Aspen Pharmacare Holdings Limited

Annual Financial Statements 2013

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**All company names have been abbreviated throughout the Annual Financial Statements and are referenced on the bookmark.*

Certificate of the Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2013, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Riaan Verster
Company Secretary

Johannesburg
21 October 2013

Audit & Risk Committee Report

The report of the Aspen Audit & Risk Committee as required in terms of section 94(7)(f) of the Companies Act has been simultaneously issued with these Annual Financial Statements and are included herein by reference. This report can be viewed online.

Statement of responsibility by the Board of Directors

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

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

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

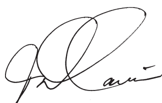
The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Annual Financial Statements and the reported expenses during the reporting period. Actual results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

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

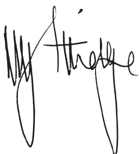
The going concern basis has been adopted in preparing the Annual Financial Statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements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

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

The Annual Financial Statements were prepared under the supervision of the Deputy Group Chief Executive, MG Attridge, CA(SA) and approved by the Board of Directors on 21 October 2013 and are signed on its behalf:



Judy Dlamini
Chairman



Gus Attridge
Deputy Group Chief Executive

Johannesburg
21 October 2013

Independent auditors' report to the shareholders of Aspen Pharmacare Holdings Limited

We have audited the Group and Company financial statements of Aspen Pharmacare Holdings Limited set out on pages 8 to 139, which comprise the statements of financial position as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these Group and Company financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Group and Company financial statements present fairly, in all material respects, the Group and Company financial position of Aspen Pharmacare Holdings Limited as at 30 June 2013, and its Group and Company financial performance and Group and Company cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the Group and Company financial statements for the year ended 30 June 2013, we have read the Directors' Report, the Audit & Risk Committee's Report and the Certificate of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Incorporated
Director: Tanya Rae
Registered Auditor

Johannesburg
21 October 2013

Directors' Report

The directors have pleasure in presenting their report of the Group and the Company for the year ended 30 June 2013.

NATURE OF BUSINESS

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of branded and generic pharmaceutical, as well as consumer, OTC and nutritional products in selected territories, operating primarily in the healthcare industry. Aspen supplies to approximately 150 countries worldwide. It is Africa's leading pharmaceutical company.

FINANCIAL RESULTS AND REVIEW OF OPERATIONS

The financial results of the Group are set out on pages 8 to 112 and of the Company on pages 113 to 139 of the Annual Financial Statements. The Segmental Analysis is included on page 16.

The consolidated earnings attributable to equity holders of the Company amounted to R3 520,1 million for the year, compared with R2 817,8 million for the previous year, an increase of 25%. Headline earnings per share from continuing operations increased by 21% from 649,7 cents to 788,0 cents.

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

SHARE CAPITAL

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

The authorised ordinary share capital of Aspen is as follows:

Authorised ordinary share capital

As at 30 June 2013 Aspen's authorised 717 600 000 ordinary shares with a par value of 13,90607 cents each.

Authorised preference share capital

During the year, shareholders approved the cancellation of 20 000 000 non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each.

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

Ordinary shares	Number of shares (Million)	Share capital (R'million)	Share premium (R'million)
Opening balance	**454,8**	**63,2**	**4 690,7**
Capital distribution	**–**	**–**	**(714,9)**
Shares issued – share schemes	**0,9**	**0,2**	**9,4**
	455,7	**63,4**	**3 985,2**

Further details of the authorised and issued share capital of the Company are given in notes 12 and 15 of the Group Annual Financial Statements and notes 8 and 9 of the Company Annual Financial Statements.

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

DIRECTORATE AND SECRETARY

No changes to the directorate have taken place during the year under review.

The names of the directors in office at the date of this report are set out on pages 66 and 67 of the Integrated Report. The Company Secretary is Riaan Verster. His business and postal addresses appear on page 144 of this report.

Directors' Report continued

In terms of the Company's Memorandum of Incorporation, Roy Andersen, Chris Mortimer and Abbas Hussain retire by rotation and, being eligible, offer themselves for re-election.

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

Details of directors' interests in the Company's issued shares are shown on page 77 of the Integrated Report and directors' remuneration details are set out in note 25 of the Group Annual Financial Statements.

No changes have taken place in the interests of the directors in the shares of the Company since 30 June 2013 to the date of this report.

GROUP SHARE TRADING POLICY

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

ACQUISITIONS

The following material acquisitions were effected during the 2013 financial year:

1. A selected territory agreement was concluded in May 2012 with Novartis for the acquisition of two pharmaceutical products, Enablex and Tofranil, for a total consideration of R460 million. The principal territories for Enablex include Brazil, South Africa, Mexico and Turkey and for Tofranil include Brazil and Mexico. The transaction was subject to suspensive conditions which were fulfilled and the transaction became effective on 31 July 2012.

2. An agreement was concluded with GSK in August 2012 for the acquisition of the classic brands distributed in Australia for a consideration of R2,2 billion. The transaction was subject to competition authority approval which was subsequently granted. The products include well-recognised brands such as Amoxil, Augmentin, Imigran, Kapanol, Lamactil, Mesasal, Timentin, Valtrex, Zantac and Zofran. The transaction became effective on 1 December 2012.

3. The Company concluded agreements with Nestlé in respect of the acquisition of certain rights to intellectual property licences, net assets and shares in the infant nutritionals businesses previously conducted by Pfizer enabling the Group to distribute a portfolio of infant nutritional products in Australia and certain southern African territories (South Africa, Botswana, Namibia, Lesotho, Swaziland and Zambia) for a total purchase consideration of USD215 million. The finalisation of the transaction in South Africa and southern Africa is conditional on the approval of the South African competition authorities, which approval has not yet been granted at the date of this report. The transaction in terms of which Aspen distributes infant nutritionals in Australia became effective on 29 April 2013.

4. On 27 June 2013 the Company announced that the Group had:
   - signed an agreement with MSD (known as Merck in the United States and Canada) for the acquisition of an API manufacturing business which manufactures for MSD and the market generally and which is located in the Netherlands with a satellite facility and sales office in the United States; and
   - reached agreement on an option to acquire a portfolio of 11 branded finished dose form molecules from MSD, covering a diverse range of therapeutic areas and including products that use APIs manufactured by the API business referred to above.

DISPOSALS

No material or announced disposals were effected during the year.

CAPITAL DISTRIBUTION

Taking into account the earnings and cash flow performance for the year ended 30 June 2013, existing debt service commitments and future proposed investments, the Board notified shareholders on 11 September 2013 that it had declared a total distribution of 157 cents per share (2012: capital distribution of 157 cents per share), comprising:

- A cash dividend out of income reserves of 131 cents per ordinary share. The dividend carried STC credits equivalent to 131 cents per ordinary share and no dividends withholding tax would therefore be payable by shareholders who were not exempt from paying dividends withholding tax on this portion of the distribution.
- A capital distribution of 26 cents per ordinary share (2012: 157 cents) by way of a capital reduction payable out of share premium.

The total distribution was payable to shareholders recorded in the share register of the Company at the close of business on 11 October 2013.

Shareholders were advised to seek their own tax advice of the consequences associated with the total distribution.

The directors were of the opinion that the Company would satisfy the solvency and liquidity requirements of sections 4 and 46 of the Companies Act, and confirmed that future distributions would be decided on a year-to-year basis.

In compliance with IAS 10 – *Events After Balance Sheet Date*, it was also confirmed that the total distribution would only be accounted for in the financial statements in the year ending 30 June 2014.

The salient dates in respect of this distribution were as follows:

Last day to trade cum total distribution	Friday, 4 October 2013
Shares commence trading ex total distribution	Monday, 7 October 2013
Record date	Friday, 11 October 2013
Payment date	Monday, 14 October 2013

GOING CONCERN

These Annual Financial Statements have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the availability of unutilised funding facilities and the budgets for the period to June 2014, the Board believes that the Group and the Company have adequate resources to continue in operation for the forthcoming year.

SPECIAL RESOLUTIONS

At the annual general meeting of Aspen shareholders convened on 4 December 2012, the following special resolutions were passed by the Company:

- Approval of remuneration for non-executive directors for the year ended 30 June 2013 and for the period 1 July 2013 to the date of the 2013 annual general meeting;
- A general authority was granted for the Company and any of its subsidiaries to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until the Company's next annual general meeting, or until revoked at a special general meeting of shareholders;
- Approval of the new Memorandum of Incorporation in order to align the Company's Memorandum of Incorporation with the requirements of the Companies Act, pursuant to which the authorised share capital of the Company was also altered to the effect that it no longer includes the 17 600 0000 variable rate, redeemable, cumulative preference shares which had a par value of R0,01 each;
- A general authority was granted for the Company to acquire shares in the Company from time to time, up to 20% of the Company's issued share capital;
- Changes to the Company's new Memorandum of Incorporation were approved at an extraordinary meeting of shareholders held on 18 August 2013 for that purpose.

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

Directors' Report continued

The following special resolutions were passed by South African subsidiaries of the Company during the year:

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

AUDITORS

The Audit & Risk Committee and Board have recommended that PricewaterhouseCoopers Incorporated be reappointed as auditors of the Group and the Company in terms of the resolution to be proposed at the annual general meeting in accordance with the Companies Act.

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

INVESTMENTS IN SUBSIDIARIES AND SPECIAL PURPOSE ENTITIES

The financial information in respect of the Group's and the Company's interests in its subsidiaries and special purpose entities is set out in note 23 of the Company Annual Financial Statements.

CONTRACTS

None of the directors and officers of the Company had an interest in any contract of significance during the financial year, save as disclosed in note 37 of the Group Annual Financial Statements and note 19 of the Company Annual Financial Statements.

BORROWINGS

Borrowings at year-end (net of cash and cash equivalents) amounted to R11,1 billion (2012: R7,1 billion).

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

A detailed list of borrowings is set out in note 17 of the Group Annual Financial Statements and note 11 of the Company Annual Financial Statements.

SUBSEQUENT EVENTS

1. On 7 August 2013 the Company announced that, further to the announcement released on 18 April 2013 (wherein shareholders of the Company were advised of a transaction in terms whereof the Group would acquire the infant nutritionals businesses conducted by Nestlé and Pfizer which distribute a portfolio of infant nutritional products in Australia and certain southern African territories) additional agreements had been concluded with Nestlé in respect of the acquisition of certain licence rights to intellectual property, net assets (including an IMF production facility located in Vallejo, Mexico) and shares in the infant nutritional businesses presently conducted by Nestlé and Pfizer in Latin America, predominantly Mexico, Venezuela, Colombia, Ecuador, Chile, Peru, Central America and the Caribbean. It was confirmed that this transaction was subject to certain antitrust conditions which have since been fulfilled and this transaction is due to be completed on 28 October 2013.

2. On 30 September 2013 it was announced that Aspen Global would acquire from GSK the Arixtra and Fraxiparine/Fraxodi brands and business worldwide ("the Business"), except in China, Pakistan and India ("the Excluded Territories") and that the Company would acquire from GSK a specialised sterile production site which manufactures the products at Notre Dame de Bondeville, France ("the manufacturing business"), collectively ("the Proposed Transaction").

   GSK was granted a put option and Aspen Global was granted a call option in relation to the rights to the Arixtra and Fraxiparine products in the Excluded Territories. The put option period commences on 1 January 2018 and ends on 30 June 2018. The call option period commences on 1 February 2018 and ends on 30 June 2018. The purchase consideration payable from the resultant sale and purchase following the exercise of either option will be determined at the time of such exercise. If either option is exercised, the transaction would be subject to regulatory approvals, including JSE and shareholder approval, where necessary and as appropriate.

   The announcement further confirmed that the aggregate purchase consideration payable by the Company in respect of the Proposed Transaction was GBP600 million (equivalent to R9 798 million as calculated at 08:00 on 30 September 2013); being the sum of the value of the Business excluding the Excluded Territories of GBP504,7 million (equivalent to R8 242 million) and the value of the Manufacturing Business being GBP95,3 million (equivalent to R1 556 million), plus the value of the inventory, being the sum of the value excluding the Excluded Territories.

   As GSK is a material shareholder, holding approximately 18,59% of Aspen's issued share capital, it is deemed a related party to Aspen in terms of the JSE Listings Requirements. As a consequence, the Proposed Transaction has been categorised as a Category 2 transaction in terms of the Listings Requirements of the JSE and shareholder approval of the Proposed Transaction, by ordinary resolution with a 50% vote (excluding shares held by GSK and its associates), is required at a general meeting of shareholders scheduled for Friday, 8 November 2013.

   The Proposed Transaction is expected to become effective on 1 January 2014 in respect of the Business and 1 May 2014 in respect of the Manufacturing Business.

3. On 1 October 2013 it was announced that MSD and Aspen had agreed that all the contractual conditions precedent necessary to implement the acquisition of the API business referred to under item 4 of acquisitions on page 4 had been met and that the API business had transferred to Aspen with effect from 1 October 2013. It was also confirmed that the expected effective date of the Products acquisition, through the exercise of the option, is 31 December 2013.

Group statement of financial position

at 30 June 2013

	Notes	2013 R'million	2012 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**4 342,6**	3 807,0
Goodwill	2	**5 973,2**	5 343,9
Intangible assets	3	**18 933,0**	11 869,8
Available-for-sale financial assets	4	**0,1**	–
Other non-current financial receivables	5	**26,6**	31,5
Deferred tax assets	6	**369,2**	234,4
Total non-current assets		**29 644,7**	21 286,6
Current assets			
Inventories	7	**4 100,9**	3 292,0
Trade and other receivables	8	**5 463,8**	3 782,3
Current tax assets		**111,0**	37,8
Derivative financial instruments	9	**82,7**	5,1
Cash and cash equivalents	10	**6 018,6**	3 313,5
Cash restricted for use	11	**–**	1,2
Total current assets		**15 777,0**	10 431,9
Total assets		**45 421,7**	31 718,5
SHAREHOLDERS' EQUITY			
Share capital and share premium	12	**4 048,6**	4 753,9
Treasury shares	13	**(59,4)**	(50,8)
Non-distributable reserves		**3 932,3**	1 369,5
Share-based compensation reserve	14	**35,7**	33,6
Retained income		**14 836,6**	11 283,2
Ordinary shareholders' equity		**22 793,8**	17 389,4
Non-controlling interests	16	**5,1**	8,7
Total shareholders' equity		**22 798,9**	17 398,1
LIABILITIES			
Non-current liabilities			
Borrowings	17	**8 923,5**	6 254,1
Deferred revenue	18	**139,5**	143,6
Deferred tax liabilities	6	**600,5**	536,0
Retirement benefit obligations	19	**94,0**	66,4
Total non-current liabilities		**9 757,5**	7 000,1
Current liabilities			
Trade and other payables	20	**4 174,6**	2 929,2
Borrowings	17	**8 152,7**	4 127,1
Deferred revenue	18	**9,0**	8,7
Current tax liabilities		**524,8**	233,2
Derivative financial instruments	21	**4,2**	22,1
Total current liabilities		**12 865,3**	7 320,3
Total liabilities		**22 622,8**	14 320,4
Total equity and liabilities		**45 421,7**	31 718,5

Group statement of comprehensive income

for the year ended 30 June 2013

	Notes	**2013 R'million**	2012 R'million
CONTINUING OPERATIONS			
Revenue	22	**19 308,0**	15 255,8
Cost of sales		**(10 077,3)**	(7 979,5)
Gross profit		**9 230,7**	7 276,3
Selling and distribution expenses		**(2 343,5)**	(1 967,4)
Administrative expenses		**(1 366,0)**	(1 101,8)
Other operating income		**104,2**	218,9
Other operating expenses		**(582,1)**	(485,4)
Operating profit	23	**5 043,3**	3 940,6
Investment income	26	**298,8**	275,4
Financing costs	27	**(852,7)**	(776,0)
Profit before tax		**4 489,4**	3 440,0
Tax	28	**(975,3)**	(772,3)
Profit after tax from continuing operations		**3 514,1**	2 667,7
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	31	**–**	159,2
Profit for the year		**3 514,1**	2 826,9
OTHER COMPREHENSIVE INCOME, NET OF TAX*	32		
Currency losses on net investment in Aspen Asia Pacific		**(133,3)**	(53,3)
Net investment hedge profit in Aspen Asia Pacific		**–**	6,8
Currency translation gains		**2 675,7**	1 494,4
Cash flow hedges recognised		**20,3**	32,6
Remeasurement of retirement benefit obligations		**(4,7)**	–
Total comprehensive income		**6 072,1**	4 307,4
Profit for the year attributable to			
Equity holders of the parent		**3 520,1**	2 817,8
Non-controlling interests		**(6,0)**	9,1
		3 514,1	2 826,9
Total comprehensive income attributable to			
Equity holders of the parent		**6 078,2**	4 295,4
Non-controlling interests		**(6,1)**	12,0
		6 072,1	4 307,4
EARNINGS PER SHARE			
Basic earnings per share (cents)			
From continuing operations	29	**773,0**	609,3
From discontinued operations		**–**	36,5
		773,0	645,8
Diluted earnings per share (cents)			
From continuing operations	29	**771,9**	588,2
From discontinued operations		**–**	35,0
		771,9	623,2

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

Group statement of cash flows

for the year ended 30 June 2013

	Notes	2013 R'million	2012 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**5 370,0**	3 876,4
Financing costs paid	B	**(883,4)**	(789,5)
Investment income received	C	**298,8**	275,6
Tax paid	D	**(799,3)**	(454,1)
Cash generated from operating activities		**3 986,1**	2 908,4
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(667,1)**	(469,6)
Replacement		**(161,7)**	(102,9)
Expansion		**(505,4)**	(366,7)
Proceeds on the sale of property, plant and equipment		**10,7**	36,5
Capital expenditure – intangible assets		**(3 654,9)**	(2 148,8)
Replacement		**–**	(0,5)
Expansion		**(3 654,9)**	(2 148,3)
Proceeds on the sale of intangible assets		**3,5**	2,8
Acquisition of subsidiaries and businesses	E	**(1 578,6)**	(315,6)
Increase in other non-current financial receivables		**–**	(19,7)
Proceeds on the sale of assets held-for-sale		**–**	250,4
Prepayment in anticipation of acquisition	F	**(394,7)**	–
Stamp duty on acquisitions		**(2,1)**	–
Net investment hedge profit in Aspen Asia Pacific		**–**	6,8
Capital funding from non-controlling interests		**–**	0,9
Cash used in investing activities		**(6 283,2)**	(2 656,3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**14 025,3**	13 695,2
Repayment of borrowings		**(9 689,3)**	(13 556,9)
Dividends paid		**(0,2)**	(2,0)
Proceeds from issue of ordinary share capital		**9,6**	25,1
Treasury shares purchased		**(21,1)**	(19,3)
Capital distribution		**(714,9)**	(457,6)
Decrease in cash restricted for use as security for borrowings		**1,3**	27,2
Cash generated from/(used in) financing activities		**3 610,7**	(288,3)
MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECTS OF FOREIGN OPERATIONS		**1 313,6**	(36,2)
Translation effects on cash and cash equivalents of foreign operations		**112,8**	273,2
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**1 426,4**	237,0
Cash and cash equivalents at the beginning of the year		**1 989,8**	1 752,8
Cash and cash equivalents at the end of the year	G	**3 416,2**	1 989,8

Discontinued operations are included in the 2012 statement of cash flows above. Refer to note 31 for more detail on discontinued operations.

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

Notes to the Group statement of cash flows

for the year ended 30 June 2013

	2013 R'million	2012 R'million
A. CASH GENERATED FROM OPERATIONS		
Operating profit	**5 043,3**	4 157,5
Amortisation of intangible assets	**255,7**	212,3
Depreciation of property, plant and equipment	**294,5**	252,7
Net impairment charges	**352,0**	306,2
Loss/(profit) on the sale of property, plant and equipment	**1,2**	(0,5)
Profit on the sale of intangible assets	**(3,0)**	–
Profit on the sale of the Campos facility and related products in Brazil	**–**	(173,9)
Profit on the sale of the personal care products in South Africa	**–**	(40,3)
Share-based payment expense – employees	**31,2**	31,5
Deferred revenue – recognised in the statement of comprehensive income	**(8,8)**	(21,0)
Hyperinflationary adjustment – Venezuela	**1,3**	7,0
Increase in retirement benefit obligations	**10,2**	25,7
Withholding taxes	**(17,3)**	(11,1)
Other non-cash items	**(0,2)**	(0,1)
Cash operating profit	**5 960,1**	4 746,0
Working capital movements	**(590,1)**	(869,6)
Increase in inventories	**(704,5)**	(591,4)
Increase in trade and other receivables	**(452,7)**	(389,9)
Increase in trade and other payables	**567,1**	111,7
	5 370,0	3 876,4
B. FINANCING COSTS PAID		
Interest paid	**(842,3)**	(754,7)
Preference shares dividends paid – liability component	**–**	(23,1)
Net foreign exchange (losses)/gains	**(34,3)**	2,5
Capital raising fees cash	**–**	(9,7)
Hyperinflationary adjustment – Venezuela	**–**	(0,1)
Borrowing costs capitalised to property, plant and equipment	**(10,5)**	(4,4)
Interest payable to revenue authorities	**3,7**	–
	(883,4)	(789,5)
C. INVESTMENT INCOME RECEIVED		
Interest received	**298,8**	275,6
	298,8	275,6
D. TAX PAID		
Amounts receivable at the beginning of the year	**(195,4)**	35,0
Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)	**(1 003,6)**	(688,7)
Tax claims credited to equity in respect of share schemes	**16,4**	26,0
Translation of foreign operations	**(26,8)**	(22,1)
Amounts owing at the end of the year	**524,8**	233,2
Amounts receivable at the end of the year	**(111,0)**	(37,8)
Hyperinflationary adjustment – Venezuela	**–**	0,3
Interest payable to revenue authorities	**(3,7)**	–
	(799,3)	(454,1)

Notes to the Group statement of cash flows continued

for the year ended 30 June 2013

E. ACQUISITION OF SUBSIDIARIES AND BUSINESSES

2013

Aspen Global and Aspen Asia Pacific concluded agreements with Nestlé on 29 April 2013 in respect of the acquisition of certain rights to intellectual property licences and 100% of the shares in the infant nutritionals business previously conducted by Pfizer which distributes a portfolio of infant nutritional products in Australia.

	Total R'million
Fair value of assets and liabilities acquired in subsidiary	
Property, plant and equipment	**1,7**
Intangible assets	**1 246,1**
Deferred tax	**9,9**
Inventories	**74,2**
Trade and other receivables	**294,5**
Trade and other payables	**(274,3)**
Fair value of net assets acquired	**1 352,1**
Goodwill acquired	**176,5**
Purchase consideration	**1 528,6**
Deferred receivable	**50,0**
Cash outflow on acquisition	**1 578,6**

The initial accounting for this business combination has been reported on a provisional basis and will only be finalised in the year ending 30 June 2014.

2012

Aspen acquired the remaining 40% non-controlling interest shareholding in Shelys effective from 14 April 2012. This increased the ownership in Shelys to 100%.

Aspen acquired a further 42,5% shareholding in Brimpharm SA effective from 31 May 2012. This increased the ownership in Brimpharm SA to 92,5%.

	Total R'million
Shelys purchase consideration	141,8
Brimpharm SA purchase consideration	39,8
AHN purchase consideration	45,4
Final payment for the Sigma business	88,6
As per the statement of cash flows	315,6

F. PREPAYMENT IN ANTICIPATION OF ACQUISITION

Aspen concluded agreements with Nestlé in respect of the acquisition of certain rights to intellectual property licences and net assets and shares in the infant nutritionals businesses previously conducted by Pfizer which distributes a portfolio of infant nutritional products in Australia and certain southern African territories (South Africa, Botswana, Namibia, Lesotho, Swaziland and Zambia). The consideration for all territories was paid following approval by the Australian competition authorities on 29 April 2013. The approval from the South African competition authority remains pending and consequently the purchase consideration payment relating to the southern African territories has been classified as a prepayment.

	2013 R'million	2012 R'million
G. CASH AND CASH EQUIVALENTS		
Bank balances	**4 698,1**	2 943,8
Short-term bank deposits	**1 284,6**	356,0
Cash-in-transit	**30,8**	12,9
Cash-on-hand	**5,1**	0,8
Cash and cash equivalents per the statement of financial position	**6 018,6**	3 313,5
Less: Bank overdrafts^	**(2 602,4)**	(1 323,7)
Cash and cash equivalents per the statement of cash flows	**3 416,2**	1 989,8

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

Group statement of changes in equity

for the year ended 30 June 2013

	Share capital R'million	Share premium R'million	Treasury shares R'million
BALANCE AT 1 JULY 2011	60,3	4 749,3	(33,4)
Total comprehensive income	–	–	–
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Capital distribution	–	(457,6)	–
Subsidiary capital reduction	–	–	–
Acquisition of non-controlling interests in subsidiaries	–	–	–
Capital funding from non-controlling interest	–	–	–
Dividends paid	–	–	–
Issue of ordinary share capital	2,9	399,0	–
Issue of ordinary share capital – share schemes	0,5	24,6	–
Issue of ordinary share capital – conversion of preference shares	2,4	374,4	–
Treasury shares purchased	–	–	(19,3)
Deferred incentive bonus shares exercised	–	–	1,9
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–
Transfer from share-based compensation reserve	–	–	–
Equity portion of tax claims in respect of share schemes	–	–	–
Conversion of preference shares	–	–	–
Hyperinflationary adjustment – Venezuela	–	–	–
BALANCE AT 30 JUNE 2012	**63,2**	**4 690,7**	**(50,8)**
Total comprehensive income	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**
Capital distribution	**–**	**(714,9)**	**–**
Stamp duty on acquisitions	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Issue of ordinary share capital – share schemes	**0,2**	**9,4**	**–**
Treasury shares purchased	**–**	**–**	**(21,1)**
Deferred incentive bonus shares exercised	**–**	**–**	**12,5**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**–**	**–**
Transfer from share-based compensation reserve	**–**	**–**	**–**
Equity portion of tax claims in respect of share schemes	**–**	**–**	**–**
Hyperinflationary adjustment – Venezuela	**–**	**–**	**–**
BALANCE AT 30 JUNE 2013	**63,4**	**3 985,2**	**(59,4)**

Non-distributable reserves							
Hedging reserve R'million	Foreign currency translation reserve R'million	Share-based compensation reserve R'million	Retained income R'million	Preference shares-equity component R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
178,6	(286,7)	32,5	8 363,6	162,0	13 226,2	61,1	13 287,3
39,3	1 438,3	–	2 817,8	–	4 295,4	12,0	4 307,4
–	–	–	2 817,8	–	2 817,8	9,1	2 826,9
39,3	1 438,3	–	–	–	1 477,6	2,9	1 480,5
–	–	–	–	–	(457,6)	–	(457,6)
–	–	–	1,0	–	1,0	–	1,0
–	–	–	(117,3)	–	(117,3)	(64,3)	(181,6)
–	–	–	–	–	–	0,9	0,9
–	–	–	–	–	–	(2,0)	(2,0)
–	–	–	–	–	401,9	–	401,9
–	–	–	–	–	25,1	–	25,1
–	–	–	–	–	376,8	–	376,8
	–	–	–	–	(19,3)	–	(19,3)
–	–	(1,9)	–	–	–	–	–
–	–	24,5	–	–	24,5	–	24,5
–	–	(21,5)	21,5	–	–	–	–
–	–	–	30,6	–	30,6	–	30,6
–	–	–	162,0	(162,0)	–	–	–
–	–	–	4,0	–	4,0	1,0	5,0
217,9	**1 151,6**	**33,6**	**11 283,2**	**–**	**17 389,4**	**8,7**	**17 398,1**
20,3	**2 542,5**	**–**	**3 515,4**	**–**	**6 078,2**	**(6,1)**	**6 072,1**
–	**–**	**–**	**3 520,1**	**–**	**3 520,1**	**(6,0)**	**3 514,1**
20,3	**2 542,5**	**–**	**(4,7)**	**–**	**2 558,1**	**(0,1)**	**2 558,0**
–	**–**	**–**	**–**	**–**	**(714,9)**	**–**	**(714,9)**
–	**–**	**–**	**(2,1)**	**–**	**(2,1)**	**–**	**(2,1)**
–	**–**	**–**	**–**	**–**	**–**	**(0,2)**	**(0,2)**
–	**–**	**–**	**–**	**–**	**9,6**	**–**	**9,6**
–	**–**	**–**	**–**	**–**	**(21,1)**	**–**	**(21,1)**
–	**–**	**(12,5)**	**–**	**–**	**–**	**–**	**–**
–	**–**	**20,0**	**–**	**–**	**20,0**	**–**	**20,0**
–	**–**	**(5,4)**	**5,4**	**–**	**–**	**–**	**–**
–	**–**	**–**	**23,8**	**–**	**23,8**	**–**	**23,8**
–	**–**	**–**	**10,9**	**–**	**10,9**	**2,7**	**13,6**
238,2	**3 694,1**	**35,7**	**14 836,6**	**–**	**22 793,8**	**5,1**	**22 798,9**

Group segmental analysis

for the year ended 30 June 2013

	2013		2012		
	R'million	**% of total**	R'million	% of total	Change
REVENUE FROM CONTINUING OPERATIONS					
South Africa^	**7 376,8**	**35**	6 159,9	38	20%
Asia Pacific	**7 590,5**	**37**	6 021,0	37	26%
International@	**3 726,1**	**18**	2 522,9	15	48%
Sub-Saharan Africa	**2 081,5**	**10**	1 651,7	10	26%
Total gross revenue	**20 774,9**	**100**	16 355,5	100	27%
Adjustment*	**(1 466,9)**		(1 099,7)		
Total revenue	**19 308,0**		15 255,8		27%
OPERATING PROFIT BEFORE AMORTISATION FROM CONTINUING OPERATIONS					
Adjusted for specific non-trading items ("EBITA")					
South Africa	**1 965,3**	**35**	1 768,4	40	11%
Operating profit#	**1 867,5**		1 616,2		16%
Amortisation of intangible assets	**60,5**		66,8		
Transaction costs	**31,3**		–		
Restructuring costs	**–**		3,4		
Impairment of assets	**6,0**		82,0		
Asia Pacific	**1 894,0**	**34**	1 460,2	33	30%
Operating profit#	**1 608,2**		1 291,6		25%
Amortisation of intangible assets	**128,0**		100,2		
Transaction costs	**6,0**		–		
Restructuring costs	**151,8**		68,4		
International	**1 488,7**	**27**	938,5	21	59%
Operating profit#	**1 321,7**		790,9		67%
Amortisation of intangible assets	**60,8**		41,1		
Settlement of product litigation	**43,0**		–		
Impairment of assets	**63,2**		106,5		
Sub-Saharan Africa	**252,3**	**4**	247,9	6	2%
Operating profit#	**245,9**		241,9		2%
Amortisation of intangible assets	**6,4**		4,2		
Restructuring costs	**–**		1,7		
Impairment of assets	**–**		0,1		
Total EBITA	**5 600,3**	**100**	4 415,0	100	27%
ENTITY-WIDE DISCLOSURE – REVENUE FROM CONTINUING OPERATIONS					
Analysis of revenue in accordance with customer geography					
South Africa – pharmaceutical	**6 201,9**	**30**	5 161,7	32	20%
South Africa – consumer	**1 175,0**	**6**	998,2	6	18%
Asia Pacific	**7 697,6**	**37**	6 088,8	37	26%
Sub-Saharan Africa	**2 123,7**	**10**	1 651,7	10	29%
Latin America	**1 567,3**	**7**	1 023,7	6	53%
Rest of the world	**2 009,4**	**10**	1 431,4	9	40%
Total gross revenue	**20 774,9**	**100**	16 355,5	100	27%
Adjustment*	**(1 466,9)**		(1 099,7)		
Total revenue	**19 308,0**		15 255,8		27%

^ Excludes intersegment revenue of R43,0 million (2012: R29,6 million).

@ Excludes intersegment revenue of R1 201,5 million (2012: R432,3 million).

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

 # The aggregate segmental operating profit total of R5 043,3 million (2012: R3 940,6 million) agrees to the statement of comprehensive income.

Accounting policies

for the year ended 30 June 2013

GENERAL INFORMATION

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

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

FINANCIAL REPORTING TERMS

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

GROUP STRUCTURES

Business unit: An operation engaged in providing similar goods or services in different geographic regions. The primary business units are:

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

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

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

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

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

Operation: A component of the Group:

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

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

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

GENERAL ACCOUNTING TERMS

Acquisition date: The date on which control in subsidiaries and special purpose entities commences.

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

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

Accounting policies continued

for the year ended 30 June 2013

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

Discontinued operation: A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view of resale.

Disposal date: The date on which control of subsidiaries and special purpose entities ceases.

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

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

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

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

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

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

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

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

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

FINANCIAL INSTRUMENT TERMS

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

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

Derivative instrument: A financial instrument:

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

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial results

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

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

The preparation of Annual Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Annual Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of Annual Financial Statements in conformity with IFRS also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Annual Financial Statements are disclosed on page 41.

Group accounting

The Annual Financial Statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis. A listing of the Group's principal subsidiaries and special purpose entities are set out in note 23 of the Company Annual Financial Statements of Aspen Pharmacare Holdings Limited.

Accounting policies continued

for the year ended 30 June 2013

Subsidiaries

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

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

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

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

Inter-company transactions and balances

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

Transactions and non-controlling interests

Changes in ownership in subsidiaries

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

Disposal of subsidiaries

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

Business combinations and goodwill

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

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

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

and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis or where there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

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

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

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions (except for hyperinflationary economies)

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

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

Accounting policies continued

for the year ended 30 June 2013

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

Foreign operations (except for hyperinflationary economies)

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

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

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

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

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

Hyperinflationary economies

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Intangible assets

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

Intellectual property

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

Research and development

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

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

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

Development costs are capitalised until the date of commercial production and are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met, on a straight-line basis over the remaining useful lives, which ranged from 1 to 12 years during the financial year.

Accounting policies continued

for the year ended 30 June 2013

Product participation and other contractual rights

Rights acquired to co-market or manufacture certain third-party products are capitalised to intangible assets. These rights are subsequently carried at amortised cost and are amortised as appropriate on either the reverse sum of digits or straight-line basis over the financial years of the agreements. The amortisation method is chosen to reflect the pattern in which the benefits relating to the rights are expected to flow to the Group.

Drug master files

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

Computer software

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

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

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

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

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

Financial instruments

Financial assets

The Group classifies its financial assets into the following categories:

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

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

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

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

Financial instruments at fair value through profit or loss

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

costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in financing costs in the statement of comprehensive income during the period in which they arise. Financial derivative instruments on the statement of financial position are classified in this category.

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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 statement of financial position 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 statement of comprehensive income.

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 statement of comprehensive income. 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.

At each statement of financial position 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 statement of comprehensive income. Impairment losses on available-for-sale financial assets recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income.

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

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

Accounting policies continued

for the year ended 30 June 2013

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

Financial liabilities at amortised cost

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

Accounting for derivative financial instruments and hedging activities

The Group's criteria for a derivative instrument to be designated as a hedging instrument require that:

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

The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

- a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge);
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- a net investment hedge.

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

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

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

Fair value hedges

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

Cash flow hedges

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income and deferred in equity at that time remains in equity and is recognised when

the forecast transaction is recognised in the statement of comprehensive income. When the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income and deferred in equity is reclassified from equity to the statement of comprehensive income as a reclassification adjustment.

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

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

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

Financial instruments that are measured at fair value in the statement of financial position are classified into the following levels of the fair value measurement hierarchy:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly, as prices, or indirectly, derived from prices (level 2); and
- inputs for the assets or liabilities that are not based on observable market data, unobservable inputs (level 3).

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

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

The carrying values of the following financial assets and financial liabilities approximate their fair values:
- trade and other financial receivables;
- cash and cash equivalents;
- other non-current financial receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- cash restricted for use;
- current borrowings; and
- non-current borrowings.

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

Leased assets

Finance leases

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

Accounting policies continued

for the year ended 30 June 2013

Operating leases

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Cash restricted for use

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

Tax

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Dividend and withholding taxes

Dividend withholding tax is payable by Aspen Pharmacare Holdings Limited shareholders at a rate of 15% on dividends actually paid to those shareholders. The dividend withholding tax is however reduced by STC credits that Aspen Pharmacare Holdings Limited has available. To the extent that a dividend withholding tax becomes payable, these amounts are withheld from the dividend paid and is not attributable to the company. If a withholding tax is payable by any company in the Group, the withholding tax is recognised as part of the current tax charge in the statement of comprehensive income in the period in which the dividends, royalties and other sources of income accrues to the respective Group company.

STC

STC is recognised as part of the current tax charge in the statement of comprehensive income when the related dividend is declared. STC was replaced with dividends withholding tax in South Africa for dividends paid after 1 April 2012.

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 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 tax effects, is included in equity attributable to equity holders of the parent.

Compound financial instruments

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

Accounting policies continued

for the year ended 30 June 2013

For purposes of statement of financial position presentation, such instruments comprise two components:
- a financial liability (a contractual arrangement to deliver cash or other financial assets); and
- an equity instrument (a call option granting the holder the right, for a specified period of time, to convert into Aspen ordinary shares).

Accordingly, such liability and equity elements are presented separately on the statement of financial position.

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

The cumulative convertible preference shares and the deferred incentive bonuses are both compound financial instruments. Refer to notes 14 and 15 of the Group Annual Financial Statements.

Borrowings and borrowing costs

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

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

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

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

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

Employee benefits

Short-term obligations

Remuneration of employees is charged to the statement of comprehensive income. Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee obligations are measured on an undiscounted basis and are charged to the statement of comprehensive income as the related service is provided. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the Group has a legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Pension benefits

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

Defined contribution plans – pension

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 19 and 25 of the Group Annual Financial Statements.

Defined benefit plans – pension

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

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

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

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

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

Defined benefit plans – post-retirement medical aid obligations

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

The present value of the expected future post-retirement medical aid obligation is quantified to the extent that service has been rendered, and is reflected on the statement of financial position as a liability. Valuations of these obligations are carried out by independent actuaries on an annual basis using the projected unit credit method. Post-retirement medical aid obligations are accounted for using the same accounting methodologies as described for the defined benefits plans – pension.

Early adoption of IAS 19 – *Employee benefits*

During 2013, the Group changed its accounting policy with respect to recognising actuarial gains and losses on retirement benefit obligations upon the adoption of IAS 19 – *Employee Benefits*. Under the previous policy actuarial gains and losses were recognised directly in the statement of comprehensive income. Under the amended policy all actuarial gains and losses are recognised immediately in other comprehensive income as remeasurements.

In addition, the Group changed its accounting policy with respect to calculating the expected return on plan assets. Under the previous policy, net interest income was recognised in the statement of comprehensive income based on the expected rate of return of plan assets. Under the revised policy, the interest rate on plan assets is no longer calculated based on an expected rate of return but rather equal to the discount rate used for determining retirement benefit obligations.

Accounting policies continued

for the year ended 30 June 2013

The change in accounting policy has been applied retrospectively. However, the amendments to IAS 19 did not have a significant impact on earnings or cash flows and therefore comparatives have not been restated.

Termination benefits

In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan, without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after year-end are discounted to present value.

Bonus plans

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

- there is a formal plan and amounts to be paid are determined before the time of issuing the Annual Financial Statements;
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined prior to issuing the Annual Financial Statements; and
- liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payments

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

Share options, share appreciation rights, deferred incentive bonuses and phantom shares are granted to management and key employees. The schemes in operation are classified as equity-settled share-based compensation plans, except for the South African Management Deferred Incentive Bonus Scheme which is a compound financial instrument with both an equity and cash settled portion, as well as the Aspen International Phantom Share Scheme, which is a cash-settled scheme, under which the entity receives services from employees in exchange for cash, based on changes in the Aspen share price.

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

The Aspen Share Incentive Trusts regulate the operation of the share incentive schemes, and are consolidated into the Annual Financial Statements. Refer to note 14 of the Group Annual Financial Statements for details on the schemes.

Equity-settled schemes

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

Fair value is determined using the binomial pricing model where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations such

as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services to the reporting date.

Cash-settled schemes

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

Compound financial instrument share scheme

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

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

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

Deferred revenue

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

Trade and other payables

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

Directors' and prescribed officers' emoluments

The directors' and prescribed officers' emoluments disclosed in note 25 of the Group Annual Financial Statements represent the emoluments paid to, or receivable by, directors and prescribed officers in their capacity as director, prescribed officer or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Annual Financial Statements. This disclosure is provided in terms of the JSE Listings Requirements.

Impairment

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

Accounting policies continued

for the year ended 30 June 2013

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

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

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

The Group assesses at each year-end date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note 38 of the Group Annual Financial Statements.

Revenue recognition

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

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

Other income and investment income

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

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

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

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 3 of 2012.

An itemised reconciliation of the adjustments to profit attributable to equity holders of the parent is provided in note 29 of the Group Annual Financial Statements.

Normalised headline earnings

Normalised headline earnings are headline earnings adjusted for specific non-trading items being transaction costs relating to acquisitions, restructuring costs, settlement of product related litigation costs and significant one-off tax provision charges or credits arising from the resolution of prior year tax matters.

Normalised diluted headline earnings per share

Normalised diluted headline earnings per share is calculated by dividing the normalised headline earnings by the diluted 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.

Discontinued operations

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

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

Segmental reporting

Reporting segments

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

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

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

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

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

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

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

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

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

Distributions to shareholders

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

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

Accounting policies continued

for the year ended 30 June 2013

Comparative figures

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

Convenience translation from Rand to US dollar

The presentation currency of the Group is Rand.

Supplementary unaudited US Dollar information is provided for convenience only. Refer to page 140.

The conversion to US Dollar is performed as follows:

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

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following standards, amendments and interpretations are effective for the first time for the year ended 30 June 2013:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 1 – *Financial Statement Presentation Regarding Other Comprehensive Income*	The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.	Financial years beginning on or after 1 July 2012.	The Group applied this amendment to the 2013 Annual Financial Statements.
Amendment to IAS 12 – *Income Taxes on Deferred Tax*	Currently IAS 12 – *Income taxes*, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 – *Investment Property*. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 – *Income taxes – Recovery of Revalued Non-depreciable Assets*, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	Financial years beginning on or after 1 July 2012.	No impact on the Group's Annual Financial Statements.

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 19 – *Employee Benefits*	The amendment replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is also a new term "remeasurements" which is made up of actuarial gains and losses – the difference between actual investment returns and the return implied by the net interest cost. Remeasurements are taken to other comprehensive income rather than to the statement of comprehensive income.	Financial years beginning on or after 1 January 2013.	This amendment has been early adopted by the Group in the current financial year.

The following accounting standards, amendments and interpretations, that are not mandatory for the year ended 30 June 2013 and have been published prior to the date of signature of this report:

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

Accounting policies continued

for the year ended 30 June 2013

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 9 – *Financial Instruments – Classification and Measurement*	This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. This change will mainly affect financial institutions.	Financial years beginning on or after 1 January 2015.	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2015.
Amendments to IFRS 10 – *Consolidated Financial Statements*, IFRS 12 and IAS 27 for investment entities	These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.	Financial years beginning on or after 1 January 2014.	Not applicable to the Group's Annual Financial Statements.
Amendment to the transition requirements in IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, and IFRS 12 – *Disclosure of Interests in other Entities*	These amendments also provide additional transition relief in IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	Financial years beginning on or after 1 January 2014.	The Group will apply this revised standard to financial years beginning on or after 1 January 2013.

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 10 – *Consolidated financial statements*	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Financial years beginning on or after 1 January 2013.	No material impact on the Group's Annual Financial Statements.
IFRS 11 – *Joint Arrangements*	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	Financial years beginning on or after 1 January 2013.	No material impact on the Group's Annual Financial Statements.
IFRS 12 – *Disclosures of Interests in other Entities*	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	Financial years beginning on or after 1 January 2013.	No material impact on the Group's Annual Financial Statements.
IFRS 13 – *Fair Value Measurement*	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.	Financial years beginning on or after 1 January 2013.	The Group will apply this revised standard to financial years beginning on or after 1 January 2013.
IAS 27 (revised 2011) – *Separate Financial Statements*	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Financial years beginning on or after 1 January 2013.	No material impact on the Group's Annual Financial Statements.

Accounting policies continued

for the year ended 30 June 2013

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IAS 28 (revised 2011) – *Associates and Joint Ventures*	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Financial years beginning on or after 1 January 2013.	No material impact on the Group's Annual Financial Statements.
Amendment to IAS 32 – *Financial Instruments: Presentation, on Offsetting Financial Assets and Financial Liabilities*	This amendment updates the application guidance in IAS 32 – *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.	Financial years beginning on or after 1 January 2014.	The Group will apply this revised standard to financial years beginning on or after 1 January 2014.
IASB issues narrow-scope amendments to IAS 36 – *Impairment of Assets*	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	Financial years beginning on or after 1 January 2014.	The Group will apply this revised standard to financial years beginning on or after 1 January 2014.
IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*	This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.	Financial years beginning on or after 1 January 2013.	Not applicable to the Group's Annual Financial Statements.

IMPROVEMENTS TO IFRS

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

The improvements are effective for financial years beginning on or after 1 January 2013.

The following standards were amended but are not yet effective:
- IFRS 1 – *First-time Adoption of IFRS*;
- IAS 1 – *Presentation of Financial Statements*;
- IAS 16 – *Property, Plant and Equipment*;
- IAS 32 – *Financial Instruments Presentation*; and
- IAS 34 – *Interim Financial Reporting*.

Significant judgements and estimates

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

Depreciation and amortisation rates and residual values

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

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

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

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

Indefinite useful life intangible assets

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

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

- the ability to use the asset efficiently. Historical products sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy for obtaining maximum economic benefit from the asset (2014 budget, specific marketing plans, specific enhancement plans and the identification of new markets);
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- redundancy of a similar medication due to changes in market preferences; and
- development of new drugs treating the same disease.

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

Impairment of assets

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

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

Significant judgements and estimates continued

Valuation of derivative financial instruments

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

Refer to notes 9 and 21 of the Group Annual Financial Statements.

Allowance account for losses

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

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

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

Refer to note 8 of the Group Annual Financial Statements.

Calculation of share-based payment expense

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

Refer to note 14 of the Group Annual Financial Statements.

Recognition of deferred tax assets in respect of assessed losses

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

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

Refer to note 6 of the Group Annual Financial Statements.

Determination of net realisable value of inventories

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

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

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

Refer to note 7 of the Group Annual Financial Statements.

Accounting for compound financial instruments

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

Refer to note 14 and note 15 of the Group Annual Financial Statements.

Retirement benefit obligations

An updated actuarial valuation is carried out at the end of each financial year for the defined benefit plan and post-employment liabilities of the Group. Key assumptions used to determine the net assets and liabilities of these obligations are set out in note 19 of the Group Annual Financial Statements.

Fair value determination in business combinations

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

Initial accounting for business combinations determined provisionally

The initial accounting for specific business acquisitions were accounted for on a provisional basis in 2013 and will be finalised in the 2014 financial year.

Refer to note 36 of the Group Annual Financial Statements.

Determination of average translation rates

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

Fair value determination

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

Non-current assets

	Notes	2013 R'million	2012 R'million
Property, plant and equipment	1	**4 342,6**	3 807,0
Goodwill	2	**5 973,2**	5 343,9
Intangible assets	3	**18 933,0**	11 869,8
Available-for-sale financial assets	4	**0,1**	–
Other non-current financial receivables	5	**26,6**	31,5
Deferred tax assets	6	**369,2**	234,4
		29 644,7	21 286,6

1. PROPERTY, PLANT AND EQUIPMENT

2013	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	2 093,3	2 423,2	140,9	116,7	964,7	**5 738,8**
Accumulated depreciation	(258,1)	(888,1)	(90,7)	(65,3)	–	**(1 302,2)**
Accumulated impairment losses	(78,6)	(19,5)	(1,0)	(0,5)	(11,9)	**(111,5)**
Carrying value at the end of the year	1 756,6	1 515,6	49,2	50,9	952,8	**4 325,1**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	1 659,0	1 366,2	35,0	32,5	696,0	**3 788,7**
Acquisition of subsidiary (refer to note 36.1)	–	1,7	–	–	–	**1,7**
Additions – replacement	2,3	37,4	3,2	1,1	117,4	**161,4**
Additions – expansion	2,8	10,1	12,9	25,6	450,0	**501,4**
Additions – borrowing costs capitalised	–	–	–	–	10,5	**10,5***
Disposals	–	(7,7)	–	(3,6)	(0,6)	**(11,9)**
Depreciation	(63,3)	(191,1)	(18,5)	(14,4)	–	**(287,3)**
Reclassification between categories	52,1	244,4	12,8	4,8	(314,7)	**(0,6)**
Reclassification to intangible assets	–	–	–	–	(14,0)	**(14,0)**
Impairment	(4,8)	(1,3)	–	(0,1)	(4,0)	**(10,2)**
Impairment losses reversed	–	–	–	–	0,6	**0,6**
Translation of foreign operations	108,5	55,7	3,2	4,9	11,6	**183,9**
Hyperinflationary adjustment – Venezuela	–	0,2	0,6	0,1	–	**0,9**
Carrying value at the end of the year	1 756,6	1 515,6	49,2	50,9	952,8	**4 325,1**

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 6,0% (2012: 6,2%).*

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1. PROPERTY, PLANT AND EQUIPMENT continued

2013	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
LEASED						
Carrying value						
Cost	27,6	–	25,2	2,4	–	**55,2**
Accumulated depreciation	(18,0)	–	(17,0)	(1,4)	–	**(36,4)**
Accumulated impairment losses	(1,3)	–	–	–	–	**(1,3)**
Carrying value at the end of the year	8,3	–	8,2	1,0	–	**17,5**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	8,8	2,6	6,0	0,9	–	**18,3**
Reclassification between categories	–	(2,9)	3,5	–	–	**0,6**
Additions – replacement	–	–	0,2	0,1	–	**0,3**
Additions – expansion	1,1	–	1,9	1,0	–	**4,0**
Depreciation	(2,8)	–	(3,4)	(1,0)	–	**(7,2)**
Translation of foreign operations	1,2	0,3	–	–	–	**1,5**
Carrying value at the end of the year	8,3	–	8,2	1,0	–	**17,5**
TOTAL OWNED AND LEASED	1 764,9	1 515,6	57,4	51,9	952,8	**4 342,6**
2012						
OWNED						
Carrying value						
Cost	1 912,3	2 065,2	98,6	83,8	721,3	4 881,2
Accumulated depreciation	(183,8)	(681,4)	(63,6)	(50,0)	–	(978,8)
Accumulated impairment losses	(69,5)	(17,6)	–	(1,3)	(25,3)	(113,7)
Carrying value at the end of the year	1 659,0	1 366,2	35,0	32,5	696,0	3 788,7
Movement in property, plant and equipment						
Carrying value at the beginning of the year	1 707,5	1 294,8	33,3	32,2	561,1	3 628,9
Acquisition of subsidiaries and businesses	(116,8)	21,2	–	–	–	(95,6)
Additions – replacement	0,3	13,6	3,4	0,9	84,7	102,9
Additions – expansion	2,4	43,0	3,6	7,2	304,5	360,7
Additions – borrowing costs capitalised	–	–	–	–	4,4	4,4*
Disposals	(28,9)	(3,7)	–	(0,1)	–	(32,7)
Depreciation	(52,9)	(165,1)	(15,2)	(10,3)	–	(243,5)
Reclassification between categories	75,2	123,8	8,8	0,4	(209,9)	(1,7)
Reclassification to intangible assets	–	–	–	–	(22,2)	(22,2)
Impairment	(3,2)	(0,1)	–	–	(29,0)	(32,3)
Translation of foreign operations	75,4	39,1	1,0	1,7	2,4	119,6
Hyperinflationary adjustment – Venezuela	–	(0,4)	0,1	0,5	–	0,2
Carrying value at the end of the year	1 659,0	1 366,2	35,0	32,5	696,0	3 788,7

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 6,0% (2012: 6,2%).*

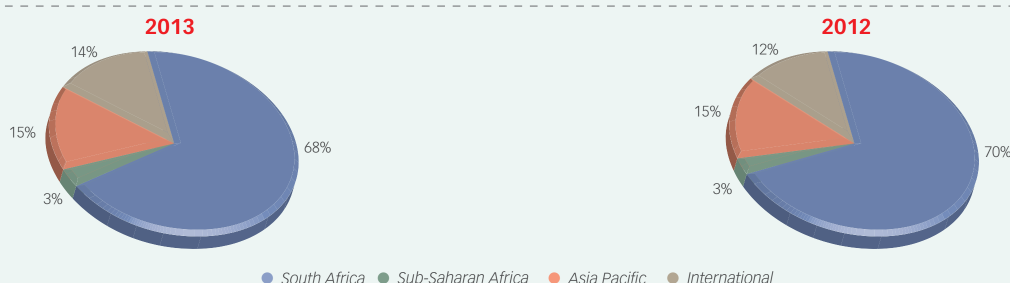
Non-current assets continued

1. PROPERTY, PLANT AND EQUIPMENT continued

2012	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
LEASED						
Carrying value						
Cost	22,9	3,5	19,8	1,2	–	47,4
Accumulated depreciation	(12,9)	(0,9)	(13,8)	(0,3)	–	(27,9)
Accumulated impairment losses	(1,2)	–	–	–	–	(1,2)
Carrying value at the end of the year	8,8	2,6	6,0	0,9	–	18,3
Movement in property, plant and equipment						
Carrying value at the beginning of the year	9,9	6,1	6,4	0,2	–	22,6
Reclassification between categories	(1,3)	–	3,0	–	–	1,7
Additions – expansion	3,9	–	1,1	1,0	–	6,0
Disposals	(0,8)	(2,4)	–	–	–	(3,2)
Depreciation	(3,6)	(0,8)	(4,5)	(0,3)	–	(9,2)
Translation of foreign operations	0,7	(0,3)	–	–	–	0,4
Carrying value at the end of the year	8,8	2,6	6,0	0,9	–	18,3
TOTAL OWNED AND LEASED	1 667,8	1 368,8	41,0	33,4	696,0	3 807,0
2011						
OWNED						
Carrying value						
Cost	1 894,1	1 822,8	80,0	82,9	561,1	4 440,9
Accumulated depreciation	(127,4)	(509,3)	(46,7)	(46,7)	–	(730,1)
Accumulated impairment losses	(59,2)	(18,7)	–	(4,0)	–	(81,9)
Carrying value at the end of the year	1 707,5	1 294,8	33,3	32,2	561,1	3 628,9
LEASED						
Carrying value						
Cost	18,1	11,1	15,7	0,2	–	45,1
Accumulated depreciation	(8,2)	(5,0)	(9,3)	–	–	(22,5)
Carrying value at the end of the year	9,9	6,1	6,4	0,2	–	22,6
TOTAL OWNED AND LEASED	1 717,4	1 300,9	39,7	32,4	561,1	3 651,5

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 6,0% (2012: 6,2%).*

Property, plant and equipment (carrying values)



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

1. PROPERTY, PLANT AND EQUIPMENT continued

	2013 R'million	2012 R'million
The breakdown of the land and buildings amounts is as follows		
Land	**373,4**	325,6
Buildings	**1 391,5**	1 342,2
	1 764,9	1 667,8

Depreciation rates

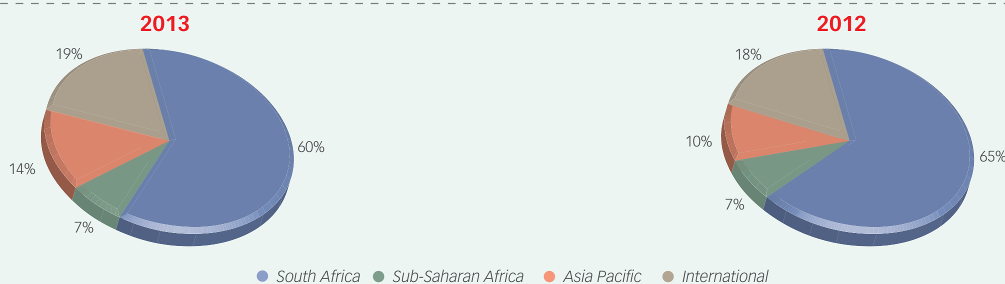
The estimated remaining useful life information for 2013 was as follows

Buildings (including leasehold improvements)	Up to 60 years
Plant and equipment	Up to 28 years
Computer equipment	Up to 8 years
Office equipment and furniture	Up to 10 years

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

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

Depreciation



	2013 R'million	2012 R'million
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following		
Authorised and contracted for	**525,5**	158,8
Authorised but not yet contracted for	**1 052,0**	456,4
	1 577,5	615,2

Non-current assets continued

	2013 R'million	2012 R'million
1. PROPERTY, PLANT AND EQUIPMENT continued		
Funding		
Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.		
Other disclosures		
Carrying value of assets committed as security for debt (refer to note 17)	**7,6**	6,1
Expenditure capitalised in the construction of qualifying assets – excluding borrowing costs (included in capital work-in-progress)	**59,8**	132,6
Impairment of property, plant and equipment (included in other operating expenses)		
The impairment of property, plant and equipment can be split as follows		
South Africa	**0,7**	30,2
Sub-Saharan Africa	**–**	0,1
International	**9,5**	2,0
	10,2	32,3

The carrying value of property, plant and equipment impaired has been determined based on either fair value less costs to sell or value-in-use calculations.

South Africa

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

International

An impairment relating to a feasibility study for a new facility in Aspen Brazil was recognised in the current year. The value of the impairment was determined using fair value less costs to sell.

	2013 R'million	2012 R'million
2. GOODWILL		
Reconciliation of movement		
Carrying value at the beginning of the year	**5 343,9**	4 626,6
Acquisition of subsidiaries and businesses	**176,5**	104,3
Impairment	**–**	(43,6)
Translation of foreign operations	**452,8**	656,6
Carrying value at the end of the year	**5 973,2**	5 343,9

For the purposes of impairment testing, goodwill is allocated to the smallest cash-generating unit. Impairment testing in respect of goodwill is performed at each reporting date by comparing the recoverable amount based on value-in-use of the cash-generating unit to the carrying value. Refer to note 38 for detail.

	2013 R'million	2012 R'million
Impairment of goodwill (included in other operating expenses)		
The impairment of goodwill can be split as follows		
South Africa	**–**	25,7
International	**–**	17,9
	–	43,6

South Africa

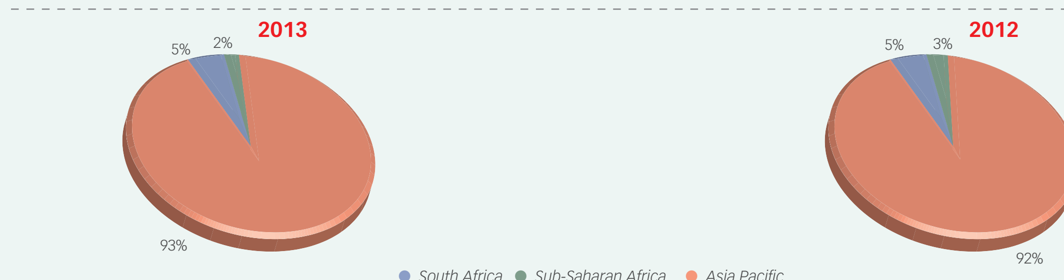
In 2012 an impairment of R25,7 million relating to FCC was accounted for due to the volatility of the API markets.

International

In 2012 an impairment of R17,9 million relating to historical goodwill on the original Latin American acquisition from Strides Arcolab Limited.

2. GOODWILL continued

Goodwill (carrying value)



3. INTANGIBLE ASSETS

2013	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	17 571,3	754,6	2 639,3	67,0	268,3	**21 300,5**
Accumulated amortisation	(1 465,7)	(98,4)	(219,6)	(57,7)	(128,9)	**(1 970,3)**
Accumulated impairment losses	(373,0)	(18,8)	(0,6)	(2,2)	(2,6)	**(397,2)**
Carrying value at the end of the year	15 732,6	637,4	2 419,1	7,1	136,8	**18 933,0**
Movement in intangible assets						
Carrying value at the beginning of the year	8 931,8	455,5	2 373,2	11,5	97,8	**11 869,8**
Acquisition of subsidiary (refer to note 36.1)	1 246,1	–	–	–	–	**1 246,1**
Additions – expansion	3 376,2	89,3	–	–	40,6	**3 506,1**
Development costs capitalised	–	148,8	–	–	–	**148,8**
Disposals	(0,5)	–	–	–	–	**(0,5)**
Amortisation	(178,2)	(30,1)	(18,0)	(4,0)	(25,4)	**(255,7)**
Reclassification between categories	36,9	(36,9)	–	–	–	**–**
Reclassification from property, plant and equipment	–	–	–	–	14,0	**14,0**
Impairment	(92,4)	(1,7)	–	(0,4)	–	**(94,5)**
Impairment losses reversed	34,9	–	–	–	–	**34,9**
Translation of foreign operations	2 377,8	11,7	63,9	–	9,8	**2 463,2**
Hyperinflationary adjustment – Venezuela	–	0,8	–	–	–	**0,8**
Carrying value at the end of the year	15 732,6	637,4	2 419,1	7,1	136,8	**18 933,0**

Non-current assets continued

3. INTANGIBLE ASSETS continued

2012	Intellectual property R'million	Develop-ment costs R'million	Product partici-pation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	10 607,8	540,5	2 565,0	67,0	197,4	13 977,7
Accumulated amortisation	(1 234,8)	(67,1)	(191,2)	(53,7)	(97,2)	(1 644,0)
Accumulated impairment losses	(441,2)	(17,9)	(0,6)	(1,8)	(2,4)	(463,9)
Carrying value at the end of the year	8 931,8	455,5	2 373,2	11,5	97,8	11 869,8
Movement in intangible assets						
Carrying value at the beginning of the year	6 184,3	323,1	2 316,5	15,7	77,1	8 916,7
Acquisition of subsidiaries and businesses	4,2	–	–	–	–	4,2
Additions – replacement	–	–	–	–	0,5	0,5
Additions – expansion	1 924,8	47,3	26,7	–	26,0	2 024,8
Development costs capitalised	–	123,5	–	–	–	123,5
Disposals	(2,4)	(0,4)	–	–	–	(2,8)
Amortisation	(139,6)	(24,3)	(22,7)	(4,2)	(21,5)	(212,3)
Reclassification between categories	0,8	(0,8)	–	–	–	–
Reclassification from property, plant and equipment	–	7,1	–	–	15,1	22,2
Impairment	(90,3)	(22,4)	–	–	–	(112,7)
Translation of foreign operations	1 050,0	2,0	52,7	–	0,5	1 105,2
Hyperinflationary adjustment – Venezuela	–	0,4	–	–	0,1	0,5
Carrying value at the end of the year	8 931,8	455,5	2 373,2	11,5	97,8	11 869,8
2011						
Carrying value						
Cost	7 456,8	376,3	2 476,5	67,1	148,3	10 525,0
Accumulated amortisation	(1 042,1)	(42,8)	(159,4)	(49,5)	(70,8)	(1 364,6)
Accumulated impairment losses	(230,4)	(10,4)	(0,6)	(1,9)	(0,4)	(243,7)
Carrying value at the end of the year	6 184,3	323,1	2 316,5	15,7	77,1	8 916,7

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

3. INTANGIBLE ASSETS continued

Intangible assets (carrying value)

	2013 R'million	2012 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**12 481,0**	7 219,4
Indefinite useful life intangible assets as a percentage of total intangible assets	**66%**	61%

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

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

A number of brands have been classified as indefinite useful life intangible assets, with the most material being the global brands. These brands had a carrying value of R11 725,5 million at the end of June 2013 (2012: R6 532,2 million).

Refer to note 38 for detail on impairment testing of indefinite useful life intangible assets.

Non-current assets continued

3. INTANGIBLE ASSETS continued

	2013 R'million	2012 R'million
Net impairment of intangible assets (included in other operating expenses)		
The net impairment of intangible assets can be split as follows		
1) South Africa	**5,8**	26,1
International	**53,8**	86,6
2) Consumer brands in Aspen Brazil	**–**	27,6
3) Dextropropoxyphene products in Aspen Australia	**–**	35,4
4) Personal care products in Aspen Australia	**–**	23,6
5) Pharmaceutical brands in Aspen Brazil	**87,6**	–
6) Pharmaceutical brands in Aspen Australia	**(34,9)**	–
Other	**1,1**	–
	59,6	112,7

The carrying value of intangible assets impaired has been determined based on either fair value less costs to sell or value-in-use calculations.

South Africa

1) In 2012 the impairment related to old product development projects which were no longer technically or commercially feasible and fully written off. The value of the impairment was determined using fair value less costs to sell.

International

2) This related to historical underperformance on certain consumer brands in Aspen Brazil. The value of the impairment was determined using fair value less costs to sell.
3) Dextropropoxyphene products in Australia were at risk of being withdrawn from sale and were impaired. The value of the impairment was determined using fair value less costs to sell.
4) This related to historical underperformance on certain personal care products in Aspen Australia. The carrying value of intangible assets impaired was determined based on value-in-use calculations. The following assumptions were used:
   - period covered by the forecasts and budgets of 9 years;
   - growth in revenue per annum ranging between -5% and -7%;
   - gross profit percentage per annum of 52%;
   - growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of -5%;
   - annual post-tax discount rate applied to cash flows of 10,1%.
5) This related to historical underperformance of a pharmaceutical brand in Aspen Brazil. The value of the impairment was determined using fair value less costs to sell.
6) There has been a trend of improved performance on certain pharmaceutical brands in Aspen Australia, and as a consequence previous impairments have been reversed. The carrying value of intangible assets has been determined based on value-in-use calculations. The following assumptions were used:
   - period covered by the forecasts and budgets of 10 years;
   - growth in revenue per annum of -3%;
   - gross profit percentage per annum of 33%;
   - growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of -5%; and
   - annual post-tax discount rate applied to cash flows of 9,2%.

	2013 R'million	2012 R'million
Product participation and other contractual rights		
Product participation and other contractual rights can be split into the following categories for the purposes of amortisation		
– Amortised on a straight-line basis		
Carrying value	**2 419,1**	2 367,6
Amortisation	**15,9**	18,6
– Amortised using the reverse sum of the digits method		
Carrying value	**–**	5,6
Amortisation	**2,1**	4,1

	2013 R'million	2012 R'million
3. INTANGIBLE ASSETS continued		
Capital commitments		
Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following		
Authorised and contracted for	**126,3**	12,7
Authorised but not yet contracted for	**190,2**	3 257,2
	316,5	3 269,9

Funding

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

Other disclosures

No intangible assets have been pledged as security for borrowings.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 R'million	2012 R'million
Marketable equity securities	**0,1**	–#

Available-for-sale financial assets, comprising 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.

 # Value was less than R50 000.

5. OTHER NON-CURRENT FINANCIAL RECEIVABLES

	2013 R'million	2012 R'million
Avid Brands SA (Pty) Limited	**3,6**	4,8
Amka Products (Pty) Limited	**3,5**	11,8
KOPM Distribution (Pty) Limited	**20,0**	20,0
Charospot Investments (Pty) Limited	**5,0**	5,0
Current portion included in trade and other receivables	**(5,5)**	(10,1)
	26,6	31,5

Avid Brands SA (Pty) Limited

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

	2013 R'million	2012 R'million
Year ended 30 June 2013	**–**	1,8
Year ending 30 June 2014	**2,0**	1,4
Year ending 30 June 2015	**1,6**	1,6
	3,6	4,8

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

The intellectual property disposed of was pledged as security by Avid Brands SA (Pty) Limited to secure their indebtedness.

Amka Products (Pty) Limited

An agreement was entered into with Amka Products (Pty) Limited, in terms of which the Group disposed of certain intellectual property. The repayment profile is set out below

	2013 R'million	2012 R'million
Year ended 30 June 2013	**–**	8,3
Year ending 30 June 2014	**3,5**	3,5
	3,5	11,8

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

The intellectual property disposed of was pledged as security by Amka Products (Pty) Limited to secure their indebtedness.

Non-current assets continued

5. OTHER NON-CURRENT FINANCIAL RECEIVABLES continued

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

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

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

Both the KOPM Distribution (Pty) Limited and the Charospot (Pty) Limited loans are secured by a second bond over specified movable assets to a value of R10,0 million as well as cession of specified book debts of S Buys (Pty) Limited.

Other disclosures

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

6. DEFERRED TAX

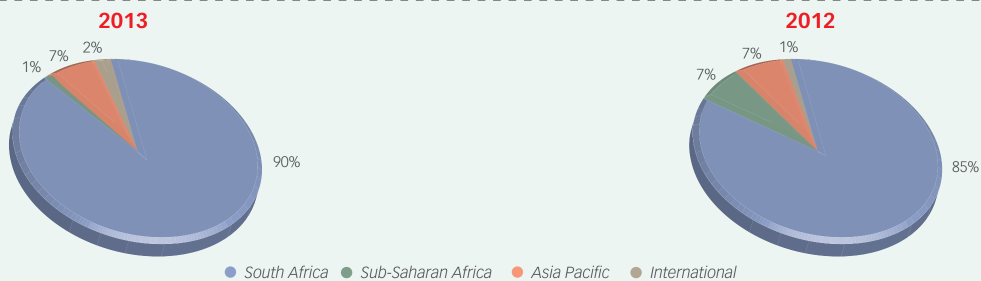
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2012: 28%).

	2013 R'million	2012 R'million
Deferred tax balance		
Deferred tax liabilities – opening balance	**536,0**	504,9
Deferred tax assets – opening balance	**(234,4)**	(216,5)
Net deferred tax liabilities – opening balance	**301,6**	288,4
Statement of comprehensive income credit – prior year adjustment	**(9,3)**	(10,3)
Statement of comprehensive income (credit)/charge – included in tax	**(36,3)**	140,7
Charged to equity	**(8,3)**	(4,4)
Translation of foreign operations	**(6,5)**	(3,9)
Acquisition of subsidiaries and businesses	**(9,9)**	(108,9)
Balance at the end of the year	**231,3**	301,6
Balance split as follows		
Deferred tax liabilities	**600,5**	536,0
Deferred tax assets	**(369,2)**	(234,4)
Balance at the end of the year	**231,3**	301,6
The statement of comprehensive income (credit)/charge comprises		
Property, plant and equipment	**(19,3)**	82,3
Intangible assets	**232,6**	48,1
Inventories	**(107,4)**	(32,5)
Trade and other receivables	**4,2**	(3,7)
Retirement benefit obligations	**(11,4)**	(0,9)
Trade and other payables	**(212,7)**	–
Leave pay	**(2,0)**	(2,6)
Royalties received in advance	**–**	(0,3)
Preference shares issued	**–**	1,3
Tax claims in respect of share schemes	**23,7**	7,4
Tax losses	**15,1**	49,9
Other	**31,6**	(18,6)
	(45,6)	130,4

		2013 R'million	2012 R'million
6.	**DEFERRED TAX** continued		
	Deferred tax balance comprises		
	Property, plant and equipment	**363,6**	381,7
	Intangible assets	**419,7**	171,9
	Inventories	**(187,3)**	(78,6)
	Trade and other receivables	**9,5**	6,1
	Retirement benefit obligations	**(29,5)**	(15,5)
	Trade and other payables	**(238,9)**	–
	Leave pay	**(18,2)**	(15,9)
	Royalties received in advance	**(22,5)**	(22,5)
	Tax claims in respect of share schemes	**(14,2)**	(30,4)
	Tax losses	**(59,4)**	(71,5)
	Other	**8,5**	(23,7)
	Balance at the end of the year	**231,3**	301,6

The Company has R597,0 million of STC creditable reserves. The STC credit will be utilised by the Company to reduce dividend withholding tax that is due by the Company's shareholders to the extent of dividends declared up to R597,0 million prior to 31 March 2015.

Tax jurisdiction – deferred tax liabilities



Tax jurisdiction – deferred tax assets

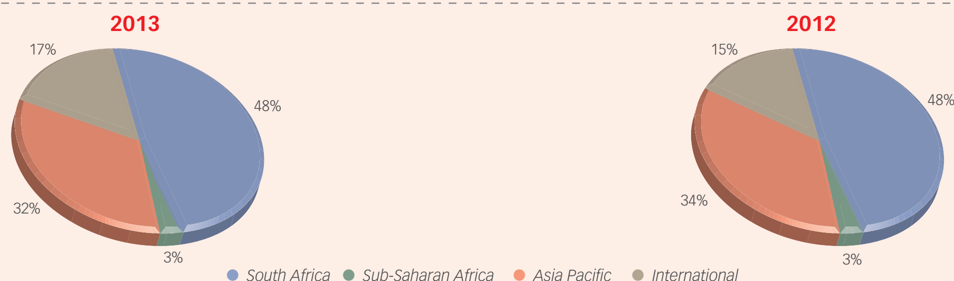
Current assets

	Notes	2013 R'million	2012 R'million
Inventories	7	4 100,9	3 292,0
Trade and other receivables	8	5 463,8	3 782,3
Current tax assets		111,0	37,8
Derivative financial instruments	9	82,7	5,1
Cash and cash equivalents	10	6 018,6	3 313,5
Cash restricted for use	11	–	1,2
		15 777,0	10 431,9

7. INVENTORIES

	2013 R'million	2012 R'million
Carrying values		
Raw materials	980,6	953,4
Work-in-progress	434,7	363,6
Finished goods	2 555,3	1 881,0
Consumables	130,3	94,0
	4 100,9	3 292,0
Key ratios relating to inventories		
Inventories as a percentage of revenue from continuing operations	21%	22%
Inventories as a percentage of cost of sales from continuing operations	41%	41%

Inventories (carrying values)



	2013 R'million	2012 R'million
7. INVENTORIES continued		
Impairment of inventories (included in cost of sales)		
The impairment charge to the statement of comprehensive income can be split as follows		
Write-down of inventories recognised as an expense	**231,9**	142,8
Movement in the provision for impairment	**43,4**	(30,6)
	275,3	112,2
The write-down can be split as follows		
South Africa	**132,6**	97,1
Asia Pacific	**67,5**	30,4
International	**29,1**	15,3
Sub-Saharan Africa	**2,7**	–
	231,9	142,8

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

Reconciliation of provision for impairment	2013 R'million	2012 R'million
Balance at the beginning of the year	**255,0**	265,8
Raised during the year	**273,3**	158,3
Utilised during the year	**(229,9)**	(188,9)
Translation of foreign operations	**21,9**	19,8
Balance at the end of the year	**320,3**	255,0

Management is required to use significant judgement in estimating the provision for impairment of inventories. Refer to page 43 for detail.

Other disclosures

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

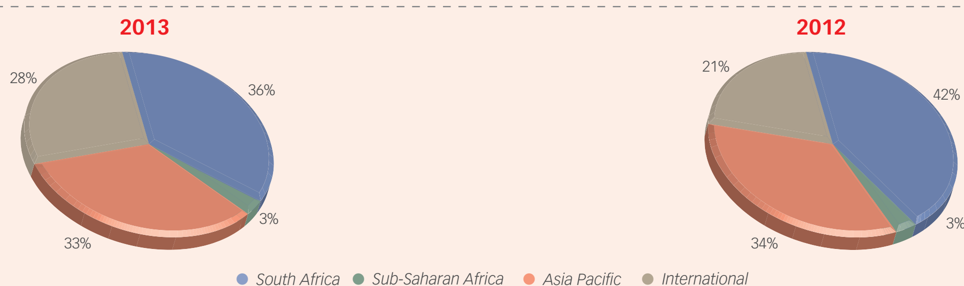
No inventories were encumbered during the year.

Current assets continued

	2013 R'million	2012 R'million
8. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Trade receivables	4 181,5	3 123,4
Allowance account for losses	(92,2)	(74,5)
Net trade receivables	4 089,3	3 048,9
Current portion of other non-current financial receivables	5,5	10,1
Interest accrued	22,0	14,6
Other	386,2	481,0
Total financial instruments *	4 503,0	3 554,6
Non-financial instruments		
Indirect taxes	249,0	127,4
Prepayments	209,1	65,5
Prepayment in anticipation of acquisition	394,7	–
Other	108,0	34,8
Total non-financial instruments	960,8	227,7
Total trade and other receivables	5 463,8	3 782,3
Key ratios relating to trade receivables		
Allowance account for losses as a percentage of trade receivables	2,2%	2,4%
Net trade receivables as a percentage of revenue	21%	20%

** This amount is classified as 'Loans and receivables' in terms of IAS 39 – Financial Instruments: Recognition and Measurement.*

Net trade receivables



8. TRADE AND OTHER RECEIVABLES continued

	2013 Gross R'million	2013 Allowance account for losses R'million	2012 Gross R'million	2012 Allowance account for losses R'million
Age analysis of trade and other receivables (financial instruments only)				
Fully performing	**3 890,7**	**–**	2 906,3	–
Past due by 1 to 60 days	**461,3**	**(3,5)**	328,5	(4,0)
Past due by 61 to 90 days	**53,3**	**(4,9)**	124,3	(2,5)
Past due by 91 to 120 days	**71,3**	**(8,4)**	72,5	(19,2)
Past due by more than 120 days	**118,6**	**(75,4)**	197,5	(48,8)
	4 595,2	**(92,2)**	3 629,1	(74,5)

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

The total amount of trade and other receivables are exposed to credit risk, except for certain fully performing and past due balances which were covered by credit guarantee insurance to the value of R1 194,5 million (2012: R934,6 million).

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

Two separate debtors balances (2012: three separate debtors balances) constitute a significant concentration of credit risk to an amount of R1 128,4 million (2012: R1 212,2 million). These balances constitute 27,0% (2012: 38,8%) of the total gross trade receivables.

There were no other single customers that represented more than 10% of total gross trade receivables for the years ended 30 June 2013 and 2012.

	2013 R'million	2012 R'million
Impairment of trade and other receivables (included in administrative expenses)		
The impairment charge to the statement of comprehensive income can be split as follows		
Bad debts written off	**0,3**	–
Movement in the allowance account for losses	**7,2**	5,4
	7,5	5,4
Reconciliation of allowance account for losses		
Balance at the beginning of the year	**74,5**	68,3
Raised during the year	**8,4**	25,1
Utilised during the year	**(1,2)**	(19,7)
Translation of foreign operations	**10,5**	0,8
Balance at the end of the year	**92,2**	74,5

Receivables are reviewed for impairment on an individual basis and significant judgement is applied by management in determining whether a trade receivable is impaired or not. A number of factors are taken into account when this assessment is made, refer to page 42 for detail.

Trade receivables given as security for liabilities

Trade receivables in Aspen Brazil were pledged as security for a working capital facility with a bank in Brazil to the value of R13,5 million. Refer to note 17 for detail. Security was given under normal terms and conditions.

Current assets continued

		2013 R'million	2012 R'million
8.	**TRADE AND OTHER RECEIVABLES** continued		
	Currency analysis of trade and other receivables (financial instruments only)		
	Australian Dollar	**1 281,8**	1 070,6
	Brazilian Real	**246,8**	278,6
	Canadian Dollar	**42,5**	49,1
	Euro	**321,5**	220,7
	Mexican Peso	**122,6**	53,8
	New Zealand Dollar	**50,9**	25,3
	Philippine Peso	**44,5**	12,3
	Pound Sterling	**215,2**	160,0
	Rand	**1 500,2**	1 345,0
	Tanzanian Shilling	**43,0**	41,2
	US Dollar	**464,7**	198,4
	Venezuelan Bolivares Fuertes	**54,1**	30,6
	Other currencies	**115,2**	69,0
		4 503,0	3 554,6

Other disclosures

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

Trade and other receivables are predominantly non-interest-bearing.

		2013 R'million	2012 R'million
9.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Balance at the beginning of the year	**5,1**	–
	Fair value gains recognised in the statement of comprehensive income	**77,5**	5,1
	Translation of foreign operations	**0,1**	–
	Balance at the end of the year	**82,7**	5,1

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

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

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

		2013 R'million	2012 R'million
10.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**4 698,1**	2 943,8
	Short-term bank deposits	**1 284,6**	356,0
	Cash-in-transit*	**30,8**	12,9
	Cash-on-hand	**5,1**	0,8
		6 018,6	3 313,5

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

10. CASH AND CASH EQUIVALENTS continued

General disclosures

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

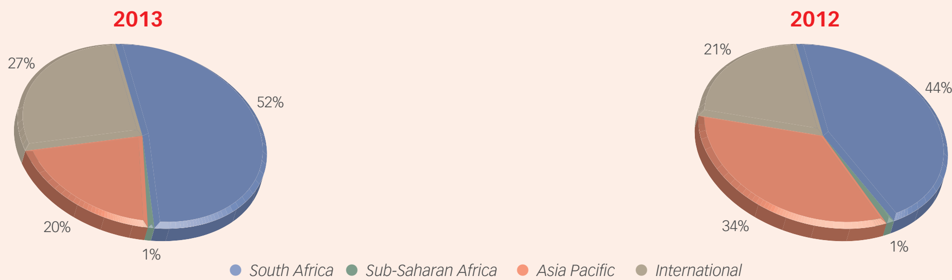
The average effective interest rate on short-term bank deposits is 4,3% (2012: 4,1%).

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

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

	2013 R'million	2012 R'million
Currency analysis of cash and cash equivalents		
Australian Dollar	**1 001,4**	1 068,6
Brazilian Real	**87,1**	25,3
Euro	**196,6**	99,8
Mexican Peso	**8,1**	19,9
Philippine Peso	**43,7**	4,5
Pound Sterling	**47,1**	201,4
Rand	**3 125,8**	1 454,8
Tanzanian Shilling	**38,6**	22,5
US Dollar	**1 385,0**	378,5
Venezuelan Bolivares Fuertes	**27,8**	21,3
Other currencies	**57,4**	16,9
	6 018,6	3 313,5

Cash and cash equivalents



	2013 R'million	2012 R'million
11. CASH RESTRICTED FOR USE		
Bank bonds	**–**	1,2

Bank bonds

This represented investments by Aspen Brazil in Brazilian bonds. The amount was denominated in Brazilian Real.

As the above amounts were maintained by financial institutions of a high quality, management considered the credit risk associated with these balances to be low.

Shareholders' equity

	Notes	2013 R'million	2012 R'million
Share capital and share premium	12	**4 048,6**	4 753,9
Treasury shares	13	**(59,4)**	(50,8)
Non-distributable reserves		**3 932,3**	1 369,5
Share-based compensation reserve	14	**35,7**	33,6
Retained income		**14 836,6**	11 283,2
Non-controlling interests	16	**5,1**	8,7
		22 798,9	17 398,1

12. SHARE CAPITAL AND SHARE PREMIUM

	2013 R'million	2012 R'million
Authorised		
717 600 000 (2012: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**99,8**	97,3
Issued		
455 738 785 (2012: 454 779 457) ordinary shares with a par value of 13,90607 cents each	**63,4**	63,2
Share premium	**3 985,2**	4 690,7
	4 048,6	4 753,9

	2013 Million	2012 Million
Number of ordinary shares in issue at the beginning of the year	**454,8**	433,9
Shares issued – share schemes	**0,9**	3,3
Shares issued – conversion of preference shares	**–**	17,6
Number of ordinary shares in issue at the end of the year	**455,7**	454,8

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

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

13. TREASURY SHARES

	2013 R'million	2012 R'million
Balance at the beginning of the year	**(50,8)**	(33,4)
Treasury shares purchased	**(21,1)**	(19,3)
Deferred incentive bonus shares exercised	**12,5**	1,9
Balance at the end of the year	**(59,4)**	(50,8)

	2013 Million	2012 Million
Number of treasury shares at the beginning of the year	**0,6**	0,4
Treasury shares purchased	**0,1**	0,2
Deferred incentive bonus shares exercised	**(0,2)**	–
Number of treasury shares at the end of the year	**0,5**	0,6

	2013 R'million	2012 R'million
14. SHARE-BASED COMPENSATION RESERVE		
During the year the following share-based payment expenses were recognised in the statement of comprehensive income regarding share-based arrangements that existed		
Equity-settled – recognised directly in equity		
South African Management Deferred Incentive Bonus Scheme	**16,1**	17,1
Aspen Share Incentive Scheme and Aspen Share Appreciation Plan	**3,9**	7,4
Cash-settled – recognised in trade and other payables		
South African Management Deferred Incentive Bonus Scheme	**(0,2)**	3,4
Aspen International Phantom Share Scheme	**11,4**	3,6
	31,2	31,5

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 14.

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

Aspen Share Incentive Scheme

Share options were granted to management and key employees in terms of this scheme. The scheme was adopted by shareholders in January 1999. An amendment to the trust deed was approved by shareholders on 18 January 2000, in terms of which share options offered and taken up were released in five equal annual tranches, commencing on the second anniversary of an offer date and expiring after eight years. The scheme is equity-settled. The last tranche in terms of this scheme was awarded in September 2007. Refer to note 14.1 for detail of options issued in terms of this scheme.

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

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is five years and vesting takes place three years from the allocation date. Share appreciation rights are no longer awarded. The scheme is equity-settled. Refer to note 14.2 for detail of rights issued in terms of this scheme.

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

Aspen South African Management Deferred Incentive Bonus Scheme

In October 2009, the Aspen Board, acting through its Remuneration & Nomination Committee proposed that the remuneration structure of management and key employees be amended. As part of this change in the remuneration structure the award of share appreciation rights under the Aspen Share Appreciation Plan was discontinued (except for two offshore employees) and replaced by the South African Management Deferred Incentive Bonus Scheme. The deferred incentive bonus is payable in cash or shares, at the election of the employee. There is a three-year vesting period. The employee to whom the reward is made must remain in the employ of Aspen at the time of vesting. The deferred incentive bonus amount is calculated based on the performance of the Aspen Group company which employs the relevant employee and individual performance targets. Refer to note 14.3 for detail of shares issued in terms of this scheme.

Election of cash

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

Election of shares

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

Shareholders' equity continued

14. SHARE-BASED COMPENSATION RESERVE continued

Aspen South African Management Deferred Incentive Bonus Scheme continued

Accounting treatment

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

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

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

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

Aspen International Phantom Share Scheme

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

General

At the December 2012 annual general meeting, the Company's shareholders approved the amendments to the terms of these legacy share schemes operated by the Group thereby limiting the maximum number of shares that can be issued in terms of these schemes to 45 477 945 or 10% of the Company's issued share capital (down from 64 741 611 or 14% of the Company's issued share capital) and the maximum number of shares issued to any single employee is limited to 4 800 000 (down from 6 474 161 shares). Since this amendment was approved 959 382 shares have been issued in terms of these legacy schemes, representing 0,2% of the Company's issued share capital. From the date of inception of these schemes in 2001, 38 434 077 shares have been issued under the schemes comprising 8,43% of issued share capital. This constitutes an average dilution rate of less than 1% per year.

Should an employee resign from the Group prior to the vesting date as indicated above, the shares or cash will not be issued and will be forfeited.

Should an employee be retrenched or retire, all shares or cash will become due to the employee.

Should an employee become deceased, all the shares or cash will vest in the estate of the deceased.

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

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management, refer to page 42 for detail.

14. SHARE-BASED COMPENSATION RESERVE continued

14.1 Aspen Share Incentive Scheme

Award price (R)	Expiry date	Options outstanding on 30 June 2012 '000	Vested '000	Non-vested '000	Exercised during the year '000	**Options outstanding on 30 June 2013 '000**	**Vested '000**	**Non-vested '000**
12,67	Jul 2012	46	46	–	46	**–**	**–**	**–**
21,49	Mar 2012	7	7	–	7	**–**	**–**	**–**
22,13	May 2012	30	30	–	30	**–**	**–**	**–**
23,92	Jul 2012	57	57	–	21	**36**	**36**	**–**
32,89	Sep 2014	109	51	58	78	**31**	**31**	**–**
35,09	Sep 2015	139	80	59	110	**29**	**2**	**27**
		388	271	117	292*	**96**	**69**	**27**

** Options exercised during the year resulted in 0,3 million shares (2012: 2,0 million shares) being issued, yielding proceeds of R8,3 million (2012: R25,1 million).*

The weighted average share price at which shares were exercised during the year was R165,51 (2012: R92,18).

The total number of shares that will be issued on the assumption that all share options are exercised on the earliest possible date is 96 000 shares at a consideration of R2,9 million.

14.2 Aspen Share Appreciation Plan

Award price (R)	Expiry date	Rights outstanding on 30 June 2012 '000	Vested '000	Non-vested '000	Awarded during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Rights outstanding on 30 June 2013 '000**	**Vested '000**	**Non-vested '000**	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility %	Dividend yield %	Risk-free rate %
35,53	Sep 2011	450	450	–	–	450	–	**–**	**–**	**–**	11,46	35,99	27,44	2,39	9,42
36,03	Jan 2014	69	69	–	–	–	–	**69**	**69**	**–**	14,55	39,02	33,84	2,30	7,37
41,03	Oct 2013	778	778	–	–	449	4	**325**	**325**	**–**	13,78	41,40	31,69	2,32	7,32
60,28	Sep 2014	135	–	135	–	6	–	**129**	**129**	**–**	20,96	61,86	35,52	2,30	8,08
88,82	Sep 2015	99	–	99	–	–	–	**99**	**–**	**99**	32,17	91,25	35,95	2,13	8,17
89,93	Sep 2016	114	–	114	–	–	–	**114**	**–**	**114**	33,08	91,00	33,91	1,93	8,75
142,20	Sep 2017	–	–	–	60	–	–	**60**	**–**	**60**	51,74	145,00	33,11	1,41	7,30
		1 645	1 297	348	60	905*	4	**796**	**523**	**273**					

** During the year 0,9 million rights (2012: 2,1 million rights) were exercised which resulted in 0,6 million shares (2012: 1,3 million shares) being issued.*

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

The weighted average share price at which shares were exercised during the year was R146,29 (2012: R96,66).

The maturity profile of the share appreciation rights at year-end was as follows:

	Number of rights '000
2014	622
2015	114
2016	60
	800

Shareholders' equity continued

14. SHARE-BASED COMPENSATION RESERVE continued

14.3 South African Management Deferred Incentive Bonus Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2012 '000#	Awarded during the year '000	Re-allocated during the year '000	Re-leased during the year '000	Lapsed/cancelled during the year '000*	**Shares outstanding on 30 June 2013 '000#**	Fair value at award date (R)	Share price at award date (R)
64,70	Oct 2012	174	–	–	172	2	**–**	61,86	64,00
86,88	Oct 2013	192	–	–	6	6	**180**	86,88	93,30
89,68	Oct 2014	214	–	–	8	8	**198**	83,88	94,00
156,00	Oct 2015	–	133	7	1	6	**133**	125,89	144,94
		580	133^	7*	187	22	**511**		

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

The total number of shares are not vested at 30 June 2013 and 30 June 2012.
* *Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are re-allocated to future grants.*
^ *During the year the Group bought 132 562 shares (2012: 197 948 shares) that will be held in the Aspen Share Incentive Scheme Trust until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.*

	2013 R'million	2012 R'million
For accounting purposes the deferred incentive bonus has been split into an equity and a liability component. Refer to the accounting policy on page 32 for more detail.		
Cumulative share-based payment amount (included in the statement of changes in equity)	**34,2**	30,6
Opening balance	**30,6**	15,4
For the year	**16,1**	17,1
Released in the year	**(12,5)**	(1,9)
Bonus provision – liability component (included in other payables in the statement of financial position)	**8,6**	10,5
Opening balance	**10,5**	7,3
For the year	**(0,2)**	3,4
Released in the year	**(2,1)**	(0,6)
Notional interest on liability component	**0,4**	0,4
	42,8	41,1

14. SHARE-BASED COMPENSATION RESERVE continued

14.4 Aspen International Phantom Share Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2012 '000#	Awarded during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2013 '000#**
88,82	Oct 2013	23	–	2	**21**
89,93	Oct 2014	51	–	2	**49**
142,20	Oct 2015	–	46	1	**45**
		74	46	5	**115**

The total number of shares are not vested at 30 June 2013 or 30 June 2012.

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

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R16,1 million (2012: R3,6 million).

15. PREFERENCE SHARE CAPITAL

	2013 R'million	2012 R'million
Authorised		
Nil (2012: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	–	2,4
Nil (2012: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	–	2,8

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

Shareholders' equity continued

15. PREFERENCE SHARE CAPITAL continued

Rights attached to the A preference shares in the prior year

Dividend rights

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

Voting rights

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

Redemption/conversion rights

Preference shareholders had the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. This right was exercised in June 2012 and redemption took place at R21,41.

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

Accounting

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 29 for detail.

	2013 R'million	2012 R'million
Preference shares – equity component (per the statement of changes in equity)	–	162,0
Deferred tax effect	–	(8,7)
Net equity component	–	153,3
Preference shares – liability component (per the statement of financial position)	–	376,8
Amount expensed in 2005	–	(183,2)
Cumulative notional interest on liability component	–	29,9
Opening balance	–	25,4
For the year	–	4,5
Net preference shares liability before conversion	–	376,8
Preference shares converted into ordinary shares	–	(376,8)
Included in equity – preference shares	–	(162,0)
Included in non-current assets – deferred tax	–	8,7
Included in non-current liabilities – preference shares – liability component	–	(223,5)
	–	–

The liability component was exposed to fair value interest rate risk.

16. NON-CONTROLLING INTERESTS

	2013 R'million	2012 R'million
Balance at the beginning of the year	8,7	61,1
(Loss)/profit for the year	(6,0)	9,1
Non-controlling interests portion of foreign currency translation reserve	(0,1)	2,9
Dividends paid	(0,2)	(2,0)
Capital funding from non-controlling interests	–	0,9
Hyperinflationary adjustment – Venezuela	2,7	1,0
Acquisition of non-controlling interests in subsidiaries	–	(64,3)
Balance at the end of the year	5,1	8,7

In 2012, Aspen acquired the remaining 40% non-controlling shareholding interest in Shelys effective from 14 April 2012. This increased the ownership in Shelys to 100%.

In 2012, Aspen acquired a further 42,5% shareholding in Brimpharm SA effective from 31 May 2012. This increased the ownership in Brimpharm SA to 92,5%.

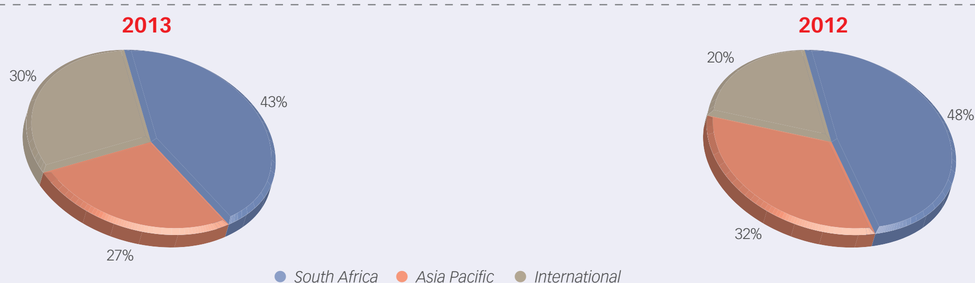
Non-current liabilities

	Notes	2013 R'million	2012 R'million
Borrowings	17	**8 923,5**	6 254,1
Deferred revenue	18	**139,5**	143,6
Deferred tax liabilities	6	**600,5**	536,0
Retirement benefit obligations	19	**94,0**	66,4
		9 757,5	7 000,1

17. BORROWINGS

	2013 R'million	2012 R'million
Non-current borrowings		
Finance lease and instalment credit liabilities	**3,7**	2,8
Unsecured loans	**8 919,8**	6 251,3
	8 923,5	6 254,1
Current borrowings		
Finance lease and instalment credit liabilities	**3,9**	3,3
Bank overdrafts	**2 602,4**	1 323,7
Secured loans	**26,9**	–
Unsecured loans	**5 519,5**	2 800,1
	8 152,7	4 127,1
Total borrowings		
Finance lease and instalment credit liabilities	**7,6**	6,1
Bank overdrafts	**2 602,4**	1 323,7
Secured loans	**26,9**	–
Unsecured loans	**14 439,3**	9 051,4
	17 076,2	10 381,2

Total borrowings



17. BORROWINGS continued

Currency analysis and maturity profile of total borrowings

	2013 Within 1 year R'million	**2013 Between 1 – 5 years R'million**	**2013 Total R'million**	2012 Within 1 year R'million	2012 Between 1 – 5 years R'million	2012 Total R'million
Finance lease and instalment credit liabilities						
Brazilian Real	**–**	**–**	**–**	0,3	0,9	1,2
Rand	**3,9**	**3,7**	**7,6**	3,0	1,9	4,9
	3,9	**3,7**	**7,6**	3,3	2,8	6,1
Bank overdrafts						
Rand	**2 602,4**	**–**	**2 602,4**	1 323,7	–	1 323,7
	2 602,4	**–**	**2 602,4**	1 323,7	–	1 323,7
Secured loans						
Brazilian Real	**26,9**	**–**	**26,9**	–	–	–
	26,9	**–**	**26,9**	–	–	–
Unsecured loans						
1) US Dollar term loan – ELIZ#	**334,3**	**–**	**334,3**	537,7	275,4	813,1
2) US Dollar term loan – Sigma business	**447,5**	**708,6**	**1 156,1**	276,3	951,9	1 228,2
3) US Dollar term loan – Classic brands	**149,2**	**3 232,0**	**3 381,2**	–	–	–
4) US Dollar bridging loan – Infant nutritionals business Australia	**1 153,6**	**–**	**1 153,6**	–	–	–
US Dollar – capital raising fees	**(12,7)**	**(15,5)**	**(28,2)**	(13,5)	(2,2)	(15,7)
US Dollar – other	**2,0**	**–**	**2,0**	1,6	–	1,6
5) Australian Dollar	**–**	**3 683,2**	**3 683,2**	–	3 358,5	3 358,5
Australian Dollar – capital raising fees	**–**	**(11,0)**	**(11,0)**	–	(9,0)	(9,0)
Rand	**3 447,0**	**1 324,4**	**4 771,4**	2 000,3	1 680,0	3 680,3
Rand – capital raising fees	**(1,4)**	**(1,9)**	**(3,3)**	(2,3)	(3,3)	(5,6)
	5 519,5	**8 919,8**	**14 439,3**	2 800,1	6 251,3	9 051,4
Total borrowings	**8 152,7**	**8 923,5**	**17 076,2**	4 127,1	6 254,1	10 381,2

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

The Group is presently engaged in a major debt raising and restructure exercise to support the impending transactions with MSD and GSK.

Non-current liabilities continued

17. BORROWINGS continued

Unsecured loans – Profile and repayment terms

1) *US Dollar term loan – ELIZ*

The loan comprises:

- An A loan which is a five-year amortising loan of USD255,0 million in respect of which quarterly equal repayments of capital and interest are to be made. Four capital payments were made during the 2013 financial year amounting to USD65,7 million (2012: USD64,8 million). This loan was obtained in October 2008.

  Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,7%.

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

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

- A B loan of USD130,0 million raised in October 2008 was fully settled by 30 June 2012.

2) *US Dollar term loan – Sigma business*

The loan comprises:

- A facility A loan of USD90,0 million that was obtained in September 2011. This is a three-year amortising loan, in respect of which quarterly equal repayments of capital are to be made, with the first payment of capital being 31 December 2012. Three capital payments were made during the 2013 financial year amounting to USD33,8 million.

  Quarterly interest payments on the outstanding balance have been made from 31 December 2011. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,3%*.

Capital repayments to be made are as follows	**2013 USD'million**	2012 USD'million
Year ended 30 June 2013	**–**	33,8
Year ending 30 June 2014	**45,0**	45,0
Year ending 30 June 2015	**11,2**	11,2
	56,2	90,0

- A facility B loan of USD60,0 million which is payable at the end of the three-year period being 30 September 2014. This loan was obtained in September 2011.

  Quarterly interest payments on the outstanding balance have been made from 31 December 2011. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,5%*.

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

17. BORROWINGS continued

3) US Dollar term loan – Classic brands

The loan comprises:

- A facility A loan which is a three-year amortising loan of USD120,0 million, in respect of which equal quarterly repayments of capital are to be made, with the first payment of capital being on 30 June 2014.

  Quarterly interest payments on the outstanding balance have been made from 30 June 2013. The loan bears interest at a rate of three-month LIBOR plus a margin of 1,9%.

Capital repayments to be made are as follows	2013 USD'million
Year ending 30 June 2014	**15,0**
Year ending 30 June 2015	**60,0**
Year ending 30 June 2016	**45,0**
	120,0

- A facility B loan of USD120,0 million which is payable at the end of the three-year period being 5 April 2016.

  Quarterly interest payments on the outstanding balance have been made from 30 June 2013. The loan bears interest at a rate of three-month LIBOR plus a margin of 2,2%.

- A four-year revolving facility loan of USD100,0 million.

  This loan was raised in March 2013 and is repayable over a four-year period ending March 2017. No capital repayments have been made in the current financial year.

  Quarterly interest payments on the outstanding balance will be made from 30 June 2013. This loan bears interest at the three-month LIBOR rate plus a margin of 2,2%.

4) US Dollar bridging loan – Infant nutritionals business Australia

The bridging facility is a short-term loan of USD116,0 million obtained on 29 April 2013.

Monthly interest payments on the outstanding balance have been made with the first payment on 30 June 2013. The loan bears interest at a rate of one-month LIBOR plus a margin of 1,3%.

This bridging loan will be replaced with term funding in the forthcoming financial year.

5) Australian Dollar

The loan comprises:

- An unsecured loan of AUD300,0 million that was raised in February 2011. This loan was due to be repaid at the end of February 2014, however in March 2013 the terms were renegotiated and the loan will now be repaid in March 2016 . No capital repayments have been made in the current financial year. This loan is a three-year revolving facility.

  Quarterly interest payments on the outstanding balance were made from May 2011. This loan bears interest at the three-month BBSY rate plus a margin ranging between 1,6% and 2,0%, dependent on the debt level prevailing at half-year and year-end dates.

- An unsecured loan of AUD100,0 million that was raised in June 2012. This loan was due to be repaid at the end of February 2014, however in March 2013 the terms were renegotiated and the loan will now be repaid in March 2017. No capital repayments have been made in the current financial year. This loan is a four-year revolving facility.

  Quarterly interest payments on the outstanding balance were made from September 2012. This loan bears interest at the three-month BBSY rate plus a margin ranging between 1,8% and 2,2%, dependent on the debt level prevailing at half-year and year-end dates.

Non-current liabilities continued

17. BORROWINGS continued

Interest rate profile of total borrowings

	2013			2012		
	Total R'million	Interest rate	Average effective interest rate %	Total R'million	Interest rate	Average effective interest rate %
Finance lease and instalment credit liabilities – fixed rate	7,6	Rates ranging between 3,7% and 8,5%	6,1	6,1	Rates ranging between 4,4% and 19,0%	6,3
Bank overdrafts – floating rate (linked to South African prime overdraft rate)	2 602,4	Rates ranging between prime and prime less 1%	8,5	1 323,7	South African prime overdraft rate less 1,0%	8,0
Secured loans – floating rate	26,9	Brazilian prime rate	9,8	–	–	–
Unsecured loans	14 439,3			9 051,4		
Fixed rate	–	–	–	84,5	6,0%	6,0%
Floating rate	14 439,3			8 966,9		
Linked to one-month LIBOR	1 153,6	+ margin of 1,3%	1,9	–	–	–
Linked to three-month LIBOR	3 854,4	+ margins ranging between 1,9% and 2,7%	2,5	2 027,2	+ margins ranging between 2,3% and 2,7%	2,9
Linked to three-month BBSY	4 663,2	+ margins ranging between 2,0% and 2,2%	4,8	3 349,5	+ margins ranging between 1,5% and 2,1%	5,1
Linked to SAFEX	700,0	+ margin of 1,0%	5,8	–	–	–
Linked to one-month JIBAR	275,3	+ margins of 0,9%	5,9	–	–	–
Linked to three-month JIBAR	2 201,2	+ margins ranging between 0,9% and 1,4%	7,0	–	–	–
Linked to overnight call rate	1 591,6	Overnight call	5,6	3 590,2	Overnight call	6,5
Total borrowings	17 076,2			10 381,2		

Definitions

JIBAR – Johannesburg Inter-bank Acceptance Rate

LIBOR – London Inter-bank Offer Rate

SAFEX – South African Futures Exchange

BBSY – Bank Bill Swap Yield

17. BORROWINGS continued

Security given

Finance lease and instalment credit liabilities are secured by property, plant and equipment with a net book value of R7,6 million. The secured loan in Aspen Brazil is secured by receivables to the value of R13,5 million and cash to the value of R3,4 million.

Default and breaches

There were no defaults or breaches of the contractual terms of the borrowings during the year. Refer to note 35 for detail.

	2013 R'million	2012 R'million
Finance leases		
Finance lease liabilities: minimum lease payments		
Not later than one year	**4,2**	3,4
Later than one year but not later than five years	**3,8**	3,2
	8,0	6,6
Future finance charges on finance leases	**(0,4)**	(0,5)
	7,6	6,1
The present value of finance lease liabilities is as follows		
Not later than one year	**3,9**	3,3
Later than one year but not later than five years	**3,7**	2,8
	7,6	6,1

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

- South African facilities of R0,7 billion.
- An Australian denominated facility of AUD30,7 million
- A foreign exchange facility of R583,0 million.

All facilities negotiated are reviewed annually.

18. DEFERRED REVENUE

	2013 R'million	2012 R'million
Balance at the beginning of the year	**152,3**	167,4
Recognised in the statement of comprehensive income#	**(8,8)**	(21,0)
Translation of foreign operations	**5,0**	5,9
Balance at the end of the year	**148,5**	152,3

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

	2013 R'million	2012 R'million
Analysis of total deferred revenue		
Non-current	**139,5**	143,6
Current	**9,0**	8,7
	148,5	152,3

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

Non-current liabilities continued

19. RETIREMENT BENEFIT OBLIGATIONS

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

Defined contribution plans

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

Total contributions paid to the various funds by the Group amounted to R142,9 million for the current financial year (2012: R129,7 million). The Group has no further payment obligations once the contributions have been paid. The payments made are expensed as incurred in the statement of comprehensive income and are included in staff costs.

South Africa

It is the policy of the Group to provide for retirement benefit liabilities by payments to separate funds which are statutorily independent from the Group. These funds cover eligible employees, other than those who opt to be or are required by legislation to be members of various industry funds.

The South African employees not covered by way of legislated funds are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.

Australia

Australian law controls the requirements for all Australian entities to contribute a minimum payment to superannuation funds of the employee's choice. All Aspen's Australian operations complied with their legal obligations in this regard.

Brazil

Employees are covered by the Brazilian Social Security Scheme in terms whereof they receive a retirement, retrenchment or disability benefit depending on their age and period of contribution. Aspen Brazil contributes 28,8% of the employee's salary while the employee contributes between 8% and 11%, limited to BRL430,78 per month of his/her salary depending on the employee's remuneration level.

Mexico

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

Venezuela

The Salary and Labour Benefit Scheme in place does not yet include a private pension plan or retirement funding. However, companies are subject to the mandatory contribution to a social security plan which includes an employee contribution of 2% of the employee's salary. When employees attain 55 years of age in the case of female and 60 years of age in the case of male employees they receive a monthly pension that is currently equal to the statutory minimum salary. To be eligible for this benefit, employees must have completed 660 weeks of combined employment.

Tanzania

Tanzania contributes to the publicly administered pension plans on a mandatory basis. They have no further payment obligations once the contributions have been paid.

Kenya

In Kenya there is a statutory requirement that all employees must contribute KES200 to the National Social Security Fund on a monthly basis with the employer matching this contribution. A retirement benefit scheme is also in place for all permanent employees in terms whereof these employees contribute 5% of their gross monthly salary and the employer contributes 8% of the employees gross monthly salary to this scheme.

Uganda

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

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19. RETIREMENT BENEFIT OBLIGATIONS continued

Defined benefit plans

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

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

South Africa

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

Germany

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

Philippines

Philippines has a formal retirement plan for all qualified officers and employees and provides for estimated retirement benefits in accordance with Republic Act RA No. 7641 "Retirement Pay Law".

The retirement plan is intended to provide lump sum benefit payments to employees equivalent to approximately 100% monthly pay for each year of credited service. This is based on the salary at the time of retirement (at the normal age of 60), or in certain instances upon retirement separation at an earlier age.

Kenya

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

Tanzania

Tanzania has an unfunded non-contributory employee gratuity arrangement, which provides for lump sum payments to its employees on their retirement at the age of 60 years or those allowed to retire early, based on length of service and salary at retirement.

At 30 June 2013	South Africa	International	Sub-Saharan Africa
Last actuarial valuation done	**June 2013**	**June 2013**	**June 2013**
Full/interim valuation	**Full**	**Full**	**Full**
Valuation method adopted	**Projected unit credit**	**Projected unit credit**	**Projected unit credit**

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

Principal actuarial assumptions

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

	South Africa		International		Sub-Saharan Africa	
	2013 %	2012 %	**2013 %**	2012 %	**2013 %**	2012 %
Discount rate	**9,2**	8,8	**3,6**	4,0	**14,5**	13,7
Medical inflation rate	**7,8**	7,3	**N/A**	N/A	**N/A**	N/A
Salary increases	**N/A**	N/A	**3,1**	3,0	**11,0**	11,2

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

Non-current liabilities continued

19. RETIREMENT BENEFIT OBLIGATIONS continued

	South Africa		International#		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
Amounts recognised in the statement of financial position						
Present value of retirement benefit obligations	**26,7**	21,8	**67,3**	44,6	**94,0**	66,4
Deferred tax effect	**(7,4)**	(5,2)	**(22,1)**	(10,3)	**(29,5)**	(15,5)
	19,3	16,6	**45,2**	34,3	**64,5**	50,9
Retirement benefit obligations comprise						
Unfunded present value of retirement benefit obligations	**37,1**	32,3	**162,5**	117,8	**199,6**	150,1
Fair value of plan assets	**(10,4)**	(10,5)	**(95,2)**	(73,2)	**(105,6)**	(83,7)
	26,7	21,8	**67,3**	44,6	**94,0**	66,4
The movement in the liability recognised in the statement of financial position is as follows						
At the beginning of the year	**32,3**	28,5	**117,8**	–	**150,1**	28,5
Interest cost	**–**	2,7	**–**	4,2	**–**	6,9
Current service cost	**1,1**	1,0	**8,4**	3,9	**9,5**	4,9
Benefits paid	**(1,3)**	(1,2)	**(5,1)**	(0,1)	**(6,4)**	(1,3)
Net interest expense	**2,8**	–	**5,3**	–	**8,1**	–
Actuarial losses	**–**	1,3	**–**	17,0	**–**	18,3
Remeasurements	**2,2**	–	**5,7**	–	**7,9**	–
Actuarial gains/(losses) from changes in demographic assumptions	**1,6**	–	**(5,6)**	–	**(4,0)**	–
Actuarial gains from changes in financial assumptions	**0,6**	–	**11,3**	–	**11,9**	–
Transferred from trade and other payables	**–**	–	**–**	92,5	**–**	92,5
Translation of foreign operations	**–**	–	**30,4**	0,3	**30,4**	0,3
	37,1	32,3	**162,5**	117,8	**199,6**	150,1

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

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19. RETIREMENT BENEFIT OBLIGATIONS continued

	South Africa		International#		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
The movement in the fair value of plan assets recognised in the statement of financial position is as follows						
At the beginning of the year	**10,5**	9,7	**73,1**	–	**83,6**	9,7
Benefits paid	**(1,1)**	(1,0)	**(1,2)**	–	**(2,3)**	(1,0)
Net interest income	**0,8**	–	**2,5**	–	**3,3**	–
Actuarial gains	**–**	1,0	**–**	–	**–**	1,0
Remeasurements – actual return on plan assets	**0,2**	–	**2,3**	–	**2,5**	–
Expected returns on plan assets	**–**	0,8	**–**	2,3	**–**	3,1
Transferred from trade and other payables	**–**	–	**–**	70,1	**–**	70,1
Translation of foreign operations	**–**	–	**18,5**	0,7	**18,5**	0,7
	10,4	10,5	**95,2**	73,1	**105,6**	83,6
Fair value of plan assets						
The assets of the pension funds are invested as follows						
Group insurance annuity policy – South African money market	**10,4**	10,5	**–**	–	**10,4**	10,5
European government bonds	**–**	–	**95,2**	73,2	**95,2**	73,2
	10,4	10,5	**95,2**	73,2	**105,6**	83,7

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

The pension fund assets are measured at fair value at valuation date. The fair value of cash and other assets has been determined by performing market valuations and other valuation techniques at the end of each reporting period.

Investment strategy

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

Non-current liabilities continued

19. RETIREMENT BENEFIT OBLIGATIONS continued

	South Africa		International#		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
Amounts recognised in the statement of comprehensive income (included in staff costs)						
Current service cost	**1,1**	1,0	**8,4**	3,9	**9,5**	4,9
Interest cost	**2,0**	2,7	**2,8**	4,2	**4,8**	6,9
Expected return on plan assets	**–**	(0,8)	**–**	(2,3)	**–**	(3,1)
Actuarial gains	**–**	0,3	**–**	17,0	**–**	17,3
Benefits paid	**–**	(0,2)	**–**	(0,1)	**–**	(0,3)
	3,1	3,0	**11,2**	22,7	**14,3**	25,7
The charge was classified as follows in the statement of comprehensive income						
Cost of sales	**–**	–	**10,1**	22,0	**10,1**	22,0
Selling and distribution expenses	**1,7**	1,8	**0,3**	0,1	**2,0**	1,9
Administrative expenses	**1,4**	1,2	**0,8**	0,6	**2,2**	1,8
	3,1	3,0	**11,2**	22,7	**14,3**	25,7
Remeasurements (amounts recognised in other comprehensive income)						
Actuarial gains/(losses) from changes in demographic assumptions	**1,6**	–	**(5,6)**	–	**(4,0)**	–
Actuarial gains from changes in financial assumptions	**0,6**	–	**11,3**	–	**11,9**	–
Actual return on plan assets	**(0,2)**	–	**(2,3)**	–	**(2,5)**	–
Gross remeasurements	**2,0**	–	**3,4**	–	**5,4**	–
Tax effect on remeasurements	**(0,5)**	–	**(0,2)**	–	**(0,7)**	–
Remeasurements net of tax	**1,5**	–	**3,2**	–	**4,7**	–

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

19. RETIREMENT BENEFIT OBLIGATIONS continued

Sensitivity analysis

The assumed discount rate, medical inflation rate and salary increase rate would have a significant effect on the amounts reported for retirement benefit obligations. The effect of a 1% change in the above rates would be as follows

	Discount rate		Medical inflation rate		Salary increase rate	
	Increase R'million	Decrease R'million	Increase R'million	Decrease R'million	Increase R'million	Decrease R'million
Effect on the retirement benefit obligations	**(35,4)**	**43,6**	**6,3**	**(5,1)**	**7,4**	**(9,2)**

At 30 June	**2013 R'million**	2012 R'million	2011 R'million	2010 R'million	2009 R'million
Present value of retirement benefit obligations	**199,6**	150,1	28,5	25,1	19,0
Fair value of plan assets	**(105,6)**	(83,7)	(9,7)	(9,7)	(9,6)
Deficit	**94,0**	66,4	18,8	15,4	9,4

Key risks associated with retirement benefit obligations

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

Current liabilities

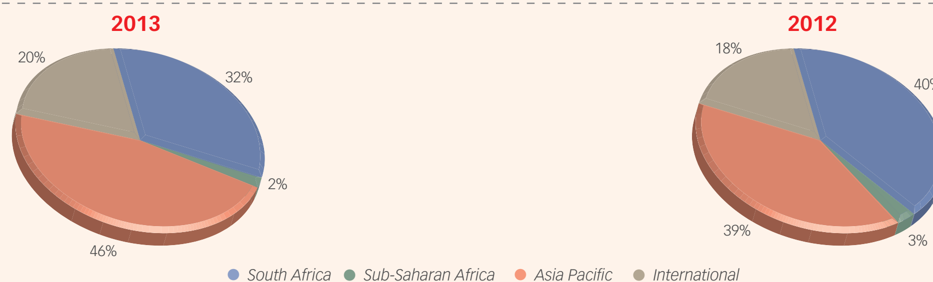
	Notes	2013 R'million	2012 R'million
Trade and other payables	20	4 174,6	2 929,2
Borrowings	17	8 152,7	4 127,1
Deferred revenue	18	9,0	8,7
Current tax liabilities		524,8	233,2
Derivative financial instruments	21	4,2	22,1
		12 865,3	7 320,3

20. TRADE AND OTHER PAYABLES

	2013 R'million	2012 R'million
Financial instruments		
Trade payables	2 195,8	1 385,9
Accrued expenses	754,7	641,1
Interest accrued	32,9	72,3
Other	400,3	223,2
Total financial instruments *	3 383,7	2 322,5
Non-financial instruments		
Indirect taxes	84,2	106,2
Leave pay	161,7	138,9
Bonuses	108,1	101,5
Other	436,9	260,1
Total non-financial instruments	790,9	606,7
Total trade and other payables	4 174,6	2 929,2

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

Trade payables



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20. TRADE AND OTHER PAYABLES continued

	2013 R'million	2012 R'million
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	**1 486,1**	1 060,2
Brazilian Real	**43,9**	17,4
Euro	**230,9**	80,5
Kenyan Shilling	**34,7**	23,3
Philippine Peso	**66,6**	–
Pound Sterling	**138,7**	59,5
Rand	**955,9**	632,7
Tanzanian Shilling	**7,1**	10,5
US Dollar	**380,6**	380,9
Venezuelan Bolivares Fuertes	**–**	27,5
Other currencies	**39,2**	30,0
	3 383,7	2 322,5
Age analysis of trade and other payables (financial instruments only)		
Not past due date	**3 189,4**	2 116,1
Past due by 1 to 30 days	**108,3**	139,8
Past due by 31 to 150 days	**48,5**	46,2
Past due by 151 days to 1 year*	**31,9**	13,8
Past due by more than 1 year	**5,6**	6,6
	3 383,7	2 322,5

* *This amount mainly relates to exchange control delays in Venezuela.*

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 R'million	2012 R'million
Balance at the beginning of the year	**22,1**	65,6
Fair value gains on forward exchange contracts recognised in the statement of comprehensive income	**–**	(18,9)
Fair value gains on interest rate swaps recognised in other comprehensive income	**(20,3)**	(32,6)
Translation of foreign operations	**2,4**	8,0
	4,2	22,1

The entire balance is attributable to interest rate swaps.

Interest rate swaps are classified as "Level 2" liabilities in the fair value measurement hierarchy.

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

Statement of comprehensive income

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
22. REVENUE						
Sale of goods						
South Africa	**7 322,3**	6 112,4	**–**	–	**7 322,3**	6 112,4
Asia Pacific	**7 444,1**	5 892,4	**–**	–	**7 444,1**	5 892,4
International	**3 726,1**	2 522,9	**–**	285,6	**3 726,1**	2 808,5
Sub-Saharan Africa	**614,6**	552,0	**–**	–	**614,6**	552,0
Other revenue						
Royalties – South Africa	**0,9**	0,1	**–**	–	**0,9**	0,1
Co-marketing fees – South Africa	**53,6**	47,4	**–**	–	**53,6**	47,4
– Asia Pacific	**146,4**	128,6	**–**	–	**146,4**	128,6
	19 308,0	15 255,8	**–**	285,6	**19 308,0**	15 541,4
Revenue by segment						
South Africa	**7 376,8**	6 159,9	**–**	–	**7 376,8**	6 159,9
Asia Pacific	**7 590,5**	6 021,0	**–**	–	**7 590,5**	6 021,0
International	**3 726,1**	2 522,9	**–**	285,6	**3 726,1**	2 808,5
Sub-Saharan Africa	**614,6**	552,0	**–**	–	**614,6**	552,0
	19 308,0	15 255,8	**–**	285,6	**19 308,0**	15 541,4

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
23. OPERATING PROFIT						
Operating profit has been arrived at after crediting						
Profit on sale of intangible assets	**3,0**	–	**–**	–	**3,0**	–
Insurance compensation	**–**	63,0	**–**	–	**–**	63,0
Profit on sale of property, plant and equipment	**–**	0,5	**–**	–	**–**	0,5
After charging						–
Loss on sale of property, plant and equipment	**1,2**	–	**–**	–	**1,2**	–
Auditors' remuneration	**21,1**	17,1	**–**	–	**21,1**	17,1
Audit fees	**20,4**	15,6	**–**	–	**20,4**	15,6
– Current year	**20,2**	15,3	**–**	–	**20,2**	15,3
– Prior year underprovision	**0,2**	0,3	**–**	–	**0,2**	0,3
Other services – tax consulting	**0,1**	0,3	**–**	–	**0,1**	0,3
Other services – accounting consulting	**0,3**	0,4	**–**	–	**0,3**	0,4
Other services	**0,3**	0,8	**–**	–	**0,3**	0,8
Net impairment charges	**352,0**	306,2	**–**	–	**352,0**	306,2
Impairment of intangible assets (included in other operating expenses)	**94,5**	112,7	**–**	–	**94,5**	112,7
Reversal of impairment of intangible assets (included in other operating expenses)	**(34,9)**	–	**–**	–	**(34,9)**	–
Impairment of goodwill (included in other operating expenses)	**–**	43,6	**–**	–	**–**	43,6
Impairment charge – inventories (included in cost of sales)	**275,3**	112,2	**–**	–	**275,3**	112,2
Impairment of property, plant and equipment (included in other operating expenses)	**10,2**	32,3	**–**	–	**10,2**	32,3
Reversal of impairment of property, plant and equipment (included in other operating expenses)	**(0,6)**	–	**–**	–	**(0,6)**	–
Trade receivables – impairment charge for bad and doubtful debts (included in administrative expenses)	**7,5**	5,4	**–**	–	**7,5**	5,4
Repairs and maintenance expenditure on property, plant and equipment	**141,5**	133,5	**–**	–	**141,5**	133,5
Research and development costs	**11,0**	18,6	**–**	–	**11,0**	18,6
Operating lease rentals	**62,0**	51,3	**–**	–	**62,0**	51,3
Land and buildings	**49,7**	39,9	**–**	–	**49,7**	39,9
Plant and equipment	**9,8**	10,3	**–**	–	**9,8**	10,3
Office equipment, computer equipment and furniture	**2,5**	1,1	**–**	–	**2,5**	1,1
Restructuring costs	**151,8**	73,5	**–**	–	**151,8**	73,5
Transaction costs	**37,3**	–	**–**	–	**37,3**	–
Settlement of product litigation	**43,0**	–	**–**	–	**43,0**	–

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
24. EXPENSES BY NATURE						
Depreciation of property, plant and equipment	**294,5**	252,7	**–**	–	**294,5**	252,7
Amortisation of intangible assets	**255,7**	212,3	**–**	–	**255,7**	212,3
Net impairment charges	**352,0**	306,2	**–**	–	**352,0**	306,2
Repairs and maintenance expenditure on property, plant and equipment	**141,5**	133,5	**–**	–	**141,5**	133,5
Personnel costs and other staff-related costs	**2 616,1**	2 200,1	**–**	–	**2 616,1**	2 200,1
Share-based payment expense – employees	**31,2**	31,5	**–**	–	**31,2**	31,5
Changes in inventories of finished goods and work-in-progress	**(572,4)**	(476,9)	**–**	–	**(572,4)**	(476,9)
Purchases of finished goods	**6 128,0**	4 736,4	**–**	271,9	**6 128,0**	5 008,3
Other production expenses	**287,7**	264,2	**–**	–	**287,7**	264,2
Raw materials and consumables used	**2 253,9**	2 063,1	**–**	–	**2 253,9**	2 063,1
Transport and warehousing costs	**782,4**	608,1	**–**	–	**782,4**	608,1
Advertising and marketing expenses	**487,3**	342,9	**–**	–	**487,3**	342,9
Legal and consulting fees	**129,8**	89,7	**–**	–	**129,8**	89,7
Royalties paid	**52,0**	30,7	**–**	–	**52,0**	30,7
Property costs	**83,4**	68,0	**–**	–	**83,4**	68,0
Regulatory expenses	**123,4**	41,9	**–**	–	**123,4**	41,9
Transaction costs	**37,3**	–	**–**	–	**37,3**	–
Restructuring costs	**151,8**	73,5	**–**	–	**151,8**	73,5
Settlement of product litigation	**43,0**	–	**–**	–	**43,0**	–
Other	**690,3**	556,2	**–**	11,1	**690,3**	567,3
	14 368,9	11 534,1	**–**	283,0	**14 368,9**	11 817,1
Classified as						
Cost of sales	**10 077,3**	7 979,5				
Selling and distribution expenses	**2 343,5**	1 967,4				
Administrative expenses	**1 366,0**	1 101,8				
Other operating expenses	**582,1**	485,4				
	14 368,9	11 534,1				

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
25. DIRECTORS AND EMPLOYEES						
Staff costs						
Wages and salaries	**2 176,7**	1 826,6	**–**	–	**2 176,7**	1 826,6
Defined contribution plan expenses	**142,9**	129,7	**–**	–	**142,9**	129,7
Defined benefit plan expenses	**14,3**	25,7	**–**	–	**14,3**	25,7
Medical aid contributions	**75,8**	65,3	**–**	–	**75,8**	65,3
Other long-term benefits	**5,6**	3,3	**–**	–	**5,6**	3,3
Termination benefits	**3,5**	11,0	**–**	–	**3,5**	11,0
Share-based payment expense – options and appreciation rights	**3,9**	7,4	**–**	–	**3,9**	7,4
Share-based payment expense – deferred incentive bonus	**15,9**	20,5	**–**	–	**15,9**	20,5
Share-based payment expense – phantom share scheme	**11,4**	3,6	**–**	–	**11,4**	3,6
Other company contributions	**53,6**	31,3	**–**	–	**53,6**	31,3
	2 503,6	2 124,4	**–**	–	**2 503,6**	2 124,4
Amount included in cost of sales	**1 233,6**	1 150,4	**–**	–	**1 233,6**	1 150,4
Wages and salaries	**1 102,1**	1 012,7	**–**	–	**1 102,1**	1 012,7
Benefits	**131,5**	137,7	**–**	–	**131,5**	137,7
Amount included in selling and distribution expenses	**611,1**	477,5	**–**	–	**611,1**	477,5
Wages and salaries	**520,4**	399,2	**–**	–	**520,4**	399,2
Benefits	**90,7**	78,3	**–**	–	**90,7**	78,3
Amount included in administrative expenses	**658,9**	496,5	**–**	–	**658,9**	496,5
Wages and salaries	**554,2**	414,7	**–**	–	**554,2**	414,7
Benefits	**104,7**	81,8	**–**	–	**104,7**	81,8
Total number of employees at year-end	**7 177**	6 179	**–**	–	**7 177**	6 179
Full-time employees	**5 498**	5 210	**–**	–	**5 498**	5 210
Part-time employees	**1 679**	969	**–**	–	**1 679**	969

Statement of comprehensive income continued

25. DIRECTORS AND EMPLOYEES continued

Directors' emoluments

	Fees R'million	Remu-neration R'million	Retirement and medical aid benefits R'million	Per-formance bonus R'million	Share-based payment expense R'million	Total R'million
2013						
Non-executive directors						
Roy Andersen	**0,5**	**–**	**–**	**–**	**–**	**0,5**
Rafique Bagus	**0,3**	**–**	**–**	**–**	**–**	**0,3**
John Buchanan	**0,6**	**–**	**–**	**–**	**–**	**0,7**
Judy Dlamini	**0,8**	**–**	**–**	**–**	**–**	**0,8**
Kuseni Dlamini	**0,2**	**–**	**–**	**–**	**–**	**0,2**
Abbas Hussain	**0,2**	**–**	**–**	**–**	**–**	**0,2**
Chris Mortimer	**0,2**	**–**	**–**	**–**	**–**	**0,2**
Sindi Zilwa	**0,5**	**–**	**–**	**–**	**–**	**0,5**
Total (A)	**3,3**	**–**	**–**	**–**	**–**	**3,4**
Executive directors						
Gus Attridge	**–**	**4,8**	**0,5**	**4,9**	**1,8**	**12,0**
Stephen Saad	**–**	**5,6**	**0,6**	**6,2**	**2,2**	**14,6**
Total (B)	**–**	**10,4**	**1,1**	**11,1**	**4,0**	**26,6**
Total emoluments (A+B)						**30,0**
Less paid by subsidiary companies (C)						**(6,0)**
Total emoluments paid by Aspen (A+B+C)	**–**	**–**	**–**	**–**	**–**	**24,0**
2012						
Non-executive directors						
Roy Andersen	0,4	–	–	–	–	0,4
Rafique Bagus	0,3	–	–	–	–	0,3
John Buchanan	0,6	–	–	–	–	0,6
Judy Dlamini	0,8	–	–	–	–	0,8
Kuseni Dlamini	0,1					0,1
Abbas Hussain	0,2	–	–	–	–	0,2
Chris Mortimer	0,2	–	–	–	–	0,2
David Nurek	0,1	–	–	–	–	0,1
Sindi Zilwa	0,4	–	–	–	–	0,4
Total (A)	3,1	–	–	–	–	3,1
Executive directors						
Gus Attridge	–	4,3	0,5	4,9	2,4	12,1
Stephen Saad	–	5,3	0,6	5,9	3,3	15,1
Total (B)	–	9,6	1,1	10,8	5,7	27,2
Total emoluments (A+B)						30,3
Less paid by subsidiary companies (C)						(5,9)
Total emoluments paid by Aspen (A+B+C)						24,4

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

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
26. INVESTMENT INCOME						
Interest on bank balances and short-term deposits	**281,4**	263,1	**–**	0,2	**281,4**	263,3
Revenue authorities	**13,5**	4,6	**–**	–	**13,5**	4,6
Other	**3,9**	7,7	**–**	–	**3,9**	7,7
	298,8	275,4	**–**	0,2	**298,8**	275,6
27. FINANCING COSTS						
Interest paid	**842,3**	754,7	**–**	–	**842,3**	754,7
Non-current borrowings	**149,7**	96,1	**–**	–	**149,7**	96,1
Bank overdrafts and current borrowings	**647,3**	643,0	**–**	–	**647,3**	643,0
Finance leases	**0,5**	0,4	**–**	–	**0,5**	0,4
Revenue authorities	**34,7**	–	**–**	–	**34,7**	–
Other	**10,1**	15,2	**–**	–	**10,1**	15,2
Preference shares dividends paid – liability component	**–**	23,1	**–**	–	**–**	23,1
Capital raising fees released	**51,9**	17,1	**–**	–	**51,9**	17,1
Transactions	**49,5**	17,1	**–**	–	**49,5**	17,1
Trading	**2,4**	–	**–**	–	**2,4**	–
Capital raising fees cash – transactions	**–**	9,7	**–**	–	**–**	9,7
Notional interest on financial instruments	**1,7**	(2,1)	**–**	–	**1,7**	(2,1)
Net foreign exchange losses/(gains)	**34,3**	(2,5)	**–**	–	**34,3**	(2,5)
Fair value gains on derivative financial instruments – forward exchange contracts	**(77,5)**	(24,0)	**–**	–	**(77,5)**	(24,0)
	852,7	776,0	**–**	–	**852,7**	776,0

Financing costs above exclude financing costs of R10,5 million which have been capitalised during 2013 to capital work-in-progress (2012: R4,4 million). Refer to note 1 for detail.

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
28. TAX						
South African tax						
Current tax – current year	**522,7**	395,5	**–**	–	**522,7**	395,5
– prior year	**12,4**	6,6	**–**	–	**12,4**	6,6
Deferred tax – current year	**73,3**	45,1	**–**	5,0	**73,3**	50,1
– prior year	**(9,4)**	0,1	**–**	–	**(9,4)**	0,1
STC and other dividends taxes	**59,7**	0,1	**–**	–	**59,7**	0,1
Capital gains tax	**1,8**	1,4	**–**	–	**1,8**	1,4
Withholding tax	**0,4**	0,7	**–**	–	**0,4**	0,7
	660,9	449,5	**–**	5,0	**660,9**	454,5
International tax						
Current tax – current year	**453,2**	295,2	**–**	52,9	**453,2**	348,1
– prior year	**(46,3)**	(63,0)	**–**	–	**(46,3)**	(63,0)
Deferred tax – current year	**(109,6)**	90,6	**–**	–	**(109,6)**	90,6
– prior year	**0,1**	(10,4)	**–**	–	**0,1**	(10,4)
Capital gains tax	**0,1**	–	**–**	–	**0,1**	–
Withholding tax	**16,9**	10,4	**–**	–	**16,9**	10,4
	314,4	322,8	**–**	52,9	**314,4**	375,7
Total tax charge	**975,3**	772,3	**–**	57,9	**975,3**	830,2
Tax rate reconciliation	**%**	%	**%**	%	**%**	%
Effective tax rate	**21,7**	22,5	**–**	25,7	**21,7**	22,7
Capital and exempt income	**0,3**	0,2	**–**	4,1	**0,3**	0,5
Prior year adjustments	**0,5**	2,0	**–**	–	**0,5**	1,8
Foreign rates of tax	**4,6**	2,8	**–**	(1,8)	**4,6**	2,6
Disallowable expenses	**(2,0)**	(2,3)	**–**	–	**(2,0)**	(2,2)
Effect of share-based payment expense – employees	**0,1**	(0,3)	**–**	–	**0,1**	(0,3)
Non-deductible amortisation of intangible assets	**(0,4)**	(1,1)	**–**	–	**(0,4)**	(1,1)
Other disallowable expenses	**(1,7)**	(0,9)	**–**	–	**(1,7)**	(0,8)
STC and other dividends taxes	**(1,3)**	–	**–**	–	**(1,3)**	–
Foreign tax credit	**4,2**	2,9	**–**	–	**4,2**	2,7
Tax losses utilised in current year	**–**	(0,2)	**–**	–	**–**	(0,2)
Strategic project allowance	**0,1**	0,4	**–**	–	**0,1**	0,4
Other	**(0,1)**	(0,3)	**–**	–	**(0,1)**	(0,3)
Tax at the statutory rate	**28,0**	28,0	**–**	28,0	**28,0**	28,0
	R'million	R'million	**R'million**	R'million	**R'million**	R'million
Unutilised tax benefits						
Opening balance	**(31,2)**	(6,2)	**–**	–	**(31,2)**	(6,2)
Utilised against current profits	**–**	6,2	**–**	–	**–**	6,2
Current losses incurred	**(3,0)**	(31,2)	**–**	–	**(3,0)**	(31,2)
Other	**0,1**	–	**–**	–	**0,1**	–
Tax losses available to reduce future taxable income	**(34,1)**	(31,2)	**–**	–	**(34,1)**	(31,2)

29. EARNINGS PER SHARE

Basic earnings per share

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

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

	Continuing operations		Discontinued operations		Total	
	2013	2012	**2013**	2012	**2013**	2012
Profit attributable to equity holders of the parent (R'million)	**3 520,1**	2 658,6	**–**	159,2	**3 520,1**	2 817,8
Weighted average number of shares in issue ('000)*	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Earnings per share (cents)	**773,0**	609,3	**–**	36,5	**773,0**	645,8

Diluted earnings per share

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

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

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
Profit attributable to equity holders of the parent	**3 520,1**	2 658,6	**–**	159,2	**3 520,1**	2 817,8
Adjusted for						
– Preference shares dividends paid	**–**	23,1	**–**	–	**–**	23,1
– Notional interest – liability component of preference shares	**–**	(4,5)	**–**	–	**–**	(4,5)
	3 520,1	2 677,2	**–**	159,2	**3 520,1**	2 836,4
Weighted average number of shares for diluted earnings per share ('000)	**456 027**	455 160	**456 027**	455 160	**456 027**	455 160
Adjustment for share options and share appreciation rights ('000)	**630**	1 355	**630**	1 355	**630**	1 355
Total number of convertible preference shares ('000)	**–**	17 502	**–**	17 502	**–**	17 502
Weighted average number of shares in issue ('000) *	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Diluted earnings per share (cents)	**771,9**	588,2	**–**	35,0	**771,9**	623,2

* *After deduction of weighted treasury shares.*

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
29. EARNINGS PER SHARE continued						
Headline earnings per share						
Reconciliation of headline earnings						
Profit attributable to equity holders of the parent	**3 520,1**	2 658,6	**–**	159,2	**3 520,1**	2 817,8
Adjusted for*						
Impairment of goodwill (gross amount)	**–**	43,6	**–**	–	**–**	43,6
Loss/(profit) on the sale of property, plant and equipment	**0,9**	(0,7)	**–**	–	**0,9**	(0,7)
Gross amount	**1,2**	(0,5)	**–**	–	**1,2**	(0,5)
Tax effect	**(0,3)**	(0,2)	**–**	–	**(0,3)**	(0,2)
Impairment of property, plant and equipment	**9,9**	25,2	**–**	–	**9,9**	25,2
Gross amount	**10,2**	32,3	**–**	–	**10,2**	32,3
Tax effect	**(0,3)**	(7,1)	**–**	–	**(0,3)**	(7,1)
Reversal of impairment of property, plant and equipment	**(0,4)**	–	**–**	–	**(0,4)**	–
Gross amount	**(0,6)**	–	**–**	–	**(0,6)**	–
Tax effect	**0,2**	–	**–**	–	**0,2**	–
Impairment of intangible assets	**94,3**	107,9	**–**	–	**94,3**	107,9
Gross amount	**94,5**	112,7	**–**	–	**94,5**	112,7
Tax effect	**(0,2)**	(4,8)	**–**	–	**(0,2)**	(4,8)
Reversal of impairment of intangible assets	**(33,9)**	–	**–**	–	**(33,9)**	–
Gross amount	**(34,9)**	–	**–**	–	**(34,9)**	–
Tax effect	**1,0**	–	**–**	–	**1,0**	–
Profit on the sale of personal care products in South Africa	**–**	–	**–**	(35,6)	**–**	(35,6)
Gross amount	**–**	–	**–**	(40,5)	**–**	(40,5)
Tax effect	**–**	–	**–**	4,9	**–**	4,9
Profit on the sale of the Campos facility and related products in Brazil	**–**	–	**–**	(121,9)	**–**	(121,9)
Gross amount	**–**	–	**–**	(175,7)	**–**	(175,7)
Tax effect	**–**	–	**–**	53,8	**–**	53,8
Profit on the sale of intangible assets	**(2,5)**	–	**–**	–	**(2,5)**	–
Gross amount	**(3,0)**	–	**–**	–	**(3,0)**	–
Tax effect	**0,5**	–	**–**	–	**0,5**	–
Headline earnings	**3 588,4**	2 834,6	**–**	1,7	**3 588,4**	2 836,3
Weighted average number of shares in issue ('000)**	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Headline earnings per share (cents)	**788,0**	649,7	**–**	0,4	**788,0**	650,1

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

29. EARNINGS PER SHARE continued

Diluted headline earnings per share

Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator.

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
Headline earnings	**3 588,4**	2 834,6	**–**	1,7	**3 588,4**	2 836,3
Adjusted for						
– Preference shares dividends paid	**–**	23,1	**–**	–	**–**	23,1
– Notional interest – liability component of preference shares	**–**	(4,5)	**–**	–	**–**	(4,5)
Diluted headline earnings	**3 588,4**	2 853,2	**–**	1,7	**3 588,4**	2 854,9
Weighted average number of shares for diluted headline earnings per share ('000)	**456 027**	455 160	**456 027**	455 160	**456 027**	455 160
Adjustment for share options and share appreciation rights ('000)	**630**	1 355	**630**	1 355	**630**	1 355
Total number of convertible preference shares ('000)	**–**	17 502	**–**	17 502	**–**	17 502
Weighted average number of shares in issue ('000)*	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Diluted headline earnings per share (cents)	**786,9**	626,9	**–**	0,4	**786,9**	627,3

** After deduction of weighted treasury shares.*

Statement of comprehensive income continued

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
29. EARNINGS PER SHARE continued						
Normalised headline earnings per share						
Normalised headline earnings per share is calculated by dividing the normalised headline earnings 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.						
Reconciliation of normalised headline earnings						
Headline earnings	**3 588,4**	2 834,6	**–**	1,7	**3 588,4**	2 836,3
Adjusted for**						
Restructuring costs (net of tax)	**106,2**	52,0	**–**	–	**106,2**	52,0
Gross amount	**151,8**	73,5	**–**	–	**151,8**	73,5
Tax effect	**(45,6)**	(21,5)	**–**	–	**(45,6)**	(21,5)
Transaction costs (net of tax)	**82,0**	24,8	**–**	–	**82,0**	24,8
Gross amount	**86,8**	26,8	**–**	–	**86,8**	26,8
Tax effect	**(4,8)**	(2,0)	**–**	–	**(4,8)**	(2,0)
Settlement of product litigation (net of tax)	**36,6**	–	**–**	–	**36,6**	–
Gross amount	**43,0**	–	**–**	–	**43,0**	–
Tax effect	**(6,4)**	–	**–**	–	**(6,4)**	–
Foreign exchange gain on transaction funding (net of tax)	**–**	(34,5)	**–**	–	**–**	(34,5)
Gross amount	**–**	(35,5)	**–**	–	**–**	(35,5)
Tax effect	**–**	1,1	**–**	–	**–**	1,1
Normalised headline earnings	**3 813,2**	2 876,9	**–**	1,7	**3 813,2**	2 878,6
Weighted average number of shares in issue ('000)*	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Normalised headline earnings per share (cents)	**837,3**	659,4	**–**	0,4	**837,3**	659,8

** After deduction of weighted treasury shares.*

*** None of the normalised headline earnings adjustments includes non-controlling interests.*

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29. EARNINGS PER SHARE continued

Normalised diluted headline earnings per share

Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.

	Continuing operations		Discontinued operations		Total	
	2013 R'million	2012 R'million	**2013 R'million**	2012 R'million	**2013 R'million**	2012 R'million
Normalised headline earnings	**3 813,2**	2 876,9	**–**	1,7	**3 813,2**	2 878,6
Adjusted for:						
– Preference shares dividends paid	**–**	23,1	**–**	–	**–**	23,1
– Notional interest – liability component of preference shares	**–**	(4,5)	**–**	–	**–**	(4,5)
Adjusted normalised headline earnings	**3 813,2**	2 895,6	**–**	1,7	**3 813,2**	2 897,2
Weighted average number of shares for diluted headline earnings per share ('000)	**456 027**	455 160	**456 027**	455 160	**456 027**	455 160
Adjustment for share options and share appreciation rights ('000)	**630**	1 355	**630**	1 355	**630**	1 355
Total number of convertible preference shares ('000)	**–**	17 502	**–**	17 502	**–**	17 502
Weighted average number of shares in issue ('000)*	**455 397**	436 303	**455 397**	436 303	**455 397**	436 303
Diluted normalised headline earnings per share (cents)	**836,2**	636,2	**–**	0,4	**836,2**	636,6

* *After deduction of weighted treasury shares.*

Statement of comprehensive income continued

30. CASH DIVIDEND AND CAPITAL DISTRIBUTION

A total distribution of 157 cents per share was declared after year-end (2012: capital distribution of 157 cents per share), comprising:

- a cash dividend out of income reserves of 131 cents per ordinary share; and
- a capital distribution of 26 cents per ordinary share (2012: 157 cents) by way of a capital reduction payable out of share premium.

The total distribution will be accounted for in the statement of changes in equity for the year ending 30 June 2014, in accordance with IAS 10 – *Events after balance sheet date*. The capital distribution of 157 cents was declared after the year ended 30 June 2012. This capital distribution has been accounted for in the statement of changes in equity for the year ended 30 June 2013 in accordance with IAS 10 – *Events after balance sheet date*.

	2013 R'million	2012 R'million
31. PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	–	1,7
Profit on the sale of the Campos facility and related products in Brazil	–	121,9
Profit on the sale of the personal care products in South Africa	–	35,6
	–	159,2
Abridged statement of comprehensive income		
Revenue	–	285,6
Net expenses	–	(68,7)
Operating profit	–	216,9
Net financing income	–	0,2
Profit before tax	–	217,1
Tax	–	(57,9)
Profit for the year	–	159,2
Abridged statement of cash flows		
Cash generated from operating activities	–	1,7
Cash and cash equivalents at the end of the year	–	1,7
32. OTHER COMPREHENSIVE INCOME, NET OF TAX*		
Components of other comprehensive income		
Currency losses on net investment in Aspen Asia Pacific	**(133,3)**	(53,3)
Net investment hedge profit in Aspen Asia Pacific	–	6,8
Currency translation gains	**2 675,7**	1 494,4
Cash flow hedges recognised	**20,3**	32,6
Remeasurement of retirement benefit obligations	**(4,7)**	–
Other comprehensive income	**2 558,0**	1 480,5

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

32. OTHER COMPREHENSIVE INCOME, NET OF TAX* continued

	Other comprehensive income, net of tax		Attributable to	
	Gross R'million	Tax R'million	Non-controlling interests R'million	Equity holders of the parent R'million
Tax and non-controlling interests on other comprehensive income				
2013				
Currency losses on net investment in Aspen Asia Pacific	**(133,3)**	**–**	**–**	**(133,3)**
Currency translation gains/(losses)	**2 675,7**	**–**	**(0,1)**	**2 675,8**
Cash flow hedges recognised	**20,3**	**–**	**–**	**20,3**
Remeasurement of retirement benefit obligations	**(5,4)**	**0,7**	**–**	**(4,7)**
	2 557,3	**0,7**	**(0,1)**	**2 558,1**
2012				
Currency losses on net investment in Aspen Asia Pacific	(53,3)	–	–	(53,3)
Net investment hedge profit in Aspen Asia Pacific	6,8	–	–	6,8
Currency translation gains	1 494,4	–	2,9	1 491,5
Cash flow hedges recognised	32,6	–	–	32,6
	1 480,5	–	2,9	1 477,6

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

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	2013 R'million	2012 R'million

33. COMMITMENTS

Operating lease commitments

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

Minimum future lease payments – operating leases	**2013 R'million**	2012 R'million
Land and buildings	**100,0**	94,8
Plant and equipment	**3,0**	4,8
Other	**4,5**	12,7
	107,5	112,3
The future minimum operating lease payments are as follows		
Less than one year	**46,6**	50,6
Between one and five years	**46,1**	61,7
Later than five years	**14,8**	–
	107,5	112,3

Operating leases comprise a number of individually insignificant leases.

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

Finance lease commitments

Finance leases comprise a number of individually insignificant leases, refer to note 17 for finance lease liabilities.

	2013 R'million	2012 R'million
33. COMMITMENTS continued		
Other commitments		
During the 2005 financial year Aspen Australia entered into a 10-year agreement with Novartis Australia Pty Limited to distribute and market a range of their products. In terms of this agreement Aspen is committed to spend the following amounts on promotion of the products		
– payable within one year	**6,9**	6,8
– payable thereafter	**3,5**	9,6
	10,4	16,4
34. CONTINGENT LIABILITIES		
Additional payments in respect of the Quit worldwide intellectual property rights	**–**	8,1
Contingency relating to product litigation	**25,9**	21,3
Contingencies arising from labour cases	**4,3**	4,2
Import duty contingency	**10,4**	10,8
Other contingent liabilities	**2,0**	3,3
	42,6	47,7

Tax contingency

Following an audit, the South African Revenue Service has issued tax assessments on various South African companies relating to prior years. Aspen has objected to these assessments and has filed a review application to have the assessments set aside. Aspen is confident that it will succeed in this dispute based on the outcome of recent court cases dealing with similar matters. Due to the uncertainties inherent in the process, the timing of resolution of the dispute and the outcome thereof cannot be determined.

Guarantees to financial institutions

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

	2013 R'million	2012 R'million
Aspen Pharmacare	**5 000,6**	4 893,0
Aspen	**300,0**	25,0
FCC	**300,0**	85,0
	5 600,6	5 003,0

Other disclosures continued

35. FINANCIAL RISK MANAGEMENT

35.1 Introduction

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

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

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

Financial risk management is carried out by the Group Treasury Management Department in close co-operation with operational units, using guidance provided by the Audit & Risk Committee. A formal treasury policy, approved by the Audit & Risk Committee, setting out the role and responsibility of the Group Treasury Management Department and the management of risk is adhered to. The Group Treasury Management Department identifies, evaluates and hedges financial risks. The Audit & Risk Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Risk management and measurement relating to each of these risks is discussed under the headings below. The Group's objective in using derivative financial instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency and interest rate exposures.

35.2 Financial instruments by category

The carrying value of financial instruments by category is as follows

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2013				
Financial assets				
Available-for-sale financial assets	–	0,1	–	0,1
Other non-current financial receivables	26,6	–	–	26,6
Trade and other receivables (financial instruments only)	4 503,0	–	–	4 503,0
Forward exchange contracts (gross settled)	–	82,7	–	82,7
Cash and cash equivalents	6 018,6	–	–	6 018,6
Total financial assets	10 548,2	82,8	–	10 631,0
Financial liabilities				
Secured loans	–	–	26,9	26,9
Unsecured loans	–	–	14 439,3	14 439,3
Finance lease and instalment credit liabilities	–	–	7,6	7,6
Bank overdrafts	–	–	2 602,4	2 602,4
Trade and other payables (financial instruments only)	–	–	3 383,7	3 383,7
Interest rate swaps (net settled)	–	4,2	–	4,2
Total financial liabilities	–	4,2	20 459,9	20 464,1

35. FINANCIAL RISK MANAGEMENT continued

35.2 Financial instruments by category continued

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

35.3 Market risk management

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

35.4 Foreign currency risk

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

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

Other disclosures continued

35. FINANCIAL RISK MANAGEMENT continued

35.4 Foreign currency risk continued

Forward exchange contracts

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

At 30 June 2013 and 2012 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments.

Hedge accounting – 2013

No hedge accounting was applied for forward exchange contracts in the current year.

Hedge accounting – 2012

Net investment hedge in Aspen Asia Pacific

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

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

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

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

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

	Foreign amount million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2013				
Imports*				
Australian Dollar	0,4	3,8	3,8	–
Swiss Franc	0,7	7,4	7,9	0,5
Euro	63,1	314,9	336,3	21,4
Pound Sterling	2,5	36,0	38,5	2,5
Japanese Yen	23,6	2,4	2,4	–
US Dollar	131,4	732,7	791,9	59,2
		1 097,2	1 180,8	83,6
Exports*				
Euro	(0,3)	(3,6)	(3,7)	(0,1)
US Dollar	(3,6)	(35,3)	(36,1)	(0,8)
		(38,9)	(39,8)	(0,9)

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

35. FINANCIAL RISK MANAGEMENT continued

35.4 Foreign currency risk continued

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

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

Definitions

Marked-to-market value

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

Forward cover value

Foreign notional amount translated at the contracted rate.

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

	Marked-to-market value	
	2013 R'million	2012 R'million
July	**451,0**	217,3
August	**159,9**	148,3
September	**165,4**	150,2
October	**105,5**	43,4
November	**75,2**	35,1
December	**71,7**	20,9
January	**27,9**	15,5
February	**23,0**	17,0
March	**23,7**	7,8
April	**36,9**	2,6
May	**0,8**	7,1
	1 141,0	665,2

Other disclosures continued

35. FINANCIAL RISK MANAGEMENT continued

35.4 Foreign currency risk continued

Exposure to currency risk

Sensitivity analysis

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

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Kenyan Shilling, Pound Sterling, Australian Dollar and Tanzanian Shilling. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to a direct credit to equity of R2 542,5 million at 30 June 2013 (2012: direct credit of R1 438,3 million).

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2012.

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

Denominated	: Functional currency	Change in exchange rate	Weakening in functional currency 2013 R'million	2012 R'million
Rand	: US Dollar	10%	**78,6**	50,2
Rand	: Euro	10%	**25,2**	10,8
Rand	: Pound Sterling	10%	**9,7**	0,8
US Dollar	: Pound Sterling	10%	**6,8**	23,4
US Dollar	: Australian Dollar	10%	**43,3**	1,6
US Dollar	: Euro	10%	**9,0**	10,2
Brazilian Real	: US Dollar	10%	**(4,5)**	(0,8)
Tanzanian Shilling	: US Dollar	10%	**(4,3)**	–
Tanzanian Shilling	: Kenyan Shilling	10%	**(1,0)**	(1,5)
Mexican Peso	: US Dollar	10%	**(7,7)**	(6,0)
Other exposures		10%	**6,5**	12,2
			161,6	100,9

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

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

	Spot rate 2013	Spot rate 2012	Average rate 2013	Average rate 2012
Australian Dollar	**9,21**	8,40	**9,12**	8,05
Brazilian Real	**4,46**	4,05	**4,34**	4,31
Euro	**12,93**	10,40	**11,60**	10,41
Kenyan Shilling (inverse)	**8,65**	10,29	**9,55**	11,34
Mexican Peso	**0,76**	0,60	**0,70**	0,59
Pound Sterling	**15,12**	12,85	**13,99**	12,35
Tanzanian Shilling (inverse)	**165,42**	193,84	**180,68**	209,38
US Dollar	**9,94**	8,19	**8,93**	7,78

35. FINANCIAL RISK MANAGEMENT continued

35.5 Interest rate risk

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

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

	Carrying value	
	2013 R'million	2012 R'million
Variable rate instruments		
Other non-current financial receivables	**(26,6)**	(31,5)
Trade and other receivables	**(5,5)**	(10,1)
Cash and cash equivalents	**(5 493,9)**	(2 899,7)
Cash restricted for use	**–**	(1,2)
Financial assets (A)	**(5 526,0)**	(2 942,5)
Borrowings	**16 777,0**	9 507,8
Trade and other payables	**33,6**	10,7
Financial liabilities (B)	**16 810,6**	9 518,5
Variable rate exposure (A+B)	**11 284,6**	6 576,0
Fixed rate instruments		
Financial assets – Cash and cash equivalents (A)	**(84,4)**	(19,6)
Financial liabilities – Borrowings (B)	**341,7**	903,7
Fixed rate exposure (A+B)	**257,3**	884,1
Interest profile (variable: fixed rate as a percentage of total interest-bearing)	**98:2**	88:12

The following interest rate derivative contract was in place at 30 June 2013.

Interest rate swaps

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

	Outstanding contract amount R'million	**Fixed interest rate %**	**Expiry date**	**Fair value gain R'million**
US Dollar term loan – ELIZ – Loan A	**334,1**	**6,1% (three-month LIBOR)**	**10 October 2013**	**20,3**
	334,1			**20,3**

The interest rate swap was designated in a cash flow hedge relationship. The nature of the risks being hedged (interest rate risk) is the variability of the quarterly interest payments on the hedged loan, attributable to movements in the three-month LIBOR rate. Gains and losses recognised in the hedging reserve in equity at 30 June 2013 will be continuously released to the statement of comprehensive income as the interest (finance costs) on the loan is recognised in the statement of comprehensive income.

The maturity profile of the gross contract amount for the US Dollar term loan – GSK – loan A interest rate swap at 30 June 2013 is less than one year.

Other disclosures continued

35. FINANCIAL RISK MANAGEMENT continued

35.5 Interest rate risk continued

Interest rate sensitivity

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

An increase of 1% in interest rates at 30 June would have decreased profit before tax by R116,2 million in 2013 and R65,8 million in 2012. A decrease of 1% will have an equal and opposite effect on profit before tax. Changes in market interest rates also affect equity (hedging reserve) through the impact of such changes on the fair values of the interest rate swaps designated in effective hedge relationships and the extent of the hedge effectiveness. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase of 1% in the yield curve at 30 June 2013 would result in a decrease of R0,5 million (2012: R4,5 million) in the fair value of the derivative liability in the statement of comprehensive income. A decrease of 1% in the yield curve will have an equal and opposite effect on the derivative liability in the statement of comprehensive income.

35.6 Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Group finances its operations through a mixture of retained earnings, short-term and long-term bank funding. Adequate banking facilities and reserve borrowing capacities are maintained. The Group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 17 for detail.

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

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

		Undiscounted cash flows		
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2013				
Financial assets				
Available-for-sale financial assets	–	–	0,1	0,1
Other non-current financial receivables	–	2,1	31,1	33,2
Trade and other receivables (financial instruments only)	–	4 503,0	–	4 503,0
Forward exchange contracts (gross settled)*	–	82,7	–	82,7
Gross cash inflows	–	1 141,0	–	1 141,0
Gross cash outflows	–	(1 058,3)	–	(1 058,3)
Cash and cash equivalents	4 770,0	1 248,6	–	6 018,6
Total financial assets	4 770,0	5 836,4	31,2	10 637,6
Financial liabilities				
Secured loans	–	(26,9)	–	(26,9)
Unsecured loans	(2 035,0)	(7 084,3)	(6 423,8)	(15 543,1)
Finance lease and instalment credit liabilities	–	(4,0)	(3,8)	(7,8)
Bank overdrafts	(2 602,4)	–	–	(2 602,4)
Trade and other payables (financial instruments only)	–	(3 383,7)	–	(3 383,7)
Interest rate swaps (net settled)	–	(4,2)	–	(4,2)
Total financial liabilities	(4 637,4)	(10 503,1)	(6 427,6)	(21 568,1)
Net exposure before financial guarantees	132,6	(4 666,7)	(6 396,4)	(10 930,5)
Non-derivative financial liabilities – financial guarantees	–	(4 075,6)	(1 525,0)	(5 600,6)
Net exposure after financial guarantees	132,6	(8 742,3)	(7 921,4)	(16 531,1)

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

The Group is presently engaged in a major debt raising and restructure exercise to support impending transactions with MSD and GSK.

35. FINANCIAL RISK MANAGEMENT continued

35.6 Liquidity risk continued

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

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

35.7 Credit risk

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

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

Trade and other receivables

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations on the financial condition of customers are performed and where appropriate credit guarantee insurance cover is purchased. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. Two separate debtors balances (2012: three separate debtors balances) constitute a significant concentration of credit risk to an amount of R1 128,4 million (2012: R1 212,2 million). These balances constitute 27,0% (2012: 38,8%) of the total gross trade receivables. There were no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2013 and 2012.

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

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

Other disclosures continued

35. FINANCIAL RISK MANAGEMENT continued

35.7 Credit risk continued

Cash and cash equivalents and derivative financial instruments

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

Other non-current financial assets

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

35.8 Capital risk

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

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

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

There were no changes to the Group's approach to capital management during the year. The gearing ratio has increased since the prior year to 33% from 29%.

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

a) Group covenants

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

b) Aspen Global covenants

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

c) Aspen Asia Pacific covenants

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

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

At 30 June 2013, all the above covenants were complied with.

36. ACQUISITIONS

2013

36.1 Acquisition of the infant nutritionals business in Australia

Aspen Global and Aspen Asia Pacific concluded agreements with Nestlé on 29 April 2013 in respect of the acquisition of certain rights to intellectual property licences and 100% of the shares in the infant nutritionals business previously conducted by Pfizer which distributes a portfolio of infant nutritional products in Australia.

	R'million
Cost of the acquisition	
Purchase consideration	1 528,6
Fair value of net assets acquired	(1 352,1)
Goodwill	176,5
Fair value of assets and liabilities acquired	
Property, plant and equipment	1,7
Intangible assets	1 246,1
Deferred tax	9,9
Inventories	74,2
Trade and other receivables	294,5
Trade and other payables	(274,3)
Fair value of net assets acquired	1 352,1
Goodwill acquired	176,5
Purchase consideration	1 528,6
Deferred receivable	50,0
Cash consideration paid	1 578,6

The initial accounting for this business combination has been reported on a provisional basis and will only be finalised in the year ending 30 June 2014.

Post-acquisition revenue included in the statement of comprehensive income was R137,3 million. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable as the operations of the infant nutritionals business have not yet fully transitioned to Aspen. The determination and disclosure of historical audited revenue and operating profits for the 12 months preceding the effective date is not possible as the information for the full period is not available.

Goodwill

The goodwill arising on the acquisition of the infant nutritionals business recognises:
- the future benefits of rebranding rights on the existing and future infant milk product range; and
- the synergies from the consolidation of the infant milk business with Aspen's existing Australian consumer business including cost savings and increased sales force coverage benefits.

The total amount of goodwill recognised is not tax deductible.

2012

36.2 Acquisition of non-controlling interest in Shelys

Aspen acquired the remaining 40% minority shareholding in Shelys effective from 14 April 2012. This increased the ownership in Shelys to 100%.

36.3 Acquisition of additional shareholding in Brimpharm SA

Aspen acquired a further 42,5% shareholding in Brimpharm SA effective from 31 May 2012. This increased the ownership in Brimpharm to 92,5%.

Other disclosures continued

37. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Group did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 25.

Intra-group transactions and balances

During the year, certain companies in the Group entered into transactions with other companies in the Group. These intra-group transactions have been eliminated on consolidation. Refer to note 23 of the Company Annual Financial Statements for a detailed list of subsidiaries and special purpose entities and their balances. None of the balances are secured.

Transactions and balances with directors

All directors have given general declarations of interest in terms of section 75 of the Companies Act. These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Group in terms of a customer/supplier relationship. These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions, and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates and which provides legal services to the Group. During the year, total legal fees expensed in the statement of comprehensive income was R5,0 million (2012: R1,0 million). There were no balances outstanding at year-end (2012: R0,2 million).

Directors' and prescribed officers' remuneration is disclosed in note 25.

Transactions with key management personnel

Key management personnel consist of directors of key Group companies.

The key management personnel compensation consists of

	2013 R'million	2012 R'million
Short-term employee benefits	**69,4**	64,6
Post-employment benefits	**3,9**	4,1
Share-based payment expense	**12,4**	31,6
Total key management remuneration paid	**85,7**	100,3
Number of employees included above	**23**	27

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

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 value of goodwill or intangible assets with indefinite lives allocated to that unit is significant in comparison with the entities total carrying value of goodwill or intangible assets with indefinite useful lives.

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

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

Value-in-use

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering periods between five and 16 years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are post-tax based on assessment of the current risks applicable to the specific entity and country in which it operates. Discounting post-tax cash flows at a post-tax discount rate yields the same result as the discounting pre-tax cash flows at a pre-tax discount rate.

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

Value-in-use continued

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

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

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

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

	2013 R'million	2012 R'million
Goodwill		
The carrying value of goodwill can be split as follows		
FCC – allocated to the South African segment	162,5	162,5
Shelys – allocated to the SSA segment	134,0	134,0
Tanzanian business	68,4	68,4
Kenyan business	65,6	65,6
GSK transactions – allocated to the South African segment	61,4	61,4
Sigma business – allocated to Asia Pacific segment	5 406,5	4 929,9
Infant nutritionals business – allocated to Asia Pacific segment*	152,1	–
Other	56,7	56,1
	5 973,2	5 343,9

**This amount has been tested for impairment as part of the at acquisition calculations. Refer to note 36.1 for detail on the acquisition.*

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

Assumption	FCC	Tanzanian business	Kenyan business	GSK transactions	Sigma business
Carrying value of goodwill	162,5	68,4	65,6	61,4	5 406,5
Period covered by forecasts and budgets	5 years	5 years	5 years	16 years	5 years
Growth in turnover (% per annum)	Ranging between 4% and 58%	Ranging between 11% and 13%	Ranging between 12% and 19%	Ranging between -4% and 9%	Ranging between 0% and 3%
Gross profit (% per annum)	Varying between 3% and 36%	Varying between 36% and 46%	Varying between 48% and 54%	Varying between 36% and 48%	55%
Annual capital expenditure (per annum)	Ranging between R55 million and R346 million	Ranging between TZS0,3 billion and TZS3 billion	Ranging between KES18 million and KES46 million	–	Ranging between AUD8 million and AUD14 million
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	5%	6%	6%	–	3%
Annual post-tax discount rate applied to cash flows (% per annum)	12%	17%	18%	11%	7%

Other disclosures continued

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

The GSK transactions have been forecast over a 16-year period as this is the period remaining in the initial term of the agreement to which this goodwill relates.

	2013 R'million	2012 R'million
Impairment of goodwill		
FCC – allocated to the South African segment	–	25,7
Other – allocated to the International segment	–	17,9
	–	43,6

In 2012 an impairment of R25,7 million relating to FCC was accounted for due to the volatility of the API market. In 2012 an impairment of R17,9 million relating to historical goodwill on the original Latin American acquisition from Strides Arcolabs Limited. No other impairments were considered necessary. There are no reasonable possible changes in any key assumption which would cause the carrying value of goodwill to exceed its value-in-use.

	2013 R'million	2012 R'million
Intangible assets with indefinite useful lives		
The carrying value of indefinite useful life intangible assets can be split as follows		
ELIZ products#	3 382,8	2 779,8
Specialist global brands^	2 655,2	2 154,3
Prism global brands+	2 580,5	1 599,0
Classic brands	2 569,5	–
Novartis products (Enablex and Tofranil)	537,5	–
Other	755,5	686,3
	12 481,0	7 219,4

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

Assumption	ELIZ products#	Specialist global brands^	Prism global brands+
Carrying value of intangible assets	3 382,8	2 655,2	2 580,5
Period covered by forecasts and budgets	10 years	10 years	10 years
Growth in revenue (% per annum)	Ranging between 1% and 2%	Ranging between -2% and 3%	Ranging between 1% and 13%
Gross profit (% per annum)	Average of 63%	Average of 72%	Average of 63%
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	-0,5%	-0,5%	-0,5%
Annual post-tax discount rate applied to cash flows (% per annum)	11%	11%	12%

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

The classic brands and Novartis products were acquired with effect from 1 December 2012 and 31 July 2012 respectively for a consideration of R2,2 billion (classic brands) and R0,5 billion (Novartis). An initial review identified no impairment and a full impairment test will be performed in the financial year ending 30 June 2014.

Based on the calculations no impairment was needed for these indefinite useful life intangible assets. There are no reasonable possible changes in any key assumption which would cause the carrying value of indefinite useful life intangible assets to exceed its value-in-use.

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

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Company statement of financial position

at 30 June 2013

	Notes	2013 R'million	2012 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3,9**	3,7
Intangible assets	2	**450,4**	188,2
Investments in subsidiaries	3	**12 181,8**	12 165,6
Other non-current financial receivables	4	**25,0**	25,0
Deferred tax assets	5	**28,2**	27,7
Total non-current assets		**12 689,3**	12 410,2
Current assets			
Receivables and prepayments	6	**10,4**	4,8
Current tax assets		**22,7**	22,0
Cash and cash equivalents	7	**1 595,7**	171,6
Amounts due by Group companies	3	**292,4**	289,1
Total current assets		**1 921,2**	487,5
Total assets		**14 610,5**	12 897,7
SHAREHOLDERS' EQUITY			
Share capital and share premium	8	**5 002,9**	5 570,6
Hedging reserve		**146,5**	146,5
Share-based compensation reserve		**44,4**	35,9
Retained income		**8 404,8**	6 683,8
Total shareholders' equity		**13 598,6**	12 436,8
LIABILITIES			
Non-current liabilities			
Borrowings	11	**249,4**	–
Total non-current liabilities		**249,4**	–
Current liabilities			
Other payables	10	**145,4**	130,3
Borrowings	11	**57,5**	25,0
Amounts due to Group companies	3	**494,8**	305,6
Current tax liabilities		**64,8**	–
Total current liabilities		**762,5**	460,9
Total liabilities		**1 011,9**	460,9
Total equity and liabilities		**14 610,5**	12 897,7

Company statement of comprehensive income

for the year ended 30 June 2013

	Notes	**2013 R'million**	2012 R'million
CONTINUING OPERATIONS			
Revenue	12	**161,1**	161,1
Administrative expenses	14	**(158,3)**	(125,0)
Other operating income		**32,4**	38,1
Other operating expenses		**(86,1)**	(214,0)
Operating loss	13	**(50,9)**	(139,8)
Investment income	16	**1 850,3**	1 209,3
Financing costs	17	**(23,5)**	(18,6)
Profit before tax		**1 775,9**	1 050,9
Tax	18	**(72,8)**	(29,1)
Profit after tax from continuing operations		**1 703,1**	1 021,8
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations		**–**	44,0
Profit for the year		**1 703,1**	1 065,8

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

Company statement of changes in equity

for the year ended 30 June 2013

	Share capital R'million	Share premium R'million	Hedging reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total R'million
BALANCE AT 1 JULY 2011	60,3	5 280,7	146,5	32,9	5 420,2	162,0	11 102,6
Profit for the year	–	–	–	–	1 065,8	–	1 065,8
Issue of ordinary share capital	2,9	684,3	–	–	–	–	687,2
Issue of ordinary share capital – share schemes	0,5	309,9					310,4
Issue of ordinary share capital – conversion of preference shares	2,4	374,4					376,8
Conversion of preference shares	–	–	–	–	162,0	(162,0)	–
Capital distribution	–	(457,6)	–	–	–	–	(457,6)
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–	24,5	–	–	24,5
Transfer from share-based compensation reserve	–	–	–	(21,5)	21,5	–	–
Equity portion of tax claims in respect of share schemes	–	–	–	–	14,3	–	14,3
BALANCE AT 30 JUNE 2012	63,2	5 507,4	146,5	35,9	6 683,8	–	12 436,8
Profit for the year	–	–	–	–	1 703,1	–	1 703,1
Issue of ordinary share capital – share schemes	0,2	147,0	–	–	–	–	147,2
Capital distribution	–	(714,9)	–	–	–	–	(714,9)
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–	20,0	–	–	20,0
Transfer from share-based compensation reserve	–	–	–	(5,3)	5,3	–	–
Deferred incentive bonus shares exercised	–	–	–	(6,2)	–	–	(6,2)
Equity portion of tax claims in respect of share schemes	–	–	–	–	12,6	–	12,6
BALANCE AT 30 JUNE 2013	63,4	4 939,5	146,5	44,4	8 404,8	–	13 598,6

Company statement of cash flows

for the year ended 30 June 2013

	Notes	2013 R'million	2012 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	A	**(26,4)**	(70,8)
Financing costs paid	B	**(19,6)**	(22,2)
Investment income received	C	**19,0**	6,3
Dividends received from subsidiaries		**1 831,3**	1 203,0
Cash generated from operating activities		**1 804,3**	1 116,3
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(1,4)**	(0,4)
Expansion		**(1,1)**	(0,4)
Replacement		**(0,3)**	–
Proceeds on the sale of property, plant and equipment		**0,1**	–
Expansion capital expenditure – intangible assets		**(274,0)**	(15,8)
Proceeds on the sale of assets held-for-sale		**–**	59,2
Increase in other non-current financial receivables		**–**	(17,8)
Acquisition of subsidiaries and businesses		**(4,7)**	(181,6)
Movement in amounts due by Group companies		**(3,3)**	(182,5)
Subsidiary capital reduction		**–**	1,9
Cash used in investing activities		**(283,3)**	(337,0)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds/(repayments) from borrowings		**264,1**	(473,2)
Proceeds from issue of ordinary share capital		**147,2**	310,4
Capital distribution		**(714,9)**	(457,6)
Movement in amounts due to Group companies		**189,2**	(71,0)
Cash used in financing activities		**(114,4)**	(691,4)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**1 406,6**	87,9
Cash and cash equivalents at the beginning of the year		**171,6**	83,7
Cash and cash equivalents at the end of the year	E	**1 578,2**	171,6

Notes to the Company statement of cash flows

for the year ended 30 June 2013

		2013 R'million	2012 R'million
A.	**CASH USED IN OPERATIONS**		
	Operating loss	**(50,9)**	(90,8)
	Amortisation of intangible assets	**10,9**	13,9
	Depreciation of property, plant and equipment	**1,1**	0,7
	Impairment charges	**0,9**	41,8
	Profit on the sale of assets classified as held-for-sale	**–**	(49,0)
	Deferred incentive bonus shares exercised	**(6,2)**	–
	Share-based payment expense – employees	**8,0**	11,5
	Other non-cash items	**0,3**	(0,6)
	Cash operating loss	**(35,9)**	(72,5)
	Working capital movements	**9,5**	1,7
	(Increase)/decrease in receivables and prepayments	**(5,6)**	3,7
	Increase/(decrease) in other payables	**15,1**	(2,0)
		(26,4)	(70,8)
B.	**FINANCING COSTS PAID**		
	Interest paid	**(23,1)**	(12,3)
	Preference shares dividends paid – liability component	**–**	(23,1)
	Net foreign exchange (losses)/gains	**(0,1)**	13,2
	Interest payable to revenue authorities	**3,6**	–
		(19,6)	(22,2)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**19,0**	6,3
D.	**TAX PAID**		
	Amounts receivable at the beginning of the year	**22,0**	21,7
	Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)	**(60,5)**	0,3
	Amounts owing at the end of the year	**64,8**	–
	Amounts receivable at the end of the year	**(22,7)**	(22,0)
	Interest payable to revenue authorities	**(3,6)**	–
		–	–
E.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**1 595,7**	171,6
	Less: Bank overdrafts	**(17,5)**	–
	Cash and cash equivalents per the statement of cash flows	**1 578,2**	171,6

Notes to the Company Annual Financial Statements

for the year ended 30 June 2013

1. PROPERTY, PLANT AND EQUIPMENT

	Buildings (leased)* R'million	Plant and equipment (owned) R'million	Computer equipment (owned) R'million	Office equipment and furniture (owned) R'million	Total R'million
2013					
Carrying value					
Cost	**1,6**	**0,3**	**5,3**	**3,0**	**10,2**
Accumulated depreciation	**(1,2)**	**–**	**(3,6)**	**(1,5)**	**(6,3)**
Carrying value at the end of the year	**0,4**	**0,3**	**1,7**	**1,5**	**3,9**
Movement in property, plant and equipment					
Carrying value at the beginning of the year	**0,8**	**0,2**	**1,4**	**1,3**	**3,7**
Additions – expansion	**–**	**–**	**0,7**	**0,4**	**1,1**
Additions – replacement	**–**	**0,3**	**–**	**–**	**0,3**
Disposals	**–**	**(0,1)**	**–**	**–**	**(0,1)**
Depreciation	**(0,4)**	**(0,1)**	**(0,4)**	**(0,2)**	**(1,1)**
Carrying value at the end of the year	**0,4**	**0,3**	**1,7**	**1,5**	**3,9**
2012					
Carrying value					
Cost	1,6	0,2	4,6	2,6	9,0
Accumulated depreciation	(0,8)	–	(3,2)	(1,3)	(5,3)
Carrying value at the end of the year	0,8	0,2	1,4	1,3	3,7
Movement in property, plant and equipment					
Carrying value at the beginning of the year	0,7	0,2	1,7	1,4	4,0
Additions – expansion	0,2	–	0,1	0,1	0,4
Depreciation	(0,1)	–	(0,4)	(0,2)	(0,7)
Carrying value at the end of the year	0,8	0,2	1,4	1,3	3,7
2011					
Carrying value					
Cost	1,4	0,3	4,5	2,5	8,7
Accumulated depreciation	(0,7)	(0,1)	(2,8)	(1,1)	(4,7)
Carrying value at the end of the year	0,7	0,2	1,7	1,4	4,0

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

Security

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

Capital commitments

Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following

	2013 R'million	2012 R'million
Authorised and contracted for	**80,0**	–
Authorised but not yet contracted for	**20,0**	–
	100,0	–

Funding

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

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

2. INTANGIBLE ASSETS

	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
2013				
Carrying value				
Cost	**1 190,8**	**57,8**	**2,7**	**1 251,3**
Accumulated amortisation	**(727,3)**	**(57,8)**	**(1,1)**	**(786,2)**
Accumulated impairment losses	**(14,7)**	**–**	**–**	**(14,7)**
Carrying value at the end of the year	**448,8**	**–**	**1,6**	**450,4**
Movement in intangible assets				
Carrying value at the beginning of the year	**187,4**	**–**	**0,8**	**188,2**
Additions – expansion	**273,0**	**–**	**1,0**	**274,0**
Amortisation	**(10,7)**	**–**	**(0,2)**	**(10,9)**
Impairment	**(0,9)**	**–**	**–**	**(0,9)**
Carrying value at the end of the year	**448,8**	**–**	**1,6**	**450,4**
2012				
Carrying value				
Cost	917,8	57,8	1,7	977,3
Accumulated amortisation	(716,6)	(57,8)	(0,9)	(775,3)
Accumulated impairment losses	(13,8)	–	–	(13,8)
Carrying value at the end of the year	187,4	–	0,8	188,2
Movement in intangible assets				
Carrying value at the beginning of the year	185,9	–	0,9	186,8
Additions – expansion	15,7	–	0,1	15,8
Amortisation	(13,7)	–	(0,2)	(13,9)
Impairment	(0,5)	–	–	(0,5)
Carrying value at the end of the year	187,4	–	0,8	188,2
2011				
Carrying value				
Cost	902,1	57,8	1,6	961,5
Accumulated amortisation	(702,9)	(57,8)	(0,7)	(761,4)
Accumulated impairment losses	(13,3)	–	–	(13,3)
Carrying value at the end of the year	185,9	–	0,9	186,8

All intangible assets were acquired from third parties.

2. INTANGIBLE ASSETS

Indefinite useful life intangible assets

An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Company.

	2013 R'million	2012 R'million
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**397,5**	128,9

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

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

Security

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

Capital commitments

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

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

Funding

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

	2013 R'million	2012 R'million
3. INVESTMENTS IN SUBSIDIARIES		
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**12 181,8**	12 165,6
Reflected as current assets		
Amounts due by Group companies#	**292,4**	289,1
Reflected as current liabilities		
Amounts due to Group companies#	**(494,8)**	(305,6)
Net investments in subsidiaries	**11 979,4**	12 149,1

These amounts are unsecured, non-interest-bearing and repayable on demand.

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

	2013 R'million	2012 R'million
4. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
KOPM Distribution (Pty) Limited	**20,0**	20,0
Charospot Investments (Pty) Limited	**5,0**	5,0
	25,0	25,0

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

4. OTHER NON-CURRENT FINANCIAL RECEIVABLES continued

An agreement was entered into with KOPM Distributors (Pty) Limited, and Charospot Investments (Pty) Limited in July 2011. Loan funding was advanced by Aspen to selected BBBEE beneficiaries for the purpose of enabling these beneficiaries to acquire an equity stake in a pharmaceutical distribution and wholesale company as an enterprise development initiative by Aspen.

These loans are due to be repaid at the end of the five-year period, being July 2016.

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

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

Both the KOPM Distribution (Pty) Limited and the Charospot Investments (Pty) Limited loans are secured by a second bond over specified movable assets to a value of R10,0 million as well as a cession of specified book debts of S Buys (Pty) Limited.

Other non-current financial receivables are denominated in Rand.

5. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2012: 28%)

	2013 R'million	2012 R'million
Deferred tax balance		
Deferred tax assets – opening balance	**27,7**	47,3
Statement of comprehensive income (credit)/charge – prior year adjustment	**(0,1)**	0,5
Statement of comprehensive income credit – included in tax	**(12,0)**	(34,3)
Charged to equity	**12,6**	14,2
Balance at the end of the year	**28,2**	27,7
The statement of comprehensive income credit comprises		
Property, plant and equipment	**0,1**	(0,1)
Intangible assets	**0,2**	2,6
Prepayments	**(0,4)**	–
Leave pay	**0,2**	0,1
Royalties received in advance	**(0,1)**	0,3
Preference shares issued	**–**	(1,3)
Tax claims in respect of share schemes	**(10,0)**	(3,3)
Tax losses	**(3,4)**	(29,1)
Other	**1,3**	(3,0)
	(12,1)	(33,8)
Deferred tax asset comprises		
Property, plant and equipment	**(0,3)**	(0,4)
Intangible assets	**(30,9)**	(31,1)
Prepayments	**(0,4)**	–
Leave pay	**1,2**	1,0
Royalties received in advance	**22,5**	22,6
Tax claims in respect of share schemes	**15,1**	12,5
Tax losses	**19,6**	23,0
Other	**1,4**	0,1
	28,2	27,7

	2013 R'million	2012 R'million
6. RECEIVABLES AND PREPAYMENTS		
Financial instruments		
Interest accrued	**7,0**	0,5
Other	**1,2**	2,5
Total financial instruments*	**8,2**	3,0
Non-financial instruments		
Prepayments	**2,2**	1,8
Total non-financial instruments	**2,2**	1,8
Total receivables and prepayments	**10,4**	4,8

* *This amount is classified as "Loans and receivables" in terms of IAS 39 – Financial Instruments: Recognition and Measurement.*

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

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

All receivables and prepayments are non-interest-bearing.

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

No amounts were pledged as security for liabilities.

	2013 R'million	2012 R'million
7. CASH AND CASH EQUIVALENTS		
Bank balances	**1 595,7**	171,6

The average effective interest rate on bank balances was 5,5% (2012: 4,9%).

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

All cash and cash equivalents are denominated in Rand.

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

	2013 R'million	2012 R'million
8. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
717 600 000 (2012: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**99,8**	97,3
Issued		
455 738 785 (2012: 454 779 457) ordinary shares with a par value of 13,90607 cents each	**63,4**	63,2
Share premium	**4 939,5**	5 507,4
	5 002,9	5 570,6

	2013 Million	2012 Million
Shares in issue at the beginning of the year	**454,8**	433,9
Shares issued – share schemes	**0,9**	3,3
Shares issued – preference shares converted	**–**	17,6
Shares in issue at the end of the year	**455,7**	454,8

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

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

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

	2013 R'million	2012 R'million
8. SHARE CAPITAL AND SHARE PREMIUM continued		
Reconciliation of share premium for Companies Act purposes		
Share premium under IFRS	**4 939,5**	5 507,4
Intangible assets reinstated*	**19,3**	19,3
Ordinary shares issued in terms of BBBEE transaction	**(99,2)**	(99,2)
Share premium for the purposes of the Companies Act	**4 859,6**	5 427,5

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

	2013 R'million	2012 R'million
9. PREFERENCE SHARE CAPITAL		
Authorised		
Nil (2012: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	**–**	2,4
Nil (2012: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	**–**	2,8

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

Rights attached to the A preference shares in the prior year

Dividend rights

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

Voting rights

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

Redemption/conversion rights

Preference shareholders had the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. This right was exercised in June 2012 and redemption took place at R21,41.

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

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

9. PREFERENCE SHARE CAPITAL continued

Accounting

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 32 for detail.

	2013 R'million	2012 R'million
Preference shares – equity component (per the statement of changes in equity)	**–**	162,0
Deferred tax effect	**–**	(8,7)
Net equity component	**–**	153,3
Preference shares – liability component (per the statement of financial position)	**–**	376,8
Amount expensed in 2005	**–**	(183,2)
Cumulative notional interest on liability component	**–**	29,9
Opening balance	**–**	25,4
For the year	**–**	4,5
Net preference shares liability before conversion	**–**	376,8
Preference shares converted into ordinary shares	**–**	(376,8)
Included in equity – preference shares	**–**	(162,0)
Included in non-current assets – deferred tax	**–**	8,7
Included in non-current liabilities – preference shares – liability component	**–**	(223,5)
	–	–

The liability component was exposed to fair value interest rate risk.

10. OTHER PAYABLES

	2013 R'million	2012 R'million
Financial instruments		
Accrued expenses	**20,0**	6,4
Prepaid insurance	**0,4**	0,5
Other	**2,4**	3,7
Total financial instruments*	**22,8**	10,6
Non-financial instruments		
Indirect taxes	**9,0**	9,8
Leave pay	**4,4**	3,7
Bonuses	**23,7**	21,8
Royalties received in advance	**80,5**	80,5
Other	**5,0**	3,9
Total non-financial instruments	**122,6**	119,7
Total other payables	**145,4**	130,3

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

Currency analysis of trade and other payables (financial instruments only)

	2013 R'million	2012 R'million
Euro	**10,6**	–
Rand	**10,2**	10,6
US Dollar	**2,0**	–
	22,8	10,6

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

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

	2013 R'million	2012 R'million
11. BORROWINGS		
Non-current borrowings		
Unsecured loans	**249,4**	–
Current borrowings		
Overdraft	**17,5**	–
Unsecured loans	**40,0**	25,0
	57,5	25,0

Interest rate profile of total borrowings

	2013			2012		
	Total R'million	**Interest rate %**	**Average effective interest rate %**	Total R'million	Interest rate %	Average effective interest rate %
Non-current borrowings						
Unsecured loans – linked to three-month JIBAR	**249,4**	**+ margin of 1,35%**	**6,5**	–	–	–
	249,4			–		
Current borrowings						
Unsecured loans – linked to overnight call rates	**40,0**	**Overnight call**	**6,2**	25,0	Overnight call	6,5
Bank overdrafts – linked to South African prime overdraft rate	**17,5**	**less 1%**	**8,5**	–	–	–
	57,5			25,0		

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

No security has been given for these amounts.

	2013 R'million	2012 R'million
12. REVENUE		
Other revenue		
Royalties	**161,1**	161,1

	2013 R'million	2012 R'million
13. OPERATING LOSS		
Operating loss has been arrived at after charging		
Auditors' remuneration	**3,9**	4,7
Audit fees	**3,4**	4,2
Current year	**3,1**	3,8
Prior year under provision	**0,3**	0,4
Other services	**0,5**	0,5
Impairment charges	**0,9**	41,8
Impairment of intangible assets (included in other operating expenses)	**0,9**	0,5
Impairment of investment in subsidiaries (included in other operating expenses)	**–**	41,3
Transaction costs	**30,6**	–
Repairs and maintenance expenditure on property, plant and equipment	**0,2**	0,5
Operating lease rentals – land and buildings	**2,6**	2,1
14. EXPENSES BY NATURE		
Depreciation of property, plant and equipment	**1,1**	0,7
Amortisation of intangible assets	**10,9**	13,9
Impairment charges	**0,9**	41,8
Repairs and maintenance expenditure on property, plant and equipment	**0,2**	0,5
Personnel costs and other staff-related costs	**91,1**	78,4
Share trust contributions	**43,6**	158,3
Share-based payment expense – employees	**8,0**	11,5
Property costs	**3,2**	2,6
Transaction costs	**30,6**	–
Other	**54,8**	31,3
	244,4	339,0
Classified as		
Administrative expenses	**158,3**	125,0
Other operating expenses	**86,1**	214,0
	244,4	339,0
15. DIRECTORS AND EMPLOYEES		
Staff costs		
Wages and salaries	**76,4**	67,2
Defined contribution plans	**7,9**	6,3
Medical aid contributions	**2,1**	1,8
Share-based payment expense – options and appreciation rights	**0,5**	2,1
Share-based payment expense – deferred incentive bonus	**7,5**	9,4
Other company contributions	**1,9**	1,2
	96,3	88,0

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

	2013 R'million	2012 R'million
16. INVESTMENT INCOME		
Dividends received from subsidiaries	**1 831,3**	1 203,0
Interest received	**19,0**	6,3
Bank balances	**15,3**	2,1
Group companies	**–**	2,0
Revenue authorities	**1,5**	–
Other	**2,2**	2,2
	1 850,3	1 209,3
17. FINANCING COSTS		
Interest paid	**23,1**	12,3
Preference share dividends paid – liability component	**–**	23,1
Capital raising fees	**0,3**	0,8
Net foreign exchange losses/(gains)	**0,1**	(13,2)
Notional interest on financial instruments	**–**	(4,4)
	23,5	18,6
18. TAX		
Current tax – prior year	**0,8**	–
Deferred tax – current year	**12,0**	29,3
Deferred tax – prior year	**0,1**	(0,5)
Secondary tax on companies and other dividend taxes	**59,7**	(0,3)
Withholding tax	**0,2**	0,6
	72,8	29,1
Tax rate reconciliation	**%**	%
Effective tax rate	**4,1**	2,8
Capital and exempt income	**28,9**	32,1
Disallowable expenses	**(1,6)**	(2,7)
Non-deductible portion of share-based payment expense – employees	**(0,7)**	(0,3)
Non-deductible amortisation of intangible assets	**(0,2)**	(0,1)
Other disallowable expenses	**(0,7)**	(2,3)
STC and other dividends taxes	**(3,4)**	–
Deferred tax raised in respect of share schemes	**–**	(4,2)
Tax at the statutory rate	**28,0**	28,0

19. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Company did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 37 of the Group's Annual Financial Statements.

Intra-group transactions and balances

During the year, the Company entered into arm's length transactions with other companies in the Group.

Refer to note 23 for a detailed list of subsidiaries and special purpose entities and their balances.

None of the balances are secured.

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

	2013 R'million	2012 R'million
Royalties received in advance – Pharmacare Limited	**183,6**	183,4
Administration fees received	**31,7**	31,0
Aspen Asia Company Limited	**–**	0,2
Aspen Asia Pacific Pty Limited	**1,3**	1,8
Aspen Bad Oldesloe GmbH	**0,6**	0,2
Aspen Europe GmbH	**1,3**	–
Aspen Global Incorporated	**–**	3,9
Aspen Healthcare FZ LLC	**0,7**	1,3
Aspen Labs S.A. de C.V.	**6,1**	2,3
Aspen Medical Products Malaysia SDN BHD	**0,1**	–
Aspen Pharmacare Australia Pty Limited	**1,6**	–
Aspen Pharma – Indústria Farmacêutica Limitada	**4,6**	1,3
Aspen Pharma Trading Limited	**0,8**	0,6
Aspen Philippines Incorporated	**0,2**	0,3
Beta Healthcare International Limited	**0,2**	–
Beta Healthcare Uganda Limited	**0,1**	–
Brimpharm SA (Pty) Limited	**0,2**	–
Fine Chemicals Corporation (Pty) Limited	**0,7**	0,6
Pharmacare Limited	**12,9**	18,4
Shelys Pharmaceuticals Limited	**0,3**	–
Solara S.A. de C.V.	**–**	0,1
Guarantee fees received – Aspen Global Incorporated	**2,4**	9,5
Interest received on shareholders' loans	**–**	2,0
Beta Healthcare International Limited	**–**	0,3
Shelys Pharmaceuticals International Limited	**–**	1,7
Dividends received (and paid to the Company)	**1 831,3**	1 203,0
Brimpharm SA (Pty) Limited	**2,3**	2,0
Pharmacare Limited	**1 829,0**	1 201,0

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

	2013 R'million	2012 R'million
19. RELATED PARTY TRANSACTIONS continued		
Expenses paid on behalf of Group companies and recovered by the Company	**40,6**	70,4
Aspen Asia Pacific Pty Limited	**0,6**	0,8
Aspen Bad Oldesloe GmbH	**–**	1,2
Aspen Global Incorporated	**6,1**	9,4
Aspen Healthcare FZ LLC	**0,1**	0,2
Aspen Labs S.A. de C.V.	**0,6**	1,2
Aspen Pharmacare Australia Pty Limited	**1,3**	17,2
Aspen Pharma – Indústria Farmacêutica Limitada	**1,7**	4,4
Aspen Pharma Trading Limited	**0,2**	0,8
Aspen Philippines Incorporated	**0,1**	–
Aspen Share Incentive Scheme	**–**	0,2
Beta Healthcare International Limited	**0,1**	0,1
Brimpharm Australia Pty Limited	**–**	0,3
Fine Chemicals Corporation (Pty) Limited	**4,0**	3,7
Pharmacare Limited	**25,7**	30,5
Shelys Pharmaceuticals Limited	**0,1**	0,4
Expenses paid on behalf of the Company and recovered by Group companies	**(298,4)**	(84,3)
Aspen Bad Oldesloe GmbH	**–**	(0,8)
Brimpharm SA (Pty) Limited	**(1,5)**	–
Pharmacare Limited	**(296,9)**	(83,5)
Repayments of outstanding amounts to the Company	**(178,2)**	(119,5)
Aspen Asia Company Limited	**–**	(0,2)
Aspen Asia Pacific Pty Limited	**(2,6)**	(0,6)
Aspen Bad Oldesloe GmbH	**(0,3)**	(1,2)
Aspen Healthcare FZ LLC	**(1,4)**	(1,2)
Aspen Global Incorporated	**(5,8)**	(26,4)
Aspen Labs S.A. de C.V.	**–**	(2,2)
Aspen Pharmacare Australia Pty Limited	**(47,4)**	(1,2)
Aspen Pharma – Indústria Farmacêutica Limitada	**(0,6)**	(2,7)
Aspen Pharma Trading Limited	**(1,9)**	–
Aspen Philippines Incorporated	**(0,4)**	–
Beta Healthcare International Limited	**–**	(0,7)
Brimpharm SA (Pty) Limited	**(0,2)**	–
Fine Chemicals Corporation (Pty) Limited	**(4,4)**	(4,6)
Pharmacare Limited	**(113,2)**	(77,6)
Solara S.A. de C.V.	**–**	(0,9)
Interest-free loans advanced	**–**	153,5
Beta Healthcare International Limited	**–**	50,5
Shelys Pharmaceuticals Limited	**–**	48,5
Shelys Pharmaceuticals International Limited	**–**	54,5
Other movements	**(11,2)**	(150,8)
Aspen Share Incentive Scheme (share scheme contributions)	**5,2**	7,5
Aspen Pharmacare Australia Pty Limited (share scheme contributions)	**29,3**	–
Beta Healthcare International Limited	**(2,1)**	–
Share trust contributions made by the Company to the share trusts	**(43,6)**	(158,3)

19. RELATED PARTY TRANSACTIONS continued

Transactions and balances with directors

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

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

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R2,1 million (2012: R0,2 million) and no balance was outstanding at year-end (2012: no balance outstanding).

Transactions with key management personnel

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

Key management personnel compensation consists of

	2013 R'million	2012 R'million
Short-term employee benefits	**28,9**	24,5
Post-employment benefits	**2,5**	2,3
Share-based payment expense	**5,5**	11,7
Total key management remuneration paid	**36,9**	38,5
Number of employees included above	**15**	15

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

20. COMMITMENTS

Operating lease commitments

	2013 R'million	2012 R'million
Land and buildings	**2,3**	4,4
Operating lease commitments	**2,3**	4,4
The future minimum operating lease payments are as follows		
Less than one year	**2,3**	2,1
Between one and five years	**–**	2,3
	2,3	4,4

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

21. CONTINGENT LIABILITIES

Tax contingency

Following an audit, the South African Revenue Service has issued tax assessments on various South African companies relating to prior years. Aspen has objected to these assessments and has filed a review application to have the assessments set aside. Aspen is confident that it will succeed in this dispute based on the outcome of recent court cases dealing with similar matters. Due to the uncertainties inherent in the process, the timing of resolution of the dispute and the outcome thereof cannot be determined.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

22. FINANCIAL RISK MANAGEMENT

22.1 Introduction

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

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

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

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

22.2 Financial instruments by category

The carrying value of financial instruments by category is as follows

	Loans and receivables R'million	At amortised cost R'million	Total R'million
June 2013			
Financial assets			
Other non-current financial receivables	**25,0**	**–**	**25,0**
Receivables and prepayments (financial instruments only)	**8,2**	**–**	**8,2**
Cash and cash equivalents	**1 595,7**	**–**	**1 595,7**
Amounts due by Group companies	**292,4**	**–**	**292,4**
Total financial assets	**1 921,3**	**–**	**1 921,3**
Financial liabilities			
Unsecured loans	**–**	**289,4**	**289,4**
Bank overdrafts	**–**	**17,5**	**17,5**
Other payables (financial instruments only)	**–**	**22,8**	**22,8**
Amounts due to Group companies	**–**	**494,8**	**494,8**
Total financial liabilities	**–**	**824,5**	**824,5**
June 2012			
Financial assets			
Other non-current financial receivables	25,0	–	25,0
Receivables and prepayments (financial instruments only)	3,0	–	3,0
Cash and cash equivalents	171,6	–	171,6
Amounts due by Group companies	289,1	–	289,1
Total financial assets	488,7	–	488,7
Financial liabilities			
Unsecured loans	–	25,0	25,0
Other payables (financial instruments only)	–	10,6	10,6
Amounts due to Group companies	–	305,6	305,6
Total financial liabilities	–	341,2	341,2

22.3 Market risk management

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

22. FINANCIAL RISK MANAGEMENT continued

22.4 Foreign currency risk

The Company's transactions are predominantly entered into in Rand. However, the Company's operations utilise various foreign currencies (currencies other than the operations' functional currencies) in respect of expenses incurred consequently the Company is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies other than Rand.

Foreign currency risks are managed through the Company's financing policies.

Exposure to currency risk

Sensitivity analysis

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

The Company is mainly exposed to fluctuations in foreign exchange rates in respect of the Euro and US Dollar. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2012.

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

	Change in exchange rate	Weakening in functional currency	
		2013 R'million	2012 R'million
Denominated : Functional currency			
Rand:US Dollar	10%	**(0,2)**	–
Rand:Euro	10%	**(1,1)**	–
		(1,3)	–

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

22.5 Interest rate risk

The Company's interest rate risk arises from interest on bank overdrafts, borrowings, cash and cash equivalents and other non-current financial receivables. Exposure to interest rate risk is not hedged, but is monitored on a continuous and proactive basis.

Interest rate sensitivity

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

An increase of 1% in interest rates at 30 June would have increased profit before tax by R13,1 million in 2013 and R1,7 million in 2012. A decrease of 1% will have an equal and opposite effect on profit before tax.

22.6 Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The Company manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Company finances its operations through a mixture of retained income, bank funding and financing from Group companies. Adequate banking facilities and reserve borrowing capacities are maintained. The Company manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

22. FINANCIAL RISK MANAGEMENT continued

22.6 Liquidity risk continued

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

		Undiscounted cash flows		
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2013				
Financial assets				
Other non-current financial receivables	**–**	**2,1**	**29,4**	**31,5**
Receivables and prepayments (financial instruments only)	**–**	**8,2**	**–**	**8,2**
Cash and cash equivalents	**1 595,7**	**–**	**–**	**1 595,7**
Amounts due by Group companies	**292,4**	**–**	**–**	**292,4**
Total financial assets	**1 888,1**	**10,3**	**29,4**	**1 927,8**
Financial liabilities				
Unsecured loans	**(40,0)**	**(16,3)**	**(255,1)**	**(311,4)**
Bank overdrafts	**(17,5)**	**–**	**–**	**(17,5)**
Other payables (financial instruments only)	**–**	**(22,8)**	**–**	**(22,8)**
Amounts due to Group companies	**(494,8)**	**–**	**–**	**(494,8)**
Total financial liabilities	**(552,3)**	**(39,1)**	**(255,1)**	**(846,5)**
Net exposure before financial guarantees	**1 335,8**	**(28,8)**	**(225,7)**	**1 081,3**
Non-derivative financial liabilities – financial guarantees	**–**	**(4 075,6)**	**(1 525,0)**	**(5 600,6)**
Net exposure after financial guarantees	**1 335,8**	**(4 104,4)**	**(1 750,7)**	**(4 519,3)**
June 2012				
Financial assets				
Other non-current financial receivables	–	2,5	32,7	35,2
Receivables and prepayments (financial instruments only)	–	3,0	–	3,0
Cash and cash equivalents	171,6	–	–	171,6
Amounts due by Group companies	289,1	–	–	289,1
Total financial assets	460,7	5,5	32,7	498,9
Financial liabilities				
Unsecured loans	–	(25,0)	–	(25,0)
Other payables (financial instruments only)	–	(10,6)	–	(10,6)
Amounts due to Group companies	(305,6)	–	–	(305,6)
Total financial liabilities	(305,6)	(35,6)	–	(341,2)
Net exposure before financial guarantees	155,1	(30,1)	32,7	157,7
Non-derivative financial liabilities – financial guarantees	–	(3 323,0)	(1 680,0)	(5 003,0)
Net exposure after financial guarantees	155,1	(3 353,1)	(1 647,3)	(4 845,3)

22. FINANCIAL RISK MANAGEMENT continued

22.7 Credit risk

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

Credit risk primarily arises from receivables and prepayments, other non-current financial receivables and cash and cash equivalents. The Company's maximum exposure to credit risk is represented by the carrying values of these financial assets.

Receivables and prepayments

Receivables and prepayments are carefully monitored for impairment.

Cash and cash equivalents

Treasury counterparties consist of prime financial institutions. The Company does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All bank balances are held with highly reputable banks.

Other non-current financial assets

The recoverability of other non-current financial assets are monitored as appropriate.

22.8 Capital risk disclosures

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

The capital structure of the Company consists of borrowings, more specifically borrowings and equity attributable to holders of the parent, comprising share capital, share premium and retained income.

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

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

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

23. PRINCIPAL SUBSIDIARIES AND SPECIAL PURPOSE ENTITIES

Country of incorporation

Subsidiaries	Company
Direct	
Germany	Aspen Bad Oldesloe GmbH
Mauritius	Aspen Global Incorporated
France	Aspen Notre Dame de Bondeville SAS*
Nigeria	Aspen Pharmacare Nigeria Limited
South Africa	Aspen Port Elizabeth (Pty) Limited
Australia	Brimpharm Australia Pty Limited
South Africa	Brimpharm SA (Pty) Limited
South Africa	Ethicare (Pty) Limited
South Africa	Fine Chemicals Corporation (Pty) Limited
South Africa	Pharmacare Limited
Kenya	Shelys Africa Limited
Indirect	
South Africa	African Health Network (Pty) Limited
South Africa	AHN Pharma (Pty) Limited
Australia	Arrow Pharmaceuticals Pty Limited
Hong Kong	Aspen (Hong Kong) Pty Limited
Argentina	Aspen Argentina S.A.*****
Hong Kong	Aspen Asia Company Limited
Australia	Aspen Asia Pacific Pty Limited
Australia	Aspen Australia Pty Limited
Germany	Aspen Europe GmbH
France	Aspen France SAS *
United Arab Emirates	Aspen Healthcare FZ LLC
Taiwan	Aspen Healthcare Taiwan Limited**
South Africa	Aspen International Distribution (Pty) Limited
Italy	Aspen Italia SRL*
Mexico	Aspen Labs S.A. de C.V.
Malaysia	Aspen Medical Products Malaysia SDN BHD
South Africa	Aspen Nutritionals (Pty) Limited
Australia	Aspen Nutritionals Australia Pty Limited***
Brazil	Aspen Pharma - Indústria Farmacêutica Limitada
Ireland	Aspen Pharma Ireland Limited****
Mexico	Aspen Pharma Mexicana S. de R.L. de C.V.

 # Less than 1 000.
** The company was incorporated in June 2013.*
*** The company was incorporated in November 2012.*
**** The company was incorporated in October 2012.*
***** The company was incorporated in February 2013.*
****** The company was incorporated in May 2013.*

Currency	Issued capital '000	Effective Group holding 2013 %	Effective Group holding 2012 %	Investment 2013 R'million	Investment 2012 R'million	Amounts (due to)/due by Group companies 2013 R'million	Amounts (due to)/due by Group companies 2012 R'million
EUR	50	**100**	100	**685,1**	685,1	**0,5**	0,2
USD	1 008 881	**100**	100	**8 650,0**	8 647,1	**7,6**	4,9
EUR	50	**100**	–	**–**	–	**–**	–
NGN	200 000	**100**	–	**2,5**	–	**–**	–
ZAR	400	**100**	100	**9,8**	9,8	**(27,1)**	(27,1)
AUD	–#	**50**	50	**–**	–	**6,1**	6,1
ZAR	4	**93**	50	**80,4**	80,3	**(1,5)**	–
ZAR	75	**100**	100	**–**	–	**–**	–
ZAR	–#	**100**	100	**329,7**	329,7	**0,1**	(0,2)
ZAR	1 395	**100**	100	**2 023,7**	2 015,0	**(437,1)**	(249,2)
KES	196 198	**100**	60	**375,2**	373,2	**–**	–
ZAR	20	**100**	100	**–**	–	**–**	–
ZAR	10	**100**	100	**–**	–	**–**	–
AUD	–#	**100**	100	**–**	–	**–**	–
HKD	–#	**100**	100	**–**	–	**–**	–
USD	100	**100**	–	**–**	–	**–**	–
HKD	77	**100**	100	**–**	–	**–**	–
AUD	495 772	**100**	100	**–**	–	**1,3**	2,0
AUD	–#	**100**	100	**–**	–	**–**	–
EUR	13	**100**	100	**–**	–	**1,4**	0,1
EUR	50	**100**	–	**–**	–	**–**	–
USD	82	**100**	100	**–**	–	**0,7**	1,3
TWD	–	**100**	–	**–**	–	**–**	–
ZAR	–#	**100**	100	**25,4**	25,4	**(29,1)**	(29,1)
EUR	10	**100**	–	**–**	–	**–**	–
MXN	161 208	**100**	100	**–**	–	**9,0**	2,3
MYR	10 000	**100**	100	**–**	–	**0,1**	–
ZAR	1	**100**	100	**–**	–	**–**	–
AUD	–#	**100**	–	**–**	–	**–**	–
BRL	314 830	**100**	100	**–**	–	**13,8**	8,1
EUR	–	**100**	–	**–**	–	**–**	–
MXN	50	**98**	98	**–**	–	**–**	–

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2013

23. PRINCIPAL SUBSIDIARIES AND SPECIAL PURPOSE ENTITIES continued

Country of incorporation

Subsidiaries	Company
Indirect	
Australia	Aspen Pharma Pty Limited
Ireland	Aspen Pharma Trading Limited
Australia	Aspen Pharmacare Australia Pty Limited
South Africa	Aspen Pharmacare East London (Pty) Limited
Philippines	Aspen Philippines Incorporated
South Africa	Aspen SVP (Pty) Limited
United States	Aspen USA Incorporated
Venezuela	Aspen Venezuela C.A.
Australia	Aspen-Cipla Australia Pty Limited
Kenya	Beta Healthcare (Kenya) Limited
Uganda	Beta Healthcare (Uganda) Limited
Kenya	Beta Healthcare International Limited
Australia	Chemists' Own Pty Limited
Mauritius	Dismedical International Limited
Australia	Fawns & McAllan Pty Limited
South Africa	Formule Naturelle (Pty) Limited
Australia	Herron Pharmaceuticals Pty Limited
Australia	Orphan Australia Pty Limited
Australia	Orphan Holdings Pty Limited
Cyprus	PharmaLatina Holdings Limited
Mauritius	Shelys Pharmaceuticals International Limited
Tanzania	Shelys Pharmaceuticals Limited
Mexico	Solara S.A. de C.V.
Australia	Stephen Hunter (Pharmaceuticals Exports) Pty Limited
Uruguay	Strides (Aspen) Latina S.A.
Trusts (special purpose entities)^	
South Africa	Aspen Share Appreciation Plan
South Africa	Aspen Share Incentive Scheme
Total	

^ *These trusts are special purpose entities which are consolidated into the Group Annual Financial Statements.*
# *Less than 1 000.*

The Company maintains a register of all subsidiaries and special purpose entities, available for inspection at the registered office of Aspen Pharmacare Holdings Limited.

Definitions

AUD: Australian Dollar
BRL: Brazilian Real
EUR: Euro
GBP: Pound Sterling
KES: Kenyan Shilling
MXN: Mexican Peso
MYR: Malaysian Ringgit
NGN: Nigerian Naira
PHP: Philippine Peso
TWD: Taiwan New Dollar
TZS: Tanzanian Shilling
UGX: Ugandan Shilling
USD: US Dollar
VEF: Venezuela Bolivares Fuertes
ZAR: Rand

Currency	Issued capital '000	Effective Group holding 2013 %	Effective Group holding 2012 %	Investment 2013 R'million	Investment 2012 R'million	Amounts (due to) / due by Group companies 2013 R'million	Amounts (due to) / due by Group companies 2012 R'million
AUD	11 862	**100**	100	**–**	–	**–**	–
EUR	–#	**100**	100	**–**	–	**0,5**	1,4
AUD	17 373	**100**	100	**–**	–	**1,6**	16,8
ZAR	1	**100**	100	**–**	–	**–**	–
PHP	40	**100**	100	**–**	–	**0,2**	0,3
ZAR	–#	**100**	100	**–**	–	**–**	–
USD	–	**100**	100	**–**	–	**–**	–
VEF	8 477	**80**	80	**–**	–	**–**	–
AUD	–#	**50**	50	**–**	–	**–**	–
KES	20 000	**100**	60	**–**	–	**–**	–
UGX	40 000	**100**	60	**–**	–	**0,1**	–
KES	30 000	**100**	60	**–**	–	**60,1**	61,9
AUD	–#	**100**	100	**–**	–	**–**	–
EUR	10 000	**100**	100	**–**	–	**–**	–
AUD	102	**100**	100	**–**	–	**–**	–
ZAR	–#	**100**	100			**–**	–
AUD	2	**100**	100	**–**	–	**–**	–
AUD	328	**100**	100	**–**	–	**–**	–
AUD	10 979	**100**	100	**–**	–	**–**	–
USD	30	**100**	100	**–**	–	**–**	–
USD	–#	**100**	60	**–**	–	**111,8**	111,8
TZS	6 723 843	**100**	60	**–**	–	**51,8**	51,4
MXN	96 056	**100**	100	**–**	–	**0,1**	0,1
AUD	–#	**100**	100	**–**	–	**–**	–
USD	14 148	**100**	100	**–**	–	**–**	–
ZAR	N/A	**100**	100	**–**	–	**–**	–
ZAR	N/A	**100**	100	**–**	–	**25,6**	20,4
				12 181,8	12 165,6	**(202,4)**	(16,5)

Annexure 1

CURRENCY OF FINANCIAL STATEMENTS

The Annual Financial Statements are expressed in Rand.

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLAR

The statement of comprehensive income, financial position and cash flows have been translated from Rand into US Dollar to enable the offshore shareholders to interpret the financial performance in a universally measurable currency. These translated statements are unaudited, have been provided for illustrative purposes only and may not fairly present the Group's financial position and results of operations and cash flows. The directors are responsible for the preparation of this information.

A limited assurance report on this unaudited financial information prepared by the Company's auditors is available for inspection at the Company's registered office.

Statement of comprehensive income and statement of cash flows information were translated at an average rate of R8,93 (2012: R7,78).

The statement of financial position information was translated at a closing rate of R9,94 (2012: R8,19).

	Change	**Pro forma 2013 USD'million**	Pro forma 2012 USD'million
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013			
CONTINUING OPERATIONS			
Revenue	10%	**2 161,6**	1 961,9
Cost of sales		**(1 128,2)**	(1 026,2)
Gross profit	10%	**1 033,4**	935,7
Net operating expenses		**(440,2)**	(401,7)
Operating profit before amortisation	11%	**593,2**	534,0
Amortisation of intangible assets		**(28,6)**	(27,3)
Operating profit	11%	**564,6**	506,7
Investment income		**33,5**	35,4
Financing costs		**(95,5)**	(99,8)
Profit before tax	14%	**502,6**	442,3
Tax		**(109,2)**	(99,3)
Profit after tax from continuing operations	15%	**393,4**	343,0
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations		**–**	20,5
Profit for the year	8%	**393,4**	363,5
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, net of tax		**286,4**	190,4
Total comprehensive income		**679,8**	553,9
Profit for the year attributable to			
Equity holders of the parent		**394,1**	362,4
Non-controlling interests		**(0,7)**	1,1
		393,4	363,5
Total comprehensive income attributable to			
Equity holders of the parent		**680,5**	552,4
Non-controlling interests		**(0,7)**	1,5
		679,8	553,9
SELECTED PERFORMANCE INDICATORS FROM CONTINUING OPERATIONS			
Earnings per share (cents)	10%	**86,5**	78,4
Headline earnings per share (cents)	6%	**88,2**	83,5
Normalised headline earnings per share (cents)	10%	**93,7**	84,8
Normalised diluted headline earnings per share (cents)	14%	**93,6**	81,8

	Change	**2013 USD'million**	2012 USD'million
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013			
ASSETS			
Non-current assets			
Property, plant and equipment		**436,7**	464,9
Intangible assets		**2 504,5**	2 102,3
Other non-current financial assets		**39,8**	32,5
Total non-current assets	15%	**2 981,0**	2 599,7
Current assets			
Inventories		**412,4**	402,0
Receivables, prepayments and other current assets		**568,9**	467,3
Cash and cash equivalents		**605,2**	404,7
Total current assets	25%	**1 586,5**	1 274,0
Total assets	18%	**4 567,5**	3 873,7
SHAREHOLDERS' EQUITY			
Ordinary shareholders' equity	8%	**2 292,1**	2 123,8
Non-controlling interests		**0,5**	1,1
Total shareholders' equity	8%	**2 292,6**	2 124,9
LIABILITIES			
Non-current liabilities			
Borrowings		**897,3**	763,8
Other non-current financial liabilities		**23,5**	25,6
Deferred tax liabilities		**60,4**	65,5
Total non-current liabilities	15%	**981,2**	854,9
Current liabilities			
Trade and other payables		**419,8**	357,7
Borrowings		**819,8**	504,0
Other current financial liabilities		**54,1**	32,2
Total current liabilities	45%	**1 293,7**	893,9
Total liabilities	30%	**2 274,9**	1 748,8
Total equity and liabilities	18%	**4 567,5**	3 873,7
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013			
Cash generated from operating activities	19%	**446,2**	374,0
Cash used in investing activities		**(703,4)**	(341,6)
Cash generated from/(used in) financing activities		**404,2**	(37,1)
Translation effects on cash and cash equivalents of foreign operations		**(20,4)**	2,1
Movement in cash and cash equivalents		**126,6**	(2,6)
Cash and cash equivalents at the beginning of the year		**255,9**	258,5
Cash and cash equivalents at the end of the year		**382,5**	255,9
Diluted operating cash flow per share from continuing operations (cents)		**97,9**	82,1

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2013

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding
Size of holding				
1 – 2 500	23 589	86,0	30 487 519	6,7
2 501 – 12 500	2 939	10,7	6 461 861	1,4
12 501 – 25 000	382	1,4	4 929 310	1,1
25 001 – 50 000	197	0,6	1 394 290	0,3
50 001 and over	343	1,3	412 465 805	90,5
	27 450	100,0	455 738 785	100,0

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2013, the following are the top 10 registered institutional shareholders.

Institutional shareholder	Number of shares	% of total shareholding
Public Investment Corporation	51 848 438	11,4
Foord Asset Management	14 899 361	3,3
First State Investments	13 126 094	2,7
Vanguard	8 878 690	2,0
BlackRock	8 625 637	1,9
STANLIB Asset Management	7 247 608	1,6
Sanlam Investment Management	6 341 426	1,4
Momentum Investments	4 694 155	1,0
Coronation Fund Managers	4 024 028	0,9
Norges Bank Investment Management	3 891 773	0,9
	123 577 210	27,1

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2013, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 79 of the Remuneration Report.

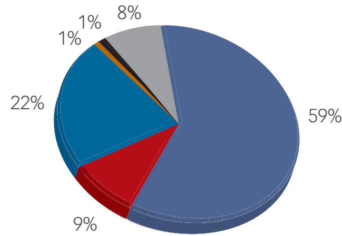
Shareholder	Number of shares	% of total shareholding
Glaxo Group Limited	84 703 136	18,6
Government Employees Pension Fund	57 919 118	12,7
Saad, SB	55 132 421	12,1
Imithi Investments (Pty) Limited	21 160 724	4,6
Attridge, MG	18 837 286	4,1
First State Investments	8 927 662	2,0
Vanguard	8 123 421	1,8
BlackRock	7 761 888	1,7
Foord Asset Management	6 258 186	1,4
Liberty Group	5 458 979	1,2
	274 282 821	60,2

SHAREHOLDERS' SPREAD

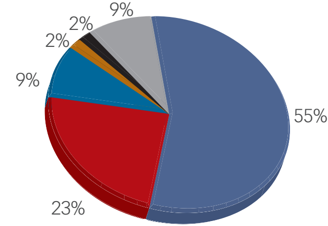
As required by paragraph 8.63 and terms of paragraph of 4.25 of the JSE's Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2013 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	11	159 504 094	35,0
Directors and directors of major subsidiaries	8	74 270 029	16,3
Glaxo Group	2	84 703 136	18,6
Employee share trusts – treasury shares	1	530 929	0,1
Public shareholders	27 439	296 234 691	65,0
Total shareholding	27 450	455 738 785	100,0

Geographical split of shareholders
Beneficial shareholders 2013

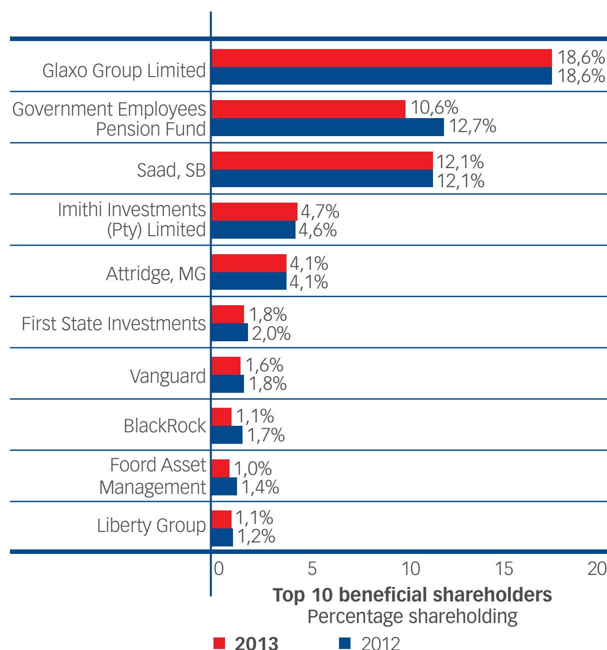


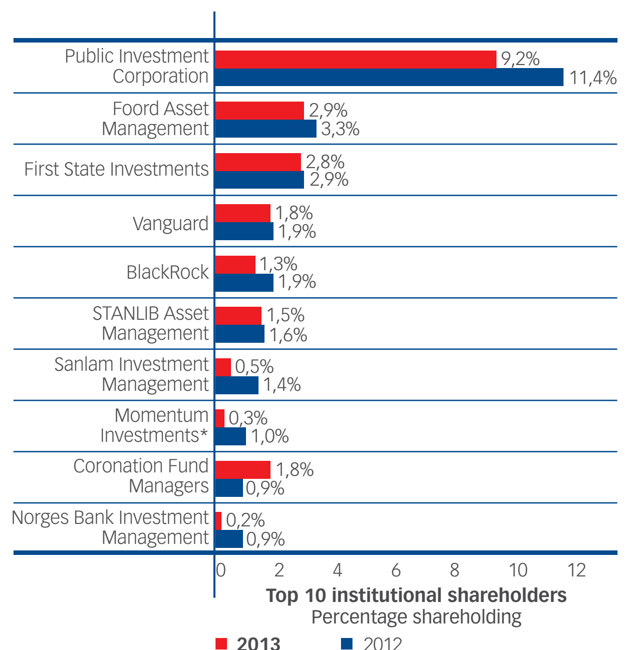
Geographical split of shareholders
Institutional shareholders 2013



South Africa · United States · United Kingdom · Singapore · Norway · Various other

The analysis of the geographical split of institutional shareholders is based on shareholders of 50 000 or more Aspen shares.





** Momentum Investments was formed following a merger of RMB Asset Management and Metropolitan Asset Managers. The shareholdings were listed separately in Aspen's 2012 analysis but have been combined for comparative purposes.*

Administration

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Investec Bank Limited
National Australia Bank Limited
Nedbank Limited
Old Mutual Specialised Finance
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