: Implementation and monitoring of compliance strategies, as well as reporting of any breaches.
- Phase three: Quarterly management meetings, compliance strategy review, non-compliance reporting and the generation of an annual compliance report for the Group Chief Risk Officer.

Phase one and two of this process have already been implemented with phase three to be completed shortly.

A report recording processes and levels of compliance is tabled annually at the Audit & Risk Committee meetings. Full compliance checklists are completed on an annual basis.

Insurance

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

The Group makes use of specialist insurance brokers and intermediaries to consider all insurable risks and recommend any risk mitigation activities considered necessary. Risks are continually assessed as to whether they are insured or insurable. Concerted efforts are made to mitigate and prevent uninsurable risks.

Specific insurance is taken in respect of the construction of new production facilities which remains in place until the construction is complete.

Intellectual property

The Group has a forum which manages Aspen's intellectual property and compliance with legislation. Information is obtained from all the Manufacturing Sites and compiled into a report from which risk is assessed and a strategy for maintenance developed. The risk and strategy is then tabled at the relevant management meetings.

Accounting and auditing

External audit

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

Where appropriate, other independent external advisers are appointed for non-audit purposes such as the Group's tax compliance and planning. Non-audit services are disclosed in note 25 of the annual financial statements. The Group's policy is to use its auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where good corporate governance does not dictate that independent advisers be appointed. The terms of engagement for such services require the prior written consent of the Chairman of the Audit & Risk Committee.

Internal audit and internal control

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

The Group Chief Risk Officer is responsible for implementing the internal audit strategy and reports directly to the Audit & Risk Committee, which in turn reports on internal audit matters to the Board. The Board is ultimately responsible for the Group's systems of internal control as set out in the approval of the annual financial statements commencing on page 62.

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

During the year a survey was conducted by external advisers to determine the effectiveness of Aspen's internal audit department. This evaluation was performed taking into account the size of the function and the high level of interaction between the Group Chief Risk Officer and the internal audit staff. The information and feedback obtained indicated a high level of satisfaction with the internal audit function and the value the function adds. Minor areas for improvement were recommended. The results of the survey confirmed compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

Risk management

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

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

Corporate governance report *continued*

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

The significant risks facing the Group fall into three main categories, namely business, operational and financial. The financial risks are detailed in the financial risk management section on page 88. Set out below are the key business and operational risks facing the Group:

Business and operational risks	Initiatives/success factors
Sustaining growth	<ul style="list-style-type: none"> • Increasing investment in new product development • Diversifying and increasing manufacturing capabilities • Expanding into new markets • Pioneering the manufacture of generic ARVs in Africa • Supplying cost-effective product to the growing generic pharmaceutical market • Differentiating Aspen from competitors through niche products and markets • Assessing acquisitive opportunities • Attracting and retaining appropriately experienced and skilled employees • Ability to source and launch new product pipeline • First to market in new product launches • Supporting BBBEE
Compliance with laws and regulations	<ul style="list-style-type: none"> • Legal department to assess and co-ordinate compliance • Non-compliance to be referred to Group Chief Risk Officer
Exports into Africa (varied unfamiliar markets and regulations)	<ul style="list-style-type: none"> • Accessing the US President's Emergency Plan for AIDS Relief/World Health Organisation funding • Ensuring registration of products with the regulatory agencies of all the relevant export countries • Establishing distribution channels • Sales forecasting and demand management • The new generation ARV products (Viread® and Truvada™) supplied into Africa from March 2007 • Tibotec Pharmaceuticals Inc. agreement for the supply of new generation ARV products concluded during the year
Demand for constant innovation	<ul style="list-style-type: none"> • Skills and technology transfer in business alliances, e.g. Gilead Sciences, Inc. • Pioneering voluntary licence programmes with the multi-national ARV manufacturers, e.g. GlaxoSmithKline Inc., Boehringer Ingelheim GmbH, Bristol-Myers Squibb, Merck & Co. Inc. • Leveraging Aspen's strong South African and Australian sales representation to co-market pharmaceuticals with leading multi-nationals

Business and operational risks <i>continued</i>	Initiatives/success factors <i>continued</i>
Diversification into new areas of manufacturing	<ul style="list-style-type: none"> • Extensive research into new markets and product viability • Expert independent advice • Leveraging existing market presence and profile to provide “throughput” • Construction of Sterile Facility in progress • Agreement concluded with Prestige Brands Inc. for the exclusive manufacture of leading eye-drop brands for the United States and Canada
Maintaining and developing employee skills levels	<ul style="list-style-type: none"> • Management training • Succession planning • Development for organisational growth • Retention plans
Meeting product demand	<ul style="list-style-type: none"> • Expansion of operations within the OSD Facility • Greater utilisation of East London Manufacturing Site • Enhanced forecasting methods • Additional advancements in capacity expansion • Upgrade of General Facility to increase capacity • Expansion of existing warehousing capacity for anticipated growth in volumes • Utilisation of sub-contract manufacturers where appropriate
Reliance on and competitiveness of third-party suppliers	<ul style="list-style-type: none"> • Vertical integration through the acquisition of raw material suppliers, e.g. FCC and Astrix which manufacture APIs • Identifying alternative sources of supply where possible • Strategic alliances to strengthen the continuity of supply
Complex regulatory compliance	<ul style="list-style-type: none"> • Ongoing review of legislation and regulations • Constructive lobbying of regulators where appropriate • Training of personnel in new regulatory regimes • OSD Facility accredited by FDA, the United Kingdom Medicine and Healthcare Products Regulatory Authority, World Health Organisation, Australian Regulatory Authority and others
High degree of regulation and product liability risk	<ul style="list-style-type: none"> • Strict quality control at Group manufacturing levels • Enhancement of facilities by capital investment when necessary • Ongoing review of regulatory requirements • Monitoring of developments and engagement with regulators regarding the Healthcare Charter and single exit pricing legislation • Appropriate product liability cover • Compliance with PIC standards
Physical protection of assets	<ul style="list-style-type: none"> • Annual insurance assessments • Independent insurance assessor and adviser • Assets insured at current replacement cost and operational risks covered • Appropriate controls are in place

Corporate governance report *continued*

Business and operational risks <i>continued</i>	Initiatives/success factors <i>continued</i>
Information technology	<ul style="list-style-type: none"> • Ongoing assessments and upgrades • Integration of operational and business systems for maximum efficiency and control • Disaster recovery programme • Increasing IT capabilities to match growth in the business
Exposure to foreign exchange fluctuations	<ul style="list-style-type: none"> • Treasury policy reviewed and revised • Increased natural hedging of United States Dollar ("USD") based imports and exports
Growth in offshore operations	<ul style="list-style-type: none"> • New product introduction via licence agreement and acquisitions • Awareness of and compliance with legislative changes • Compliance with regulatory standards • Targeting of differentiated products and developing world markets
Growth of Aspen Nutritional business	<ul style="list-style-type: none"> • Wyeth SA (Pty) Ltd licence agreement extended • Manufacturing capacity assessment
SHEQ	<ul style="list-style-type: none"> • See detailed risks in the Sustainability Report on page 33

During the year the Group Chief Risk Officer conducted a formal survey across the Group to determine senior management perception on risks facing the Group. Aspen has used the results of the survey to identify practical steps for improvement, led by the Group Chief Risk Officer. The survey outcomes are reported to the Audit & Risk Committee and the Board.

ACHIEVEMENTS

- Setting new benchmarks in financial reporting in Africa:
Merit Award (Commercial, IT and non-financial services category).
- Ernst & Young Top 100 listed companies:
Top 10 Excellence in Corporate Reporting Survey 2007.
- Financial Mail 'Top Empowerment Companies' Survey March 2007:
Second in the Health and Pharmaceuticals Category.
- In April 2007 IMS ranked Aspen as South Africa's largest pharmaceutical company in the private sector.
- Aspen Australia was nominated as the doctors' choice for the Outstanding Pharmaceutical Company of 2007 by a panel of general practitioners.
- Aspen was granted the Frost & Sullivan Market Leadership Award for 2007 for achievements in the healthcare industry in sub-Saharan Africa.
- Aspen received the Afriglobe African Health Achiever Award for Pharmaceuticals for 2007.
- Aspen was voted the best in the Funders' category and runner-up in the Providers' category in the Campbell Belman Confidence Predictor.
- IMS ranked Aspen as a leading South African OTC company for the fourth consecutive year.
- The Sustainable Business Handbook by Trialogue:
Second Best Corporate Citizen in the Pharmaceutical and Healthcare sector (2006).

Contents

Group annual financial statements
for the year ended 30 June 2007



62 Statement of responsibility by the Board of Directors	72 Notes to the cash flow statements
63 Independent auditors' report	75 Accounting policies
63 Certificate of the Company Secretary	87 Significant judgements and estimates
64 Directors' report	88 Financial risk management
68 Balance sheets	90 Finalisation of Generix business acquisition accounting
69 Income statements	92 Notes to the annual financial statements
70 Statements of changes in equity	136 Currency conversion (unaudited) – annexure 1
71 Cash flow statements	138 Share statistics (unaudited) – annexure 2

Statement of responsibility by the Board of Directors

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

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

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

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

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

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

cash resources. These financial statements support the viability of the Company and the Group.

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

The Group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements, and their report is presented on page 63.

The financial statements were approved by the Board of directors on 28 September 2007 and are signed on its behalf:



Archie Aaron
Chairman



Gus Attridge
Deputy Group Chief Executive

Johannesburg
28 September 2007

Independent auditors' report

To the members of Aspen Pharmacare Holdings Ltd

We have audited the annual financial statements and group annual financial statements of Aspen Pharmacare Holdings Ltd, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 64 to 135.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 30 June 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc.
Director: Eric MacKeown
Registered Auditor

Johannesburg
28 September 2007

Certificate of the Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 30 June 2007, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.



Hymie Shapiro
Company Secretary

Johannesburg
28 September 2007

Directors' report

The directors have pleasure in presenting their report, which forms part of the audited financial statements of the Company and the Group for the year ended 30 June 2007.

Nature of business

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of pharmaceutical, branded consumer, personal care and infant milk formula products, operating primarily in the healthcare industry. It is the leading producer of generic medicines in South Africa. Aspen is also the leading manufacturer and supplier of generic ARVs to the developing world.

Aspen's operations also include the manufacture and supply of off-patent APIs through joint venture arrangements, comprising FCC and Astrix.

Financial results and review of operations

The financial results of the Company and of the Group are set out on pages 68 to 135 of this report. The segmental analysis is included on page 134.

The consolidated earnings attributable to equity holders of the parent amounted to R717,3 million for the year, compared with R637,8 million for the previous year, an increase of 13%. Headline earnings per share increased by 13% from 185,4 cents to 210,1 cents. There were no material once-off transactions during the year.

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

Capital distribution

Taking into account the earnings performance for the year ended 30 June 2007, notice is hereby given that, in terms of a general authority to distribute the Company's capital granted by shareholders at the annual general meeting held on 16 November 2006, a capital distribution of 70 cents per ordinary share (prior year 62 cents per ordinary share) was approved, payable out of share premium to shareholders recorded in the share register of the Company at the close of business on Friday, 21 September 2007.

This represents an increase of 13% over the previous year's capital distribution and is covered three times by headline earnings per share.

In compliance with IAS10, *Events after the Balance Sheet Date* the capital distribution will only be accounted for in the financial statements in the year ending 30 June 2008.

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

Last day to trade cum capital distribution	Friday, 14 September 2007
Shares commence trading ex capital distribution	Monday, 17 September 2007
Record date	Friday, 21 September 2007
Payment date	Tuesday, 25 September 2007

Share capital

Changes to the authorised share capital of Aspen during the year are set out below:

- Authorised ordinary share capital was increased by 200 000 000 ordinary shares with a par value of 13,90607 cents each; and
- 20 000 000 non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each were created.

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

Authorised ordinary share capital

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

Authorised preference share capital

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

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

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

Ordinary shares	Number of shares ('000)	Share capital (R'000)	Share premium (R'000)
Opening balance	386 380	53 730	900 633
Capital distribution	—	—	(240 150)
Share options and share appreciation rights exercised	2 829	394	19 750
Shares issued – Workers' trust	154	21	5 120
Shares issued for cash	203	28	6 821

389 566	54 173	692 174
---------	--------	---------

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

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

Directorate and secretary

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

Appointments

Sindi Zilwa appointed in September 2006.

Derek Thomas appointed as alternate to Pasco Dyani in February 2007.

The names of the directors in office at the date of this report are set out on page 46. The name and address of the Secretary of the Company is set out on page 144.

In terms of the Company's Articles of Association, Judy Dlamini, Maxim Krok and David Nurek retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Archie Aaron will relinquish his position as Chairman subsequent to the upcoming annual general meeting and Judy Dlamini will be appointed as Chairman. Archie is to remain a non-executive director.

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.

Directors' interests in Aspen shares

Shares under option offered to and accepted by executive directors in terms of the Aspen Share Incentive Scheme totalled 1 600 000 (2006: 1 700 000) as follows:

	Exercise price (R)	Expiry date	Options outstanding on 30 June 2006 ('000)	Options granted during the year ('000)	Options lapsed/ cancelled during the year ('000)	Options exercised during the year ('000)	Options outstanding on 30 June 2007 ('000)	Vested ('000)	Non-vested ('000)
Stephen Saad	9,20	Aug 2011	800	—	—	—	800	200	600
Gus Attridge	9,20	Aug 2011	800	—	—	—	800	200	600
Werner van Rensburg*	13,55	Aug 2012	100	—	—	(100)	—	—	—
			1 700	—	—	(100)	1 600	400	1 200

*Resigned in prior year, shares only exercised in current year.

Share appreciation rights offered to and accepted by executive directors in terms of the Aspen Share Appreciation Plan totalled 352 000 (2006: nil) as follows:

	Exercise price (R)	Expiry date	Rights outstanding on 30 June 2006 ('000)	Rights granted during the year ('000)	Rights lapsed/ cancelled during the year ('000)	Rights exercised during the year ('000)	Rights outstanding on 30 June 2007 ('000)	Vested ('000)	Non-vested ('000)
Stephen Saad	32,82	Sep 2011	—	193	—	—	193	—	193
Gus Attridge	32,82	Sep 2011	—	159	—	—	159	—	159
			—	352	—	—	352	—	352

Directors' report *continued*

As at 30 June 2007, the direct and indirect interests of the directors in the shares of the Company were:

Director	Beneficial number of shares ('000)				Non-beneficial number of shares ('000)	
	Direct		Indirect		Indirect	
	2007	2006	2007	2006	2007	2006
Archie Aaron	46	46	—	—	16 733	16 733
Gus Attridge	2 700	2 700	14 908	14 908	—	—
Rafique Bagus	—	—	—	—	—	—
Leslie Boyd	12	7	—	—	—	—
John Buchanan	—	—	14	6	—	—
Judy Dlamini	—	—	1 316	1 316	—	—
Pasco Dyani	—	—	—	—	—	—
Maxim Krok	3 067	3 317	5 759	5 759	11 249*	11 249*
Chris Mortimer	47	47	—	—	—	—
David Nurek	—	—	19	19	—	—
Stephen Saad	2 700	2 700	50 420	50 420	—	—
Derek Thomas	—	—	—	—	—	—
Sindi Zilwa	—	—	—	—	—	—
	8 572	8 817	72 436	72 428	16 733	16 733

*Included in shareholding held non-beneficially by Archie Aaron.

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

No changes have taken place in interests of directors in the shares of the Company since 30 June 2007 up to the date of this report.

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

Post-balance sheet events

Capital distribution

A capital distribution of 70 cents per share was approved in terms of the general authority granted to directors at the annual general meeting held on 16 November 2006. Details of the capital distribution are set out in note 32 to the financial statements.

Special resolutions

At the annual general meeting of Aspen shareholders convened on 16 November 2006, the following special resolutions were passed by the Company:

- A general authority was granted to Aspen and its subsidiaries to acquire up to 20% of the Company's issued share capital from time-to-time (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital) in terms of section 85 (2) and 85 (3) of the Companies Act No. 61 of 1973, as amended, and the JSE Listings Requirements. This general authority is valid until Aspen's next annual general meeting, provided that it shall not extend beyond 15 months from the date of approval.

- Approval for a court order from the High Court for the revocation of former Special resolutions passed on 15 January 1999, and 23 June 1999 in terms of which the Company obtained authority from its shareholders to reduce the capital of the Company by writing off intangible assets and goodwill against share premium, was obtained. The Registrar of Companies has acted on the Court order approved by majority of Aspen's shareholders in this regard.
- The Company's authorised share capital was increased to R102 571 172,30 by the creation of:
 - 200 000 000 additional ordinary shares with a par value of 13,90607 cents each; and
 - 20 000 000 non-redeemable, non-participating B preference shares with a par value of 13,90607 cents each.
- The Memorandum of Association and Articles of Association of the Company were amended to reflect the above changes.

These special resolutions have been registered with the Registrar of Companies.

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

Auditors

The auditors of the Company, PricewaterhouseCoopers Inc., will continue in office in accordance with Section 270 (2) of the Companies Act, No. 61 of 1973, as amended.

Investments in subsidiaries

The financial information in respect of the Company's interest in its subsidiaries is set out in note 5 and note 37 to the annual financial statements.

Contracts

None of the directors and officers of the Company had an interest in any contract of significance during the financial year, save as disclosed in note 36.

Borrowings

The level of borrowings is authorised in terms of the Company's and its subsidiaries' Articles of Association. A detailed list is set out in note 19 to the annual financial statements.

Balance sheets at 30 June 2007

COMPANY			GROUP	
Restated 2006 R'000	2007 R'000		2007 R'000	Restated 2006 R'000
		Notes		
		Assets		
		Non-current assets		
2 168	1 919	Property, plant and equipment	1 855 072	613 120
—	—	Goodwill	3 295 044	270 380
438 903	351 319	Intangible assets	4 844 655	803 439
848 278	857 847	Investments in subsidiaries and joint ventures	5 —	—
11 841	—	Available-for-sale financial assets	6 90	11 922
376 800	376 800	Preference share investment	7 376 800	376 800
—	5 916	Other non-current financial receivables	8 5 916	—
—	2 331	Deferred tax assets	9 15 120	34 381
1 677 990	1 596 132	Total non-current assets	2 392 697	2 110 042
		Current assets		
—	—	Inventories	10 936 761	798 303
2 704	29 615	Trade and other receivables	11 870 943	721 934
—	—	Current tax assets	323	2 965
—	—	Financial assets at fair value through profit and loss	12 —	2 284
236	440 484	Cash and cash equivalents	13 3 331 238	625 161
2 940	470 099	Total current assets	5 139 265	2 150 647
1 680 930	2 066 231	Total assets	7 531 962	4 260 689
		Shareholders' equity		
954 363	825 556	Share capital and share premium	14 746 347	954 363
—	—	Treasury shares	15 (598 842)	(622 983)
(667)	—	Non-distributable reserves/(deficit)	267 782	191 178
31 228	47 559	Share-based compensation reserve	16 47 559	31 228
(144 178)	345 167	Retained income/(loss)	1 757 653	997 348
840 746	1 218 282	Ordinary shareholders' equity	2 220 499	1 551 134
161 980	161 980	Preference shares – equity component	17 161 980	161 980
1 002 726	1 380 262	Total shareholders' equity	2 382 479	1 713 114
—	—	Minority interest	18 6 962	6 619
1 002 726	1 380 262	Total shareholders' equity	2 389 441	1 719 733
		Liabilities		
		Non-current liabilities		
403 304	403 482	Preference shares – liability component	17 403 482	403 304
—	—	Borrowings	19 25 937	48 968
26 463	3 161	Deferred-payables	20 4 483	26 463
—	—	Deferred revenue	21 6 098	2 082
9 245	—	Deferred tax liabilities	9 65 309	99 021
—	—	Retirement benefit obligations	22 7 154	7 332
439 012	406 643	Total non-current liabilities	512 463	587 170
		Current liabilities		
118 949	104 229	Trade and other payables	23 646 857	712 213
117 842	118 761	Borrowings	19 3 801 818	1 173 778
—	46 348	Deferred-payables	20 63 105	4 811
—	—	Deferred revenue	21 1 267	521
2 401	9 988	Current tax liabilities	114 785	62 463
—	—	Financial liabilities at fair value through profit and loss	12 2 226	—
239 192	279 326	Total current liabilities	4 630 058	1 953 786
678 204	685 969	Total liabilities	5 142 521	2 540 956
1 680 930	2 066 231	Total equity and liabilities	7 531 962	4 260 689

Income statements for the year ended 30 June 2007

COMPANY			GROUP		
Restated 2006 R'000	2007 R'000		Notes	2007 R'000	Restated 2006 R'000
152 184	152 756	Revenue	24	4 025 854	3 449 340
—	—	Cost of sales		(2 084 208)	(1 789 047)
152 184	152 756	Gross profit		1 941 646	1 660 293
21 025	28 351	Other operating income		13 436	2 187
—	—	Selling and distribution expenses		(536 863)	(462 335)
(52 642)	(49 745)	Administrative expenses		(208 231)	(195 752)
(80 079)	(90 541)	Other operating expenses		(133 359)	(109 651)
40 488	40 821	Operating profit	25	1 076 629	894 742
27 908	495 660	Investment income	28	139 770	72 853
(36 713)	(47 260)	Financing costs	29	(207 015)	(113 681)
31 683	489 221	Net profit before tax		1 009 384	853 914
(21 260)	(18 356)	Tax	30	(291 718)	(216 361)
10 423	470 865	Profit for the year		717 666	637 553
		Attributable to:			
		Equity holders of the parent		717 323	637 796
		Minority interest		343	(243)
				717 666	637 553
		Earnings per share	31		
		Earnings per share – basic (cents)		205,6	185,3
		– diluted (cents)		201,8	179,2
		Capital distribution per share (cents)*	32	70,0	62,0

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

			GROUP	
	Notes	2007 R'000	Restated 2006 R'000	
Headline earnings per share				
Headline earnings per share (cents)	31	210,1	185,4	
Headline earnings per share – diluted (cents)	31	206,1	179,3	

Statements of changes in equity for the year ended 30 June 2007

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non-distributable reserves				Share-based compensation reserve R'000	Retained income/ (loss) R'000	Pref- erence shares - equity compon- ent R'000	Minority interest R'000	Total R'000
				Hedging reserve R'000	Foreign currency trans- lation reserve R'000	Revalua- tion surplus/ (deficit) R'000	Other non-dis- tributable reserves R'000					
Group												
Balance as at 1 July 2005	52 617	1 048 196	(641 672)	4 687	22 249	20	25 588	16 334	426 243	161 980	—	1 116 242
Fair value movement on available-for-sale financial assets	—	—	—	—	—	(641)	—	—	—	—	—	(641)
Currency translation differences	—	—	—	—	63 942	—	—	—	—	—	—	63 942
Restated net profit for the year	—	—	—	—	—	—	—	—	637 796	—	(243)	637 553
Capital distribution	—	(184 664)	18 689	—	—	—	—	—	—	—	—	(165 975)
Acquisition of subsidiary	—	—	—	—	—	—	—	—	—	—	6 862	6 862
Cash flow hedges realised	—	—	—	(4 687)	—	—	—	—	—	—	—	(4 687)
Cash flow hedges recognised	—	—	—	5 170	—	—	—	—	—	—	—	5 170
Issue of ordinary share capital	1 113	37 101	—	—	—	—	—	—	—	—	—	38 214
Share options and appreciation rights awarded	—	—	—	—	—	—	—	23 053	—	—	—	23 053
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(8 159)	8 159	—	—	—
Non-distributable portion of earnings	—	—	—	—	—	—	74 850	—	(74 850)	—	—	—
Restated balance as at 30 June 2006	53 730	900 633	(622 983)	5 170	86 191	(621)	100 438	31 228	997 348	161 980	6 619	1 719 733
Fair value movement on available-for-sale financial assets	—	—	—	—	—	677	—	—	—	—	—	677
Currency translation differences	—	—	—	—	69 179	—	—	—	—	—	—	69 179
Net profit for the year	—	—	—	—	—	—	—	—	717 323	—	343	717 666
Capital distribution	—	(240 150)	24 141	—	—	—	—	—	—	—	—	(216 009)
Cash flow hedges realised	—	—	—	(5 170)	—	—	—	—	—	—	—	(5 170)
Cash flow hedges recognised	—	—	—	(89)	—	—	—	—	—	—	—	(89)
Issue of ordinary share capital	443	31 691	—	—	—	—	—	—	—	—	—	32 134
Share options and appreciation rights awarded	—	—	—	—	—	—	—	24 233	—	—	—	24 233
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(7 902)	7 902	—	—	—
Non-distributable portion of earnings	—	—	—	—	—	—	12 007	—	(12 007)	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	47 087	—	—	47 087
Balance as at 30 June 2007	54 173	692 174	(598 842)	(89)	155 370	56	112 445	47 559	1 757 653	161 980	6 962	2 389 441
Company												
Balance as at 1 July 2005	52 617	1 048 196	—	—	—	—	—	16 334	(162 596)	161 980	—	1 116 531
Fair value movement on available-for-sale financial assets	—	—	—	—	—	(667)	—	—	—	—	—	(667)
Net profit for the year	—	—	—	—	—	—	—	—	10 423	—	—	10 423
Capital distribution	—	(184 664)	—	—	—	—	—	—	—	—	—	(184 664)
Issue of ordinary share capital	1 113	37 101	—	—	—	—	—	—	—	—	—	38 214
Share options and appreciation rights awarded	—	—	—	—	—	—	—	22 889	—	—	—	22 889
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(7 995)	7 995	—	—	—
Balance as at 30 June 2006	53 730	900 633	—	—	—	(667)	—	31 228	(144 178)	161 980	—	1 002 726
Fair value movement on available-for-sale financial assets	—	—	—	—	—	667	—	—	—	—	—	667
Net profit for the year	—	—	—	—	—	—	—	—	470 865	—	—	470 865
Capital distribution	—	(240 150)	—	—	—	—	—	—	—	—	—	(240 150)
Issue of ordinary share capital	443	110 900	—	—	—	—	—	—	—	—	—	111 343
Share options and appreciation rights awarded	—	—	—	—	—	—	—	24 254	—	—	—	24 254
Transfer from share-based compensation reserve	—	—	—	—	—	—	—	(7 923)	7 923	—	—	—
Equity portion of tax claims in respect of share incentive schemes	—	—	—	—	—	—	—	—	10 557	—	—	10 557
Balance as at 30 June 2007	54 173	771 383	—	—	—	—	—	47 559	345 167	161 980	—	1 380 262

Cash flow statements for the year ended 30 June 2007

COMPANY			GROUP	
Restated 2006 R'000	2007 R'000		2007 R'000	Restated 2006 R'000
		Notes		
		Cash flows from operating activities		
142 263	113 870	Cash generated from operations	A 968 979	639 940
(38 635)	(45 030)	Financing costs paid	B (193 789)	(128 796)
27 908	495 660	Investment income received	C 139 770	72 853
(23 644)	(11 788)	Tax paid	D (206 400)	(182 228)
107 892	552 712	Net cash from operating activities	708 560	401 769
		Cash flows from investing activities		
(71)	(73)	Replacement capital expenditure – property, plant and equipment	(67 222)	(50 197)
(39)	(336)	Expansion capital expenditure – property, plant and equipment	(220 467)	(118 613)
—	—	Proceeds on disposal of property, plant and equipment	789	367
—	—	Proceeds on disposal of investment property	—	4 698
(1 158)	(6 557)	Expansion capital expenditure – intangible assets	(144 261)	(123 154)
—	—	Replacement capital expenditure – intangible assets	(2 768)	(9 221)
—	6 960	Proceeds on disposal of intangible assets	8 484	955
—	—	Acquisition of subsidiaries and joint ventures	E (100)	(267 555)
—	—	Disposal of 50% of FCC	F —	120 822
—	(5 916)	Increase in other non-current financial receivables	(5 916)	—
(212 812)	(26 914)	Increase in investments in subsidiaries and joint ventures	—	—
275 152	6 577	Movement in loans owing by Group companies	—	—
61 072	(26 259)	Net cash (used in)/from investing activities	(431 461)	(441 898)
		Cash flows from financing activities		
105 376	—	Proceeds from borrowings	2 477 294	1 762 141
(147 493)	—	Repayment of borrowings	(2 351 097)	(1 736 441)
—	—	Proceeds from deferred-payables	24 325	4 167
—	—	Repayment of deferred-payables	(12 322)	(49 654)
33 664	106 236	Proceeds from issue of ordinary shares	27 028	33 664
(184 664)	(240 150)	Capital distribution paid	(216 009)	(165 964)
(31)	46 790	Movement in loans owing to Group companies	—	—
(193 148)	(87 124)	Net cash used in financing activities	(50 781)	(152 087)
(24 184)	439 329	Movement in cash and cash equivalents before exchange rate changes	226 318	(192 216)
—	—	Effects of exchange rate changes	9 007	14 797
(24 184)	439 329	Cash and cash equivalents	235 325	(177 419)
11 954	(12 230)	Movement in cash and cash equivalents	262 156	439 575
(12 230)	427 099	Cash and cash equivalents at the beginning of the year	497 481	262 156
		Cash and cash equivalents at the end of the year	G	

Notes to the cash flow statements for the year ended 30 June 2007

COMPANY			GROUP	
2006	2007		2007	2006
R'000	R'000		R'000	R'000
		A. Cash generated from operations		
40 488	40 821	Operating profit	1 076 629	894 742
80 079	90 420	Amortisation of intangible assets	121 150	92 606
589	658	Depreciation	60 336	47 525
—	121	Impairment charge	37 586	60 484
—	—	Reversal of impairment losses	(99)	(776)
—	—	Loss on disposal of property, plant and equipment	523	35
—	—	Profit on disposal of investment property	—	(698)
—	(3 360)	(Profit)/loss on disposal of intangible assets	(3 414)	73
—	—	Fair value movements on financial assets and liabilities not included in financing costs	(4 795)	3 056
2 828	3 669	Share-based payment expense – employees	29 363	27 630
—	—	Deferred revenue – recognised in the income statement	(625)	—
—	—	Deferred revenue – amounts received in advance	5 357	2 241
(1 630)	—	Profit on sale of FCC	—	—
—	—	Goodwill in respect of acquisition of Aspen Nutritionals written down	—	546
122 354	132 329	Cash operating profit	1 322 011	1 127 464
19 909	(18 459)	Changes in working capital	(353 032)	(487 524)
—	—	Increase in inventories	(147 791)	(408 560)
(1 435)	(3 738)	Increase in trade and other receivables	(122 034)	(193 068)
21 344	(14 721)	(Decrease)/increase in trade and other payables	(83 029)	116 727
—	—	Decrease in retirement benefit obligations	(178)	(2 623)
142 263	113 870		968 979	639 940
		B. Financing costs paid		
(10 476)	(12 804)	Interest paid	(174 050)	(93 202)
(28 092)	(32 457)	Preference share dividends paid	(32 457)	(28 092)
(67)	231	Net foreign exchange gains/(losses)	22 717	(7 058)
—	—	Fair value gains/(losses) on financial instruments:		
—	—	– Cross-currency swap	(3 038)	4 334
—	—	– Forward exchange contracts	(16 364)	10 459
1 922	(2 230)	Notional interest on financial instruments	(3 823)	(122)
—	—	Deduct: non-cash financing costs		
—	—	Fair value (gains)/losses on financial instruments:		
—	—	– Cross-currency swap	3 038	(4 334)
—	—	– Forward exchange contracts	16 364	(10 459)
(1 922)	2 230	Notional interest on financial instruments	3 823	122
—	—	Borrowing costs capitalised to property, plant and equipment	(9 999)	(444)
(38 635)	(45 030)		(193 789)	(128 796)
		C. Investment income received		
—	450 000	Dividends received from subsidiaries	—	—
—	—	Dividends received – other	—	24
25 321	29 295	Preference share dividends received	29 295	25 321
2 587	16 365	Interest received	110 475	47 508
27 908	495 660		139 770	72 853

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		D. Tax paid		
(8 091)	(2 401)	Amounts unpaid at the beginning of the year	(59 498)	(79 309)
(17 954)	(21 245)	Charge per income statement (excluding deferred tax)	(279 839)	(163 424)
—	1 870	Tax claims credited to equity in respect of share incentive schemes	19 480	—
—	—	Effects of exchange rate changes	(1 005)	(319)
—	—	Acquisition of subsidiaries and joint ventures	—	(1 131)
—	—	Disposal of 50% of FCC	—	2 457
2 401	9 988	Amounts unpaid at the end of the year	114 785	62 463
—	—	Amounts overpaid at the end of the year	(323)	(2 965)
(23 644)	(11 788)		(206 400)	(182 228)

E. Acquisition of subsidiary companies and joint ventures

2007

During the 2007 financial year an additional R100 000 was capitalised to goodwill in respect of Generix transaction costs.

	Astrix R'000	Generix* R'000	Total R'000
2006			
Property, plant and equipment	38 648	49	38 697
Intangible assets	76 204	15 299	91 503
Inventories	23 828	—	23 828
Trade and other receivables	2 147	2 884	5 031
Cash and cash equivalents	3 100	2 646	5 746
Deferred tax liabilities	—	(4 060)	(4 060)
Trade and other payables	(26 584)	(1 963)	(28 547)
Current tax liabilities	—	(1 131)	(1 131)
	117 343	13 724	131 067
Minority interest	—	(6 862)	(6 862)
Fair value of assets acquired	117 343	6 862	124 205
Goodwill acquired	115 587	33 509	149 096
Purchase consideration	232 930	40 371	273 301
Cash and cash equivalents in acquiree	(3 100)	(2 646)	(5 746)
Cash outflow on acquisition	229 830	37 725	267 555

*Initial accounting finalised during 2007. Refer to page 90 for detail.

Notes to the cash flow statements for the year ended 30 June 2007 *continued*

		GROUP
F. Disposal of 50% FCC		
	2006	Total R'000
	Property, plant and equipment	69 528
	Intangible assets	45 159
	Inventories	42 079
	Goodwill	161 122
	Trade and other receivables	19 147
	Cash and cash equivalents	13 157
	Deferred tax liabilities	(12 232)
	Non-current retirement benefit obligations	(1 480)
	Trade and other payables	(33 764)
	Current borrowings	(5 000)
	Current tax liabilities	(4 914)
	Net carrying value of assets	292 802
	Goodwill disposed of	(73 605)
	Less net share of assets held after sale	(79 751)
	Total consideration received	139 446
	Less: – contingent consideration	(12 045)
	– cash in company	(6 579)
	Cash inflow on disposal	120 822

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		G. Cash and cash equivalents		
213	440 484	Bank balances	3 277 717	556 514
23	—	Short-term bank deposits	441	560
—	—	Cash in transit	52 987	67 981
(12 466)	(13 385)	Bank overdrafts	(2 833 757)	(363 005)
—	—	Cash on hand	93	106
(12 230)	427 099		497 481	262 156

Accounting policies for the year ended 30 June 2007

General information

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

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

Summary of significant accounting policies new standards, amendments and interpretations

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

IAS 19, Employee benefits (Amendment)

This amendment introduced an alternative approach for the recognition of actuarial gains and losses, new disclosure requirements and additional recognition requirements for multi-employer plans. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

IAS 39, Financial instruments: Recognition and measurement (Amendment)

The fair value option, limits the circumstances in which financial instruments can be classified as at fair value through profit and loss. This should not affect the Group, as the Group was not required to reclassify any items classified as financial instruments at fair value through profit and loss.

IFRIC 4, Determining whether an Arrangement contains a lease

This requires an entity to determine if an arrangement contains a lease. It requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and of whether the arrangement conveys a right to use the asset. All arrangements have been reviewed for inclusion of leases and have been accounted for appropriately.

The following accounting standards, interpretations and amendments are mandatory for the accounting period ended 30 June 2007, but do not affect the Group:

- *IAS 21 (Amendment), Net investment in a Foreign Operation;*
- *IAS 39 and IFRS 4 (Amendment), Financial Guarantee contracts;*

- *IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;*
- *IFRS 6, Exploration for and Evaluation of Mineral Resources and complementary amendment to IFRS 1;*
- *IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;*
- *IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic equipment;*
- *IFRIC 7, Applying the Restatement Approach under IAS 29, Financial reporting in Hyperinflationary Economies; and*
- *IFRIC 9, Reassessment of Embedded Derivatives.*

The following accounting standards, amendments and interpretations, that are not mandatory for the year to June 2007 and have been published prior to the date of signature of this report, have not been early-adopted:

- *IAS 1, Presentation of Financial Statements (added disclosures about the entity's capital);*
- *IFRS 7, Financial instruments: Disclosures;*
- *IFRS 4, Revised Implementation Guidance;*
- *IFRS 8, Operating Segments;*
- *IAS 23, Borrowing Costs (Revised);*
- *IFRIC 10, Interim Financial Reporting and Impairment;*
- *IFRIC 11, IFRS 2 – Group and Treasury Share Transactions;*
- *IFRIC 12, Service Concession Arrangements; and*
- *IFRIC 13, Customer Loyalty Programmes.*

The Group has conducted a preliminary assessment of the accounting standards, amendments and interpretations listed above and has concluded that their impact is limited to the format and extent of disclosures presented.

Basis of preparation

The consolidated financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective at the time of preparation, and applicable legislation. The financial statements have been prepared under the historical cost convention, except for specific financial instruments as set out in the notes to the financial statements, which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of financial statements in conformity with IFRS also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 87.

Group accounting

The annual financial statements include those of the holding company and all of its subsidiaries. A listing of the Group's principal subsidiaries is set out in note 37.

Subsidiaries

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

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

shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired.

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

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

Transactions and minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Joint ventures

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

Investments in joint ventures are accounted for at cost less any accumulated impairment losses in the

separate financial statements of Aspen Pharmacare Holdings Ltd.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

- Income and expenses of foreign operations are translated into the Group's presentation currency at the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions;
- Assets and liabilities are translated at the closing rate at the balance sheet date; and
- Exchange differences arising from the translation of the net investment in foreign operations, as well

as borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity.

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

Accounting for BEE transactions

The Group issued 17 600 000 cumulative, variable rate A preference shares at R21,41 each during 2005 as part of the BEE transaction.

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

The policy used to account for equity financial instruments issued is disclosed on page 83 (Share capital and share premium). The policy used to account for compound financial instruments is disclosed on page 83 (Convertible cumulative variable rate preference shares).

Property, plant and equipment

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

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

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

Accounting policies for the year ended 30 June 2007 *continued*

each balance sheet date. The assumptions regarding estimated remaining useful lives for the 2007 financial year were as follows:

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

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

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

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

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

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

Investment property

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses or joint ventures at the date of acquisition. Goodwill on the acquisition of subsidiaries and joint

ventures is capitalised and shown separately on the face of the balance sheet and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

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

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

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

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

Contingent consideration in a business combination is included in the cost of a business combination if the payment is probable and reliably measurable. Subsequent adjustments to the estimated amount of the contingent consideration are adjusted against goodwill in proportion to the Group's interest in that company.

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

Intangible assets

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

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised and amortised on a straight-line basis over their estimated remaining useful lives, which ranged from 1 to 49 years during the financial year. Estimated useful lives are reviewed annually.

Research and development

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

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

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

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

Product participation and other contractual rights

Rights acquired to co-market or manufacture certain third party products are capitalised to intangible assets and the corresponding liabilities are recognised

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

Drug master files

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

Computer software

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

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

The estimate of the remaining useful lives of software ranged between 1 and 15 years for the financial year.

Financial assets

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

Financial assets at fair value through profit and loss

Financial assets are classified under this category if held for trading, or if designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. For the purpose of these financial statements short-term is defined as three months. Derivatives are also classified as held for trading unless they are designated as hedges. Financial assets in this category are classified as current assets. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss are included in the income statement during the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

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

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially

recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

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

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

Leased assets

Finance leases

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

Operating leases

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

Financial instruments

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

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

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

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

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

The fair values of non-current financial assets and deferred-payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group as at year-end.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivative instruments in the Group are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The method of recognising the resulting gain or loss is dependent

on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

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

Fair value hedges

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

Cash flow hedges

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

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

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

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an 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.

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

Fair value estimation

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

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

Inventories

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

of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Cost of inventories includes the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases.

Trade receivables

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

Cash and cash equivalents

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

Tax

The income tax charge is computed on the basis of reported income before tax for the year under the laws and regulations of the countries in which the

respective Group companies are registered. Income tax comprises current tax, deferred tax and dividend taxes, including STC.

Current tax

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

Deferred tax

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

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

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

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

Dividend taxes, including STC

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

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

Share capital and share premium

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

Treasury shares

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

Convertible cumulative variable rate preference shares

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

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

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

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

Borrowings and borrowing costs

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

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

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

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

Employee benefits

Provident fund obligations

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

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 22 and 27.

Post-retirement medical aid obligations

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

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

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

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

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

Termination benefits

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

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in trade and other payables when the entity is contractually obliged or where there is a past practice that has created a constructive obligation to settle the liability and at least one of the following conditions is met:

- there is a formal plan and amounts to be paid are determined before the time of issuing the financial statements; or

- past practice has created a valid expectation by employees that they will receive a bonus/profit share and the amount can be determined before the time of issuing of the financial statements.

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

Equity compensation plans

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

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

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

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

Directors' emoluments

The directors' emoluments disclosed in note 27 represent the emoluments paid to, or receivable by, directors in their capacity as director or any other capacity. All amounts in respect of the financial year reported on

are presented; including bonuses not accrued for in the annual financial statements. The gain on share options represents the actual gain realised in the year, and represents the difference between grant price and exercise price. This disclosure is provided in terms of the JSE Listings Requirements.

Impairment

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

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

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

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

Revenue recognition

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

revenue, all intra-group transactions are excluded.

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

Other income and investment income

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

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

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

Headline earnings per share

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

An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 31 to the financial statements.

Segmental reporting

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

services that are subject to risks and returns that are different from those of other business segments.

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

Primary basis

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

- South African operations;
- Australian operations;
- Asian operations; and
- United Kingdom and United States operations.

Secondary basis

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

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

Distributions to shareholders

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

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

Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

During the year under review the Group finalised the Generix business combination. The Group has restated the comparative figures accordingly. Refer to page 90.

Significant judgements and estimates

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

Depreciation and amortisation rates

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

Refer to notes 1 and 4.

Impairment of assets

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least on an annual basis, as more fully described in the accounting policy in respect of impairment and note 38. The future cash flows are assessed, taking into account forecast market conditions and the expected lives of these assets. The present value of these cash flows is compared to the current net asset value.

Refer to notes 1, 3 and 4.

Valuation of derivative financial instruments

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

Refer to note 11 and 12.

Calculation of IFRS 2 charge

The calculation of the IFRS 2 charge in respect of share options and share appreciation rights is based on the valuation of instruments at grant date, determined with the use of the binomial model. This model requires the use of several assumptions, amongst which are the expected volatility of the Aspen share price, expected dividend yield and assumptions regarding percentages of instruments expected to vest. These assumptions are reviewed on an annual basis to take account of changes in circumstances.

Refer to note 16.

Recognition of deferred tax assets in respect of assessed losses

The Group has recognised R0,5 million (2006: Nil) as a deferred tax asset based on the projected profitability of Aspen USA Inc.

In the 2006 year R7,5 million was recognised in respect of Aspen Nutritionals.

Refer to note 9.

Determination of net realisable value of inventories

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

Refer to note 10.

Accounting for compound financial instruments

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

Refer to note 17.

Fair value determination in business combinations

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

Initial accounting for business combination determined provisionally

The initial accounting for the acquisition of 50% of Generix was only determined provisionally by the time of the publication of the Group results for 2006.

In terms of IAS 8, Accounting policies, Changes in Accounting Estimates and Errors, the adjustments to finalise the Generix acquisition have been corrected retrospectively. The comparative figures have been restated to present the prior year figures as if the acquisition accounting was finalised in the prior year.

Refer to page 90.

Determination of contingent consideration in respect of deferred-payables and deferred-receivables

This relates to amounts that are only to be settled in the future based on the underlying contractual obligations. Management is required to exercise considerable judgement in determining the estimate of the amount payable or receivable, specifically relating to the forecasting of future financial information as well as determining an appropriate discount rate.

Refer to note 11 and 20.

Fair value determination

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

Financial risk management

Financial risk factors

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

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

Market risk

Foreign currency risk

Foreign currency risk arises from future transactions, recognised assets and liabilities and net investments in foreign operations which are denominated in a currency which is not the Group's functional currency. The following types of foreign currency risk may be distinguished:

- Transaction risk is the risk of adverse exchange rate movements occurring in the course of normal international trading transactions;
- Translation risk arises from differences in the currencies in which assets and liabilities are denominated; and
- Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company. Economic risk is not handled by the treasury department, as it is a strategic matter managed directly by the Aspen Board of Directors.

The Group is primarily exposed to foreign currency risk in respect of the following currencies:

- USD – imports and exports;
- GBP – imports and investments in foreign operations;

- Euro – imports;
- AUD – imports and investments in foreign operations; and
- Indian Rupee ("INR") – investments in foreign operations.

Pound Sterling, Euro and other imports

Foreign currency exposures are hedged as soon as they arise, i.e. as soon as the orders to procure foreign currency denominated materials or capital equipment are placed.

Hedge accounting is used where possible.

United States Dollar

The South African operations have both USD inflows and outflows. It is Group policy to offset USD inflows and outflows as far as possible, in order to limit the exposure to foreign currency risk. This is achieved through the use of forward exchange contracts where appropriate.

USD transactions are hedged as follows:

- The treasury department monitors the USD outflow/inflow position on at least a monthly basis;
- When import orders are placed, cover is taken for the imports. A similar amount of export cover is taken simultaneously, using the same exchange rate as a reference point. This ensures that export receipts for the next few months will be achieved at better rates than import payments;
- It is ensured that sufficient debtors cover is always maintained to cover anticipated debtors receipts for at least 4 months;
- Where targeted debtors' cover has been reached, additional debtors' cover is not taken;
- Where additional import orders are placed, import cover is still taken; and
- It is not necessary to have an accurate estimate of the dates of the anticipated inflows, as forward cover can be rolled until needed.

Hedge accounting is not used for USD transactions, as forward exchange contracts without underlying transactions exist. This results in all marked to market adjustments going directly to the income statement.

The USD policy should be re-assessed if USD export

revenues grow to the point where imports are exceeded.

The Group does not hedge investments in foreign operations. Exchange rate movements can thus affect the amounts included in reserves.

Currency of debt

Where borrowings are entered into in a currency which is not the currency in which cash will be generated to fund repayment of the borrowings, the treasury department will assess the risks involved, as well as the hedging alternatives. If the amounts involved, as well as the risks involved, are material, the hedging strategy should be presented to the Audit & Risk Committee for approval.

The average length of forward exchange contracts during the year was 3,1 months.

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

Price risk

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

Credit risk

The management of credit risk relating to trade receivables is delegated to the credit management department. The Group has no significant concentrations of credit risk, except as disclosed in note 11. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Trade receivables comprise a wide customer base. Ongoing credit evaluations on the financial condition of customers are performed and where appropriate credit guarantee insurance

cover is purchased.

Cash and derivatives are only placed with reputable financial institutions. Cash balances are placed with different financial institutions to minimise risk.

Liquidity risk

Liquidity risk implies maintaining sufficient cash resources and ensuring the availability of funding through an adequate amount of credit facilities. This also includes ensuring that the correct maturity mix of debt is maintained. This would imply that the treasury department should avoid having too much debt becoming repayable within a short period, unless adequate alternative funding is available.

The Group aims to ensure that there are always adequate committed facilities available to cover anticipated requirements. As a general guideline, available facilities should exceed current net borrowings by at least 50%. This ratio can be decreased dependant on the extent of medium or long-term funding utilised.

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

Cash flow and fair value interest rate risk

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

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

Finalisation of Generix business acquisition accounting

The accounting for the acquisition of Generix was made on a provisional basis in terms of IFRS 3 for the year ended 30 June 2006. In terms of IAS 8, *Accounting policies, Changes in Accounting Estimates and Errors*, the adjustments to finalise the Generix acquisition have been corrected retrospectively. The comparative figures have been restated to present the prior year figures as if the acquisition accounting was finalised in the prior year. The changes to the Group are summarised below:

	2006 R'000	Adjustments R'000	Restated 2006 R'000
Income statement			
Other operating expenses	(108 890)	(761)	(109 651)
Tax	(216 582)	221	(216 361)
Profit for the year	638 093	(540)	637 553
Attributable to:			
Equity holders of the parent	637 977	(181)	637 796
Minority interest	116	(359)	(243)
Balance sheet			
Assets			
Non-current assets			
Property, plant and equipment	613 071	49	613 120
Goodwill	262 093	8 287	270 380
Intangible assets	820 507	(17 068)	803 439
Total assets	4 269 421	(8 732)	4 260 689
Equity			
Retained income	997 529	(181)	997 348
Minority interest	12 481	(5 862)	6 619
Total equity	1 725 776	(6 043)	1 719 733
Liabilities			
Non-current liabilities			
Deferred-payables	23 681	2 782	26 463
Deferred tax liabilities	103 882	(4 861)	99 021
Current liabilities			
Trade and other payables	713 104	(891)	712 213
Current tax liabilities	62 182	281	62 463
Total equity and liabilities	4 269 421	(8 732)	4 260 689

The Group acquired 50% of the shares of Generix on 1 May 2006. The initial accounting for the acquisition had not been finalised and therefore the acquisition calculations were based on the best estimates available to the Group at the time. The amounts below reflect the changes to the fair values and carrying values of the Generix assets and liabilities at acquisition date:

	2006 R'000		Restated 2006 R'000	
Cost of the acquisition				
Cash paid	40 371		40 371	
Fair value of assets acquired	(12 366)		(6 862)	
Goodwill	28 005		33 509	

	Fair value recognised		Carrying amounts before acquisition	
	2006 R'000	Restated 2006 R'000	2006 R'000	Restated 2006 R'000
Property, plant and equipment	—	49	—	49
Intangible assets	31 606	15 299	1 606	1 299
Trade and other receivables	2 884	2 884	2 884	2 884
Cash and cash equivalents at acquisition	2 646	2 646	2 646	2 646
Trade and other payables	(2 855)	(1 963)	(2 855)	(1 963)
Current tax liabilities	(850)	(1 131)	(850)	(1 131)
Deferred tax liabilities	(8 700)	(4 060)	—	—
	24 731	13 724	3 431	3 784
Minority interest	(12 365)	(6 862)		
Fair value of assets acquired	12 366	6 862		
Goodwill acquired	28 005	33 509		
Purchase consideration	40 371	40 371		

GROUP

1. Property, plant and equipment

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

* Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 8,71% (2006: 7,18%).

1. Property, plant and equipment *continued*

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

GROUP

1. Property, plant and equipment *continued*

2006	Land and build-ings R'000	Plant and equip-ment R'000	Com-puter equip-ment R'000	Office equip-ment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value – Group						
Cost	214 589	468 231	36 510	24 975	59 727	804 032
Accumulated depreciation	(22 927)	(138 961)	(22 007)	(12 145)	—	(196 040)
Net book value at the end of the year	191 662	329 270	14 503	12 830	59 727	607 992
Movement in property, plant and equipment						
Net book value at the beginning of the year	177 987	257 936	8 540	10 680	21 431	476 574
Disposal of 50% of FCC	(8 392)	(25 978)	(240)	(153)	—	(34 763)
Acquisition of subsidiaries and joint ventures	15 438	21 472	281	872	634	38 697
Reclassification between categories	3 271	14 913	104	346	(18 634)	—
Additions – expansion	2 999	67 528	384	660	47 003	118 574
Additions – replacement	2 430	26 598	9 699	2 635	8 835	50 197
Additions – borrowing costs capitalised	—	—	—	—	444	444*
Disposals	(38)	(108)	(93)	(122)	(41)	(402)
Depreciation	(4 209)	(35 334)	(4 227)	(2 300)	—	(46 070)
Effects of exchange rate changes	2 176	2 243	55	212	55	4 741
Net book value at the end of the year	191 662	329 270	14 503	12 830	59 727	607 992
LEASED						
Net carrying value – Group						
Cost	570	—	7 630	—	—	8 200
Accumulated depreciation	(111)	—	(2 961)	—	—	(3 072)
Net book value at the end of the year	459	—	4 669	—	—	5 128
Movement in property, plant and equipment						
Net book value at the beginning of the year	479	—	675	—	—	1 154
Additions – expansion	39	—	—	—	—	39
Additions – replacement	—	—	5 390	—	—	5 390
Depreciation	(59)	—	(1 396)	—	—	(1 455)
Net book value at the end of the year	459	—	4 669	—	—	5 128
TOTAL OWNED AND LEASED	192 121	329 270	19 172	12 830	59 727	613 120

* Borrowing costs capitalised represents financing cost arising on the construction of qualifying assets. The average effective interest rate for the year was 8,71% (2006: 7,18%).

COMPANY

1. Property, plant and equipment *continued*

2006	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Office equipment and furniture R'000	Capital work-in-progress R'000	TOTAL R'000
OWNED						
Net carrying value - Company						
Cost	—	—	1 768	1 190	—	2 958
Accumulated depreciation	—	—	(946)	(303)	—	(1 249)
Net book value at the end of the year	—	—	822	887	—	1 709
Movement in property, plant and equipment						
Net book value at the beginning of the year	—	—	1 176	992	—	2 168
Reclassification between categories	—	—	(2)	2	—	—
Additions - replacement	—	—	31	40	—	71
Depreciation	—	—	(383)	(147)	—	(530)
Net book value at the end of the year	—	—	822	887	—	1 709
LEASED						
Net carrying value - Company						
Cost	570	—	—	—	—	570
Accumulated depreciation	(111)	—	—	—	—	(111)
Net book value at the end of the year	459	—	—	—	—	459
Movement in property, plant and equipment						
Net book value at the beginning of the year	479	—	—	—	—	479
Additions - expansion	39	—	—	—	—	39
Depreciation	(59)	—	—	—	—	(59)
Net book value at the end of the year	459	—	—	—	—	459
TOTAL OWNED AND LEASED	459	—	822	887	—	2 168

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

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

Assets with a net book value of R3,7 million (2006: R4,7 million) have been pledged as security as set out in note 19 for loans obtained in terms of finance lease and instalment credit agreements.

Expenditure of R13,1 million (2006: R4,1 million) incurred in the construction of qualifying assets was included in the carrying amount of capital work-in-progress during the course of construction.

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
—	—	The split of the land and buildings amount is as follows: Land Buildings	17 160	15 845
459	429		178 533	176 276
459	429		195 693	192 121

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		2. Investment property		
—	—	At the beginning of the year	—	4 000
—	—	Disposals	—	(4 000)
—	—	At the end of the year	—	—
		The investment property consisted of an office building situated in Midrand, Gauteng. This property was sold in 2006, as a market-related offer was received. The property was included in the South African business segment.		
		3. Goodwill		
		Net carrying value		
—	—	Cost	383 359	352 924
—	—	Accumulated impairment losses	(88 315)	(82 544)
—	—	Net carrying value at the end of the year	295 044	270 380
		Movement in goodwill		
—	—	Net carrying amount at the beginning of the year	270 380	195 595
—	—	Acquisition of subsidiary companies and joint ventures	100	151 879
—	—	Impairment charge	—	(13 913)
—	—	Subsequent recognition of deferred tax asset	—	(546)
—	—	Effects of exchange rate changes	13 988	12 303
—	—	Disposal of 50% of FCC	10 576*	(73 605)
—	—	Adjustment to estimate of FCC contingent consideration	—	(1 333)
—	—	Net carrying value at the end of the year	295 044	270 380

The impairment charge in the prior year relates to the impairment of the goodwill of FCC as set out below:

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

Refer to note 38 for details on impairment calculations.

* During the year the accounting for the contingent consideration on the original purchase of FCC in 2005 was finalised. As a consequence an adjustment was required to the amount originally derecognised from goodwill in 2006.

4. Intangible assets

	Intellectual property R'000	Develop- ment costs* R'000	Product partici- pation and other contractual rights R'000	Drug master files R'000	Com- puter software R'000	TOTAL R'000
2007						
Net carrying value - Group						
Cost	1 575 294	86 925	232 514	126 049	47 764	2 068 546
Accumulated amortisation	(849 477)	(9 433)	(144 739)	(27 913)	(35 240)	(1 066 802)
Accumulated impairment losses	(149 192)	(6 999)	—	(898)	—	(157 089)
Net carrying value at the end of the year	576 625	70 493	87 775	97 238	12 524	844 655
Movement in intangible assets						
Carrying amount at the beginning of the year	543 896	50 590	93 636	101 260	14 057	803 439
Reclassification between categories	—	725	—	(725)	—	—
Reclassification to property, plant and equipment	—	—	—	—	(319)	(319)
Additions - expansion	94 171	—	19 632	—	1 437	115 240
Additions - replacement	—	—	—	—	2 768	2 768
Development costs capitalised	—	29 021	—	—	—	29 021
Disposals	(4 997)	—	—	—	(73)	(5 070)
Amortisation	(75 186)	(2 897)	(27 532)	(11 241)	(4 294)	(121 150)
Impairment	(2 796)	(6 999)	—	—	(1 078)	(10 873)
Reversal of impairment	99	—	—	—	—	99
Effects of exchange rate changes	21 438	53	2 039	7 944	26	31 500
Net carrying value at the end of the year	576 625	70 493	87 775	97 238	12 524	844 655
COMPANY						
Net carrying value - Company						
Cost	922 188	—	57 818	—	1 165	981 171
Accumulated amortisation	(604 329)	—	(25 358)	—	(44)	(629 731)
Accumulated impairment losses	(121)	—	—	—	—	(121)
Net carrying value at the end of the year	317 738	—	32 460	—	1 121	351 319
Movement in intangible assets						
Carrying amount at the beginning of the year	393 663	—	44 632	—	608	438 903
Additions - expansion	6 000	—	—	—	557	6 557
Disposals	(3 600)	—	—	—	—	(3 600)
Amortisation	(78 204)	—	(12 172)	—	(44)	(90 420)
Impairment	(121)	—	—	—	—	(121)
Net carrying value at the end of the year	317 738	—	32 460	—	1 121	351 319

*Internally generated.

GROUP**4. Intangible assets** *continued*

2006	Intellectual property R'000	Develop- ment costs* R'000	Product partici- pation and other contractual rights R'000	Drug master files R'000	Computer software R'000	TOTAL R'000
Net carrying value - Group						
Cost	1 458 225	57 126	209 360	117 769	49 894	1 892 374
Accumulated amortisation	(768 073)	(6 536)	(115 724)	(15 611)	(34 745)	(940 689)
Accumulated impairment losses	(146 256)	—	—	(898)	(1 092)	(148 246)
Net carrying value at the end of the year	543 896	50 590	93 636	101 260	14 057	803 439
Movement in intangible assets						
Carrying amount at the beginning of the year	480 442	31 095	97 236	47 745	9 274	665 792
Acquisition of subsidiaries and joint ventures	1 299	—	14 000	76 204	—	91 503
Disposal of 50% of FCC	—	—	—	(22 546)	(34)	(22 580)
Reclassification between categories	(2 000)	2 000	—	—	—	—
Additions - expansion	101 311	—	2 115	—	608	104 034
Additions - replacement	—	—	—	—	9 221	9 221
Development costs capitalised	—	19 120	—	—	—	19 120
Disposals	(1 028)	—	—	—	—	(1 028)
Amortisation	(59 151)	(1 625)	(20 280)	(7 630)	(3 920)	(92 606)
Impairment	(1 111)	—	—	(155)	(1 092)	(2 358)
Reversal of impairment	776	—	—	—	—	776
Effects of exchange rate changes	23 358	—	565	7 642	—	31 565
Net carrying value at the end of the year	543 896	50 590	93 636	101 260	14 057	803 439
COMPANY						
Net carrying value - Company						
Cost	923 756	—	57 818	—	608	982 182
Accumulated amortisation	(530 093)	—	(13 186)	—	—	(543 279)
Net carrying value at the end of the year	393 663	—	44 632	—	608	438 903
Movement in intangible assets						
Carrying amount at the beginning of the year	461 020	—	56 804	—	—	517 824
Additions - expansion	550	—	—	—	608	1 158
Amortisation	(67 907)	—	(12 172)	—	—	(80 079)
Net carrying value at the end of the year	393 663	—	44 632	—	608	438 903

* Internally generated.

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		4. Intangible assets <i>continued</i>		
		Product participation and other contractual rights can be split into the following categories for the purposes of amortisation:		
		- amortised on a straight-line basis		
44 632	32 460	Carrying amount	42 289	34 835
12 172	12 172	Amortisation for the year	14 217	5 254
		- amortised using the reverse sum of the digits method		
—	—	Carrying amount	45 486	58 801
—	—	Amortisation for the year	13 315	15 026
		5. Investments in subsidiaries and joint ventures		
		Investments in subsidiaries comprise:		
782 351	834 151	Investments at cost less accumulated impairment losses		
808	982	Amounts due by subsidiary companies		
(299 835)	(346 626)	Amounts due to subsidiary companies		
483 324	488 507	Total investment in subsidiaries		
		Investments in joint ventures comprise:		
358 203	369 340	Investments at cost less accumulated impairment losses		
6 751	—	Amounts due by joint ventures		
364 954	369 340	Total investment in joint ventures		
848 278	857 847	Total investment in subsidiaries and joint ventures		
		The amounts due to/by subsidiaries are unsecured and have no fixed terms of repayment. Interest is charged at 0%. These arrangements are reviewed from time-to-time.		
		Amounts due by joint ventures bear interest at prime less 2%. The total balance was repaid in the current year.		
		Aggregate attributable after-tax profits/(losses) of subsidiaries		
		- profits		
		- losses		
		The following amounts are included in the consolidated financial statements in respect of joint ventures:		
		Non-current assets	426 775	395 427
		Current assets	172 605	137 106
		Non-current liabilities	14 410	9 984
		Current liabilities	115 094	114 473
		Revenue	315 320	219 836
		Cost of sales	(234 133)	(152 243)
		Gross profit	81 187	67 593
		Other operating income	777	10
		Operating expenses	(25 283)	(23 947)
		Operating profit	56 681	43 656
		Investment income	504	436
		Financing costs	(2 387)	(3 930)
		Profit before tax	54 798	40 162
		Tax	(16 301)	(12 003)
		Profit for the year	38 497	28 159
		Contingent liabilities		
		Share of capital commitments of joint ventures:		
		Tangible assets		
		Contracted	4 419	356
		Authorised but not contracted for	4 665	3 598

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		6. Available-for-sale financial assets		
—	11 841	At the beginning of the year	11 922	55
12 045	—	Contingent consideration in respect of sale of 50% of FCC	—	12 045
(667)	—	Revaluation to fair value	9	(641)
463	—	Notional interest	—	463
—	(11 841)	Reclassification of contingent consideration in respect of FCC to other receivables	(11 841)	—
11 841	—	At the end of the year	90	11 922
—	—	Listed	90	81
11 841	—	Not listed	—	11 841
11 841	—		90	11 922
		<p>Available-for-sale financial assets, which comprise of marketable equity securities, are fair valued annually on the close of business on 30 June. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. The contingent consideration of the FCC purchase price was reclassified to trade and other receivables in the current year.</p> <p>Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.</p> <p>The above available-for-sale financial assets were classified as non-current.</p>		
		7. Preference share investment		
376 800	376 800	Opening and closing balance for the year	376 800	376 800
		The proceeds received from the issue of preference shares as part of the BEE transaction concluded during 2005 were invested in premium rated preference shares.		
		Preference share dividends are receivable semi-annually on 30 November and 31 May and are determined on the basis of 64% of the prime overdraft rate. The preference shares are redeemable after 3 years and 1 day.		
		The above non-listed preference share investment is classified as a non-current loan and receivables in accordance with IAS 39.		
		The preference share dividend rate was 8,32% at year-end (2006: 7,04%).		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		8. Other non-current financial receivables		
—	6 981	Avid Brands SA (Pty) Ltd	6 981	—
—	(1 065)	Current portion included in trade and other receivables	(1 065)	—
—	5 916		5 916	—
		An agreement with Avid Brands SA (Pty) Ltd was entered into with effect from 1 May 2007, in terms of which the Group disposed of certain intellectual property and inventories. The repayment profile is set out below:		
—	1 065	year ending 30 June 2008	1 065	—
—	1 218	year ending 30 June 2009	1 218	—
—	1 392	year ending 30 June 2010	1 392	—
—	1 566	year ending 30 June 2011	1 566	—
—	1 740	year ending 30 June 2012	1 740	—
—	6 981		6 981	—
		The outstanding loan on the disposal of the intellectual property bears interest at prime minus 1%. No interest is charged on the outstanding balance in respect of inventories. There is no material difference between the carrying amount of the receivable and the fair value thereof.		
		9. Deferred tax		
		Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 29%.		
		9.1 Deferred tax asset		
		Reconciliation of movement		
—	—	Balance at the beginning of the year	34 381	57 630
—	(9 245)	Re-allocation to deferred tax liability	(16 963)	(1 441)
—	(9 245)	Restated opening balance	17 418	56 189
—	—	Prior year adjustment – income statement	(352)	—
—	2 889	Income statement charge	(10 607)	(21 872)
—	8 687	Charged to equity	8 687	—
—	—	Effects of exchange rate changes	(26)	64
—	2 331	Balance at the end of the year	15 120	34 381

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9. Deferred tax <i>continued</i>		
		9.1 Deferred tax asset <i>continued</i>		
		The income statement charge comprises		
—	8	Property, plant and equipment	3	(464)
—	(252)	Intangible assets	(14 559)	(16 466)
—	32	Trade and other receivables	32	(218)
—	—	Cross-currency swap	908	—
—	—	Deferred-payables	(936)	—
—	124	Royalties received in advance	124	—
—	2 837	Tax claims in respect of share incentive schemes	2 837	—
—	—	Unused tax losses	—	(4 768)
—	—	Unused tax losses – current year losses	449	—
—	140	Other	183	44
—	2 889	Total income statement charge relating to deferred tax asset	(10 959)	(21 872)
		Deferred tax asset comprises		
—	(202)	Property, plant and equipment	(123)	(2 399)
—	(39 315)	Intangible assets	(27 249)	28 194
—	(21)	Trade and other receivables	(21)	725
—	—	Cross-currency swap	596	—
—	—	Deferred-payables	(468)	—
—	22 191	Royalties received in advance	22 191	—
—	7 733	Preference shares issued	7 733	—
—	11 523	Tax claims in respect of share incentive schemes	11 523	—
—	—	Unused tax losses	—	7 478
—	—	Unused tax losses – current year losses	452	—
—	422	Other	486	383
—	2 331	Total deferred tax asset	15 120	34 381
		Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefit through future taxable profits is probable. There was R23 000 (2006: nil) unrecognised tax losses at year-end.		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		9. Deferred tax <small>continued</small>		
		9.2 Deferred tax liability		
		Reconciliation of movement		
5 939	9 245	Balance at the beginning of the year	99 021	71 579
—	(9 245)	Re-allocation from deferred tax asset	(16 963)	(1 441)
5 939	—	Restated opening balance	82 058	70 138
—	—	Prior year adjustment – income statement	(1 272)	41
3 306	—	Income statement charge	2 192	31 024
—	—	Charged to equity	(18 922)	(946)
—	—	Effects of exchange rate changes	1 253	821
—	—	Acquisition of subsidiary	—	4 060
—	—	Disposal of 50% of FCC	—	(6 117)
9 245	—	Balance at the end of the year	65 309	99 021
		The income statement charge comprises		
79	—	Property, plant and equipment	10 820	13 022
3 022	—	Intangible assets	(3 095)	9 424
—	—	Inventories	(1 874)	(1 080)
34	—	Trade and other receivables	(1 441)	2 526
—	—	Cross-currency swap	—	1 297
—	—	Deferred-payables	—	7 842
—	—	Retirement benefit obligations	52	738
(754)	—	Royalties received in advance	—	(754)
—	—	Tax claims in respect of share incentive schemes	(10 689)	—
—	—	Unused tax losses	7 478	—
925	—	Other	(331)	(1 950)
3 306	—	Total income statement charge relating to deferred tax liability	920	31 065
		Deferred tax liability comprises		
211	—	Property, plant and equipment	72 720	59 680
39 063	—	Intangible assets	14 636	57 064
—	—	Inventories	(3 781)	(1 893)
53	—	Trade and other receivables	20 047	23 018
—	—	Cross-currency swap	—	304
—	—	Deferred-payables	—	(451)
—	—	Retirement benefit obligations	(2 074)	(2 126)
(242)	—	Leave pay	(5 707)	(4 973)
(22 067)	—	Royalties received in advance	—	(22 067)
(7 682)	—	Preference shares issued	—	(7 682)
—	—	Tax claims in respect of share incentive schemes	(29 611)	—
(91)	—	Other	(921)	(1 853)
9 245	—	Total deferred tax liability	65 309	99 021

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		10. Inventories		
—	—	Raw materials	316 068	265 112
—	—	Work-in-progress	135 477	118 405
—	—	Finished goods	474 710	409 302
—	—	Consumables	10 506	5 484
—	—	Total	936 761	798 303
		Inventories above are at cost, except for the following inventories carried at net realisable value:		
—	—	Finished goods	5 522	3 292
—	—	Total	5 522	3 292
—	—	Write-down of inventories recognised as an expense	43 471	31 477
		Inventories of the Astrix joint venture with a carrying amount of R54,1 million (2006: R44,6 million) were pledged as security for a working capital facility with various banks in India (prior year with the State Bank of India).		
		11. Trade and other receivables		
—	—	Trade receivables	768 618	623 223
—	—	Allowance account for losses	(8 804)	(6 991)
—	—	Net trade receivables	759 814	616 232
—	1 065	Current portion of other non-current financial receivables	1 065	—
—	—	Indirect taxes	29 569	16 611
—	1 068	Interest accrued	2 857	2 110
358	1 605	Prepayments	21 040	37 756
—	—	Forward exchange contracts	—	12 359
—	23 174	Contingent consideration receivable in respect of FCC	23 174	—
2 346	2 703	Other	33 424	36 866
2 704	29 615		870 943	721 934
		Trade and other receivables of the Astrix joint venture to the value of R34,7 million (2006: R46,5 million) were pledged as security for a working capital facility with various banks in India (prior year with the State Bank of India).		
		The maximum credit risk exposure was R459,7 million (2006: R399,2 million). The reason for the difference between the carrying value and the maximum credit risk exposure is that certain amounts are covered by credit guarantee insurance.		
		The only significant concentration of credit risk relates to an amount of R124,2 million (2006: R77,2 million) owing by southern African governments.		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		12. Financial assets and liabilities at fair value through profit and loss		
		12.1 Financial assets at fair value through profit and loss		
—	—	At the beginning of the year	2 284	956
—	—	Disposal of 50% of FCC	—	(478)
—	—	Fair value gains recognised in income statement	—	1 668
—	—	Fair value losses recognised in income statement	(2 338)	—
—	—	Effects of exchange rate changes	54	138
—	—	At the end of the year	—	2 284
		Financial assets at fair value through profit and loss consist of derivatives where hedge accounting is not applied, and can be analysed as follows:		
—	—	Forward exchange contracts	—	1 263
—	—	Cross-currency swap	—	1 021
—	—		—	2 284
		The decrease in the fair value of the derivatives during the year was R4,5 million (2006: R4,9 million increase), and the cumulative decrease since designation is R2,2 million (2006: R1,0 million increase).		
		The maximum exposure to credit risk was equal to the outstanding balance in 2006.		
		The total amount of financial assets at fair value through profit and loss comprises derivatives, and was thus classified as held for trading on initial recognition.		
		12.2 Financial liabilities at fair value through profit and loss		
—	—	At the beginning of the year	—	3 614
—	—	Fair value gains recognised in income statement	—	(3 455)
—	—	Fair value losses recognised in income statement	2 197	—
—	—	Effects of exchange rate changes	29	(159)
—	—	At the end of the year	2 226	—
		Financial liabilities at fair value through profit and loss consist of derivatives where hedge accounting is not applied, and can be analysed as follows:		
—	—	Forward exchange contracts	227	—
—	—	Cross-currency swap	1 999	—
—	—		2 226	—
		The amount the entity is contractually required to pay at maturity to the holder of the obligation is equal to the outstanding balance.		
		The total amount was classified as held for trading on initial recognition.		

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		13. Cash and cash equivalents		
213	440 484	Bank balances	3 277 717	556 514
23	—	Short-term bank deposits	441	560
—	—	Cash in transit*	52 987	67 981
—	—	Cash on hand	93	106
236	440 484		3 331 238	625 161
		* <i>Comprises receipts from customers only banked after year-end.</i>		
		The maturity profile is as follows:		
236	440 484	Less than 1 month	3 314 100	620 457
—	—	Between 1 and 2 months	17 119	4 533
—	—	Between 2 and 3 months	19	171
236	440 484		3 331 238	625 161
		The average effective interest rate on short-term bank deposits was 7,7% (2006: 5,1%).		
		14. Share capital and share premium		
		Authorised		
69 530	97 342	700 000 000 (2006: 500 000 000) ordinary shares of 13,90607 cents each	97 342	69 530
		Issued		
53 730	54 173	389 565 725 (2006: 386 380 142) ordinary shares of 13,90607 cents each	54 173	53 730
900 633	771 383	Share premium	692 174	900 633
954 363	825 556		746 347	954 363
		Number of shares in issue at the beginning of the year ('000)	386 380	378 372
		Shares issued – Share Incentive Scheme ('000)	2 740	7 862
		Shares issued – Share Appreciation Plan ('000)	89	—
		Shares issued for cash ('000)	203	—
		Shares issued – Workers' Share Plan ('000)	154	146
		Number of shares in issue at the end of the year ('000)	389 566	386 380
		The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.		
		Share premium under IFRS – Group	692 174	900 633
		Adjustment of shares issued to market value	79 209[†]	—
		Share premium under IFRS – Company	771 383	900 633
		Intangibles assets reinstated	19 342[#]	(682 530)
		Ordinary shares issued in terms of BEE transaction – amount expensed	(99 200)	(99 200)
		Share premium for the purposes of the Companies Act	691 525	118 903
		[†] <i>Where share options and appreciation rights are exercised in terms of Aspen's Share Incentive Schemes, the resultant number of shares are listed at market value. On a Group basis an adjustment is made between market value and grant price to reflect the proceeds from outside the Group.</i>		
		[#] <i>High court approval received for the revocation of former special resolutions relating to the write-off of intangible assets against share premium amounting to R701,8 million.</i>		
		15. Treasury shares		
		At the beginning of the year	(622 983)	(641 672)
		Capital distribution	24 141	18 689
		At the end of the year	(598 842)	(622 983)
		Number of treasury shares at the beginning and the end of the year ('000)	38 932	38 932

16. Share-based compensation reserve

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 70.

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

Aspen Share Incentive Scheme

Share options are granted to management and key employees in terms of this scheme. The scheme was adopted by shareholders in January 1999. An amendment to the trust deed was approved by shareholders on 18 January 2000, in terms of which share options offered and taken up are released in 5 equal annual tranches, commencing on the second anniversary of an offer date and expire after 8 years. In terms of the Aspen Share Incentive Scheme, the aggregate number of shares awarded in terms of this scheme and the Medhold Share Incentive Scheme (which has now ceased operations) is limited to 15% of the Company's issued share capital. Cumulative shares awarded at balance sheet date represent 6% of the Company's issued share capital. The scheme is equity settled.

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is 5 years and vesting takes place 3 years from the allocation date. For employees who have finalised their first cycle of awards in terms of the Aspen Share Incentive Scheme, vesting of the first award made in terms of this scheme will take place as follows: 20% after 2 years and the remainder after 3 years. In terms of the Aspen Share Appreciation Plan, shares acquired by all participants in terms of this plan and the Aspen Share Incentive Scheme may not exceed 56,8 million shares. To date 21,6 million shares have been awarded in terms of these schemes. The scheme is equity settled.

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

Aspen South African Workers' Share Plan

The Aspen South African Workers' Share Plan was adopted in October 2005. In terms of the plan all permanent employees not covered by one of the other share schemes, who have a minimum of 1 year's continuous service with the Company, qualify for Aspen shares to a value of R9000, awarded over a 3-year period.

16.1 Aspen Share Incentive Scheme

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

Aspen Share Incentive Scheme	Number of shares '000	Consideration R'000
2008	3 329	33 415
2009	1 809	25 043
2010	1 614	23 771
2011	898	16 835
2012	304	8 594
2013	149	4 891

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

16. Share-based compensation reserve *continued*

16.1 Aspen Share Incentive Scheme *continued*

Exercise price (R)	Expiry date	Options outstanding on 30 June 2006 '000	Vested '000	Non-vested '000	Granted during the year '000	Exercised during the year '000	Lapsed/cancelled during the year '000	Options outstanding on 30 June 2007 '000	Vested '000	Non-vested '000
3,58	Feb 2008	848	848	—	—	661	—	187	187	—
4,28	Apr 2009	70	30	40	—	70	—	—	—	—
4,47	Apr 2009	200	100	100	—	160	—	40	40	—
5,00	Apr 2009	100	80	20	—	—	—	100	100	—
5,05	Jan 2009	410	190	220	—	330	—	80	80	—
5,72	Jan 2009	60	40	20	—	—	—	60	60	—
5,90	Dec 2009	120	—	120	—	120	—	—	—	—
6,00	Jul 2009	170	10	160	—	90	20	60	—	60
6,07	Aug 2009	150	30	120	—	90	40	20	—	20
6,09	Jan 2009	100	80	20	—	—	—	100	100	—
6,13	May 2008	40	20	20	—	40	—	—	—	—
6,50	Jan 2011	759	156	603	—	168	36	555	183	372
6,59	Mar 2011	13	—	13	—	4	—	9	—	9
7,01	Feb 2011	60	—	60	—	20	40	—	—	—
7,49	Feb 2011	6	2	4	—	2	4	—	—	—
7,57	Feb 2011	13	—	13	—	2	—	11	2	9
7,77	Jul 2011	370	20	350	—	99	55	216	8	208
8,28	Aug 2011	80	14	66	—	30	36	14	—	14
9,01	Oct 2011	52	—	52	—	12	10	30	—	30
9,20	Aug 2011	1 600	—	1 600	—	—	—	1 600	400	1 200
9,46	Sep 2011	15	3	12	—	—	—	15	6	9
9,85	Nov 2011	102	6	96	—	13	18	71	17	54
11,11	Feb 2012	71	5	66	—	—	48	23	9	14
11,20	Jan 2012	833	87	746	—	140	98	595	129	466
11,42	Feb 2012	18	—	18	—	5	—	13	—	13
11,46	Feb 2012	8	2	6	—	—	—	8	3	5
12,00	Dec 2012	8	2	6	—	—	—	8	3	5
12,07	Mar 2012	43	8	35	—	14	—	29	2	27
12,10	Feb 2012	8	2	6	—	2	6	—	—	—
12,23	May 2012	38	8	30	—	14	6	18	—	18
12,30	Jun 2012	200	—	200	—	—	—	200	40	160
12,40	Mar 2012	24	—	24	—	6	—	18	—	18
12,46	Apr 2012	75	15	60	—	12	—	63	18	45
12,67	Jul 2012	2 863	12	2 851	—	417	419	2 027	241	1 786
12,75	Aug 2012	80	—	80	—	—	80	—	—	—
13,20	Jul 2012	8	—	8	—	2	—	6	—	6
13,55	Aug 2012	800	—	800	—	160	640	—	—	—
14,86	Sep 2012	38	—	38	—	—	—	38	8	30
14,96	Oct 2012	30	—	30	—	6	—	24	—	24
15,75	Nov 2012	15	—	15	—	3	—	12	—	12
15,87	Nov 2012	8	—	8	—	2	—	6	—	6
16,93	Sep 2012	8	—	8	—	—	—	8	2	6
18,23	Oct 2012	115	—	115	—	3	6	106	20	86
20,73	Sep 2012	208	—	208	—	42	80	86	—	86
21,49	Mar 2012	45	—	45	—	1	—	44	8	36
22,13	May 2012	38	—	38	—	—	8	30	6	24
23,92	Jul 2013	1 058	—	1 058	—	—	334	724	—	724
23,93	Jun 2013	45	—	45	—	—	—	45	9	36
24,19	Jun 2013	8	—	8	—	—	8	—	—	—
24,57	Jun 2013	60	—	60	—	—	—	60	12	48
32,89	Sep 2014	—	—	—	773	—	29	744	—	744
		12 091	1 770	10 321	773*	2 740**	2 021	8 103	1 693	6 410

* Information relating to options granted during the year:

Fair value at measurement date (R) 11,10

Share price at measurement date (R) 32,89

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

Volatility 29,07%

Dividend yield 2,59%

Risk-free rate 8,80%

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

** Options exercised during the year resulted in 2 739 590 shares (2006: 7 862 142 shares) being issued yielding proceeds of R27,0 million (2006: R33,7 million). The weighted average share price at which shares were exercised during the year was R34,02.

16.2 Aspen Share Appreciation Plan

Exercise price (R)	Expiry date	Rights outstanding on 30 June 2006 '000		Granted during the year '000	Exercised during the year '000	Lapsed/cancelled during the year '000	Rights outstanding on 30 June 2007* '000	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility %	Dividend yield %	Risk-free rate %	
		Vested '000	Non-vested '000										
23.92	Jul 2010	3 646	21	3 625	—	211	416	3 019	10,96	30,54	25,43	2,54	7,55
28.54	Aug 2010	29	—	29	—	—	—	29	9,38	31,00	24,91	2,54	7,55
29.97	Sep 2010	4	—	4	—	—	—	4	8,39	30,54	24,87	2,54	7,55
30.04	Sep 2010	43	—	43	—	—	4	39	8,36	30,54	24,87	2,54	7,55
30.53	Oct 2010	26	—	26	—	—	—	26	8,86	31,70	24,62	2,54	7,55
31.12	Sep 2010	20	—	20	—	—	—	20	7,85	30,54	24,72	2,54	7,55
31.52	Oct 2012	—	—	—	8	—	—	8	9,38	31,80	27,54	2,30	8,46
31.68	Oct 2010	4	—	4	—	—	—	4	7,63	30,54	24,89	2,54	7,55
31.83	Dec 2010	37	—	37	—	—	—	37	8,24	31,70	24,62	2,54	7,55
31.89	Jan 2012	—	—	—	8	—	—	8	12,14	34,02	28,02	1,95	8,94
31.94	Nov 2012	—	—	—	42	—	—	42	9,82	33,00	27,45	2,30	8,09
31.96	Nov 2010	45	—	45	—	—	—	45	8,43	32,08	24,66	2,54	7,55
32.16	Jan 2012	—	—	—	16	—	—	16	10,42	31,75	28,01	1,95	8,94
32.28	Jan 2012	—	—	—	32	—	32	—	11,84	34,60	24,68	1,95	8,94
32.39	Jan 2012	—	—	—	23	—	5	18	10,58	32,10	28,00	1,95	8,94
32.59	Dec 2010	8	—	8	—	—	—	8	12,46	37,99	24,70	2,34	7,30
32.82	Sep 2011	—	—	—	3 390	159	376	2 855	9,64	33,19	27,44	2,30	8,72
33.24	Dec 2010	4	—	4	—	—	—	4	12,11	37,99	24,70	2,34	7,30
33.41	Jan 2011	26	—	26	—	—	—	26	12,88	39,17	24,79	2,34	7,30
33.58	Dec 2012	—	—	—	4	—	—	4	10,36	35,00	27,68	2,30	8,00
33.60	Feb 2012	—	—	—	58	—	—	58	12,73	35,90	28,09	1,95	8,94
34.55	Oct 2012	—	—	—	32	—	—	32	10,05	34,94	27,43	2,30	8,63
34.75	Feb 2012	—	—	—	11	—	—	11	10,59	33,57	28,06	1,95	8,94
35.32	Mar 2012	—	—	—	4	—	4	—	11,50	35,20	28,24	1,95	8,94
35.61	Mar 2012	—	—	—	11	—	—	11	11,40	35,25	28,23	1,95	8,94
36.67	Jun 2011	7	—	7	—	—	—	7	8,58	34,28	26,53	2,34	7,30
37.16	Jun 2012	—	—	—	7	—	—	7	12,48	37,76	27,46	1,95	8,94
37.55	Jun 2012	—	—	—	3	—	—	3	12,36	37,82	27,47	1,95	8,94
37.97	Apr 2012	—	—	—	14	—	—	14	12,71	38,45	27,84	1,95	8,94
38.15	May 2012	—	—	—	18	—	—	18	13,39	39,61	27,73	1,95	8,94
38.60	Apr 2012	—	—	—	4	—	—	4	12,14	38,06	27,85	1,95	8,94
42.63	Mar 2011	17	—	17	—	—	—	17	10,24	42,19	25,88	2,34	7,30
43.37	Apr 2011	6	—	6	—	—	—	6	8,58	43,72	25,27	2,34	7,30
43.41	May 2011	6	—	6	—	—	—	6	11,43	38,10	25,50	2,34	7,30
		3 928	21	3 907	3 685	370**	837	6 406					

The fair value was determined with the use of a binomial model. Volatility was based on historical data, taking into account the expected life of the appreciation rights.

* All rights outstanding at year-end have not yet vested.

** During the year 369 580 rights were exercised which resulted in 89 058 shares (2006: nil) being issued.

The weighted average share price at which shares were exercised during the year was R36,66.

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

Aspen Share Appreciation Plan	Number of rights '000
2008	371
2009	2 925
2010	3 110

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

COMPANY		GROUP	
2006 R'000	2007 R'000	2007 R'000	2006 R'000
	17. Preference share capital		
	Authorised		
	17 600 000 (2006: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each.	2 447	2 447
	20 000 000 (2006: nil) non-redeemable, non-participating variable rate B preference shares of 13,90607 cents each.	2 781	—
	Issued		
	17 600 000 (2006: 17 600 000) cumulative, variable rate A preference shares of 13,90607 cents each, issued at R21,41 during June 2005.	2 447	2 447
	Share premium	374 369	374 369
		376 816	376 816
	Rights attached to the A preference shares		
	Dividend rights		
	Preference share dividends are calculated at prime overdraft rate of interest as charged by First National Bank Ltd from time-to-time multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends are payable on 10 June of each year.		
	The preference share dividend rate was 9,2% at year-end (2006: 7,8%).		
	Voting rights		
	Each Aspen preference share has one vote and accordingly ranks pari passu in regard to votes with the issued Aspen ordinary shares.		
	Redemption/conversion rights		
	Preference shareholders have the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. Redemption will take place at R21,41.		
	The conditions or rights of the preference shares are available for inspection at the Company's registered office.		
	Accounting		
	Refer to the accounting policy on page 83. For accounting purposes the preference shares have been split into an equity and a liability component:		
	Equity component	153 296*	153 296*
	Liability component	403,482	403 304
	Amount expensed in 2005	(183 241)	(183 241)
	Cumulative notional interest on liability component	3 279	3 457
		376 816	376 816

* R162,0 million net of deferred tax asset.

The fair value of the liability component of the preference shares is R399,9 million (2006: R396,1 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component was 13,0% (2006: 10,5%).

COMPANY		GROUP		
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		18. Minority interest		
		At the beginning of the year	6 619	—
		Acquisition of subsidiary	—	6 862
		Share of profits/(losses)	343	(243)
			6 962	6 619
		19. Borrowings		
		19.1 Non-current borrowings		
—	—	Secured loans – offshore (a)	49 261	69 079
—	—	Finance lease and instalment credit liabilities (b)	4 189	4 653
			53 450	73 732
—	—	Current portion of secured loans – offshore (a)	(24 631)	(23 022)
—	—	Current portion of finance lease and instalment credit liabilities (b)	(2 882)	(1 742)
—	—	Non-current borrowings	25 937	48 968
		19.2 Current borrowings		
—	—	Current portion of secured loans – offshore (a)	24 631	23 022
—	—	Current portion of finance lease and instalment credit liabilities (b)	2 882	1 742
105 376	105 376	Current unsecured loans – local (c)	915 993	768 607
—	—	Current unsecured loans – offshore (d)	1 803	1 598
—	—	Current secured loans – offshore (e)	22 752	15 804
12 466	13 385	Bank overdrafts (f)	2 833 757	363 005
117 842	118 761	Current borrowings	3 801 818	1 173 778
		Terms of repayment		
		a) Secured loans amounting to R24,6 million have been settled during the year ended 30 June 2007 (2006: R23.0 million). The balance is repayable over the period to 10 April 2009, in 4 equal semi-annual instalments as follows:		
		year ended 30 June 2007	—	23 022
		year ending 30 June 2008	24 631	23 022
		year ending 30 June 2009	24 630	23 035
		The interest rate charged is linked to movements in the 6-month London Inter Bank Offered Rate ("LIBOR").		
		b) Finance lease and instalment credit liabilities:		
		year ended 30 June 2007	—	1 742
		year ending 30 June 2008	2 882	1 499
		year ending 30 June 2009	1 307	1 412
		The interest rate charged is variable and linked to the prime rate.		
		c) The local unsecured loans have no fixed terms of repayment, and bear interest at overnight call borrowing rates prevailing.		

COMPANY		GROUP	
2006 R'000	2007 R'000	2007 R'000	2006 R'000
19. Borrowings <i>continued</i>			
The balance comprises loans payable to the following parties:			
		174 931	15 093
	ABSA Bank Ltd		
	Citibank N.A., South Africa Branch	76 599	191 904
	Commerz Bank, Johannesburg Branch	98 762	117 723
	HSBC Bank plc	100 066	137 923
	Investec Bank Ltd	217 183	113 743
	Rand Merchant Bank, a division of FirstRand Bank Ltd	247 891	—
	Sanlam Ltd	561	112 683
	The Standard Bank of South Africa Ltd	—	73 913
	Matrix	—	5 625
d) An offshore AUD denominated loan of R1,8 million (2006: R1,6 million) which bears interest at 1,2% above the 90-day Bank Bills Swap Yield ("BBSY"), and has no specific terms of repayment.			
e) An offshore INR denominated loan of R22,8 million (2006: R15,8 million) which bears interest at 6%, and has no specific terms of repayment.			
f) The South African bank overdrafts have no fixed terms of repayment, and bear interest at prime less 1%. The Group operates a cash management system which minimises the payment of interest on this facility.			
Security given			
a) – Cession and pledge of shares in Aspen International Ltd, Aspen Resources and Aspen Australia.			
– A deed of guarantee and indemnity granted by Aspen Pharmacare Holdings Ltd, as well as a similar deed granted by Aspen International Ltd, in terms of which the borrowings of Aspen Resources are guaranteed.			
– A negative pledge that no encumbrances will be permitted over any part of the present or future undertakings, assets, rights or revenues for as long as any monies or obligations are outstanding.			
b) Amounts due in respect of finance lease agreements are secured by computer equipment with a net book value of R3,7 million (2006: R4,7 million).			
c & f) Cross guarantees between Aspen Pharmacare Holdings Ltd and its subsidiaries exist in respect of the Group's local unsecured borrowings and bank overdrafts.			
e) Secured by working capital in Astrix.			
The carrying amounts of non-current loans were not materially different from the fair values of those loans at year-end. All borrowings are exposed to cash flow interest rate risk, except for the secured offshore liabilities of R49,3 million (2006: R69,1 million) that are exposed to fair value interest rate risk.			

COMPANY		GROUP		
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		19. Borrowings <i>continued</i>		
		Maturity of total borrowings (excluding finance lease liabilities)		
117 842	118 761	Not later than 1 year	3 798 936	1 172 036
—	—	Later than 1 year but not later than 5 years	24 630	46 057
117 842	118 761		3 823 566	1 218 093
		Finance lease liabilities: minimum lease payments		
—	—	Not later than 1 year	3 007	1 982
—	—	Later than 1 year but not later than 5 years	1 337	2 937
—	—		4 344	4 919
—	—	Future finance charges on finance leases	(155)	(266)
—	—	Present value of finance lease liabilities	4 189	4 653
		The present value of finance lease liabilities is as follows		
—	—	Not later than 1 year	2 882	1 742
—	—	Later than 1 year but not later than 5 years	1 307	2 911
—	—		4 189	4 653
		The Group had the following undrawn borrowing facilities at year-end		
		– Local facilities of R1,8 billion.		
		– An offshore facility of R37,2 million (AUD denominated).		
		– A foreign exchange facility of R205,0 million (USD denominated).		
		All facilities negotiated are reviewed annually. All South African facilities are subject to floating rates. No commitment fees have been incurred in respect of facilities negotiated.		
		20. Deferred-payables		
		20.1 Non-current deferred-payables		
—	—	Deferred earn-out consideration (a)	11 044	4 811
23 681	46 348	FCC contingent consideration payable (b)	46 348	23 681
2 782	3 161	Brimchem SA (Pty) Ltd contingent consideration payable (c)	3 161	2 782
—	—	Sandoz SA (Pty) Ltd	7 035	—
26 463	49 509		67 588	31 274
—	—	Current portion of deferred earn-out consideration (a)	(9 722)	(4 811)
—	(46 348)	Current portion of FCC contingent consideration payable (b)	(46 348)	—
—	—	Current portion of Sandoz SA (Pty) Ltd	(7 035)	—
26 463	3 161	Non-current deferred-payables	4 483	26 463
		20.2 Current deferred-payables		
—	—	Current portion of deferred earn-out consideration (a)	9 722	4 811
—	46 348	Current portion of FCC contingent consideration payable (b)	46 348	—
—	—	Current portion of Sandoz SA (Pty) Ltd	7 035	—
—	46 348	Current deferred-payables	63 105	4 811

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		20. Deferred-payables <i>continued</i>		
		20.3 Terms of repayment		
		(a) The amount initially recognised in respect of the deferred earn-out liability is determined by discounting future payments to their present values using an appropriate discount rate on initial recognition. The liabilities are subsequently carried at amortised cost, with interest being calculated at a fixed rate. The deferred earn-out liability in respect of the Eli Lilly and Company agreement is unsecured.		
		(b) The estimated contingent consideration of R46,3 million (2006: R23,7 million) is payable to the management of FCC vendors after the audited results for the year ended 30 June 2007 are finalised.		
		(c) The estimated contingent consideration of R3,2 million (2006: R2,8 million) is payable to the management of Brimchem SA (Pty) Ltd beneficiaries based on the audited average profit after tax for the years ending 30 June 2007 to 30 June 2008.		

The carrying amounts and fair values of deferred-payables were as follows:

	Carrying amounts		Fair values	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
FCC	46 348	23 681	46 348	23 681
Deferred earn-out consideration	11 044	4 811	10 718	4 665
Brimchem SA (Pty) Ltd	3 161	2 782	3 161	2 782
Sandoz SA (Pty) Ltd	7 035	—	7 035	—
	67 588	31 274	67 262	31 128

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		21. Deferred revenue		
—	—	At the beginning of the year	2 603	—
—	—	Created	5 357	2 241
—	—	Recognised in the income statement	(625)	—
—	—	Effects of exchange rate changes	30	362
—	—	Total deferred revenue at the end of the year	7 365	2 603
		Analysis of total deferred revenue		
—	—	Non-current	6 098	2 082
—	—	Current	1 267	521
—	—		7 365	2 603
		Deferred revenue consists of licence fees and other amounts received in advance and is recognised as income over the period of the agreement.		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		22. Retirement benefit obligations		
		<p>It is the policy of the Group to provide for retirement benefit liabilities by payments to separate funds which are statutorily independent from the Group. These funds cover eligible employees, other than those who opt to be or are required by legislation to be members of various industry funds.</p> <p>The South African employees not covered by way of legislated funds are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.</p> <p>In line with the company's policy of accounting for post-retirement medical obligations, an independent actuarial valuation has been performed in May 2007 and provision made in the balance sheet. Principal assumptions used incorporate the following:</p> <ul style="list-style-type: none"> - a discount rate of 8,0% per annum (2006: 7,5%) - a medical inflation rate of 5,5% per annum (2006: 5,5%); - an expected return on plan assets of 8,5% (2006: 6,25%), versus the actual return achieved of 6,9% (2006: 4,0%); and - a salary increase rate of 6,0% for 2006. Salary rate assumptions were not required for 2007, as there were no salary related contributions during 2007. <p>This valuation has been performed using the projected unit credit funding method to determine the past service liabilities at valuation date.</p>		
		Amounts recognised in the balance sheet		
—	—	Post-retirement medical obligation	7 154	7 332
—	—	Deferred tax effect	(2 075)	(2 126)
			5 079	5 206
		Post-retirement medical obligation comprises		
—	—	Present value of unfunded obligations	15 849	15 824
—	—	Fair value of plan assets	(8 695)	(8 492)
		Balance sheet liability	7 154	7 332
		The movement in the liability recognised on the balance sheet is as follows		
—	—	At the beginning of the year	15 824	16 123
—	—	Disposal of 50% of FCC	—	(740)
—	—	Interest cost	857	878
—	—	Current service cost	720	710
—	—	Contributions paid to the scheme on behalf of pensioners	(53)	(39)
—	—	Actuarial gains	(1 499)	(1 108)
			15 849	15 824
		The movement in the fair value of plan assets recognised on the balance sheet is as follows		
—	—	At the beginning of the year	8 492	5 510
—	—	Contributions paid to the scheme on behalf of pensioners	—	3 469
—	—	Actuarial losses	(526)	(943)
—	—	Expected returns on plan assets	729	456
			8 695	8 492

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP			
2006	2007		2007	2006		
R'000	R'000		R'000	R'000		
		22. Retirement benefit obligations <i>continued</i>				
		The amounts recognised in the income statement				
—	—	Current service cost	720	710		
—	—	Interest cost	857	878		
—	—	Expected return on plan assets	(729)	(456)		
—	—	Actual gains	(973)	(165)		
—	—	Total included in staff costs	(125)	967		
		The charge was classified as follows on the income statement				
—	—	Selling and distribution expenses	(111)	640		
—	—	Administrative expenses	(14)	327		
—	—		(125)	967		
		The actual return of plan assets was R0,5 million (2006: R0,3 million)				
		Mortality rate				
		Assumptions regarding future mortality experience are set out based on advice, published statistics and experience in each territory.				
		The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows				
		Male	16,4	16,4		
		Female	20,4	20,4		
		The mortality assumptions have remained unchanged from 2006 to 2007. The life expectancy was assumed to be the same in 20 year's time.				
			Increase	Decrease		
		The effect of a 1% movement in the assumed medical inflation rate was				
		Effect on the aggregate of the current service cost and interest cost	417	(328)		
		Effect on the post-retirement medical obligation	2 883	(2 299)		
		Aspen's plan assets are invested in a Group insurance annuity policy. The fair value equals the book value.				
		The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current insurance policy.				
		No contributions are expected to be paid to the plan for the year ending 30 June 2008.				
		As at 30 June	2007	2006	2005	2004
		Present value of post-retirement medical obligation	15 849	15 824	16 123	13 429
		Fair value of plan assets	8 695	8 492	5 510	2 609
		Deficit	7 154	7 332	10 613	10 820
		Experience adjustments on plan liabilities	(9)	(1 299)	—	—
		Experience adjustments on plan assets	466	2 902	—	—
		23. Trade and other payables				
—	—	Trade payables	406 503	455 686		
21 645	6 507	Accrued expenses	125 349	156 024		
11 021	11 845	Indirect taxes	38 182	25 775		
833	1 145	Leave pay	21 248	18 536		
5 462	5 161	Bonuses	30 436	30 381		
76 092	76 521	Royalties received in advance	—	—		
3 896	3 050	Other	25 139	25 811		
118 949	104 229		646 857	712 213		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		24. Revenue		
		Sale of goods and services		
—	—	Local	2 917 315	2 572 758
—	—	Offshore	750 111	590 261
—	—	Exports	286 882	213 024
		Other revenue		
152 184	152 756	Royalties	1 460	623
—	—	Co-marketing fees – local	60 569	62 286
—	—	– offshore	9 517	10 388
152 184	152 756	Per income statement	4 025 854	3 449 340
		25. Operating profit		
		Operating profit has been arrived at after crediting:		
—	—	Profit on disposal of investment property (included in other operating income)	—	698
—	3 360	Profit/(loss) on disposal of intangible assets	3 414	(73)
—	—	Reversal of impairment losses – intangible assets (included in other operating income)	99	776
—	—	Rental received – investment property (included in other operating income)	—	222
—	—	Operating lease rentals received (operating leases where the company is the lessor)	699	292
—	—	– Land and buildings	433	175
—	—	– Plant and equipment	266	117
		after charging:		
—	—	Loss on disposal of property, plant and equipment	523	35
2 980	1 277	Auditors' remuneration	6 439	7 555
770	1 156	– Audit fees	5 627	4 167
738	1 036	Current year	5 365	4 001
32	120	Prior year under-provision	262	166
80	4	– Expenses	28	111
169	117	– Other services – tax consulting	648	628
188	—	– Other services – IT consulting	5	540
—	—	– Other services – accounting consulting	88	246
—	—	– Other services – royalties	43	90
1 773	—	– Other services – PLIVA dd bid	—	1 773
—	121	Impairment of intangible assets (included in other operating expenses)	10 873	2 358
—	—	Impairment of goodwill (included in other operating expenses)	—	13 913
—	—	Impairment charge – inventories (included in cost of sales)	24 699	51 246
—	—	Trade receivables – impairment charge/(reversal) for bad and doubtful debts (included in administrative expenses)	2 014	(7 033)
194	335	Repairs and maintenance expenditure on property, plant and equipment	35 442	36 160
—	—	Operating expenses – investment property (included in administrative expenses)	—	513

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		25. Operating profit <i>continued</i>		
—	—	Research and development costs	16 092	10 116
—	—	Cost of inventories recognised as an expense (included in cost of sales)	2 077 337	1 753 633
1 244	1 268	Operating lease rentals	20 415	16 469
1 227	1 227	- Land and buildings	16 255	11 660
—	—	- Plant and equipment	2 860	2 306
—	—	- Computer equipment	59	907
17	41	- Office equipment and furniture	1 241	1 596
—	—	Litigation settlements	1 511	1 800
—	—	Managerial fees	3 260	1 722
—	—	Technical fees	6 728	6 654
—	—	Administrative fees	1 315	1 242
140	139	Secretarial fees	139	281
		26. Expenses by nature		
589	658	Depreciation	60 336	47 525
80 079	90 420	Amortisation of intangible assets	121 150	92 606
—	121	Net impairment charges	37 586	46 571
194	335	Repairs and maintenance	35 442	36 160
15 742	17 402	Personnel costs and other staff related costs	542 778	511 874
—	12 874	Share trust contributions	—	—
2 828	3 669	Share-based payment expense – employees	29 363	27 630
—	—	Changes in inventories of finished goods and work-in-progress	(69 499)	(238 325)
—	—	Purchases of finished goods	533 675	490 921
—	—	Other production expenses	90 556	79 147
—	—	Raw materials and consumables used	1 067 439	992 181
—	—	Transport and warehousing costs	150 742	109 267
—	—	Advertising and marketing expenses	168 336	148 706
—	—	Royalties paid	29 600	16 119
1 330	1 519	Property costs	14 998	10 168
77	—	RSC levies	—	5 312
—	—	Investment in FCC written down to fair value	—	13 913
21 334	—	Costs relating to PLIVA dd bid	—	21 334
10 548	13 288	Other	150 159	145 676
132 721	140 286	Total	2 962 661	2 556 785
		Classified as:		
—	—	Cost of sales	2 084 208	1 789 047
—	—	Selling and distribution expenses	536 863	462 335
52 642	49 745	Administrative expenses	208 231	195 752
80 079	90 541	Other operating expenses	133 359	109 651
132 721	140 286	Total	2 962 661	2 556 785

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		27. Directors and employees		
		27.1 Staff costs		
14 061	15 859	Wages and salaries	468 705	412 741
1 086	1 004	Provident fund contributions – defined contribution plans	41 660	36 819
431	337	Medical aid contributions	25 524	23 802
—	—	Post-retirement medical aid benefits	(125)	980
—	—	Termination benefits	822	1 051
2 798	3 648	Share-based payment expense – options and appreciation rights	24 233	23 411
30	21	Share-based payment expense – Workers' Share Plan	5 130	4 219
135	202	Other company contributions	6 317	5 217
18 541	21 071		572 266	508 240
—	—	Amount included in cost of sales	308 175	249 607
—	—	Wages and salaries	262 404	216 315
—	—	Benefits	45 771	33 292
—	—	Amount included in selling and distribution expenses	130 185	118 428
—	—	Wages and salaries	101 118	93 511
—	—	Benefits	29 067	24 917
18 541	21 071	Amount included in administrative expenses	133 906	140 205
14 061	15 859	Wages and salaries	105 183	102 915
4 480	5 212	Benefits	28 723	37 290
22	25	Total number of employees at year-end	3 452	3 077
22	25	Full-time employees	2 348	2 144
—	—	Part-time employees	1 104	933

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

27. Directors and employees *continued*

27.2 Directors' emoluments

Name	Fees R'000	Remun- eration R'000	Retire- ment and medical aid benefits R'000	Perform- ance bonus R'000	Gain on exercise of share options R'000	Termi- nation benefits R'000	TOTAL R'000
2007							
Non-executive directors							
Archie Aaron	319	—	—	—	—	—	319
Rafique Bagus	190	—	—	—	—	—	190
Leslie Boyd	200	—	—	—	—	—	200
John Buchanan	325	—	—	—	—	—	325
Judy Dlamini	190	—	—	—	—	—	190
Pasco Dyani	170	—	—	—	—	—	170
Maxim Krok	150	—	—	—	—	—	150
Chris Mortimer	250	—	—	—	—	—	250
David Nurek	150	—	—	—	—	—	150
Sindi Zilwa	197	—	—	—	—	—	197
Total (A)	2 141	—	—	—	—	—	2 141
Executive directors							
Stephen Saad	—	3 164	385	2 921	—	—	6 470
Gus Attridge	—	2 606	340	2 394	—	—	5 340
Total (B)	—	5 770	725	5 315	—	—	11 810
Total emoluments (A+B)							13 951
Less paid by subsidiary companies (C)							3 080
Total emoluments paid by Aspen (A+B-C)							10 871
2006							
Non-executive directors							
Archie Aaron	250	—	—	—	—	—	250
Rafique Bagus	135	—	—	—	—	—	135
Leslie Boyd	140	—	—	—	—	—	140
John Buchanan	220	—	—	—	—	—	220
Muzi Buthelezi	68	—	—	—	—	—	68
Judy Dlamini	135	—	—	—	—	—	135
Pasco Dyani	50	—	—	—	—	—	50
Maxim Krok	100	—	—	—	—	—	100
Chris Mortimer	170	—	—	—	—	—	170
David Nurek	100	—	—	—	—	—	100
Total (A)	1 368	—	—	—	—	—	1 368
Executive directors							
Stephen Saad	—	2 808	359	3 167	70	—	6 404
Gus Attridge	—	2 337	293	2 630	70	—	5 330
Werner van Rensburg	—	1 191	201	374	—	711	2 477
Total (B)	—	6 336	853	6 171	140	711	14 211
Total emoluments (A+B)							15 579
Less paid by subsidiary companies (C)							3 596
Total emoluments paid by Aspen (A+B-C)							11 983

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		28. Investment income		
—	450 000	Dividends received from subsidiaries	—	—
—	—	Dividends received – other	—	24
25 321	29 295	Preference share dividends received	29 295	25 321
2 587	16 365	Interest received	110 475	47 508
2 079	15 884	Interest on bank balances and short-term deposits	110 014	46 099
501	461	Joint ventures	231	251
7	20	Other	230	1 158
27 908	495 660		139 770	72 853
		29. Financing costs		
(10 476)	(12 804)	Interest paid	(174 050)	(93 202)
—	—	Non-current borrowings	(5 117)	(5 480)
(10 476)	(12 804)	Bank overdrafts and current borrowings	(168 603)	(87 292)
—	—	Finance leases	(290)	(82)
—	—	Other	(40)	(348)
(28 092)	(32 457)	Preference share dividends paid	(32 457)	(28 092)
(67)	231	Net foreign exchange gains/(losses)	22 717	(7 058)
—	—	Fair value (losses)/gains on financial instruments	(19 402)	14 793
—	—	– Cross-currency swap	(3 038)	4 334
—	—	– Forward exchange contracts	(16 364)	10 459
1 922	(2 230)	Notional interest on financial instruments	(3 823)	(122)
(36 713)	(47 260)		(207 015)	(113 681)
		Net financing costs above exclude financing costs of R10,0 million which have been capitalised during 2007 to capital work-in-progress (2006: R0,4 million).		
		30. Tax		
17 371	21 104	South African current tax – current year	249 211	171 981
—	(254)	– prior year	(1 422)	(29 012)
—	—	Foreign current tax – current year	31 579	19 871
—	—	– prior year	(229)	—
3 306	(2 889)	South African deferred tax – current year	12 995	47 544
—	—	– prior year	(1 117)	98
—	—	Foreign deferred tax – current year	(196)	5 352
—	—	– prior year	197	(57)
346	395	STC and other dividend taxes	395	346
237	—	Capital gains tax	305	238
21 260	18 356	Total tax charge	291 718	216 361
%	%	Reconciliation of the tax rate	%	%
67,1	3,8	Effective tax rate	28,9	25,3
25,1	28,7	Capital and exempt income	1,0	0,9
—	—	Assessed losses utilised	—	0,3
—	0,1	Prior year adjustments (incorporating portion of section 12G claim)	0,3	3,5
—	—	Foreign rates of tax	(0,1)	(0,1)
(61,4)	(3,5)	Disallowable expenses	(2,7)	(3,8)
(2,6)	(0,2)	Non-deductible portion of share-based payment expense – employees	(0,7)	(0,8)
(12,2)	(0,8)	Non-deductible amortisation of intangible assets	(0,8)	(0,6)
(46,6)	(2,5)	Other disallowable expenses	(1,2)	(2,4)
(1,1)	(0,1)	STC and other dividend taxes	—	—
—	—	Deferred tax asset raised	1,5	1,8
(0,7)	—	Capital gains tax	—	—
—	—	Section 12 G claim (Strategic Industrial Project allowance)	—	1,1
—	—	Other reconciling items	0,1	—
29,0	29,0	Tax at statutory rate	29,0	29,0

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		30. Tax <i>continued</i>		
		Unutilised tax benefits		
—	—	Assessed losses in Aspen Nutritionals	—	67 002
—	—	Prior year adjustment	—	(4 887)
—	—	Utilised against current profits	—	(8 167)
—	—	Current losses incurred	23	—
—	—	Total estimated tax losses	23	53 948
—	—	Applied to increase deferred tax asset	—	(53 948)
—	—	Tax losses available to reduce future taxable income	23	—
		31. Earnings per share		
		31.1 Basic earnings per share		
		Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Aspen and held as treasury shares.		
		Net profit attributable to equity holders of the parent	717 323	637 796
		Weighted average number of shares in issue ('000)*	348 850	344 128
		Earnings per share (cents)	205,6	185,3
		Diluted earnings per share		
		The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has three categories of dilutive potential ordinary shares, namely share options, share appreciation rights and convertible preference shares. A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and appreciation rights. Fair value is calculated as the average share price for the year for share options. The closing price is used for share appreciation rights, as these are classified as contingently issuable shares in terms of IAS 33, <i>Earnings per share</i> . The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. Earnings were adjusted by the preference dividend paid and the notional interest on the preference shares.		
		Net profit attributable to equity holders of the parent	717 323	637 796
		Adjusted for:		
		– Preference share dividend	32 457	28 092
		– Notional interest – liability component of preference shares	178	(3 278)
		Adjusted earnings	749 958	662 610
		Weighted average number of shares for diluted earnings per share ('000)	371 617	369 787
		Adjustment for share options and appreciation rights ('000)	5 167	8 059
		Total number of convertible preference shares ('000)	17 600	17 600
		Weighted number of shares in issue ('000)*	348 850	344 128
		Diluted earnings per share (cents)	201,8	179,2

* After deduction of treasury shares.

COMPANY		GROUP	
2006 R'000	2007 R'000	2007 R'000	2006 R'000
31. Earnings per share <i>continued</i>			
31.2 Headline earnings per share			
Reconciliation of headline earnings			
Net profit attributable to equity holders of the parent		717 323	637 796
Adjusted for:			
– Investment in FCC written down to fair value (net of tax)		—	14 150
– Loss on disposal of property, plant and equipment (net of tax)		389	12
– Impairment of intangible assets (net of tax)		8 207	1 935
– (Profit)/loss on disposal of intangible assets (net of tax)		(3 417)	51
– Deferred tax asset in respect of Aspen Nutritionals assessed loss raised		—	(15 645)
– Goodwill in respect of acquisition of Aspen Nutritionals written down		—	546
– Adjustment to write down on disposal of 50% of FCC		10 576	—
– Profit on sale of investment property (net of tax)		—	(698)
Headline earnings		733 078	638 147
Weighted number of shares in issue ('000)*		348 850	344 128
Headline earnings per share (cents)		210,1	185,4
Diluted headline earnings per share			
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator.			
Headline earnings		733 078	638 147
Adjusted for:			
Preference share dividend		32 457	28 092
Notional interest – liability component of preference shares		178	(3 278)
Adjusted headline earnings		765 713	662 961
Weighted average number of shares for diluted headline earnings per share ('000)		371 617	369 787
Adjustment for share options and appreciation rights ('000)		5 167	8 059
Total number of convertible preference shares ('000)		17 600	17 600
Weighted number of shares in issue ('000)*		348 850	344 128
Diluted headline earnings per share (cents)		206,1	179,3

* After deduction of treasury shares.

32. Capital distribution per share

A capital distribution per share of 70 cents was approved at the Board meeting of the Company held on 20 August 2007. In compliance with IAS 10, *Events After the Balance Sheet Date*, the annual financial statements do not reflect this distribution. The capital distribution will only be accounted for in the financial statements for the year ending 30 June 2008.

The capital distribution declared for the 2006 year and paid in the 2007 year was 62 cents per share, and the distribution declared for the 2005 year and paid in the 2006 year was 48 cents per share.

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		33. Commitments		
		33.1 Capital expenditure		
		Contracted		
		Tangible assets		
—	—	OSD Facility	9 907	17 842
—	—	Sterile Facility	59 577	56 846
—	—	General Facility	14 784	11 928
—	—	Other	12 082	5 278
—	—	Intangible assets	4 307	21 069
—	—		100 657	112 963
		Authorised but not contracted for		
		Tangible assets		
—	—	OSD Facility	878	3 091
—	—	Sterile Facility	86 898	273 896
—	—	General Facility	238 658	200
—	—	Port Elizabeth bottle packing upgrade	72 200*	—
—	—	Other	4 505	5 464
—	—	Intangible assets	980	—
—	—		404 119	282 651
		<i>* This amount was approved by the Board of Directors subsequent to the press release published in August 2007.</i>		
		33.2 Lease commitments		
		Operating lease commitments		
3 882	2 665	Land and buildings	36 911	40 635
—	—	Plant and equipment	9 902	7 563
—	—	Other	624	2 216
3 882	2 665		47 437	50 414
		The future minimum operating lease payments are as follows		
1 232	1 338	Less than 1 year	16 350	15 129
2 650	1 327	Between 1 and 5 years	31 087	35 285
3 882	2 665		47 437	50 414
		<ul style="list-style-type: none"> – The lease for the Durban head office has a remaining term of 2 years with a 5-year renewal option. – The lease for the Woodmead offices has a remaining term of 2 years, although renewal can be negotiated. – Both leases are subject to an annual escalation of 9%. – The Port Elizabeth warehouse leases have a remaining term of between 7 months and 2 years, with renewal options. – The escalation varies between 8% and 10%. – The lease for rental of parking in Port Elizabeth has a remaining term of 4 years, with an option to renew. The lease is subject to escalation in line with CPIX. 		

COMPANY			GROUP	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		33. Commitments <i>continued</i>		
		33.2 Lease commitments <i>continued</i>		
		Finance lease commitments		
—	—	Computer equipment	4 344	4 919
		The future minimum finance lease payments		
—	—	Less than 1 year	3 007	1 982
—	—	Between 1 and 5 years	1 337	2 937
—	—		4 344	4 919
		33.3 Other commitments		
		During the 2003 financial year Aspen entered into a 12-year agreement with GlaxoSmithKline SA (Pty) Ltd to distribute and market a range of their products. At 30 June 2007, 7 years and 9 months of the agreement remained. In terms of this agreement Aspen is committed to pay the following amounts to GlaxoSmithKline SA (Pty) Ltd:		
—	—	- payable within 1 year	17 700	21 646
—	—	- payable thereafter	62 570	80 270
—	—		80 270	101 916
		During the 2005 financial year Aspen Australia entered into a 10-year agreement with Novartis Australia Pty Ltd to distribute and market a range of their products. In terms of this agreement Aspen is committed to spend the following amounts on promotion of the products:		
—	—	- payable within 1 year	9 002	7 976
—	—	- payable thereafter	45 643	48 152
—	—		54 645	56 128
		33.4 Operating leases – where the company is the lessor		
—	—	Land and buildings	465	192
—	—	Plant and equipment	285	129
—	—		750	321
		The future minimum operating lease payments receivable under non-cancellable operating leases		
—	—	Less than 1 year	750	321
—	—		750	321
		The lease relates to a portion of the Astrix factory in Hyderabad. This lease is renewed on an annual basis.		
		34. Contingent liabilities		
—	—	Additional payments in respect of the Quit worldwide intellectual property rights	7 090	6 627
—	—	Guarantee covering potential rental default relating to sale of discontinued operations (expires March 2008)	1 064	2 505
717	707	Guarantees covering loan and other obligations to third parties	20 362	5 393
		A put option exists in terms of which the other shareholders of Generix are entitled to sell the remaining 50% of the Generix share capital to Aspen in 2008. The purchase price will be calculated based on a formula.		

35. Financial risk management

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

Export sales of R1,7 million (2006: R2,5 million) were not covered at year-end. For financial reporting purposes, forward exchange contracts are designated as cash flow hedges.

Foreign currency risk management

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

	Foreign amount '000	Forward cover value R'000	Marked to market value R'000	Recognised fair value in equity: (loss)/gain R'000	Recognised fair value in income statement: (loss)/gain R'000
June 2007					
Imports*					
<i>Where hedge accounting is applied:</i>					
Swiss Franc	219	1 318	1 287	4	(35)
Euro	10 162	99 290	98 234	(50)	(1 006)
GBP	1 036	14 882	14 793	(6)	(83)
Japanese Yen	13 838	872	810	(1)	(61)
Danish Krone	525	690	685	—	(5)
<i>Where hedge accounting is not applied:</i>					
Swiss Franc	6	34	33	—	(1)
Euro	2 989	29 716	29 426	—	(290)
GBP	13	203	192	—	(11)
USD	7 468	53 793	53 229	—	(564)
		200 798	198 689	(53)	(2 056)
Exports*					
<i>Where hedge accounting is not applied:</i>					
Euro	369	3 542	3 539	—	3
USD	1 089	7 795	7 735	—	60
		11 337	11 274	—	63
June 2006					
Imports*					
<i>Where hedge accounting is applied:</i>					
Swiss Franc	82	387	481	23	71
Euro	8 604	71 580	80 033	5 549	2 904
GBP	1 094	14 005	14 586	309	272
Japanese Yen	37 946	2 197	2 437	221	19
USD	17 691	124 690	127 391	1 959	742
Danish Krone	525	599	646	31	16
<i>Where hedge accounting is not applied:</i>					
Euro	148	1 310	1 350	—	40
GBP	101	1 115	1 345	—	230
USD	2 589	16 895	18 681	—	1 786
		232 778	246 950	8 092	6 080
Exports					
<i>Where hedge accounting is not applied:</i>					
Euro	43	341	396	—	(55)
USD	580	3 672	4 168	—	(496)
		4 013	4 564	—	(551)

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

35. Financial risk management *continued*

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

	2007 Marked to market value R'000	2006 Marked to market value R'000
July	119 083	126 746
August	1 549	27 557
September	16 680	20 564
October	20 843	18 321
November	8 725	15 869
December	9 070	19 404
January	3 508	8 186
February	7 957	1 878
March	—	1 020
April	—	1 090
May	—	1 095
June	—	656
Total	187 415	242 386

Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value: trade receivables, cash, the preference share investment, trade payables, current borrowings and non-current borrowings.

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

Interest rate risk

As disclosed under financial risk management on page 88 the Group continuously assesses its exposure to movements in interest rates and, where considered appropriate, enters into arrangements that are intended to mitigate these risks.

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

35. Financial risk management *continued*

The interest rate profile of total borrowings is as follows:

	Floating rate R'000	Fixed rate (1 to 6 months) R'000	Interest rate	Average effective interest rate %	Total R'000
2007					
South African Rand					
Loans linked to South African money market	915 993	—	Overnight call	8,7	915 993
Bank overdrafts	2 833 757	—	Prime-1%	12,0	2 833 757
Liabilities under capitalised finance leases and instalment sale agreements	4 189	—	4,8%	4,8	4 189
	3 753 939	—			3 753 939
United Kingdom Pound Sterling*	—	49 261	6-month LIBOR + 2,75%	8,5	49 261
Australian Dollar	1 803	—	90-day BBSY +1,2%	7,6	1 803
Indian Rupee	22 752	—	6,0%	6,1	22 752
Total	3 778 494	49 261			3 827 755
% of total borrowings	98,7	1,3			100,0
2006					
South African Rand					
Loans linked to South African money market	768 607	—	Overnight call	7,2	768 607
Bank overdrafts	363 005	—	Prime-1%	10,0	363 005
Liabilities under capitalised finance leases and instalment sale agreements	4 653	—	10,6%	10,6	4 653
	1 136 265	—			1 136 265
United Kingdom Pound Sterling*	—	69 079	6-month LIBOR +2,75%	7,4	69 079
Australian Dollar	1 598	—	90-day BBSY +1,2%	7,1	1 598
Indian Rupee	15 804	—	6,0%	6,2	15 804
Total	1 153 667	69 079			1 222 746
% of total borrowings	94,4	5,6			100,0

*This loan is covered by a cross-currency swap arrangement. The interest rate currently applicable on the swap amount of AUD10,6 million (2006: AUD14,8 million) is 9,3% (2006: 8,8%).

36. Related-party transactions

36.1 Transactions with shareholders

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

36.2 Intra-group transactions and balances

During the year, certain companies in the Group entered into arm's length transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. Refer to note 37 for a detailed list of subsidiaries and balances. None of the balances are secured.

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

	2007 R'000	2006 R'000
Royalties received in advance	152 756	152 184
– Pharmacare Ltd	151 866	151 294
– Aspen Nutritionals	890	890
Administration fee received	20 320	19 352
– Pharmacare Ltd	19 795	18 852
– FCC	525	500
Interest received from FCC	461	501
Capital distribution paid on treasury shares		
– Pharmacare Ltd	(24 141)	(18 686)
Dividends received from Pharmacare Ltd	450 000	—
Interest-free loans received from Pharmacare Ltd during the year	152 179	318 749
Expenses paid by Pharmacare Ltd on behalf of Aspen Pharmacare Holdings Ltd	65 452	92 595
Interest-free loan to Aspen Resources during the year	(174)	—
Share trust contributions made by Aspen Pharmacare Holdings Ltd to the Share Incentive Trusts	(12 874)	—

36. Related-party transactions *continued*

36.3 Transactions and balances with directors

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

The following interests have been declared by directors:

David Nurek, a non-executive director of Aspen, holds an executive position with Investec Bank Ltd. As at year-end, the Group had facilities of R345 million (2006: R360 million) with Investec Bank Ltd, of which R217 million (2006: R114 million) was utilised.

Archie Aaron, the non-executive Chairman of Aspen, is a senior director of Werksmans Inc. Attorneys, as well as the Chairman of Transpaco Ltd.

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

Legal services are provided to Aspen by both Werksmans Inc. Attorneys and Chris Mortimer & Associates.

The following material transactions were carried out with the aforementioned related parties:

	2007		2006	
	Transaction R'000	Balance owing R'000	Transaction R'000	Balance owing R'000
Interest received from Investec Bank Ltd	17	—	137	—
– Aspen Pharmacare Holdings Ltd	14	—	—	—
– Rest of the Group	3	—	137	—
Interest paid to Investec Bank Ltd	13 319	215 955	6 599	113 879
– Aspen Pharmacare Holdings Ltd	13	—	—	—
– Rest of the Group	13 306	215 955	6 599	113 879
Legal fees paid to Werksmans Inc. Attorneys (Aspen Pharmacare Holdings Ltd only)	28	—	423	292
Legal fees paid to Chris Mortimer & Associates	1 467	200	705	—
– Aspen Pharmacare Holdings Ltd	597	200	591	—
– Rest of the Group	870	—	114	—
	14 831	216 155	7 864	114 171

Directors' remuneration is disclosed in note 27.

36. Related-party transactions *continued*

36.4 Transactions with key management personnel

Key management personnel consist of directors of key Group companies, excluding joint ventures.

The key management personnel compensation consists of:

	2007 R'000	2006 R'000
Short-term employee benefits	24 032	22 065
– Aspen Pharmacare Holdings Ltd	11 348	10 001
– Rest of the Group	12 684	12 064
Post-employment benefits	1 242	1 107
– Aspen Pharmacare Holdings Ltd	908	819
– Rest of the Group	334	288
Termination benefits (rest of the Group only)	—	893
Share-based payments	4 516	4 838
– Aspen Pharmacare Holdings Ltd	1 915	1 777
– Rest of the Group	2 601	3 061
Total key management remuneration paid	29 790	28 903
Number of employees included above	20	23

No amounts were outstanding at year-end. In the prior year an unsecured amount of R0,9 million was outstanding.

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

37. Principal subsidiaries and joint ventures

Country of incorporation	Issued capital R'000	Effective Group holding		Investment		Amounts (due to)/ due by subsidiaries/ joint ventures		
		2007 %	2006 %	2007 R'000	2006 R'000	2007 R'000	2006 R'000	
Subsidiaries								
Direct								
South Africa	Aspen Pharmacare International (Pty) Ltd	—*	100	100	25 352	25 352	(29 061)	(29 061)
United Kingdom	Aspen Pharmacare International Ltd	GBP'000 16 327	100	100	198 295	172 939	—	—
United States	Aspen USA Inc.	USD'000 1 270	100	100	8 094	6 299	—	—
South Africa	Brimchem SA (Pty) Ltd	—*	50	50	2 782	2 782	—	—
Australia	Brimpharm Australia Pty Ltd	AUD 50	50	50	—	—	—	—
United Kingdom	Brimpharm UK Ltd	GBP 50	50	50	1	1	—	—
South Africa	Garec (Pty) Ltd	—*	100	100	9 771	9 771	(27 066)	(27 066)
South Africa	Brimpharm SA (Pty) Ltd (formerly Generix International (Pty) Ltd)	4	50	50	40 471	40 371	—	—
South Africa	Pharmacare Ltd	1 285	100	100	542 011	517 462	(241 441)	(194 638)
Jersey,Ci	SAD Overseas Ltd	139	100	100	—	—	—	—
South Africa	Twincor Investments (Pty) Ltd	260	100	100	5 161	5 161	(1 359)	(1 359)
Indirect								
South Africa	Abkro Investments (Pty) Ltd	—*	100	100	—	—	—	—
South Africa	Abe Krok Investments (Pty) Ltd	—*	100	100	—	—	—	—
South Africa	Akromed Products (Pty) Ltd	400	100	100	—	—	—	—
South Africa	Aspen Nutritionals (Pty) Ltd	1	100	100	—	—	—	—
South Africa	Aspen Pharmacare Africa (Pty) Ltd	1	100	100	—	—	—	—
Australia	Aspen Pharmacare Australia Pty Ltd	AUD '000 17 373	100	100	—	—	—	—
South Africa	Aspen Pharmacare East London (Pty) Ltd	1	100	100	—	—	—	—
United Kingdom	Aspen Pharmacare Resources Ltd	GBP '000 11 962	100	100	—	—	174	—
South Africa	Aspen Pharmacare South Africa (Pty) Ltd	—*	100	100	—	—	808	808
South Africa	Brovar (Pty) Ltd	—*	100	100	—	—	—	—
United Kingdom	Co-pharma Ltd	GBP '000 13	100	100	—	—	—	—
South Africa	Krok Brothers Holdings (Pty) Ltd	—*	100	100	2 213	2 213	(47 699)	(47 711)
South Africa	Malcomess Leasing Company (Pty) Ltd	—*	100	100	—	—	—	—
South Africa	Skay Investments (Pty) Ltd	—*	100	100	—	—	—	—
South Africa	Sol Krok Investments (Pty) Ltd	—*	100	100	—	—	—	—
South Africa	Solo Ethicals (Pty) Ltd	1	100	100	—	—	—	—
South Africa	Triomed (Pty) Ltd	1	100	100	—	—	—	—
Total investments in subsidiary companies					834 151	782 351	(345 644)	(299 027)
Joint ventures								
India	Astrix Laboratories Ltd	INR'000 45 250	50	50	232 931	232 931	—	—
South Africa	Fine Chemicals Corporation (Pty) Ltd	—	50	50	136 409	125 272	—	6 751
Total investments in joint venture companies					369 340	358 203	—	6 751
Total investment in subsidiaries and joint ventures					1 203 491	1 140 554	(345 644)	(292 276)

*Less than R 1 000.

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

The disclosure provided below is required by IAS 36, *Impairment of Assets* for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The Group did not have any intangible assets with indefinite lives at year-end. No impairment to the carrying value of goodwill was deemed necessary.

FCC

The carrying amount of goodwill allocated to FCC is R96,5 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of five years, and incorporate the following key assumptions:

- A rate of growth in turnover, which ranges between 5% and 44% per annum;
- The rand weakening from an average of R7,50 to the USD in 2008, to R8,50 in 2012; and
- Annual capital expenditure ranging between R10,4 million and R14,0 million.

The budgets and forecasts were based on the following:

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

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 5% per annum. This growth rate does not exceed the long-term average growth rate for the industry in which FCC operates. An annual pre-tax discount rate of 24,4% was applied to the cash flow projections.

Astrix

The carrying amount of goodwill allocated to Astrix is R141,5 million. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on the most recent budgets and forecasts approved by management, which cover a period of five years, and incorporate the following key assumptions:

- A rate of growth in turnover of 60% during 2008, was assumed, as production of ARV APIs are increased significantly to meet forecast demand (approximately 50% of which is estimated to originate from Aspen's South African operations). Growth in 2009 is estimated to be 12% and remaining stable in subsequent years at 6%; and
- A gross profit percentage varying between 16% and 19%.

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

The growth rate used to extrapolate cash flow projections beyond the period covered by the abovementioned budgets and forecasts was 6% per annum. This growth rate does not exceed the long-term average growth rate for the industry in which Astrix operates. An annual pre-tax discount rate of 21,4% was applied to the cash flow projections.

Notes to the annual financial statements for the year ended 30 June 2007 *continued*

39. Segmental analysis

	South Africa				Australia			
	2007 R'000	% of total	2006 R'000	% of total	2007 R'000	% of total	2006 R'000	% of total
Primary segments: Geographical								
Gross revenue	3 275 368	77,4	2 848 691	80,0	508 529	12,0	396 111	11,1
Less: Intersegment sales	(9 142)		—		—		—	
Revenue	3 266 226	81,1	2 848 691	82,6	508 529	12,6	396 111	11,5
Operating profit before amortisation	1 052 664	87,9	876 929	88,8	71 214	5,9	52 844	5,3
Amortisation – intangible assets	(71 474)	59,0	(60 111)	64,9	(11 503)	9,5	(9 343)	10,1
Operating profit	981 190	91,2	816 818	91,3	59 711	5,5	43 501	4,9
Segment assets	6 187 397	82,1	3 079 912	72,3	546 548	7,3	441 817	10,4
Segment liabilities	4 862 470	94,6	2 251 198	88,5	79 233	1,5	48 840	3,7
Capital additions	369 732	85,0	232 584	77,3	6 149	1,4	1 882	0,6
Impairment losses	37 306	99,2	60 288	99,7	(259)	(0,7)	(393)	(0,7)
Depreciation	57 444	95,2	46 133	97,1	279	0,5	208	0,4
Number of employees	2 964	85,9	2 839	92,2	50	1,4	43	1,4
Cash flow from operating activities	624 806	88,2	362 339	90,2	29 622	4,2	35 821	8,9
Cash flow (used in)/from investing activities	(340 393)	78,8	(316 664)	71,6	(16 196)	3,8	(31 823)	7,2
Cash flow(used in)/from financing activities	(13 101)	25,7	(258 643)	170,1	14 387	(28,3)	13 598	(8,9)

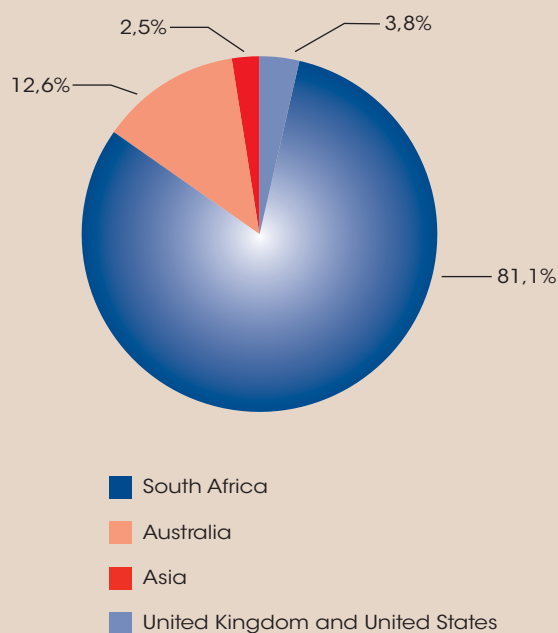
Secondary segments: Business

	Pharmaceutical				Consumer			
	2007 R'000	% of total	2006 R'000	% of total	2007 R'000	% of total	2006 R'000	% of total
Revenue	3 031 704	75,3	2 562 170	74,3	994 150	24,7	887 170	25,7
South Africa	2 397 274		2 053 797		868 952		794 894	
Australia	393 329		310 027		115 200		86 084	
Asia	99 533		41 050		—		—	
United Kingdom and United States	141 568		157 296		9 998		6 192	
Operating profit before amortisation	948 944	79,2	764 762	77,5	248 835	20,8	222 586	22,5
South Africa	838 826		681 848		213 838		195 081	
Australia	38 978		26 160		32 236		26 684	
Asia	20 996		13 551		—		—	
United Kingdom and United States	50 144		43 203		2 761		821	
Operating profit	842 587	78,3	688 919	77,0	234 042	21,7	205 823	23,0
South Africa	780 804		636 834		200 386		179 984	
Australia	27 935		18 282		31 776		25 219	
Asia	12 333		9 900		—		—	
United Kingdom and United States	21 515		23 903		1 880		620	
Segment assets	5 553 702	73,7	3 146 746	73,9	1 978 260	26,3	1 113 943	26,1
South Africa	4 347 407		2 079 217		1 839 990		1 000 695	
Australia	486 806		400 682		59 742		41 135	
Asia	234 606		217 056		—		—	
United Kingdom and United States	484 883		449 791		78 528		72 113	
Capital additions	336 915	77,5	209 919	69,7	97 803	22,5	91 266	30,3
South Africa	289 541		194 153		80 191		38 431	
Australia	6 088		1 804		61		78	
Asia	5 441		2 517		—		—	
United Kingdom and United States	35 845		11 445		17 551		52 757	

Asia		United Kingdom and United States				Total					
2007 R'000	% of total	2006 R'000	% of total	2007 R'000	% of total	2006 R'000	% of total	2007 R'000	% of total	2006 R'000	% of total
189 875	4,5	66 580	1,9	256 745	6,1	248 521	7,0	4 230 517	100,0	3 559 903	100,0
(90 342)		(25 530)		(105 179)		(85 033)		(204 663)		(110 563)	
99 533	2,5	41 050	1,2	151 566	3,8	163 488	4,7	4 025 854	100,0	3 449 340	100,0
20 996	1,8	13 551	1,4	52 905	4,4	44 024	4,5	1 197 779	100,0	987 348	100,0
(8 663)	7,1	(3 651)	3,9	(29 510)	24,4	(19 501)	21,1	(121 150)	100,0	(92 606)	100,0
12 333	1,1	9 900	1,1	23 395	2,2	24 523	2,7	1 076 629	100,0	894 742	100,0
234 606	3,1	217 056	5,1	563 411	7,5	521 904	12,2	7 531 962	100,0	4 260 689	100,0
75 423	1,5	80 554	3,2	125 395	2,4	114 364	4,5	5 142 521	100,0	2 540 956	100,0
5 441	1,3	2 517	0,8	53 396	12,3	64 202	21,3	434 718	100,0	301 185	100,0
213	0,6	—	—	326	0,9	589	1,0	37 586	100,0	60 484	100,0
2 360	3,9	991	2,1	253	0,4	193	0,4	60 336	100,0	47 525	100,0
430	12,5	187	6,1	8	0,2	8	0,3	3 452	100,0	3 077	100,0
(14 572)	(2,1)	(15 256)	(3,8)	68 704	9,7	18 865	4,7	708 560	100,0	401 769	100,0
(5 441)	1,3	584	(0,1)	(69 431)	16,1	(93 995)	21,3	(431 461)	100,0	(441 898)	100,0
4 893	(9,6)	14 396	(9,5)	(56 960)	112,2	78 562	(51,7)	(50 781)	100,0	(152 087)	100,0

Total			
2007 R'000	% of total	2006 R'000	% of total
4 025 854	100,0	3 449 340	100,0
3 266 226		2 848 691	
508 529		396 111	
99 533		41 050	
151 566		163 488	
1 197 779	100,0	987 348	100,0
1 052 664		876 929	
71 214		52 844	
20 996		13 551	
52 905		44 024	
1 076 629	100,0	894 742	100,0
981 190		816 818	
59 711		43 501	
12 333		9 900	
23 395		24 523	
7 531 962	100,00	4 260 689	100,0
6 187 397		3 079 912	
546 548		441 817	
234 606		217 056	
563 411		521 904	
434 718	100,00	301 185	100,0
369 732		232 584	
6 149		1 882	
5 441		2 517	
53 396		64 202	

Primary segments: Geographical revenue



Currency conversion (unaudited) – annexure 1

		2007	2006
Currency of financial statements			
The financial statements are expressed in South African Rand. The exchange rates as at 30 June 2007 were as follows:			
USD		7,07	7,17
GBP		14,18	13,25
Euro		9,55	9,17
AUD		6,01	5,33
INR		0,17	0,16
Selected Group financial data translated into USD			
Income statement and cash flow information were translated at an average rate of R7,22 (2006: R6,45).			
Balance sheet information was translated at a closing rate of R7,07 (2006: R7,17).			
	% growth	2007 USD'000	Restated 2006 USD'000
Income statement for the year ended 30 June 2007			
Revenue	4,3	557 598	534 781
Cost of sales		(288 671)	(277 372)
Gross profit	4,5	268 927	257 409
Net operating expenses		(103 030)	(104 333)
Operating profit before amortisation	8,4	165 897	153 076
Amortisation of intangible assets		(16 780)	(14 357)
Operating profit	7,5	149 117	138 719
Investment income		19 359	11 295
Financing costs		(28 673)	(17 625)
Net profit before tax	5,6	139 803	132 389
Tax		(40 404)	(33 544)
Profit for the year	0,6	99 399	98 845
Attributable to:			
Equity holders of the parent		99 351	98 883
Minority interest		48	(38)
Balance sheet as at 30 June 2007			
Assets			
Non-current assets			
Property, plant and equipment		120 944	85 512
Goodwill		41 732	37 710
Intangible assets		119 470	112 056
Available-for-sale financial assets		13	1 663
Preference share investment		53 296	52 552
Other non-current financial receivables		837	—
Deferred tax assets		2 138	4 795
Total non-current assets	15,0	338 430	294 288
Current assets			
Inventories		132 498	111 339
Trade and other receivables		123 189	100 688
Current tax assets		46	413
Financial assets at fair value through profit and loss		—	318
Cash and cash equivalents		471 179	87 191
Total current assets	142,3	726 912	299 949
Total assets	79,3	1 065 342	594 237

	%	2007	Restated
	growth	USD'000	2006
			USD'000
Shareholders' equity			
Share capital and share premium		105 565	133 105
Treasury shares		(84 702)	(86 887)
Non-distributable reserves		24 517	8 977
Share-based compensation reserve		7 197	4 935
Retained income		261 406	156 101
Ordinary shareholders' equity	45,2	313 983	216 231
Preference shares – equity component		22 911	22 591
		336 894	238 822
Minority interest		1 075	1 027
Total shareholders' equity	40,9	337 969	239 849
Liabilities			
Non-current liabilities			
Preference shares – liability component		57 070	56 249
Borrowings		3 669	6 830
Deferred-payables		634	3 691
Deferred revenue		863	290
Deferred tax liabilities		9 237	13 810
Retirement benefit obligations		1 012	1 023
Total non-current liabilities	(11,5)	72 485	81 893
Current liabilities			
Trade and other payables		91 493	99 333
Borrowings		537 739	163 707
Deferred-payables		8 926	671
Deferred revenue		179	73
Current tax liabilities		16 236	8 711
Financial liabilities at fair value through profit and loss		315	—
Total current liabilities	140,3	654 888	272 495
Total liabilities	105,2	727 373	354 388
Total equity and liabilities	79,3	1 065 342	594 237
Cash flow statement for the year ended 30 June 2007			
Cash flows from operating activities	57,6	98 139	62 290
Cash used in investing activities		(59 759)	(68 513)
Cash outflow from financing activities		(7 033)	(23 578)
Effects of exchange rate changes		2 455	756
Movement in cash and cash equivalents		33 802	(29 045)
Cash and cash equivalents at the beginning of the year		36 563	65 608
Cash and cash equivalents at the end of the year		70 365	36 563

Share statistics (unaudited) – annexure 2

Analysis of shareholders at 30 June 2007

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Size of holding					
1 – 2 500	7 904	72,3	7 245 690	1,9	2,1
2 501 – 12 500	2 368	21,6	12 702 592	3,3	3,6
12 501 – 25 000	309	2,8	5 506 073	1,4	1,6
25 001 – 50 000	127	1,2	4 687 812	1,2	1,3
50 001 – and over	234	2,1	359 423 558	92,2	91,4
	10 942	100,0	389 565 725	100,0	100,0

Major shareholders

According to the register of shareholders at 30 June 2007, the following are the only registered beneficial shareholders, other than directors of the Company, who held in excess of 5% of the shareholding of the Company at that date. The directors' shareholdings are disclosed on page 65 of the directors' report.

Shareholder	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
CEPPWAWU Pharmaceutical Investments (Pty) Ltd	26 666 667	6,8	7,6
Public Investment Corporation	23 750 359	6,1	6,8
Pharmacare Ltd (treasury shares)	38 931 529	10,0*	
	89 348 555	22,9	14,4

Shareholders' spread

In terms of paragraph 4.29(e) of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2007 was as follows:

	Number of shares	% of total shareholding	% of total shareholding net of treasury shares
Non-public shareholders	85 098 196	21,8	13,1
Empowerment groups (CEPPWAWU Pharmaceutical Investments (Pty) Ltd)	26 666 667	6,8	7,6
(Imithi Investments (Pty) Ltd)	13 400 000	3,4	3,8
(Industrial Development Corporation)	6 100 000	1,6	1,7
Treasury shares (Pharmacare Ltd)	38 931 529	10,0	
Public shareholders	304 467 529	78,2	86,9
Total shareholding	389 565 725	100,0	100,0
Foreign shareholding	89 775 952	23,0	25,6

*For the purposes of Section 89 of the Companies Act, Pharmacare Ltd owns less than 10% of the issued share capital.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Aspen Pharmacare Holdings Ltd will be held at Building Number 8, Healthcare Park, Woodlands Drive, Woodmead on Friday, 16 November 2007 at 09:30.

The following business will be transacted and resolutions proposed, with or without modification:

Ordinary business

1. Ordinary resolution number 1

Approval of annual financial statements

To receive, approve and adopt the annual financial statements of the Company and of the Group for the year ended 30 June 2007.

2. Ordinary resolution number 2

Re-election of directors

To re-elect by separate resolution the following directors who retire by rotation in terms of the Articles of Association of the Company:

- a) Leslie Boyd
- b) Judy Dlamini
- c) David Nurek
- d) Maxim Krok

All of whom are eligible and offer themselves for re-election.

Abbreviated biographical details of the directors are set out on page 46 and 47.

3. Ordinary resolution number 3

Re-appointment of external auditors

To re-appoint the auditors, PricewaterhouseCoopers Inc., as auditors of the Company for the ensuing year.

4. Ordinary resolution number 4

Remuneration of auditors

To authorise the directors of the Company to determine the remuneration of the auditors.

5. Ordinary resolution number 5

Remuneration of non-executive directors

To approve the remuneration of non-executive

directors for the year ending 30 June 2008 on the following basis:

Type of fee	Existing fee for the year ended 30 June 2007 R	Proposed fee for the year ending 30 June 2008 R
Board		
Chairman	300 000	320 000
Board Member	150 000	160 000
Audit & Risk Committee		
Chairman	150 000	160 000
Committee Member	75 000	80 000
Remuneration & Nomination Committee		
Chairman	50 000	55 000
Committee Member	25 000	27 500
Transformation Committee		
Committee Member	40 000	42 500

6. Ordinary resolution number 6

General authority to distribute to shareholders part of the Company's share premium

*Resolved that, the directors of the Company be hereby authorised, by way of a general authority, to distribute to shareholders of the Company any share capital and reserves of the Company in terms of Section 90 of the Companies Act, No. 61 of 1973 as amended, Article 30.2 of the Company's Articles of Association and in terms of the Listings Requirements of JSE Ltd, provided that:

- the distribution will be made pro-rata to all ordinary shareholders;
- the general authority shall be valid until the next annual general meeting of the Company or for 15 months from the passing of this ordinary resolution (whichever period is the shorter); and
- any general distribution of share premium by the Company shall not exceed 20% of the Company's issued share capital and reserves, excluding minority interests.

The directors of the Company are of the opinion that, were the Company to enter into a transaction to distribute share capital and/or reserves up to a maximum of 20% of the current issued share capital and reserves, and they are satisfied that for a period of 12 months after the date of the notice of this annual general meeting:

- the Company and its subsidiaries ("the Group") will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;
- the issued share capital of the Company and the Group will be adequate for the purpose of the business of the Company and the Group for the foreseeable future; and
- the working capital available to the Company and the Group will be adequate for the Company and the Group's requirements for the foreseeable future."

It is the intention to utilise such authority when recommending the final distribution to shareholders on publication of the preliminary results for June 2008.

7. Ordinary resolution number 7

Renewal of the authority that the unissued shares be placed under the control of directors

"Resolved that all of the ordinary shares in the authorised but unissued share capital of the Company be and are hereby placed at the disposal and under the control of the directors until the next annual general meeting of the Company, and that the directors be and are hereby authorised and empowered, subject to the provisions of the Act, and the Listings Requirements of JSE Ltd, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such times as the directors may from time-to-time in their discretion deem fit."

8. Ordinary resolution number 8

General authority to issue shares for cash

"Resolved that pursuant to the Articles of Association of the Company and subject to the Companies Act, No. 61 of 1973, as amended, and the Listings Requirements of JSE Ltd, the directors are authorised, by way of a general authority, to allot and issue ordinary shares for cash, after setting aside so many shares as may be required to be allotted and issued by the Company pursuant to the Company's approved share incentive schemes, subject to the following limitations:

- that this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is earlier;

- that the issues in terms of this authority will not exceed 15% in aggregate of the number of ordinary shares of the Company's issued ordinary share capital in any one financial year;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issue;
- that the shares be issued to public shareholders as defined by JSE Ltd and not to related parties; and
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the Company's directors."

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for ordinary resolution number 8 to become effective.

9. Ordinary resolution number 9

Authorisation to issue B preference shares

"Resolved that pursuant to the Articles of Association of the Company and subject to the Companies Act, No. 61 of 1973, as amended, and the Listings Requirements of JSE Ltd, the directors are authorised, by way of a general authority, to allot and issue B preference shares for cash, subject to the following limitations:

- that this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is earlier;
- that the issues in terms of this authority will not exceed 15% in aggregate of the number of ordinary shares of the Company's issued ordinary share capital in any one financial year;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issue;
- that the shares be issued to public shareholders as defined by JSE Ltd and not to related parties; and
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the Company's directors."

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for ordinary resolution number 9 to become effective.

10. Ordinary resolution number 10

Authorisation of an executive director to sign necessary documents

"Resolved that any one executive director of the Company be and is hereby authorised to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed at the annual general meeting."

Special business

Shareholders are requested to consider, and if deemed fit, pass the following special resolutions with or without amendment:

11. Special resolution number 1

General authority to repurchase Company shares
"Resolved that the Company or any of its subsidiaries, be and are hereby authorised by way of a general authority, to acquire up to a further 20% of the Company's ordinary issued share capital (subject to the proviso that a subsidiary may not hold more than 10% of the Company's issued share capital), in terms of sections 85(2) and 85(3) of the Companies Act, No. 61 of 1973, as amended, and of the Listings Requirements of JSE Ltd. Such general approval shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution. Such authority is subject to the following conditions:

- any such acquisition of ordinary shares shall be implemented through the order book operated by JSE Ltd's trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- acquisitions in the aggregate in any one financial year may not exceed 20% of Aspen's issued share capital as at the date of passing this Special Resolution;
- an announcement is published as soon as the Company or any of its subsidiaries has acquired shares constituting, on a cumulative basis, 3% of the number of the ordinary shares in issue at the time the authority is granted and for each subsequent 3% purchase thereafter, containing full details of such acquisition;
- in determining the price at which Aspen shares are acquired by Aspen or its subsidiaries, the maximum premium at which such shares may be purchased will be 10% of the weighted average of the market value of the shares for the

five business days immediately preceding the date of the relevant transaction;

- the Company has been given authority by its Articles of Association;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- the Company's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to JSE Ltd before entering the market to proceed with the repurchase;
- the Company remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements; and
- the Company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements."

Opinion of the directors

Should the authority be granted at the Company's annual general meeting, it will provide the Board of Directors with the flexibility to repurchase such shares as and when the best interests of the Company require it to do so.

The directors of Aspen, after considering the effect of the repurchase of the maximum number of Aspen shares in terms of the general authority, are satisfied that for a period of 12 months after the date of the notice of this annual general meeting:

- the Company and its subsidiaries will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;
- the issued share capital of the Company and the Group will be adequate for the purpose of the business of the Company and the Group for the foreseeable future; and
- the working capital available to the Company and the Group will be adequate for the Company and the Group's requirements for the foreseeable future.

The reasons and effects of the ordinary resolutions and the special resolutions are set out in the explanatory notes that form part of this notice.

12. Other

To transact such other business as may be transacted at an annual general meeting of shareholders.

Notice of annual general meeting *continued*

VOTINGS AND PROXIES

Certified shareholders and dematerialised shareholders with "own name" registration

A shareholder entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and on a poll to vote in his stead. A proxy need not be a shareholder of the Company. In order to be valid, completed forms of proxy must be lodged at the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd by no later than 09:30 on 14 November 2007.

Shareholders who have already dematerialised their shares, other than with "own name" registration, and who wish to attend the annual general meeting must instruct their Central Securities Depository Participant ("CSDP") or broker to issue them with the necessary authority to attend.

Shareholders who have already dematerialised their shares, other than with "own name" registration, and who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

By order of the Board



Hymie Shapiro
Company Secretary

Johannesburg
28 September 2007

Explanatory notes to resolutions for consideration at the annual general meeting

Ordinary business

Ordinary resolution number 1: Approval of annual financial statements

The directors must present to shareholders, at the annual general meeting, the annual financial statements incorporating the directors' report and the report of the auditors for the year ended 30 June 2007. These are contained within the annual report.

Ordinary resolution number 2: Re-election of directors
Under the Articles of Association, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed since the last annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting.

Ordinary resolution number 3: Re-appointment of external auditors

The reason for proposing ordinary resolution number 3 is to confirm the appointment of PricewaterhouseCoopers Inc. as external auditors of the Company.

Ordinary resolution number 4: Remuneration of auditors
It is usual for this matter to be left to the directors, as they will be conversant with the amount of work that was involved in the audit. The Chairman will therefore propose a resolution to this effect, authorising the directors to attend to this matter.

Ordinary resolution number 5: Remuneration of non-executive directors

The Company in general meeting as per the Articles of Association shall from time-to-time determine the remuneration of non-executive directors, subject to shareholders' approval.

Ordinary resolution number 6: General authority to distribute to shareholders part of the Company's share premium

The reason for and effect of this ordinary resolution is to grant the Board of Directors of the Company a general authority in terms of the Companies Act No. 61 of 1973, as amended for the distribution of share capital and share premium by the Company to its shareholders. Such general authority will, subject to requirements of the Companies Act No. 61 of 1973, as amended and JSE Ltd, provide the Board with the flexibility to distribute any surplus capital of the Company to its shareholders. This general approval shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this ordinary resolution.

Ordinary resolutions number 7, number 8 and 9: Directors' control of unissued shares and general authority to issue shares for cash

It is considered advantageous to grant the directors authority to enable the Company to take advantage of business opportunities which might arise in the future. These authorities are due to expire at the next annual general meeting.

Ordinary resolution number 10: Authorisation of an executive director to sign necessary documents

It is necessary to confer upon an executive director of the Company an authority to sign all documents as may be necessary for or incidental to the resolutions to be proposed at the annual general meeting.

Special business

Special resolution number 1: General authority to repurchase Company shares

The reason for proposing the special resolution is to permit and authorise Aspen and/or any subsidiary to acquire its own shares. The effect will be to grant the directors a general authority to purchase shares in Aspen. Such general authority will provide the Board with the flexibility, subject to the requirements of the Companies Act No. 61 of 1973, as amended and JSE Ltd, to repurchase the Company's shares should it be in the interests of the Company while the general authority exists. This general authority shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares and revocation of share premium as applicable:

- Directors and management page 46 and 47;
- Major beneficial shareholders page 138;
- Directors' interests in ordinary shares page 66;
- Share capital of the Company page 106;
- Directors' report page 64.

Litigation statement

In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 46 and 47 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 46 and 47 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to these special resolutions and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The Company undertakes to advise the sponsor before embarking on a general repurchase or capital distribution, in order to enable the sponsor to furnish JSE Ltd with written confirmation of the Company's working capital.

Administration

Secretary

Hymie Aaron Shapiro
CA(SA), HDipTax Law

Registered office and postal address

Building Number 8, Healthcare Park, Woodlands Drive
Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone 011 239 6100
Telefax 011 239 6144

Registration

1985/002935/06

Share code

APN ISIN: ZAE 000066692

Attorneys

Werksmans Inc. Attorneys
Chris Mortimer & Associates
Cliffe Dekker Fuller Moore Inc.

Auditors

PricewaterhouseCoopers Inc.

Bankers

First National Bank, a division of FirstRand Bank Ltd
Investec Bank Ltd
Citibank N.A., South Africa Branch
The Standard Bank of South Africa Ltd
ABSA Bank Ltd
HSBC Bank plc
Rand Merchant Bank, a division of FirstRand Bank Ltd

Sponsors

Investec Securities Ltd

Transfer secretaries

Computershare Investor Services 2004 (Pty) Ltd
Transfer office
70 Marshall Street, Johannesburg, 2001
Postal address
PO Box 61050, Marshalltown, 2107
Telephone 011 370 5000
Telefax 011 370 5271

Website address

www.aspenpharma.com

Shareholders' diary

Financial year-end	30 June 2007
Annual general meeting	16 November 2007
Capital distribution for the year ended 30 June 2007 payment date	25 September 2007

Reports and Group results announcement for the 2008 financial year

Interim report	February 2008
Profit announcement for the year	August 2008
Annual financial statements	October 2008

Form of proxy

This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP or broker). Such shareholder should provide their CSDP/broker with their voting instructions.

ASPEN PHARMACARE HOLDINGS LIMITED
Registration number 1985/002935/06
APN ISIN: ZAE 000066692

I/We _____ of _____

(address) _____

being the holder(s) of _____ ordinary shares/A preference shares in the Company, do hereby appoint

_____, failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Building Number 8, Healthcare Park, Woodlands Drive, Woodmead, on Friday, 16 November 2007, at 09:30 or at any adjournment thereof.

I/We desire to vote as follows

Voting instructions	For	Against	Abstain
Ordinary business			
1. To adopt the Company and Group annual financial statements for the year ended 30 June 2007			
2. (a) to re-elect Leslie Boyd as a director of the Company			
(b) to re-elect Judy Dlamini as a director of the Company			
(c) to re-elect David Nurek as a director of the Company			
(d) to re-elect Maxim Krok as a director of the Company			
3. To re-appoint the auditors, PricewaterhouseCoopers Inc.			
4. To authorise the directors to determine the remuneration of the auditors			
5. To approve the remuneration of non-executive directors as set out in the notice of the annual general meeting			
6. To grant the directors a general authority to distribute share capital and reserves			
7. To place unissued shares under the control of the directors			
8. To authorise the directors to allot and issue ordinary shares for cash			
9. To authorise the directors to allot and issue B preference shares			
10. To authorise an executive director to sign documents necessary for or incidental to the resolutions proposed at the annual general meeting			
Special business			
Special resolution to:			
1. Give authority until the next annual general meeting for the Company or any of its subsidiaries to repurchase the Company's shares			

Signed this _____ day of _____ 2007.

Signature _____

Notes

1. Mark with an X whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.
2. A shareholder entitled to attend and vote at the aforementioned meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his/her stead and such proxy need not be a shareholder of the Company.
3. Proxy forms should be forwarded to the transfer secretaries to be received by no later than 09:30 on Wednesday, 14 November 2007.

To be completed and mailed to: Computershare Investor Services 2004 (Pty) Ltd, Eleventh Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61050, Marshalltown, 2107).

Product List

Pharmapress 5mg Tablets 30s

[S3] Reg No. 38/7.1.3/0640
Each tablet contains Enalapril Maleate 5mg

Tamsul 0,4 SR Capsules 30s

[S4] Reg No. A40/34/0316
Each capsule contains Tamsulosin Hydrochloride 0,4mg

Nausetron™ 4mg Injection IM/IV 5 vials

[S4] Reg No. A39/5.10/0462
Each vial contains Serotonin 4mg

Aspen Lamzid Tablets 60s

[S4] Reg No. 38/20.2.8/0112
Each tablet contains Zidovudine 300mg and Lamivudine 150mg

Altosec® 10 Capsules 28s

[S4] Reg No. 32/11.4.3/0703
Each capsule contains Omeprazole 10mg

Altosec® 20 Capsules 28s

[S4] Reg No. 32/11.4.3/0087
Each capsule contains Omeprazol 20mg

Mybulen Tablets

[S3] Reg No. 30/2.8/0138
Each tablet contains Ibuprofen 200mg;
Paracetamol 350mg; and Codeine Phosphate 10mg

Mybulen Capsules 30s

[S3] Reg No. A38/2.8/0527
Each capsule contains Paracetamol 250mg;
Ibuprofen 200mg; and Codeine Phosphate 10mg

Mybulen Suspension 100ml

[S3] Reg No. A39/2.8/0237
Each 10ml contains Paracetamol 250mg;
Ibuprofen 200mg; and Codeine Phosphate 10mg

Truvada™ Tablets 30s

[S4] Reg No. 41/20.2.8/0171
Each film coated tablet contains Emtricitabine 200mg
and tenofovir disoproxil fumarate which is equivalent
to 245mg tenofovir disoproxil

Thinz® Capsules 16s

[S2] Reg No. M/11.3/50
Each capsule contains d-Norpseudoephedrine
hydrochloride 50mg in a slow release form

Thinz® Slimming Mixture 100ml

[S2] Reg No. 32/11.3/0748
Each 5ml contains d-Norpseudoephedrine
hydrochloride 20mg





www.aspenpharma.com

Registration number: 1985/002935/06

Share code: APN ISIN: ZAE 000066692