*Healthcare. We Care.*

aspen HOLDINGS

Annual Financial Statements

# 2022

# Contents



# Certificate of the Company Secretary

In my capacity as the Company Secretary & Group Governance Officer, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2022, 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

4 October 2022

# Responsibility statement

In terms of Section 3.84(k) of the JSE Limited Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- the Annual Financial Statements set out on pages 14 to 144, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS.
- no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading.
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer.
- the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code.
- we are not aware of any fraud involving directors.

Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

**Stephen Saad**
Group Chief Executive

**Sean Capazorio**
Group Chief Financial Officer

# Audit & Risk Committee report

The full mandate, role and responsibilities of the Audit & Risk Committee in terms of its terms of reference have been detailed on the Corporate Governance and Risk Management page of Aspen's website at www.aspenpharma.com.

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

| Activities | Outcome |
|---|---|
| **Engagement with the Group's external auditor** | • Ernst & Young Inc ("EY") recommended for reappointment as auditor, and Derek Engelbrecht as the designated auditor, as the Committee was satisfied with the capacity and independence of this firm and the designated auditor;<br>• Ensured that there were no scope limitations in respect of audit work performed by EY and that there were no factors that impacted the independence of EY as the external auditors;<br>• Determined the fees to be paid to the auditor and the auditor's terms of engagement;<br>• Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor;<br>• Determined the nature and extent of any non-audit services that the auditor may provide to the Group (during the year, R2 million was paid to EY in respect of the provision of non-audit services, which is approximately 3% of the external audit fee paid for the year);<br>• Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group, which are of a material nature as provided for in the Group's non-audit services policy;<br>• Held two separately scheduled meetings with EY (without presence of management) as per the Committee's work plan;<br>• Considered the most recent JSE Accreditation pack, including the 2021 and 2022 reports and letters issued by the Independent Regulatory Board of Auditors ("IRBA") of South Africa, a summary of the firm's monitoring processes and outcome of any legal or disciplinary proceedings which may have been instituted against the firm or designated auditor by the IRBA and satisfied itself that there were no areas of concern in respect of the reports, letters and summaries considered; and<br>• Noted that the external auditor had expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2022. |
| **Compliance with Companies Act requirements** | • Prepared this report in compliance with section 94(7)(f) of the Companies Act. The full mandate, roles and responsibilities of the Committee, as per its formally adopted terms of reference, may be accessed online at: https://www.aspenpharma.com/corporate-governance-and-risk-management/<br>• Fulfilled its duty to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, the internal financial controls of the Company and the Group or any related matter; and<br>• Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting. |
| **Internal financial controls, internal audit and combined assurance** | • Confirmed that, based on the results of the formal documented review of the design, implementation and effectiveness of the Group's systems of internal financial controls conducted by Group internal audit, supported by approved outsourced internal audit service providers during the 2022 financial year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audits, no material breakdowns in the functioning of the internal financial controls were noted during the year under review;<br>• Confirmed that the results of the audit tests conducted indicate that the internal financial controls provide a sound basis for the preparation of financial statements;<br>• Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the internal audit function, as well as the expertise and experience of the Chief Audit Executive; and<br>• Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate. |
| **Oversight of risk governance and risk management** | • Monitored the implementation of the Group Risk Policy and Group Risk Plan as approved by the Board;<br>• Reviewed and considered the activities and reports of the Group Executive Risk Forum and Tax Committee;<br>• Reviewed and considered business unit risk reports presented to the Committee;<br>• Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes;<br>• Reviewed and recommended for approval the Group's risk appetite framework;<br>• Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported on by the Group's internal and external auditors;<br>• Reviewed and approved the adequacy of the Group's insurance cover; and<br>• Confirmed its satisfaction with the status and effectiveness of risk governance in the Group and the adequacy of mitigation plans for material risks, recommending this as such to the Board. |

| Activities | Outcome |
|---|---|
| **Integrated reporting** | • Will review the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements, prior to its release in due course; and<br>• Considered financial-related tip-off reports and management actions to address these. |
| **Assurance in respect of financial expertise of the Financial Director and finance function** | • Confirmed the expertise and experience of the:<br>– Group Chief Financial Officer, who performs the duties of the Company's Finance Director; and<br>– Group's finance function and the senior members of management responsible for the Group's finance function. |
| **Information & Technology ("I&T") Governance** | • Reviewed the Group's maturity in respect of I&T governance, considering reports from the Group Digital Technology function and assurance as provided by the internal audit function in accordance with the approved internal audit plan;<br>• Approved the Group's Information Security Policy for implementation;<br>• Performed a critical evaluation of the Group's I&T governance framework to better evaluate, direct and monitor Aspen's I&T assets, as well as to align IT services with the Group's current and future business needs; and<br>• Monitored the programme to mitigate infrastructure technology security risks and maturity being coordinated centrally and maintained oversight of the mitigation plans introduced to address the risk of material operational and disruptive incidents. |

## Committee members and attendance at meetings

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

| Audit & Risk Committee | 17 August 2021 | 30 August 2021 | 1 October 2021 | 21 October 2021 | 23 November 2021 | 31 January 2022 | 25 February 2022 | 24 May 2022 | 20 June 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Linda de Beer | X | X | X | X | X | X | X | X | X |
| Ben Kruger | X | X | X | X | X | X | X | X | X |
| Babalwa Ngonyama (Chair) | X | X | X | X | X | X | X | X | X |

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

## Annual Financial Statements for the 2022 financial year

The Committee has reviewed the Annual Financial Statements as well as trading statements, provisional results announcements and interim financial information of the Company and the Group for the year under review and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's latest report titled "Reporting back on the proactive monitoring of financial statements in 2021", published on 9 November 2021, and received management's confirmation that the necessary and appropriate actions were taken to ensure that the Group was in full compliance with this report.

### Internal controls confirmation

The Committee has received assurance from Group internal audit on the work performed in the financial year under review to support the Group Chief Executive and Group Chief Financial Officer sign off on internal controls, as required by section 3.84(k) of the JSE Listings Requirements. This section requires a statement by the Group Chief Executive and Group Chief Financial Officer (in his capacity as the Finance Director of the Company), confirming that internal financial controls are in place to ensure that material information has been provided to effectively prepare the financial statements. Furthermore, confirmation is to be given that the internal financial controls are adequate, effective, and can be relied upon in compiling the Annual Financial Statements, and if not, that the deficiencies in the design and operational effectiveness of the internal financial controls have been disclosed to the Committee and the external auditors, and that the necessary remedial action has been taken.

The Group undertakes a rigorous self-assessment process with the scope including all subsidiaries. The self-assessment review is formally signed off by the financial head of each subsidiary as well as being reviewed and approved by the Group finance team. The self-assessment includes financial and disclosure controls, internal financial and operating controls, business performance related representations and a detailed fraud assessment review. The positive assurance outcome provided strong support for meeting the requirements of section 3.84(k) of the JSE Listings Requirements.

The Committee is of the view, based on the representations made by Group internal audit, the Group Chief Executive and the Group Chief Financial Officer, as well as the other related processes mentioned, that the internal financial controls in place for the Group were adequate and effective during the period under review.

### Key audit matters

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

| Matter | Outcome |
|---|---|
| **Valuation of intangible assets and impairment of goodwill** | The Audit & Risk Committee reviewed and interrogated all elements supporting the valuation and measurement of goodwill and indefinite life intangible assets, which included stress testing the process and key assumptions underpinning the valuations. The process of reviewing the classification of intangible assets and the criteria for determining whether these assets met the definition of indefinite life intangible assets was extensively reviewed and the Committee was satisfied that the classification and valuation of indefinite life intangible assets was materially correct and fairly presented. Rigorous impairment testing of intangible asset values was once again performed resulting in net impairments of R1,2 billion. |

### Materiality consideration

Overall Group materiality, which was based on consolidated profit before tax from continuing operations and adjusted for non-recurring items, was set at R393 million. Profit before tax was used since it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark in industry.

### Group scoping for external audit purposes

The scope of EY's audit for the financial year under review took into consideration the structure of the Group, the respective accounting processes and controls and the industry in which Aspen operates. The assessment included consideration of financially significant components, based on indicators such as their contribution to Group assets, revenue and profit before tax.

Based on this assessment, 17 financially significant Aspen businesses ("Scope A Businesses") were identified. These businesses were subjected to full scope audits of their financial reporting information, which in aggregate account for a significant or material portion of the Group's revenue, profit before tax and total assets.

From the remaining Aspen businesses, eight ("Scope B Businesses") were subjected to analytical reviews, while the balance of businesses and Group subsidiaries were deemed immaterial and subject to statutory audits, where applicable.

In aggregate, the Scope A and B Businesses contribute 84% of Group profit before tax, 99% of Group revenue and 75% of total Group assets.

### Going concern

The Committee has, for the year under review, considered the documented assessment by management of the going concern premise of the Group and has, following this consideration and the combined assurance obtained, recommended to the Board that the Group is a going concern and will remain so for the foreseeable future. As part of this going concern assessment, the Board considered the potential implications of COVID-19 in order to determine that it will not have a significant adverse effect on Aspen's business. These potential implications are assessed on a continuing basis.

### Recommendation of the Annual Financial Statements for approval by the Board

At its meeting held on 3 October 2022, the Audit & Risk Committee reviewed and recommended the Annual Financial Statements for approval by the Board of Directors.

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

**Babalwa Ngonyama CA(SA)**
Audit & Risk Committee Chair

# Statement of responsibility by the Board of Directors

The Board of Directors ("Board") is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 30 June 2022 ("Annual Financial Statements") of Aspen Pharmacare Holdings Limited ("the Company") and its subsidiaries (collectively "the Group").

The Board considers that in preparing the Annual Financial Statements it has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards ("IFRS") that it considers to be applicable have been followed. The Board is satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Company and the Group at year-end. The directors further acknowledge that they are responsible for the content of the Integrated Report and its supplementary documents, as well as its consistency with the Annual Financial Statements.

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

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

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

The going concern basis has been adopted in preparing the Annual Financial Statements. The Board has no reason to believe that the Group or any company within the Group will not continue on the going concern basis in the foreseeable future, based on forecasts, available cash resources and facilities. These Annual Financial Statements support the viability of the Company and the Group. We have also considered the potential implications of COVID-19 in the assessment of the Group's ability to continue as a going concern and we believe it will not have a significant adverse effect on our business.

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

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

The Annual Financial Statements were prepared under the supervision of Group Chief Financial Officer, Sean Capazorio CA(SA), approved by the Board of Directors on 4 October 2022 and are signed on its behalf.

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

**Kuseni Dlamini**
Chairman

**Stephen Saad**
Group Chief Executive

**Sean Capazorio**
Group Chief Financial Officer

Johannesburg
4 October 2022

# Directors' report

The directors have pleasure in presenting their report for the Group and the Company for the year ended 30 June 2022.

## Nature of business

Aspen is a global specialty and branded pharmaceutical company, improving the health of patients across the world through its high quality and affordable medicines. Active at every stage of the value chain, the Group is uniquely diversified by geography, product and manufacturing capability.

## Financial results and review of operations

The financial results of the Group are set out on pages 14 to 118 and the of the Company on pages 119 to 144 of the Annual Financial Statements. The segmental analysis is included on pages 22 to 24. These Annual Financial Statements have been prepared using appropriate accounting policies, in accordance with IFRS, the SAICA Financial Reporting Guidelines, as issued by the Accounting Practices Committee, financial pronouncements, as issued by the Financial Reporting Standards Council (FRSC) and the Companies Act 71 of 2008, the JSE Listings Requirements and include amounts based on judgements and estimates made by management. Further analysis of the results for the period under review will be included in the Financial Director's report of the Integrated Report.

The consolidated earnings attributable to equity holders of the Company amounted to R6 488 million for the year, compared with R4 806 million for the previous year, an increase of 35%. Headline earnings per share from continuing operations ("HEPS") increased by 21% from 1 204,3 cents to 1 461,2 cents.

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

## Review of the business, future developments and post-statement of financial position events

Aspen's external operating context, reported on our 2022 Integrated Report to be published at the end of October 2022,will provide details of the Group's environment. The Group's operational performance for 2022 is discussed and information on our future outlook can be found throughout the 2022 Integrated Report. The Financial Director's report on the 2022 Integrated Report, together with these Annual Financial Statements, provide a full description of our financial performance for the year.

## Going concern and impact of COVID-19

These Annual Financial Statements have been prepared on the going concern basis. Based on the Group's reserves, positive cash flows and cash balances, the availability of unutilised funding facilities and the budgets for the period to June 2023, the Board believes that the Group and the Company have adequate resources to continue in operation for the next 12 months. We have also considered the potential implications of COVID-19 in the assessment of the Group's ability to continue as a going concern and we believe that it will not have a significant adverse effect on our business.

## Corporate governance

Our application of the principles of King IV is set out on the Company's website: https://www.aspenpharma.com/wp-content/uploads/2021/10/Aspen-Governance-Overview-October-2021.pdf.

## Creating, sustaining and protecting value through our approach to environmental, social and corporate governance (ESG) factors

Our Integrated Report for 2022, to be published at the end of October 2022, will provide information on our ESG performance and provide information on the Group's approach to remuneration.

## Share capital

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

| | Number of shares million | Share capital R'million |
|---|---|---|
| **Ordinary shares** | | |
| Balance at the beginning of the year | 456,5 | 2089 |
| Shares acquired by the Company and cancelled (March 2022 to June 2022) | (10,2) | (72) |
| **Balance at the end of the year** | **446,3** | **2017** |

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

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

## Directorate and Secretary

The directors in office at the date of this report are as follows:

- Sean Capazorio – appointed January 2022
- Linda de Beer – appointed July 2018
- Kuseni Dlamini – appointed April 2012
- Ben Kruger – appointed April 2019
- Themba Mkhwanazi – appointed April 2019
- Chris Mortimer – appointed January 1999
- Yvonne Muthien – appointed December 2021
- Babalwa Ngonyama – appointed April 2016
- David Redfern – appointed February 2015
- Stephen Saad – appointed January 1999

The biographical details of the directors, the capacities in which they have been appointed to the Board and the relevant Board Committees they serve on are set out on the Group's website at https://www.aspenpharma.com/board-of-directors/. The Company Secretary is Riaan Verster, and he holds the position of Group Executive: Governance & Communications. His business and postal addresses are set out on the Group's website at https://www.aspenpharma.com/board-of-directors/.

In terms of the Company's Memorandum of Incorporation, Kuseni Dlamini, Linda de Beer, Chris Mortimer, and David Redfern retire as directors by rotation, and being eligible, offer themselves for re-election at the Company's annual general meeting scheduled for 8 December 2022. The Board appointed Yvonne Muthien as a director with effect from 10 December 2021 and, as such, her election as director requires to be confirmed by shareholders at the Company's abovementioned annual general meeting in terms of the Company's Memorandum of Incorporation. During the financial year under review Sindi Zilwa retired as a non-executive director, with effect from 9 December 2021, while Gus Attridge stepped down as an executive director, with effect from 31 December 2021.

The Group Chief Executive and the Group Chief Financial Officer are employed on indefinite term service contracts subject to contractual notice periods by either party.

Details of directors' interests in the Company's issued shares are in the Remuneration Policy and Implementation Report, to be included in the 2022 Integrated Report, and directors' remuneration details are set out in note 24 of the Group Annual Financial Statements.

There have been no changes in the interests of the directors in the shares of the Company between 30 June 2022 and the date of this report.

The Board has the following three sub-committees, each with its own terms of reference:

- Audit & Risk Committee
- Remuneration & Nomination Committee
- Social & Ethics Committee

For more information on these committees, their members and mandates, please refer to the Corporate Governance and Risk Management page on the Aspen website.

## Group share trading policy

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

## Transactions

The following notable transactions were effected during the 2022 financial year (refer to notes to the Group statement of cash flows):

### Divestment of a portfolio of six South African products to Acino

In October 2021, Pharmacare Limited, a wholly owned subsidiary of the Company, concluded an agreement with Acino Pharma AG ("Acino") (a company incorporated in Switzerland), in terms whereof Acino acquired a product portfolio of six South African products from Pharmacare Limited, for a consideration of R1,8 billion, plus the cost of the related inventory. This divestment transaction was completed on 1 March 2022.

### Acquisition of ENT Technologies Pty Ltd

On 31 March 2022, Aspen Pharmacare Australia Pty Ltd (a wholly owned subsidiary of the Company) acquired 100% of ENT Technologies Pty Ltd ("ENTT") for a consideration of R386 million (AUD35 million). Aspen has accounted for this acquisition as a business combination in terms of IFRS 3 – *Business Combinations*. Based in Hawthorn East, Melbourne, ENTT has a portfolio of market-leading products that treat a range of common ear, nose and throat problems. ENTT has built a reputation for providing high quality, innovative, over-the-counter nasal and sinus products for children and adults. Its portfolio includes the Flo nasal and sinus range of preservative-free products and specialist anaesthetic nasal sprays.

## Memorandum of Incorporation

No changes were made to the Company's Memorandum of Incorporation during the year ended 30 June 2022 and up until the date of this report.

## Dividend to shareholders

Taking into account the earnings and cash flow performance for the year ended 30 June 2022, existing debt service commitments, future proposed investments and funding options, notice was given that the Board declared a gross dividend of 326 cents per ordinary share to shareholders recorded in the share register of the Company at the close of business on 23 September 2022 (2021: 262 cents).

A dividend withholding tax of 20% is applicable to shareholders who are not exempt. The Company income tax number is 9325178714. The issued share capital of the Company is 446 252 332 ordinary shares. The dividend was paid from income reserves. Shareholders were advised to seek their own tax advice on the consequences associated with the dividend.

The directors are of the opinion that the Company will satisfy the solvency and liquidity requirements of sections 4 and 46 of the Companies Act, 2008.

Future distributions will be decided on a year-to-year basis.

In compliance with IAS 10 – *Events After Balance Sheet Date*, the dividend will only be accounted for in the financial statements for the year ending 30 June 2023.

The salient dates in respect of the dividend were as follows:

| | |
|---|---|
| Last day to trade *cum* dividend | Tuesday, 20 September 2022 |
| Shares commence trading *ex-dividend* | Wednesday, 21 September 2022 |
| Record date | Friday, 23 September 2022 |
| Payment date | Monday, 26 September 2022 |

## Special resolutions

At the annual general meeting of Aspen shareholders convened on 9 December 2021, the following special resolutions were passed by the Company:

- approval of remuneration for non-executive directors for the year ended 30 June 2022 and for the period 1 July 2021 to the date of the 2022 annual general meeting;
- a general authority was granted for the Company and any of its subsidiaries to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until the Company's next annual general meeting, or until revoked at a special general meeting of shareholders; and
- a general authority was granted for the Company to acquire shares in the Company from time to time, up to 20% of the Company's issued share capital.

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

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

- a general authority was granted to Pharmacare Limited ("Pharmacare") to provide direct or indirect financial assistance to a related or inter-related company to Pharmacare. This authority is valid until Pharmacare's next annual general meeting, or until revoked at a special general meeting of shareholders;
- a general authority was granted to Fine Chemicals Corporation (Pty) Limited ("FCC") to provide direct or indirect financial assistance to a related or inter-related company to FCC. This authority is valid until FCC's next annual general meeting, or until revoked at a special general meeting of shareholders;
- a general authority was granted to Aspen Finance (Pty) Limited to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until Aspen Finance (Pty) Limited's next annual general meeting, or until revoked at a special general meeting of shareholders;
- the remuneration payable to the non-executive directors of Aspen Finance (Pty) Limited was approved;
- the subscription of ordinary shares in Aspen SA Operations (Pty) Limited of 49 999 900 shares (3 September 2021) for an amount of R2,4 billion, and 25 000 000 shares (2 December 2021) for an amount of R1,75 billion, respectively, by the Company, was approved – these subscriptions were effected in order to capitalise Aspen SA Operations (Pty) Limited, and resulted in no change in the beneficial ownership of these businesses; and
- the transfer of shares in Fine Chemicals Corporation (Pty) Limited from Aspen Pharmacare Holdings Limited to Aspen Oss B.V., effective 29 November 2021, was approved – this resolution was as a result of internal restructuring undertaken and resulted in no change to the beneficial ownership of these businesses.

## Auditors

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

## Investments in subsidiaries and structured entities

The financial information in respect of the Group and the Company's interests in its material operating subsidiaries and structured entities is set out in note 22 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 24 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 R16 064 million (2021: R16 326 million) are made up as follows:

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Non-current borrowings | **10 582** | 266 |
| Current borrowings | **11 665** | 24 606 |
| Cash and cash equivalents | **(6 183)** | (8 546) |
| | **16 064** | 16 326 |

Included in current borrowings is syndicated bank debt to the value of R8,4 billion, which matures on 1 July 2023 (the "Maturing Facilities"). The Group has commenced a process to refinance the Maturing Facilities through new syndicated bank debt facilities (the "New Facilities") of similar commercial terms, value, tenor, currency composition and lender composition as the Maturing Facilities. It is intended that the New Facilities will be in place before the end of November 2022.

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 15 of the Group Annual Financial Statements.

## Subsequent events

### Collaboration Agreement to Manufacture and Make Available Four Aspen-Branded Vaccines for Africa

Aspen SA Operations (Pty) Limited ("Aspen SA Operations") (a wholly owned subsidiary of the Company), has concluded a ten-year agreement ("the Agreement") with Serum Institute of India Pvt. Ltd. ("the Serum Institute"), the world's largest vaccine producer, for Aspen SA Operations to manufacture, market and distribute four Aspen-branded routine vaccines in Africa, excluding certain markets due to the Serum Institute having provided prior rights to third parties. The four vaccines are Pneumococcal Vaccine, Rotavirus Vaccine, Polyvalent Meningococcal Vaccine and Hexavalent Vaccine ("the Products").

The terms of the Agreement include a technical transfer and formulation fill and finish arrangement which grants Aspen SA Operations the rights to:

(i) manufacture the Products from bulk drug substance supplied by the Serum Institute; and

(ii) make available the Products to markets in Africa by means of transactions with designated multilateral organisations, national governments of member states of the African Union ("AU") and other public and private sector customers.

Under the Agreement, Aspen SA Operations has secured a licence to the enabling know-how from the Serum Institute and there is a good faith undertaking between the parties to discuss the expansion of the Agreement to include new products or new versions of the Products.

In addition to the Agreement, Aspen also anticipates receiving grant funding from each of the Bill & Melinda Gates Foundation and the Coalition for Epidemic Preparedness Innovations ("CEPI") to support African regional manufacturing capacity for an affordable supply of vaccines to, amongst others, African countries and Gavi/UNICEF, as well as contributing to pandemic preparedness, through a share of Aspen's vaccine manufacturing capacity over a period of ten years.

Aspen remains committed to expand durable vaccine manufacturing on the African continent, and the Group looks forward to not only opportunities to support African nations with their Expanded Programs on Immunization ("EPI") endeavours, but also to contributing to regional and global health security through the provision of world-class and proven vaccine manufacturing capability. On 10 May 2022, the African Union called for agencies responsible for bulk purchasing of vaccines to offtake at least 30% of all vaccines produced by Africa for global consumption. In Africa, 99% of all vaccines administered are currently imported. Enhancing access to medicines is at the forefront of Aspen's ESG strategy.

Aspen's manufacturing facility in Gqeberha has accreditation from stringent international regulatory authorities and provides medicines and vaccines to improve the health and quality of life of patients to both the domestic and international markets.

# Independent auditor's report

## To the Shareholders of Aspen Pharmacare Holdings Limited

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of Aspen Pharmacare Holdings Limited and its subsidiaries ('the Group') and Company set out on pages 14 to 144, which comprise the consolidated and separate statements of financial position as at 30 June 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

# Independent auditor's report continued

## To the Shareholders of Aspen Pharmacare Holdings Limited

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of intangible assets and goodwill (Consolidated and separate financial statements)** | |
| At year end, the intangible assets for the Group and Company amounted to R53.7 billion and R0.7 billion respectively. The Group also has goodwill to the value of R5.0 billion (Company: R nil).<br><br>Intangible assets are in respect of intellectual property and brands, and goodwill that arose historically from the acquisition of standalone businesses and/or individual assets.<br><br>As described in note 1 and 4 of the Consolidated financial statements and note 2 of the Company financial statements, the recoverable amount of the intangible assets and goodwill had been determined based on a value-in-use calculation using cash flow projections from 5-year strategic plans, and annual financial budgets approved by the Board.<br><br>Where the recoverable amount was less than the carrying amount, an impairment was recognised. The impairments are as a result of changes in trading conditions, rising interest rates and their impact on the weighted average cost of capital as well as changes in sales (regulated pricing environments) and costs (supply chain cost and complexities due to the ongoing geopolitical conflict).<br><br>Notes 1 and 4 of the Group financial statements describe intangible assets and goodwill which were impaired to the gross value of R1.54 billion and R0.01 billion respectively. Impairment reversals for the Group related to intangible assets only, amounted to R0.36 billion.<br><br>Note 2 of the Company financial statements describes intangible assets which were impaired and which amounted to R0.18 billion. | Our procedures among others included the following:<br>• We obtained an understanding of management's process and controls applied<br>– to assess the valuation of the CGUs and the related intangible assets and goodwill,<br>– to evaluate the useful lives of the intangible assets, and<br>– to identify and define the CGUs.<br>• We evaluated the valuation methodology and model used by management in determining the value-in-use of goodwill and intangible assets through comparison with prior years for consistency, and with reference to relevant accounting standards and our knowledge of industry practice.<br>• In response to the macro-economic pressures facing the determination of the weighted average discount rates, we involved our valuation specialists to independently challenge management's methodology, calculation, and inputs thereof.<br>• We performed detailed quantitative and qualitative assessments to select various CGUs for detailed testing,<br>• For the sample of CGUs selected:<br>– We challenged and examined the business plans approved and assumptions used by management, including forecasted revenue base, profit from operating margins, working capital for terminal value calculations and cash flows necessary for the continuing use of the CGU's assets and allocated goodwill.<br>– We evaluated the completeness of the country specific risk premiums added to the discount rate used to discount a given model by identifying the different risk dependent cash flows incorporated into the model. |

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of intangible assets and goodwill (Consolidated and separate financial statements)** continued | |
| Key judgements that affected management's annual impairment assessment were:<br>• Selection of the appropriate impairment model;<br>• Discount rate applied;<br>• Specific risk premiums added to the discount rate by management;<br>• Inputs to the cash flow forecasts such as growth and terminal value rates;<br>• Useful lives of intangibles assets;<br>• Assumptions regarding pricing growth, volume growth and margin management;<br>• Recoverability of development costs in respect of projects (Company only)<br><br>The valuation of intangible assets and goodwill required significant auditor attention and is considered a Key Audit Matter due to the following:<br>• The quantum of the Group balances being 53% and 83% in relation to the consolidated total assets and equity respectively as at 30 June 2022 (and 3% in relation to both the total assets and equity of the Company), and the resulting quantum of impairments recognised during the current year,<br>• The number of Cash Generating Units (CGUs) and models to be evaluated,<br>• The extent to which we involved our internal valuations specialists to evaluate management's judgements and assumptions,<br>• The number of countries, operating and reporting segments that the brands operate in brought into focus:<br>– The need for a weighted discount rate which appropriately covered these various jurisdictions,<br>– The forecasting of annual growth, terminal growth, cost-saving and efficiency measures as well as the respective useful lives reflective of the various locations.<br>• The impact on the weighted average cost of capital as a result of the rising inflationary environment, the conflict in Europe and continued interest rate increases in the United States.<br>• We further focused on the estimation of the useful lives of the intangible assets which are subject to tight regulatory environments and changes in consumer behaviour.<br>• The extent of disclosures required by IAS 38 Intangible assets. | – We involved our valuation specialists to assist with the evaluation of the discount rates applied to a given model based on our knowledge of the industry and benchmarked adjustments for country specific risks premiums to the risk-free rates against external international databases.<br>– We evaluated the weighting applied to the country specific risk premiums by reference to the proportion of cash flows from each country.<br>– We evaluated the accuracy of the inputs to the cash flow forecasts used in the valuation models by agreeing them to the budgets approved by the Board and customer agreements, and assessed the forecasts for reasonableness against actuals, management's plans and other relevant market and economic information which we benchmarked against external sources.<br>– We evaluated management's growth and terminal value with reference to country-specific inflation rates.<br>– We evaluated management's assessment of useful lives with reference to product life cycles, license to distribute and underlying sales agreements.<br>– We identified the interdependencies between various inputs to evaluate that the inputs used are consistent in a given model and across models.<br>– We recalculated the arithmetical accuracy of management's computations.<br>– We performed our own independent calculation of the point in estimate based on what we expect the inputs to be and compared our point in estimate to management's point in estimate.<br>– We performed sensitivity analyses on the key assumptions applied by management including pricing levels, volume growth, margins and the discount rate to determine the impact that a reasonable expected change could have on the recoverable amount of any given CGU.<br>• We evaluated the disclosures in note 1 and 4 of the Consolidated financial statements and note 2 of the Company financial statements, relating to intangible assets and goodwill to assess compliance with the requirements of IAS 38 Intangible assets. |

# Independent auditor's report continued

## To the Shareholders of Aspen Pharmacare Holdings Limited

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the 156-page document titled "Aspen Holdings annual financial statements for the year ended 30 June 2022", which includes the Directors' Report, the Audit & Risk Committee's Report, unaudited share statistics, Illustrative constant exchange rate report – Annexure 1 and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

### Report on Other Legal and Regulatory Requirements

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

*Ernst & Young Inc.*

Ernst & Young Inc.
Director
Derek Engelbrecht
Registered Auditor

4 October 2022

102 Rivonia Road
Sandton
Johannesburg

# Group statement of financial position

at 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 1 | **53 651** | 54 882 |
| Property, plant and equipment | 2 | **15 913** | 14 826 |
| Right-of-use assets | 3 | **311** | 400 |
| Goodwill | 4 | **5 007** | 4 621 |
| Deferred tax assets | 5 | **1 252** | 1 323 |
| Contingent environmental indemnification assets | 6 | **329** | 305 |
| Other non-current receivables | 7 | **351** | 622 |
| **Total non-current assets** | | **76 814** | 76 979 |
| **Current assets** | | | |
| Inventories | 8 | **15 763** | 13 409 |
| Receivables and other current assets | 9 | **11 948** | 10 337 |
| Current tax assets | | **667** | 351 |
| Cash and cash equivalents | 10 | **6 183** | 8 546 |
| **Total operating current assets** | | **34 561** | 32 643 |
| Assets classified as held-for-sale | 11 | **–** | 62 |
| **Total current assets** | | **34 561** | 32 705 |
| **Total assets** | | **111 375** | 109 684 |
| **SHAREHOLDERS' EQUITY** | | | |
| Retained income | | **54 341** | 50 756 |
| Non-distributable reserves | | **14 746** | 12 931 |
| Share capital (net of treasury shares) | 12 | **1 784** | 1 875 |
| Share-based compensation reserve | 14 | **71** | 65 |
| **Total shareholders' equity** | | **70 942** | 65 627 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 15 | **10 582** | 266 |
| Other non-current liabilities | 16 | **3 492** | 3 732 |
| Unfavourable and onerous contracts | 17 | **87** | 463 |
| Deferred tax liabilities | 5 | **1 966** | 1 810 |
| Contingent environmental indemnification liabilities | 6 | **329** | 305 |
| Retirement and other employee benefit obligations | 18 | **582** | 730 |
| **Total non-current liabilities** | | **17 038** | 7 306 |
| **Current liabilities** | | | |
| Borrowings | 15 | **11 665** | 24 606 |
| Trade and other payables | 19 | **10 060** | 9 213 |
| Other current liabilities | 20 | **711** | 1 965 |
| Current tax liabilities | | **613** | 563 |
| Unfavourable and onerous contracts | 17 | **346** | 353 |
| **Total operating current liabilities** | | **23 395** | 36 700 |
| Liabilities classified as held-for-sale | 11 | **–** | 51 |
| **Total current liabilities** | | **23 395** | 36 751 |
| **Total liabilities** | | **40 433** | 44 057 |
| **Total equity and liabilities** | | **111 375** | 109 684 |

# Group statement of comprehensive income

for the year ended 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 21 | **38 606** | 37 766 |
| Cost of sales | | **(20 300)** | (19 977) |
| **Gross profit** | | **18 306** | 17 789 |
| Selling and distribution expenses | | **(5 518)** | (5 784) |
| Administrative expenses | | **(3 021)** | (3 340) |
| Other operating income | | **1 950** | 1 067 |
| Other operating expenses | | **(3 046)** | (2 660) |
| **Operating profit** | 22 | **8 671** | 7 072 |
| Investment income | 25 | **105** | 140 |
| Financing costs | 26 | **(642)** | (1 223) |
| **Profit before tax** | | **8 134** | 5 989 |
| Tax | 27 | **(1 646)** | (1 191) |
| **Profit after tax from continuing operations** | | **6 488** | 4 798 |
| **DISCONTINUED OPERATIONS** | | | |
| Profit after tax from discontinued operations | 28 | **–** | 8 |
| **Profit for the year** | | **6 488** | 4 806 |
| **OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX[1]** | | | |
| Net gains/(losses) from cash flow hedging in respect of business acquisitions | | **22** | (53) |
| Currency translation gains/(losses) | 31 | **1 675** | (8 370) |
| Remeasurement of retirement and other employee benefit obligations | | **139** | 37 |
| **Total comprehensive income/(losses)** | | **8 324** | (3 580) |
| **EARNINGS PER SHARE** | | | |
| **Basic and diluted earnings per share (cents)** | 29 | | |
| From continuing operations | | **1 432,3** | 1 051,1 |
| From discontinued operations | | **–** | 1,8 |
| | | **1 432,3** | 1 052,9 |

[1] *Remeasurements of retirement and other employee benefit obligations are not reclassified to profit and loss. All other items in other comprehensive income are reclassified to profit or loss.*

# Group statement of changes in equity

for the year ended 30 June 2022

| | Share capital (net of treasury shares) R'million | Non-distributable reserves: Hedging reserve R'million | Non-distributable reserves: Foreign currency translation reserve R'million | Share-based compen-sation reserve R'million | Retained income R'million | Total attributable to equity holders of the parent R'million | Non-controlling interests R'million | Total R'million |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 30 JUNE 2020** | 1 902 | 481 | 20 873 | 48 | 45 911 | 69 215 | 2 | 69 217 |
| **Total comprehensive (losses)/income** | – | (53) | (8 370) | – | 4 843 | (3 580) | – | (3 580) |
| Profit for the year | – | – | – | – | 4 806 | 4 806 | – | 4 806 |
| Other comprehensive (losses)/income | – | (53) | (8 370) | – | 37 | (8 386) | – | (8 386) |
| Acquisition of non-controlling interests in subsidiary | – | – | – | – | 2 | 2 | (2) | – |
| Deferred incentive bonus shares exercised | 23 | – | – | (23) | – | – | – | – |
| Treasury shares purchased | (50) | – | – | – | – | (50) | – | (50) |
| Share-based payment expense | – | – | – | 40 | – | 40 | – | 40 |
| **BALANCE AT 30 JUNE 2021** | **1 875** | **428** | **12 503** | **65** | **50 756** | **65 627** | **–** | **65 627** |
| **Total comprehensive income** | **–** | **22** | **1 675** | **–** | **6 627** | **8 324** | **–** | **8 324** |
| Profit for the year | **–** | **–** | **–** | **–** | **6 488** | **6 488** | **–** | **6 488** |
| Other comprehensive income | **–** | **22** | **1 675** | **–** | **139** | **1 836** | **–** | **1 836** |
| Dividends paid | **–** | **–** | **–** | **–** | **(1 196)** | **(1 196)** | **–** | **(1 196)** |
| Transfer between reserves | **–** | **4** | **114** | **–** | **(118)** | **–** | **–** | **–** |
| Share buy back | **(72)** | **–** | **–** | **–** | **(1 728)** | **(1 800)** | **–** | **(1 800)** |
| Treasury shares purchased | **(57)** | **–** | **–** | **–** | **–** | **(57)** | **–** | **(57)** |
| Deferred incentive bonus shares exercised | **38** | **–** | **–** | **(38)** | **–** | **–** | **–** | **–** |
| Share-based payment expense | **–** | **–** | **–** | **44** | **–** | **44** | **–** | **44** |
| **BALANCE AT 30 JUNE 2022** | **1 784** | **454** | **14 292** | **71** | **54 341** | **70 942** | **–** | **70 942** |

# Group statement of cash flows

for the year ended 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | A | **7 371** | 9 522 |
| Financing costs paid | B | **(411)** | (1 207) |
| Investment income received | | **105** | 140 |
| Tax paid | C | **(1 691)** | (1 630) |
| **Cash generated from operating activities** | | **5 374** | 6 825 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure – property, plant and equipment | | **(1 963)** | (2 045) |
| Proceeds received from disposal of property, plant and equipment | | **30** | 38 |
| Capital expenditure – intangible assets | D | **(734)** | (1 386) |
| Proceeds received from disposal of intangible assets | E | **325** | 375 |
| Proceeds received from prior year disposal of Asia Pacific non-core pharmaceutical portfolio | | **–** | 740 |
| Proceeds received from disposal of Japanese Business | | **288** | 309 |
| Proceeds received from disposal of European Thrombosis assets | F | **146** | 12 351 |
| Proceeds received from disposal of other non-current assets | | **45** | 13 |
| Proceeds received from disposal of assets classified as held-for-sale | G | **1 800** | – |
| Payment of deferred, fixed and contingent consideration relating to prior year business transactions | | **(1 827)** | (563) |
| Acquisition of subsidiaries | H | **(361)** | (69) |
| Insurance compensation of assets | | **90** | – |
| **Cash (utilised in)/generated from investing activities** | | **(2 161)** | 9 763 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **14 208** | 14 668 |
| Repayment of borrowings | | **(15 661)** | (30 077) |
| Repayment of lease liabilities | | **(170)** | (189) |
| Dividends paid | | **(1 196)** | – |
| Purchase of treasury shares | | **(57)** | (50) |
| Share buy back | | **(1 800)** | – |
| **Cash outflow from financing activities** | | **(4 676)** | (15 648) |
| **Movement in cash and cash equivalents before currency translation movements** | | **(1 463)** | 940 |
| Currency translation movements | | **479** | (602) |
| Movement in cash and cash equivalents | | **(984)** | 338 |
| Cash and cash equivalents at the beginning of the year | | **5 955** | 5 617 |
| **Cash and cash equivalents at the end of the year**[1] | I | **4 971** | 5 955 |
| **DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE** | | | |
| Cash generated from operating activities | | **–** | (20) |
| Cash generated from investing activities | | **361** | 13 579 |
| | | **361** | 13 559 |

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

# Notes to the Group statement of cash flows

for the year ended 30 June 2022

| | | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **A.** | **CASH GENERATED FROM OPERATIONS** | | |
| | Operating profit | **8 671** | 6 638 |
| | Continuing operations | **8 671** | 7 072 |
| | Discontinued operations[1] | **–** | (434) |
| | Amortisation of intangible assets | **546** | 594 |
| | Depreciation of property, plant and equipment and right-of-use assets | **1 167** | 1 059 |
| | Net impairment charges | **1 573** | 1 115 |
| | Loss on disposal of property, plant and equipment and right-of-use assets | **7** | 3 |
| | Loss/(profit) on disposal of intangible assets | **98** | (168) |
| | Profit on disposal of assets classified as held-for-sale | **(1 317)** | – |
| | Non-cash operating profit | **75** | – |
| | Settlement of product litigation costs | **(398)** | – |
| | Share-based payment expense | **58** | 67 |
| | Deferred revenue | **(77)** | (13) |
| | Unfavourable and onerous contracts | **(347)** | (372) |
| | Other non-cash items | **(33)** | (49) |
| | Cash operating profit | **10 023** | 8 874 |
| | Working capital movements | **(2 652)** | 648 |
| | Increase in inventories | **(2 168)** | (280) |
| | (Increase)/decrease in trade and other receivables | **(1 355)** | 348 |
| | Increase in trade and other payables | **871** | 580 |
| | | **7 371** | 9 522 |
| **B.** | **FINANCING COSTS PAID** | | |
| | Financing costs per statement of comprehensive income | **(642)** | (1 223) |
| | Add: Borrowings cost capitalised | **(64)** | (169) |
| | Less: Non-cash financing costs | **295** | 185 |
| | | **(411)** | (1 207) |
| **C.** | **TAX PAID** | | |
| | Amounts payable at the beginning of the year | **(212)** | (651) |
| | Tax charged to the statement of comprehensive income | **(1 429)** | (1 203) |
| | Acquisition of subsidiary | **(2)** | – |
| | Currency translation movements | **6** | 12 |
| | Amounts payable at the end of the year | **613** | 563 |
| | Amounts receivable at the end of the year | **(667)** | (351) |
| | | **(1 691)** | (1 630) |
| **D.** | **CAPITAL EXPENDITURE – INTANGIBLE ASSETS** | | |
| | Capital expenditure – intangible assets | **(734)** | (1 568) |
| | Ultiva licence extension milestone capitalised | **–** | 182 |
| | | **(734)** | (1 386) |
| **E.** | **PROCEEDS FROM DISPOSAL OF INTANGIBLE ASSETS** | | |
| | Proceeds receivable from disposal of intangible assets | **398** | 196 |
| | Proceeds received from prior year disposals | **–** | 197 |
| | Outstanding proceeds | **(73)** | (18) |
| | | **325** | 375 |

[1] *Refer to note 28.*

| | June 2022 R'million |
|---|---|
| **F. PROCEEDS RECEIVED FROM DISPOSAL OF EUROPEAN THROMBOSIS ASSETS** | |
| Proceeds from other current receivables (Note 7) | **135** |
| Proceeds from assets classified as held-for-sale (Note 11) | **11** |
| Cash inflow per statement of cash flows | **146** |

| | June 2021 R'million |
|---|---|
| **Proceeds** | |
| Proceeds receivable | 12 491 |
| Proceeds outstanding at year-end (classified as other current receivables) | (140) |
| **Cash inflow per statement of cash flows** | 12 351 |
| **Assets disposed** | |
| **Non-current assets** | |
| Goodwill | 121 |
| Intangible assets | 10 011 |
| **Total non-current assets** | 10 132 |
| **Current assets** | |
| Inventories | 480 |
| **Total current assets** | 480 |
| **Total assets** | 10 612 |
| **Liabilities** | |
| **Current liabilities** | |
| Trade and other payables | 23 |
| **Total current liabilities** | 23 |
| **Total liabilities** | 23 |
| **Net assets disposed** | 10 589 |
| **Liabilities raised as part of disposal**[1] | |
| Non-current liabilities (Note 16.1) | 415 |
| Inventory provisions (Note 8) | 708 |
| Other current liabilities (Note 16.1) | 573 |
| **Net liabilities raised** | 1 696 |
| **Profit on sale of discontinued operations** | 206 |

[1] *The liabilities raised consist of contractual obligations and net realisable value inventory adjustments.*

# Notes to the Group statement of cash flows continued

for the year ended 30 June 2022

## G. PROCEEDS RECEIVED FROM DISPOSAL OF ASSETS CLASSIFIED AS HELD-FOR-SALE

In October 2021, Pharmacare Limited, a wholly owned subsidiary of the Company, concluded an agreement with Acino Pharma AG ("Acino") (a company incorporated in Switzerland), in terms whereof Acino acquired a product portfolio of six South African products from Pharmacare Limited, for a consideration of R1,8 billion, plus the cost of the related inventory. This divestment transaction was completed on 1 March 2022. The assets relating to this disposal were classified as held-for-sale in the Unaudited Interim Financial Results for the six months ended 31 December 2021.

| | 2022 R'million |
|---|---|
| Cash inflow per statement of cash flows | **1 800** |
| Assets classified as held-for-sale – 31 December 2021 (Note 11) | **(483)** |
| Profit on disposal of assets classified as held-for-sale | **1 317** |

## H. ACQUISITION OF SUBSIDIARIES

### Acquisition of ENT Technologies Pty Ltd

On 31 March 2022, Aspen Pharmacare Australia Pty Ltd acquired 100% of ENT Technologies Pty Ltd ("ENTT") for a consideration of R386 million (AUD35 million). Aspen has accounted for this acquisition as a business combination in terms of *IFRS 3 – Business Combinations.*

Based in Hawthorn East, Melbourne, ENTT has a portfolio of market-leading products that treat a range of common ear, nose and throat problems. ENTT has built a reputation for providing high quality, innovative, over-the-counter nasal and sinus products for children and adults. Its portfolio includes the Flo nasal and sinus range of preservative-free products and specialist anaesthetic nasal sprays. Due to the timing of the transaction, Aspen has not yet completed the detailed exercise to identify and value the separately identifiable intangible assets acquired and thereafter the goodwill, if any, arising as a result of the transaction. This will be completed as part of the finalisation of the accounting for the acquisition. The provisional accounting for the transaction has been as set out below.

| | 2022 R'million |
|---|---|
| **Fair value of assets and liabilities acquired** | |
| Intangible assets | **177** |
| Inventories | **26** |
| Receivables and other current assets | **27** |
| Cash and cash equivalents | **25** |
| Deferred tax liabilities | **(51)** |
| Trade and other payables | **(27)** |
| Current tax liabilities | **(2)** |
| **Fair value of net assets acquired** | **175** |
| Goodwill arising on acquisition | **211** |
| **Purchase consideration** | **386** |
| Cash and cash equivalents at acquisition | **(25)** |
| **Cash outflow on acquisition** | **361** |

The fair value of the trade receivables amounts to R25 million and it is expected that the full contractual amounts can be collected.

The goodwill of R211 million comprises the value of expected synergies arising from the acquisition and a distribution customer list, which is not separately recognised.

The estimation of post-acquisition operating profits are immaterial to the Group.

## H. ACQUISITION OF SUBSIDIARIES CONTINUED

### VLD Turkey business acquisition

With effect from 25 August 2020, Aspen Healthcare FZ LLC acquired 100% of the share capital of VLD Danışmanlık Tıbbi Ürünler ve Tanıtım Hizmetleri A.Ş. (VLD) for a consideration of R71 million.

Due to VLD being a standalone company with principal business activities including Marketing Authorization (MA) holder, of Aspen Healthcare FZ LLC products, selling and marketing of these products in Turkey, Aspen is accounting for its acquisition as a business combination. Subsequent to the acquisition, Aspen Healthcare FZ LLC has further injected a share capital of R31 million to support the business activities. The accounting for the transaction has been finalised as set out below.

| | 2021 R'million |
|---|---|
| **Fair value of assets and liabilities acquired** | |
| Inventories | 71 |
| Receivables and other current assets | 27 |
| Cash and cash equivalents | 2 |
| Trade and other payables | (56) |
| **Fair value of net assets acquired** | 44 |
| Goodwill acquired | 27 |
| **Purchase consideration** | 71 |
| Cash and cash equivalents at acquisition | (2) |
| **Cash outflow on acquisition** | 69 |

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **I. CASH AND CASH EQUIVALENTS** | | |
| Bank balances | **5 802** | 7 964 |
| Short-term bank deposits | **318** | 430 |
| Cash-on-hand | **63** | 152 |
| Cash and cash equivalents per the statement of financial position | **6 183** | 8 546 |
| Less: bank overdrafts[1] | **(1 212)** | (2 591) |
| Cash and cash equivalents per the statement of cash flows | **4 971** | 5 955 |

[1] *Bank overdrafts are included within current borrowings in the statement of financial position.*

# Group segmental analysis

## for the year ended 30 June 2022

### Segmental reporting

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

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

Commercial Pharmaceuticals consists of the following business segments:
- Sterile Focus Brands segment, which includes the Anaesthetics and Thrombosis portfolios; and
- Regional Brands that are products that are managed on a regional basis.

The Manufacturing segment relates to the manufacture and sale of active pharmaceutical ingredient and finished dose form products to third party customers. The active pharmaceutical ingredient segment is split into a Chemical and Biochem segment.

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

The business has been split at a revenue and gross margin level between the Commercial Pharmaceutical and Manufacturing segments to give separate visibility to the gross margins earned by each of these segments.

The entity-wide revenue disclosure reflects the regional split of revenue within the reportable segments. The regions are as follows:
- Africa Middle East;
- Europe CIS;
- Australasia;
- Asia; and
- Americas.

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

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

#### Restatement of the Group segmental analysis

The Group revised its reportable segments to reflect the newly updated operating model which aligns to the way in which the business is managed and reported on by the CODM.

The business segments which make up the Commercial Pharmaceutical segment have been revised as follows:

Commercial responsibility for Israel has been moved to Africa Middle East from Europe CIS and consequently the prior period numbers of R122 million have been restated to reflect this segmental change.

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Sterile Focus Brands R'million | Regional Brands R'million | Total Commercial Pharma-ceuticals R'million | Total Manufac-turing R'million | Total R'million |
| Revenue | 10 253 | 17 405 | 27 658 | 10 948 | 38 606 |
| Cost of sales | (4 032) | (7 571) | (11 603) | (8 697) | (20 300) |
| Gross profit | 6 221 | 9 834 | 16 055 | 2 251 | 18 306 |
| Selling and distribution expenses | | | | | (5 518) |
| Administrative expenses | | | | | (3 021) |
| Net other operating income | | | | | 78 |
| Depreciation | | | | | 1 167 |
| **Normalised EBITDA[1]** | | | | | 11 012 |
| *Adjusted for* | | | | | |
| Depreciation | | | | | (1 167) |
| Amortisation | | | | | (546) |
| Profit on sale of assets | | | | | 1 212 |
| Net impairment charge of assets | | | | | (1 205) |
| Insurance compensation on assets | | | | | 90 |
| Restructuring costs | | | | | (174) |
| Transaction costs | | | | | (491) |
| Reversal of deferred consideration no longer payable | | | | | 15 |
| Product litigation costs | | | | | (75) |
| **Operating profit** | | | | | 8 671 |
| Gross profit % | 60,7 | 56,5 | 58,0 | 20,6 | 47,4 |
| Selling and distribution expenses % | | | | | 14,3 |
| Administrative expenses % | | | | | 7,8 |
| Normalised EBITDA % | | | | | 28,5 |

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

# Group segmental analysis continued

## for the year ended 30 June 2022

| 2021 | Sterile Focus Brands R'million | Regional Brands R'million | Total Commercial Pharmaceu-ticals R'million | Total Manufacturing R'million | Total R'million |
|---|---|---|---|---|---|
| Revenue | 10 691 | 17 183 | 27 874 | 9 892 | 37 766 |
| Cost of sales | (4 384) | (7 853) | (12 237) | (7 740) | (19 977) |
| Gross profit | 6 307 | 9 330 | 15 637 | 2 152 | 17 789 |
| Selling and distribution expenses | | | | | (5 784) |
| Administrative expenses | | | | | (3 340) |
| Net other operating income | | | | | 237 |
| Depreciation | | | | | 1 043 |
| **Normalised EBITDA[1]** | | | | | 9 945 |
| *Adjusted for* | | | | | |
| Depreciation | | | | | (1 043) |
| Amortisation | | | | | (594) |
| Profit on sale of assets | | | | | 165 |
| Net impairment charge of assets | | | | | (763) |
| Restructuring costs | | | | | (396) |
| Transaction costs | | | | | (201) |
| Product litigation costs | | | | | (41) |
| **Operating profit** | | | | | 7 072 |
| Gross profit % | 59,0 | 54,3 | 56,1 | 21,8 | 47,1 |
| Selling and distribution expenses % | | | | | 15,3 |
| Administrative expenses % | | | | | 8,8 |
| Normalised EBITDA % | | | | | 26,3 |

| Change | Sterile Focus Brands % | Regional Brands % | Total Commercial Pharmaceu-ticals % | Total Manufacturing % | Total % |
|---|---|---|---|---|---|
| Revenue | (4) | 1 | (1) | 11 | 2 |
| Cost of sales | (8) | (4) | (5) | 12 | 2 |
| Gross profit | (1) | 5 | 3 | 5 | 3 |
| Selling and distribution expenses | | | | | (5) |
| Administrative expenses | | | | | (10) |
| Net other operating income | | | | | (67) |
| Depreciation | | | | | 12 |
| **Normalised EBITDA[1]** | | | | | 11 |

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

# Group revenue segmental analysis

for the year ended 30 June 2022

| | 2022 R'million | Restated[1] 2021 R'million | Change % |
|---|---|---|---|
| **COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY** | **27 658** | 27 874 | (1) |
| Africa Middle East | **8 403** | 8 692 | (3) |
| Asia | **5 116** | 5 117 | (0) |
| Australasia | **5 107** | 4 867 | 5 |
| Europe CIS | **4 737** | 5 192 | (9) |
| Americas | **4 295** | 4 006 | 7 |
| **MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE** | | | |
| **Manufacturing revenue – finished dose form** | **5 433** | 3 495 | 55 |
| Europe CIS | **3 175** | 2 248 | 41 |
| Africa Middle East | **1 662** | 693 | >100 |
| Australasia | **596** | 554 | 8 |
| **Manufacturing revenue – active pharmaceutical ingredients (Chemicals)** | **4 737** | 5 154 | (8) |
| Europe CIS | **4 415** | 4 817 | (8) |
| Africa Middle East | **210** | 260 | (19) |
| Asia | **112** | 77 | 45 |
| **Manufacturing revenue – active pharmaceutical ingredients (Biochem)** | **778** | 1 243 | (37) |
| Europe CIS | **778** | 1 243 | (37) |
| **Total Manufacturing revenue** | **10 948** | 9 892 | 11 |
| **Total Revenue** | **38 606** | 37 766 | 2 |
| **SUMMARY OF REGIONS** | | | |
| Europe CIS | **13 105** | 13 500 | (3) |
| Africa Middle East | **10 275** | 9 645 | 7 |
| Australasia | **5 703** | 5 421 | 5 |
| Asia | **5 228** | 5 194 | 1 |
| Americas | **4 295** | 4 006 | 7 |
| **Total revenue** | **38 606** | 37 766 | 2 |

[1] *Commercial responsibility for Israel has been moved to Africa Middle East from Europe CIS, and consequently, the prior period numbers been restated to reflect this segmental change.*

# Group revenue segmental analysis continued

for the year ended 30 June 2022

## Commercial Pharmaceuticals therapeutic area analysis

| | 2022 | | |
|---|---|---|---|
| | **Sterile Focus Brands R'million** | **Regional Brands R'million** | **Total R'million** |
| **By customer geography** | | | |
| Africa Middle East | **525** | **7 878** | **8 403** |
| Asia | **4 503** | **613** | **5 116** |
| Australasia | **643** | **4 464** | **5 107** |
| Europe CIS | **3 143** | **1 594** | **4 737** |
| Americas | **1 439** | **2 856** | **4 295** |
| **Total Commercial Pharmaceuticals** | **10 253** | **17 405** | **27 658** |

| | Restated[1] 2021 | | |
|---|---|---|---|
| | Sterile Focus Brands R'million | Regional Brands R'million | Total R'million |
| **By customer geography** | | | |
| Africa Middle East | 535 | 8 157 | 8 692 |
| Asia | 4 491 | 626 | 5 117 |
| Australasia | 754 | 4 113 | 4 867 |
| Europe CIS | 3 518 | 1 674 | 5 192 |
| Americas | 1 393 | 2 613 | 4 006 |
| **Total Commercial Pharmaceuticals** | 10 691 | 17 183 | 27 874 |

| | Change | | |
|---|---|---|---|
| | Sterile Focus Brands % | Regional Brands % | Total % |
| **By customer geography** | | | |
| Africa Middle East | (2) | (3) | (3) |
| Asia | 0 | (2) | 0 |
| Australasia | (15) | 9 | 5 |
| Europe CIS | (11) | (5) | (9) |
| Americas | 3 | 9 | 7 |
| **Total Commercial Pharmaceuticals** | (4) | 1 | (1) |

[1] *Commercial responsibility for Israel has been moved to Africa Middle East from Europe CIS, and consequently, the prior period numbers been restated to reflect this segmental change.*

# Notes to the Group Annual Financial Statements

for the year ended 30 June 2022

## 1. INTANGIBLE ASSETS

### Accounting policy

**Recognition and measurement**

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

**Cost**

*Intellectual property*

With regard to accounting for acquisitions of intangible assets that involved future contingent and/or milestone payments, the Group has adopted the financial liability approach. Under the financial liability approach, the liability is recognised at fair value at the date of initial recognition of the asset and subsequently remeasured through the statement of comprehensive income to account for changes in fair value of the liability. This will account for a higher intangible asset value and corresponding liability on acquisition when compared to the cost accumulation method, with the accounting for notional interest on the capitalised future payments.

An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the Group.

*Development costs*

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised. Expenditure incurred to extend the term of the patents or trademarks is capitalised. All other expenditure is charged to the statement of comprehensive income when incurred.

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

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

*Product participation and contractual rights*

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

*Software*

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

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

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

## 1. INTANGIBLE ASSETS continued

### Accumulated amortisation

*Intellectual property*

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

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

*Development costs*

Development costs are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met. Amortisation is done on a straight-line basis over their estimated remaining useful lives and estimated useful lives are reviewed annually.

*Product participation and contractual rights*

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

*Software*

Computer software is amortised on a straight-line basis over its estimated remaining useful life. Estimated useful lives are reviewed annually.

### Impairment

An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the Group.

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

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

Impairment charges and reversals are included in other operating expenses and other operating income in the statement of comprehensive income.

### Fair value less costs to sell

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

### Value-in-use

Key assumptions relating to this valuation method include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a period of up to five years and are extrapolated over the useful life of the asset to reflect the long-term plans of the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.

Management determines the expected performance of the assets based on the following:
- an assessment of existing products against past performance and market conditions;
- an assessment of existing products against existing market conditions; and
- the pipeline of products under development, applying past experiences of launch success and existing market conditions.

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

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

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

## 1. INTANGIBLE ASSETS continued

### Significant judgements and estimates

#### Indefinite useful life intangible assets

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

- historical product sales, volume and profitability trends as well as the expected uses for the 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;
- the strategy (2023 budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are slow and evident in the fact that most of the reinvestment in technology is expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- redundancy of a similar medication due to changes in market preferences; and
- development of new drugs treating the same disease.

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

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

Indefinite useful life intangible assets constitute 87% of total intangible assets (2021: 87%).

#### Finite useful life intangible assets

*Amortisation rates and residual values*

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

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

*The estimated remaining useful life information for 2022 was as follows:*

| | |
|---|---|
| Intellectual property | Up to 36 years |
| Development costs | Up to 10 years |
| Product participation and other contractual rights | Up to 37 years |
| Computer software | Up to 10 years |

## 1. INTANGIBLE ASSETS continued

### Reconciliation of balance

**2022**

| | Intellectual property R'million | Development costs R'million | Product participation and other contractual rights R'million | Computer software R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 59 145 | 2 103 | 1 783 | 3 254 | 66 285 |
| Accumulated amortisation | (2 258) | (479) | (410) | (1 779) | (4 926) |
| Accumulated impairment losses | (6 885) | (637) | – | (186) | (7 708) |
| | 50 002 | 987 | 1 373 | 1 289 | 53 651 |
| **Movement in intangible assets** | | | | | |
| Carrying amount at the beginning of the year | 50 800 | 1 352 | 1 416 | 1 314 | 54 882 |
| Additions | 3 | 391 | 1 | 339 | 734 |
| Acquisition of subsidiary | 177 | – | – | – | 177 |
| Disposals | (448) | (31) | (17) | – | (496) |
| Amortisation | (186) | (64) | (20) | (276) | (546) |
| Reclassification between classes of assets | 268 | (269) | – | 1 | – |
| Reclassification from property, plant and equipment | – | – | – | 69 | 69 |
| Disposal of assets classified as held-for-sale | (474) | – | (9) | – | (483) |
| Impairment losses | (990) | (369) | – | (182) | (1 541) |
| Impairment losses reversed | 361 | – | – | – | 361 |
| Currency translation movements | 491 | (23) | 2 | 24 | 494 |
| | 50 002 | 987 | 1 373 | 1 289 | 53 651 |

2021

| | Intellectual property R'million | Development costs R'million | Product participation and other contractual rights R'million | Computer software R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 59 292 | 2 234 | 1 807 | 2 822 | 66 155 |
| Accumulated amortisation | (2 142) | (427) | (391) | (1 504) | (4 464) |
| Accumulated impairment losses | (6 350) | (455) | – | (4) | (6 809) |
| | 50 800 | 1 352 | 1 416 | 1 314 | 54 882 |
| **Movement in intangible assets** | | | | | |
| Carrying amount at the beginning of the year | 68 835 | 1 502 | 1 459 | 1 244 | 73 040 |
| Additions | 901 | 182 | 54 | 431 | 1 568 |
| Disposals | (4) | (22) | – | – | (26) |
| Amortisation | (201) | (78) | (21) | (294) | (594) |
| Reclassification between classes of assets | (7) | 30 | (28) | 5 | – |
| Reclassification to assets classified as held-for-sale | (9 997) | (14) | – | – | (10 011) |
| Impairment losses | (1 082) | (182) | – | – | (1 264) |
| Impairment losses reversed | 413 | – | – | – | 413 |
| Currency translation movements | (8 058) | (66) | (48) | (72) | (8 244) |
| | 50 800 | 1 352 | 1 416 | 1 314 | 54 882 |

## 1. INTANGIBLE ASSETS continued

### Indefinite useful life intangible assets

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Split of balance** | | |
| 1) AstraZeneca Anaesthetics portfolio | **18 272** | 18 129 |
| 2) MSD business | **6 624** | 6 571 |
| 3) GSK Thrombosis business | **6 078** | 6 377 |
| 4) GSK Anaesthetics portfolio | **5 009** | 4 936 |
| 5) ELIZ products | **3 627** | 3 599 |
| 6) Specialist global brands | **3 447** | 3 853 |
| 7) GSK OTC brands | **1 752** | 1 803 |
| 8) GSK classic brands | **637** | 747 |
| Other brands | **2 019** | 1 987 |
| | **47 465** | 48 002 |

The key brands for the above mentioned indefinite life intangible assets are as follows:

1) Diprivan, EMLA, Marcaine, Naropin and Xylocaine.
2) Desogrestrel, Meticorten, Orgaran, Ovestin and Testosterone.
3) Arixtra and Fraxiparine.
4) Ultiva, Nimbex, Mivacron and Tracrium.
5) Eltroxin, Imuran and Zyloric.
6) Alkeran, Leukeran, Purinethol, Lanvis, Septrin and Trandate.
7) Phillips Milk of Magnesia, Solpadeine and Cartia.
8) Augmentin, Amoxil and Zyban.

### Impairment of intangible assets

Key assumptions used in the impairment tests for significant intangible assets were as follows:

**2022**

| | Carrying amount of intangible assets (R'million) | | | Period covered by budgets and forecasts | Growth in revenue (% per annum)[1] | Average gross profit (% per annum) | Terminal growth (% per annum)[2] | Pre-tax discount rate applied to cash flows (% per annum) |
|---|---|---|---|---|---|---|---|---|
| | Finite | Indefinite | Total | | | | | |
| AstraZeneca Anaesthetics portfolio | – | 18 272 | 18 272 | 5 years | 0 | 60 | 0 | 8 |
| MSD business | 15 | 6 624 | 6 639 | 5 years | 8 | 71 | 0 | 9 |
| GSK Thrombosis business | – | 6 078 | 6 078 | 5 years | 4 | 59 | 0 | 11 |
| GSK Anaesthetics portfolio | – | 5 009 | 5 009 | 5 years | 5 | 57 | 0 | 9 |
| ELIZ products | 551 | 3 627 | 4 178 | 5 years | 0 | 62 | 0 | 8 |
| Specialist global brands | – | 3 447 | 3 447 | 5 years | 2 | 64 | 0 | 8 |
| GSK OTC brands | 7 | 1 752 | 1 759 | 5 years | 9 | 52 | 0 | 10 |
| GSK classic brands | 667 | 637 | 1 304 | 5 years | 2 | 73 | 0 | 7 |

[1] *Average compound annual growth rate during the period covered by above mentioned budgets and forecasts.*
[2] *Average growth rate used to extrapolate cash flows beyond period covered by above mentioned budgets and forecasts. In the case of finite life assets this is to the end of their expected useful life.*

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

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

## 1. INTANGIBLE ASSETS continued

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modelling. It is the Director's and management's view that the appropriate impairments and reversal of impairments were recognised at 30 June 2022.

**2022**

| | 1% reduction in revenue due to price reductions R'million | 1% reduction in terminal growth[1] R'million | 0,5% increase in the pre-tax discount rate R'million |
|---|---|---|---|
| AstraZeneca Anaesthetics portfolio | **–** | **438** | **181** |
| MSD business | **6** | **2** | **2** |
| GSK Thrombosis business | **187** | **307** | **214** |
| GSK Anaesthetics portfolio | **17** | **161** | **58** |
| Specialist global brands | **15** | **80** | **37** |
| GSK OTC brands | **7** | **3** | **2** |
| GSK classic brands | **7** | **10** | **6** |

Key assumptions used in the impairment tests for significant intangible assets were as follows:

2021

| | Carrying amount of intangible assets (R'million) | | | Period covered by budgets and forecasts | Growth in revenue (% per annum)[1] | Average gross profit (% per annum) | Terminal growth (% per annum)[2] | Pre-tax discount rate applied to cash flows (% per annum) |
|---|---|---|---|---|---|---|---|---|
| | Finite | Indefinite | Total | | | | | |
| AstraZeneca Anaesthetics portfolio | – | 18 129 | 18 129 | 5 years | 2 | 61 | 0 | 6 |
| MSD business | 234 | 6 571 | 6 805 | 5 years | 4 | 70 | 0 | 8 |
| GSK Thrombosis business | – | 6 377 | 6 377 | 5 years | 4 | 63 | 0 | 9 |
| GSK Anaesthetics portfolio | – | 4 936 | 4 936 | 5 years | 4 | 59 | 0 | 7 |
| Specialist global brands | – | 3 853 | 3 853 | 5 years | 0 | 57 | 0 | 9 |
| ELIZ products | 529 | 3 599 | 4 128 | 5 years | 2 | 61 | 0 | 8 |
| GSK OTC brands | 8 | 1 803 | 1 811 | 5 years | 6 | 50 | 0 | 9 |
| GSK classic brands | 709 | 747 | 1 456 | 5 years | 4 | 65 | 0 | 6 |

[1] *Average compound annual growth rate during the period covered by above mentioned budgets and forecasts.*
[2] *Average growth rate used to extrapolate cash flows beyond period covered by above mentioned budgets and forecasts. In the case of finite life assets this is to the end of their expected useful life.*

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modelling. It is the Directors and management's view that the appropriate impairments and reversal of impairments were recognised at 30 June 2021.

2021

| | 1% reduction in revenue due to price reduction R'million | 1% reduction in terminal growth[3] R'million | 0,5% increase in the pre-tax discount rate R'million |
|---|---|---|---|
| AstraZeneca Anaesthetics portfolio | 59 | 195 | 119 |
| MSD business | 12 | 236 | 133 |
| Specialist global brands | 35 | 134 | 57 |
| GSK OTC brands | 4 | 4 | 2 |
| GSK classic brands | 6 | 18 | 7 |

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

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

## 1. INTANGIBLE ASSETS continued

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **Impairment of intangible assets (included in other operating expenses)** | | | |
| Impairment of intangible assets can be split as follows: | | | |
| Project and product development costs | 1 | **530** | 182 |
| GSK Thrombosis business | 2 | **351** | – |
| Specialist global brands | 3 | **225** | 113 |
| MSD business | 4 | **212** | 31 |
| GSK Classic brands distributed in Australasia | | **73** | 29 |
| GSK OTC brands | | **64** | 154 |
| GSK Anaesthetics portfolio product | | **29** | – |
| South African Regional brands | | **20** | 2 |
| AstraZeneca Anaesthetics portfolio | | **–** | 630 |
| US brand | | **–** | 115 |
| Other | | **37** | 8 |
| | | **1 541** | 1 264 |

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

1) Product development and other projects, which were no longer technically or commercially feasible.
2) Exposure to Russia impacts one brand in this portfolio.
3) Exposure to Russia impacts one brand in this portfolio.
4) Increased competition in Europe combined with input cost increases have negatively impacted one product.

With the exception of intangible assets fully written off, the carrying value of intangible assets impaired or with impairment reversals have been determined based on either fair value less costs to sell or value-in-use calculations, using a five-year forecast horizon.

| | | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **Reversal of impairments can be split as follows:** | | | |
| Specialist global brands | | **(230)** | (221) |
| GSK Anaesthetics portfolio product | | **–** | (179) |
| ELIZ brands | | **(37)** | – |
| Other | | **(94)** | (13) |
| | | **(361)** | (413) |
| Net impairment of intangible assets | | **1 180** | 851 |

The impairment reversals have generally arisen as a result of an improvement in the outlook of revenue and profitability.

## 1. INTANGIBLE ASSETS continued

Other key assumptions used (where appropriate and in relation to the material impairments) were:

**2022**

| | Growth in revenue (% per annum)[1] | Gross profit (% per annum) | Growth (% per annum)[2] | Pre-tax discount rate applied to cash flows (% per annum) |
|---|---|---|---|---|
| *Impairments* | | | | |
| GSK Thrombosis business | **4** | **52** | **0** | **11** |
| Specialist global Brands | **(1)** | **53** | **0** | **9** |
| MSD business | **0** | **23** | **0** | **11** |
| *Impairments reversals* | | | | |
| Specialist global Brands | **3** | **82** | **0** | **9** |

[1] *Average compound average growth rate during the abovementioned five-year forecast.*
[2] *Average growth rate used to extrapolate cash flows beyond the abovementioned five-year forecast. In the case of finite life assets, this is to the end of their expected useful life.*

2021

| | Growth in revenue (% per annum) | Gross profit (% per annum) | Growth (% per annum) | Pre-tax discount rate applied to cash flows (% per annum) |
|---|---|---|---|---|
| AstraZeneca Anaesthetics portfolio product | (14) | 34 | 0 | 7 |
| GSK OTC brands | 7 | 27 | 0 | 18 |
| Specialist Global Brands | (5) | 44 | 0 | 9 |

| Commitments | 2022 R'million | 2021 R'million |
|---|---|---|
| Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following: | | |
| Authorised and contracted for | **537** | 291 |
| Authorised but not yet contracted for | **670** | 494 |
| | **1 207** | 785 |

### Other disclosures

No intangible assets have been pledged as security for borrowings.

## 2. PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

#### Recognition and measurement

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

#### Cost

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

The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. Costs capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under capital work-in-progress. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

Profit or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit in the statement of comprehensive income. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any profit or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

#### Depreciation

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

Land and buildings comprise mainly factories and office buildings. Owned land is not depreciated.

#### Impairment

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

Property, plant and equipment that have been impaired in past financial years are reviewed for possible reversal of impairment at each reporting date.

Impairment charges and reversals are included in other operating expenses and other operating income in the statement of comprehensive income.

2. **PROPERTY, PLANT AND EQUIPMENT** continued

### Significant judgements and estimates

**Depreciation and residual values**

The Group depreciates its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles and maintenance programmes. These depreciation rates represent management's current best estimate of the useful lives of these assets.

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

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

**Depreciation rates**

*The estimated remaining useful life information for 2022 was as follows:*

| | |
|---|---|
| Buildings | Up to 50 years |
| Plant and equipment | Up to 24 years |
| Computer equipment | Up to 10 years |
| Office equipment and furniture | Up to 12 years |

### Reconciliation of balance

| 2022 | Land and buildings R'million | Plant and equipment R'million | Other tangible assets[1] R'million | Capital work-in-progress R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 7 784 | 9 006 | 1 796 | 4 660 | 23 246 |
| Accumulated depreciation | (1 893) | (4 188) | (1 093) | – | (7 174) |
| Accumulated impairment losses | (100) | (41) | (5) | (13) | (159) |
| | 5 791 | 4 777 | 698 | 4 647 | 15 913 |
| **Movement in property, plant and equipment** | | | | | |
| Carrying amount at the beginning of the year | 5 501 | 4 276 | 622 | 4 427 | 14 826 |
| Additions | 239 | 610 | 173 | 941 | 1 963 |
| Borrowing costs capitalised[2] | – | – | – | 64 | 64 |
| Disposals | (9) | (37) | (1) | – | (47) |
| Depreciation | (271) | (588) | (128) | – | (987) |
| Reclassification between classes of assets | 295 | 462 | 15 | (772) | – |
| Reclassification to intangible assets | – | – | – | (69) | (69) |
| Impairment losses | – | (1) | – | (12) | (13) |
| Reversal of impairment losses | – | 13 | 1 | 2 | 16 |
| Currency translation movements | 36 | 42 | 16 | 66 | 160 |
| | 5 791 | 4 777 | 698 | 4 647 | 15 913 |

[1] *Other tangible assets comprise of computer equipment, office equipment and furniture.*
[2] *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The capitalisation rate for the year was 5,5% (2021: 5,3%).*

## 2. PROPERTY, PLANT AND EQUIPMENT continued

| 2021 | Land and buildings R'million | Plant and equipment R'million | Other tangible assets[1] R'million | Capital work-in-progress R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 7 134 | 7 823 | 1 602 | 4 537 | 21 096 |
| Accumulated depreciation | (1 510) | (3 459) | (969) | – | (5 938) |
| Accumulated impairment losses | (123) | (88) | (11) | (110) | (332) |
| | 5 501 | 4 276 | 622 | 4 427 | 14 826 |
| **Movement in property, plant and equipment** | | | | | |
| Carrying amount at the beginning of the year | 3 714 | 3 861 | 527 | 6 130 | 14 232 |
| Additions | 41 | 212 | 73 | 1 719 | 2 045 |
| Borrowing costs capitalised[2] | – | – | – | 169 | 169 |
| Disposals | – | (5) | (1) | (35) | (41) |
| Depreciation | (214) | (499) | (142) | – | (855) |
| Reclassification between classes of assets | 2 099 | 837 | 226 | (3 162) | – |
| Impairment losses | (24) | (42) | (7) | (61) | (134) |
| Reversal of impairment losses | 131 | 198 | 19 | 5 | 353 |
| Currency translation movements | (246) | (286) | (73) | (338) | (943) |
| | 5 501 | 4 276 | 622 | 4 427 | 14 826 |

[1] *Other tangible assets comprise of computer equipment, office equipment and furniture.*
[2] *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The capitalisation rate for the year was 5,5% (2021: 5,3%).*

### Impairments

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| **Spilt of balance** | | |
| European factories | **11** | – |
| Indian factory | **–** | 130 |
| Other | **2** | 4 |
| | **13** | 134 |

**Indian factory**
On 19 June 2021 a major fire incident occurred at the Alphamed Formulations Pvt Limited formulation site and it was significantly damaged. All assets have been assessed and damaged assets were written off in full to its fair value. Insurance claims have been lodged and rehabilitation of the facility is underway. Commercial production is expected to commence by November 2022 and the site is expected to be fully operational before June 2023. Interim insurance claims have been awarded to Aspen to the value of R125 million of which R90 million related to replacement of property, plant and equipment. The final claim is still being assessed with settlement payment expected by December 2022.

**2. PROPERTY, PLANT AND EQUIPMENT** continued

### Reversal of impairments

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Spilt of balance** | | |
| European factories | **9** | 349 |
| Indian factory | **6** | – |
| Other | **1** | 5 |
| | **16** | 354 |

**European factories – prior year**

In 2019 Aspen Oss B.V. impaired its Boxtel production facility in the Netherlands as a result of declining volumes. During the previous financial year, following increased negotiated contractual future volumes, the impairment has been reversed.

Key assumptions on reversal of impairment test in 2021 were as follows:
- period covered by the forecasts and budgets of five years;
- average growth rate in revenue per annum of 3%;
- average gross profit percentage per annum of 20%;
- growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 0%; and
- average annual pre-tax discount rate applied to cash flows of 7%.

### COMMITMENTS

**Capital commitments**

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

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Authorised and contracted for | **840** | 571 |
| Authorised but not yet contracted for | **2 422** | 1 127 |
| | **3 262** | 1 698 |

### Summary of Land and buildings

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Land | **728** | 664 |
| Buildings | **5 063** | 4 837 |
| | **5 791** | 5 501 |

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

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discontinued R'million** | **Total R'million** | Continuing R'million | Discontinued R'million | Total R'million |
| Cost of sales | **912** | **–** | **912** | 770 | – | 770 |
| Selling and distribution expenses | **20** | **–** | **20** | 34 | 1 | 35 |
| Administrative expenses | **55** | **–** | **55** | 50 | – | 50 |
| | **987** | **–** | **987** | 854 | 1 | 855 |

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

## 3. RIGHT-OF-USE ASSETS

### Accounting policy

**Group's leasing activities**

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

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

**Recognition and measurement**

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

**Depreciation**

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

*The estimated remaining useful life information for 2022 was as follows:*

| | |
|---|---|
| Buildings | Up to 8 years |
| Motor vehicles | Up to 5 years |
| Plant and machinery | Up to 5 years |
| Computer hardware | Up to 5 years |

**Renewal and termination options**

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

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

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

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

## 3. RIGHT-OF-USE ASSETS continued

### Lease and non-lease components

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

### Short-term leases and leases of low-value assets

The Group elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is R82 000 or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Reconciliation of balance

| 2022 | Buildings R'million | Motor vehicles R'million | Plant and machinery R'million | Computer hardware R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 512 | 150 | 17 | 51 | 730 |
| Accumulated depreciation | (283) | (83) | (5) | (31) | (402) |
| Accumulated impairment losses | (17) | – | – | – | (17) |
| | 212 | 67 | 12 | 20 | 311 |
| **Movement in right-of-use assets** | | | | | |
| Carrying amount at the beginning of the year | 303 | 69 | 7 | 21 | 400 |
| Additions | 81 | 39 | 8 | 10 | 138 |
| Depreciation | (128) | (36) | (3) | (13) | (180) |
| Impairment losses | (17) | – | – | – | (17) |
| Termination of leases | (38) | (8) | – | – | (46) |
| Currency translation movements | 11 | 3 | – | 2 | 16 |
| | 212 | 67 | 12 | 20 | 311 |

| 2021 | Buildings R'million | Motor vehicles R'million | Plant and machinery R'million | Computer hardware R'million | Total R'million |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Cost | 539 | 136 | 15 | 38 | 728 |
| Accumulated depreciation | (236) | (68) | (8) | (16) | (328) |
| | 303 | 68 | 7 | 22 | 400 |
| **Movement in right-of-use assets** | | | | | |
| Carrying amount at the beginning of the year | 450 | 127 | 5 | 19 | 601 |
| Additions | 35 | 43 | 8 | 15 | 101 |
| Depreciation | (135) | (53) | (5) | (11) | (204) |
| Termination of leases | (7) | (37) | – | – | (44) |
| Currency translation movements | (40) | (11) | (1) | (2) | (54) |
| | 303 | 69 | 7 | 21 | 400 |

## 3. RIGHT-OF-USE ASSETS continued

### Commitments

#### Short-term leases and leases of low-value assets

| | 2022 R'million | 2021 R'million |
|---|---|---|
| The Group has a number of insignificant short-term and low value leased assets which includes leases of offices, warehouses and other equipment. These are not included in the right-of-use assets but expenses in terms of *IFRS 16 – Leases*. | | |
| The future minimum lease commitments are as follows: | | |
| Less than 1 year | **18** | 15 |
| Between 1 and 5 years | **24** | 28 |
| Later than 5 years | **–** | 1 |
| | **42** | 44 |

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

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Amount recognised in the statement of comprehensive income** | | |
| Buildings | **128** | 135 |
| Motor vehicles | **36** | 53 |
| Plant and machinery | **3** | 5 |
| Computer hardware | **13** | 11 |
| Depreciation | **180** | 204 |
| Interest expense (included in financing costs) | **27** | 35 |
| Expenses relating to short-term and low value leases assets (included in operating expenses) | **50** | 84 |
| **Amount recognised in the statement of cash flows** | | |
| Expenses relating to short-term and low value leases assets (included in operating activities) | **50** | 84 |
| Interest paid (included in cashflows from operating activities) | **27** | 35 |
| Repayment of lease liabilities (included in financing activities) | **170** | 189 |
| **Total cash outflow** | **247** | 308 |

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

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discontinued R'million** | **Total R'million** | Continuing R'million | Discontinued R'million | Total R'million |
| Cost of sales | **24** | **–** | **24** | 25 | – | 25 |
| Selling and distribution expenses | **14** | **–** | **14** | 13 | – | 13 |
| Administrative expenses | **142** | **–** | **142** | 151 | 15 | 166 |
| | **180** | **–** | **180** | 189 | 15 | 204 |

### Other disclosures

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

## 4. GOODWILL

### Accounting policy

#### Recognition and measurement

Goodwill on the acquisition of subsidiaries or businesses is capitalised and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the profit or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### Cost

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

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

#### Impairment

For the purposes of impairment testing, goodwill is allocated to the smallest cash generating unit. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Impairment assessments are performed annually, or more frequently if there are indicators that the balance might be impaired. Impairment testing is performed by comparing the value-in-use of the cash generating unit to the carrying amount. Impairment testing is only performed on cash-generating units that are considered to be significant in comparison to the total carrying amount of goodwill.

Impairment charges are included in other operating expense in the statement of comprehensive income.

#### Value-in-use

Key assumptions include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a five year period and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific entity and country in which it operates.

Management determines the expected performance of the assets based on the following:
- an assessment of existing products against past performance and market conditions;
- an assessment of existing products against existing market conditions; and
- the pipeline of products under development, applying past experiences of launch success and existing market conditions.

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

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

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

## 4. **GOODWILL** continued

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Carrying amount at the beginning of the year | **4 621** | 5 375 |
| Acquisition of subsidiaries | **211** | 27 |
| Transfer to assets classified as held-for-sale | **–** | (121) |
| Impairment losses | **(11)** | (131) |
| GSK Anaesthetics portfolio | **–** | (43) |
| AstraZeneca Anaesthetics portfolio | **–** | (35) |
| MSD business | **–** | (25) |
| Other | **(11)** | (28) |
| Currency translation movements | **186** | (529) |
| | **5 007** | 4 621 |
| **Split of balance** | | |
| Sigma business – Australasia | **3 560** | 3 395 |
| AstraZeneca Anaesthetics portfolio | **277** | 275 |
| Australian ENTT business acquisition[1] | **226** | – |
| GSK Thrombosis business | **198** | 196 |
| Fine Chemicals Corporations (Pty) Limited | **155** | 163 |
| MSD business | **61** | 64 |
| GSK Anaesthetics portfolio | **32** | 32 |
| Other | **498** | 496 |
| | **5 007** | 4 621 |

[1] *The ENTT business was acquired in the current financial year. An initial review identified no impairment and a full impairment test will be performed in the financial year ending 30 June 2023.*

### Impairment of goodwill

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

**2022**

| | Carrying value of goodwill (R'million) | Period covered by budgets and forecasts | Growth in revenue (% per annum)[1] | Average gross profit (% per annum) | Capital expenditure (per annum) | Terminal growth (% per annum)[2] | Pre-tax discount rate applied to cash flows (% per annum) |
|---|---|---|---|---|---|---|---|
| Sigma business – Australasia | **3 560** | **5 years** | **0** | **43** | **AUD19 million** | **3** | **9** |
| AstraZeneca Anaesthetics portfolio | **277** | **5 years** | **0** | **60** | **–** | **0** | **8** |
| GSK Thrombosis business | **198** | **5 years** | **4** | **59** | **–** | **0** | **11** |
| Fine Chemicals Corporations (Pty) Limited | **155** | **15 years** | **9** | **30** | **–** | **4** | **11** |
| MSD business | **61** | **5 years** | **8** | **71** | **–** | **0** | **9** |
| GSK Anaesthetics portfolio | **32** | **5 years** | **5** | **57** | **–** | **0** | **9** |

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

Based on the calculations there were no material impairments of the above goodwill balances.

## 4. GOODWILL continued

### Impairment of goodwill continued

For the current and prior financial years the Directors and management have considered and assessed reasonably possible changes in key assumptions that could cause the carrying amounts of the various elements of goodwill to exceed their values in use. The assumptions that are considered to be the main drivers in the calculation of the value of goodwill and where changes are reasonably possible are price levels, the growth rate of the relevant businesses beyond the five-year forecast period and the discount rate used. Reasonably possible changes in these key assumptions are: a 1% reduction in revenue due to price declines, a 1% reduction in the terminal growth rate and a 0,5% increase in the pre-tax discount rate. In all cases none of these changes resulted in a possible additional impairment of greater than R20 million except for the following in 2022 (2021: The equivalent sensitivity analysis carried out did not give rise to any additional impairments of greater than R20 million):

| | 2022 | | |
|---|---|---|---|
| | **1% reduction in revenue due to price reductions R'million** | **1% reduction in terminal growth[1] R'million** | **0,5% increase in the pre-tax discount rate R'million** |
| AstraZeneca Anaesthetics portfolio | **41** | **122** | **126** |

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

The Directors and management consider that changes in excess of those shown above are not probable and that the remaining headroom between the value determined in the impairment tests and the carrying amounts of the goodwill is sufficient to support the above disclosure.

Key assumptions in the impairment tests for goodwill were as follows in 2021:

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying value of goodwill (R'million) | Period covered by forecasts and budgets | Growth in revenue (% per annum)[1] | Average gross profit (% per annum) | Capital expenditure (per annum) | Terminal growth (% per annum)[2] | Pre-tax discount rate applied to cash flows (% per annum) |
| Sigma business – Australasia | 3 395 | 5 years | 3 | 39 | AUD11 million | 3 | 9 |
| AstraZeneca Anaesthetics portfolio | 275 | 5 years | 2 | 60 | – | 0 | 6 |
| GSK Thrombosis business | 196 | 5 years | 4 | 63 | – | 0 | 9 |
| Fine Chemicals Corporations (Pty) Limited | 163 | 15 years | 8 | 30 | – | 5 | 11 |
| MSD business | 64 | 5 years | 0 | 70 | – | 0 | 8 |
| GSK Anaesthetics portfolio | 32 | 5 years | 4 | 59 | – | 0 | 7 |

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

In the prior year, based on the calculations, the goodwill relating to the MSD business was impaired by R25 million. In addition, goodwill of R43 million and R35 million relating to the GSK anaesthetics portfolio and AstraZeneca Anaesthetics portfolio, respectively, was impaired.

## 5. DEFERRED TAX

### Accounting policy

**Recognition and measurement**

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

Deferred tax is not provided on temporary differences arising on investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

### Significant judgements and estimates

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

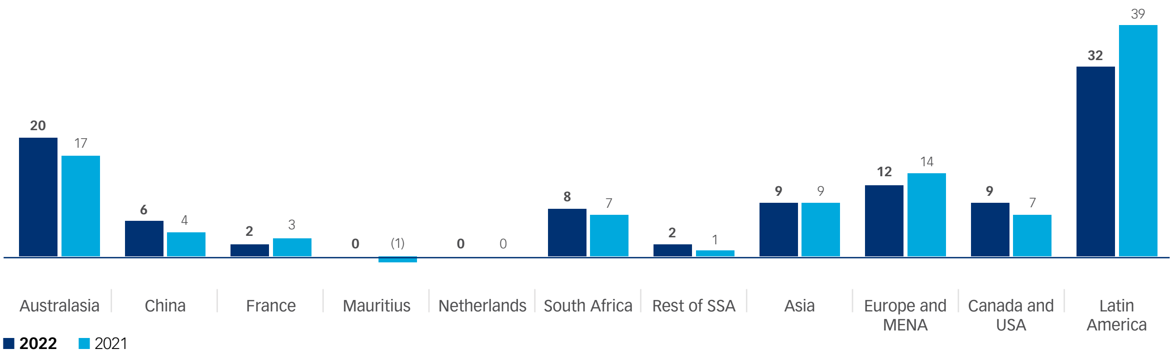
### Reconciliation of balance

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Deferred tax liabilities – opening balance | **1 810** | 2 701 |
| Deferred tax assets – opening balance | **(1 323)** | (1 714) |
| Net deferred tax liabilities – opening balance | **487** | 987 |
| Charged/(credited) to statement of profit or loss | **183** | (414) |
| Charged to other comprehensive income | **51** | 7 |
| Acquisition of subsidiary | **51** | – |
| Currency translation movements | **(58)** | (93) |
| | **714** | 487 |
| **Split of balance** | | |
| Deferred tax liabilities | **1 966** | 1 810 |
| Deferred tax assets | **(1 252)** | (1 323) |
| | **714** | 487 |
| **Deferred tax balance comprises** | | |
| Intangible assets | **1 373** | 1 535 |
| Property, plant and equipment | **371** | 643 |
| Non-current liabilities | **(32)** | 150 |
| Provisions | **(454)** | (434) |
| Onerous contracts | **(81)** | (170) |
| Tax losses | **(151)** | (708) |
| Retirement benefit obligations | **(118)** | (132) |
| Other receivables and payables | **(170)** | (378) |
| Other | **(24)** | (19) |
| | **714** | 487 |

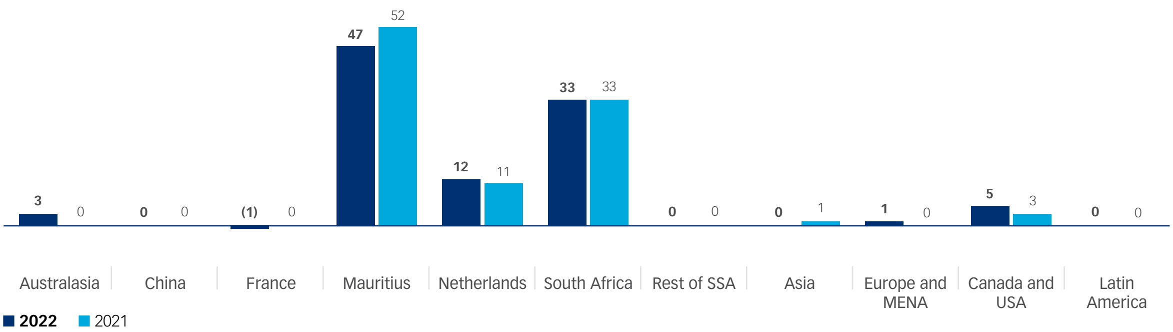
## 5. DEFERRED TAX continued

The deferred tax assets and liabilities that arise in the Group, predominantly arise in Australasia, China, France, Mauritius, Netherlands and South Africa. These balances are graphically reflected below, in addition to the consolidated balances for the remaining countries (by region) that the Group operates in:

**Deferred tax asset** (%)




**Deferred tax liability** (%)




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

During the current year, the Group raised additional deferred tax assets in relation to our one South African business unit relating to assessed losses that are projected to arise for this business. The Group is confident that these deferred tax assets will materialise in the foreseeable future.

In addition, the Group monitors changes in statutory tax rates to ensure the deferred tax asset or liability appropriately reflects the benefit or expense that will arise as the deferred tax asset or liability materialises. During the current fiscal year, the impact of changes in statutory tax rates was specifically considered in relation to South Africa and adjustments to the deferred tax balances have been incorporated in the balances that have been disclosed for the respective Group companies. The Group does report its deferred tax assets and liabilities based on its ability to net those off against one another, assuming that the asset and liability arises in the same tax group for tax purposes. This is specifically the case in relation to Australasia, France and South Africa.

## 6. CONTINGENT ENVIRONMENTAL ASSETS AND INDEMNIFICATION LIABILITIES

### Accounting policy

**Recognition and measurement**

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

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

### Reconciliation of balance

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Carrying amount at the beginning of the year | 305 | 324 |
| Increase in liability from updated assessment | 22 | 26 |
| Currency translation movements | 2 | (45) |
| | 329 | 305 |

Following the most recent annual assessment of the estimated pollution of the Moleneind land at Aspen Oss B.V., MSD, in consultation with management, concluded that the estimated remediation cost is EUR19 million (2021: EUR18 million).

## 7. OTHER NON-CURRENT AND CURRENT RECEIVABLES

### Accounting policy

**Recognition and measurement**

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

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

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

## 7. OTHER NON-CURRENT AND CURRENT RECEIVABLES continued

### Accounting policy continued

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Carrying amount at the beginning of the year | **1 168** | 2 761 |
| Proceeds received per the statement of cash flows – average exchange rate | **(468)** | (1 317) |
| Disposal of the Asia Pacific non-core pharmaceutical portfolio | **–** | (740) |
| Disposal of the Japanese business – uninterrupted supply milestone payment | **(288)** | (367) |
| Disposal of Fludrocortisone intellectual property in UK and Europe | **–** | (197) |
| Disposal of European Thrombosis assets | **(135)** | – |
| Other | **(45)** | (13) |
| Outstanding proceeds – average exchange rate per the statement of cash flows | **73** | 140 |
| Disposal of European Thrombosis assets | **–** | 140 |
| Disposal of Oncology portfolio in USA | **73** | – |
| Prepayment made to API supplier realised – average exchange rate | **(75)** | – |
| Disposal of Japanese business – Ultiva milestone licence extension no longer receivable | **–** | (182) |
| Disposal of Japanese business – new business development milestone shortfall recorded in transaction costs | **(46)** | – |
| Disposal of Japanese business – uninterrupted milestone 3rd payment increase | **51** | – |
| Reimbursive rights legislation change – France | **–** | (60) |
| Currency translation movements | **37** | (174) |
| | **740** | 1 168 |
| **Split of balance** | | |
| Non-current | **351** | 622 |
| Current | **389** | 546 |
| | **740** | 1 168 |
| **SUMMARY OF BALANCE (NON-CURRENT AND CURRENT)[1]** | | |
| Employee benefits – reimbursive rights | **134** | 164 |
| Prepayments made to API supplier | **204** | 276 |
| Outstanding proceeds from the disposal of the Japanese business | **253** | 520 |
| Enterprise development loans | **20** | 27 |
| Outstanding proceeds from the disposal of European Thrombosis assets | **–** | 131 |
| Outstanding proceeds from disposal of oncology portfolio in USA | **78** | – |
| Other | **51** | 50 |
| | **740** | 1 168 |
| **Split of balance** | | |
| Financial instruments | **402** | 728 |
| Non-financial instruments | **338** | 440 |
| | **740** | 1 168 |

[1] *All balances are stated at closing exchange rates.*

## 7. OTHER NON-CURRENT AND CURRENT RECEIVABLES continued

### Employee benefits – reimbursive rights

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

### Prepayments made to API supplier

The export advance was made to a supplier of active pharmaceutical ingredients and was to be settled through the provision of a certain level of inventory annually over the course of a 10-year supply agreement in previous financial years. In the prior year a new extended contract was signed which resulted in the amount being reclassified from a loan receivable (IFRS 9) to prepayments. The prepayment will be realised over the period of the renegotiated supply based upon future volumes supplied. In the current year, R75 million was realised.

### Enterprise development loans

Various agreements have been entered into with several BBBEE beneficiaries whereby loan funding has been advanced by Aspen. These loans have various terms ranging from three to five years and all the loans will be repaid at the end of their respective terms. The loans bear interest at the South African prime rate plus margins ranging from minus 2% to plus 1% (2021: South African prime rate plus margins ranging from minus 2% to plus 1%).

All the loans are secured by either immovable property, specified movable assets or cession of specified book debts. In the current year an assessment was performed on these loans and the Group recognised no impairment (2021: nil) against these Enterprise development loans.

### Outstanding proceeds from the disposal of Japanese Business

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

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Uninterrupted supply milestone payment | **253** | 445 |
| Non-current | **–** | 195 |
| Current | **253** | 250 |
| New business development milestone | **–** | 75 |
| Current | **–** | 75 |
| | **253** | 520 |

### Uninterrupted supply milestone payment

As part of the disposal of the Japanese business in 2020 Aspen Global entered into a manufacturing and supply agreement with Sandoz for a period of five years, with a further two-year extension option. Aspen were entitled to a total milestone receipt of EUR 50 million over three calendar years (the first year ended December 2020) based upon meeting contractual stock supply service levels in each contract year. Based on the expected performance Aspen had included 100% of the first two milestones and conservatively 80% of the third milestone in the statement of financial position at 30 June 2021. The first two milestone payments were received (2022: EUR15 million and 2021: EUR 20 million). Management reassessed the probability of the third milestone payment in 2022 and revised the probability from 80% to 100% based on expected performance. The additional EUR3 million was recorded in the statement of profit and loss. The discount rate used in present valuing the supply milestone receipt was 2,2%.

# Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2022

## 7. OTHER NON-CURRENT AND CURRENT RECEIVABLES continued

| | 2022 EUR'million | 2021 EUR'million |
|---|---|---|
| **Repayment profile** | | |
| Year ended 30 June 2022 (100% probability) | – | 15 |
| Year ending 30 June 2023 (100% probability (2021: 80% probability) | 15 | 12 |
| | 15 | 27 |

### Outstanding proceeds from the disposal of the European Thrombosis assets

In the prior year the Group concluded an agreement to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). As part of the disposal of the European Thrombosis assets, Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business. All outstanding balances in the prior year were recovered in the current financial year.

| | R'million | R'million |
|---|---|---|
| **Working capital** | – | 83 |
| As part of the disposal of the European business, inventories with a value of R396 million (EUR26 million) were sold to Mylan. At 30 June 2021 R83 million (EUR5 million) was outstanding and received in the current financial year. | | |
| **French consideration** | – | 48 |
| As part of the disposal of the European business, Mylan acquired the distribution rights for the French Commercial Thrombosis business to the value of R48 million (EUR3 million), which was received in the current financial year. | | |
| | – | 131 |

### Outstanding proceeds from disposal of the Oncology portfolio in USA

Aspen has disposed its US oncology portfolio to Woodward in April 2022. The deferred consideration is USD5 million of which USD2,25 million is receivable in April 2023 and USD2,75 million receivable in April 2024.

### Exposure to credit risk

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

## 8. INVENTORIES

### Accounting policy

**Recognition and measurement**

The Group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Cost is determined on the first-in-first-out basis. Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Inventories are subsequently measured at the lower of cost and net realisable value. The carrying values of finished goods and work-in-progress include raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

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

### Significant judgements and estimates

**Estimation of provision for obsolete stock**

Management is required to exercise significant judgement in estimating the provision for obsolete stock. Such judgement takes into account the following:
- change in technology;
- regulatory requirements; and
- stock nearing expiry dates.

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Raw materials | **4 849** | 3 279 |
| Work-in-progress | **3 844** | 4 298 |
| Finished goods | **6 483** | 5 311 |
| Consumables | **587** | 521 |
| | **15 763** | 13 409 |
| **Impairment** | | |
| **The impairment charge (included in cost of sales) is made up as follows** | | |
| Write-down of inventories recognised as an expense[1] | **511** | 702 |
| Movement in the provision for impairment | **(173)** | (368) |
| | **338** | 334 |
| **Reconciliation of provision for impairment** | | |
| Balance at the beginning of the year | **1 183** | 996 |
| Movement in the provision for impairment | **(173)** | (368) |
| Raised during the year | **1 199** | 983 |
| Utilised during the year | **(1 053)** | (984) |
| Europe Thrombosis assets disposal – transactions-related NRV adjustments released | **(319)** | (367) |
| Europe Thrombosis assets disposal – transactions-related NRV adjustments | **–** | 708 |
| Currency translation movements | **(64)** | (153) |
| | **946** | 1 183 |

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

### Other disclosures

Inventories to the value of R3,0 billion (2021: R2,8 billion) have been pledged as security for the ten year interest free loan from MSD. Refer to note 16.1.

All inventories are at cost, except for Chemical stock of R184 million (2021: R231 million) and Bio-chemical stock of nil (2021: R509 million) which were carried at net realisable value.

## 9. RECEIVABLES AND OTHER CURRENT ASSETS

### Accounting policy

#### Recognition and measurement

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

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

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

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

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

This provision is recognised through the use of an allowance account for losses. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income within selling and distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for losses.

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

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

#### Derivative financial instruments

*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at a fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when the fair value is negative.

## 9. RECEIVABLES AND OTHER CURRENT ASSETS continued

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **Split of balance** | | | |
| Trade and other receivables | 9.1 | **11 559** | 9 775 |
| Derivatives | 9.2 | **–** | 16 |
| Other current receivables | 7 | **389** | 546 |
| | | **11 948** | 10 337 |

### 9.1 Trade and other receivables

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Trade receivables | **8 502** | 7 913 |
| Allowance for credit losses | **(259)** | (215) |
| Net trade receivables | **8 243** | 7 698 |
| Indirect taxes | **2 000** | 1 084 |
| Prepayments | **336** | 235 |
| Other | **980** | 758 |
| | **11 559** | 9 775 |
| **Split of balance** | | |
| Financial assets | **8 672** | 8 037 |
| Non-financial assets | **2 887** | 1 738 |
| | **11 559** | 9 775 |
| **Reconciliation of trade receivables** | | |
| Carrying amount at the beginning of the year | **7 913** | 9 280 |
| Acquisition of subsidiaries | **25** | 22 |
| Cash movements | **226** | (378) |
| Continuing operations | **226** | 8 |
| Discontinued operations[1] | **–** | (386) |
| Bad debts written off | **(3)** | (5) |
| Currency translation movements | **341** | (1 006) |
| | **8 502** | 7 913 |
| **Impairment** | | |
| **The impairment charge is made up as follows** | | |
| Bad debts written-off | **3** | 5 |
| Movement in the allowance for credit losses | **27** | 13 |
| | **30** | 18 |
| **Reconciliation of allowance for credit losses[2]** | | |
| Balance at the beginning of the year | **215** | 228 |
| Movement in the allowance for credit losses | **27** | 13 |
| Raised during the year | **101** | 69 |
| Utilised during the year | **(74)** | (56) |
| Currency translation movements | **17** | (26) |
| | **259** | 215 |

[1] *Prior year discontinued operations – relates to the collection of trade receivables of the European Thrombosis business which did not form part of the asset disposal transaction.*
[2] *The allowance for credit losses includes specific and general credit loss provisions.*

## 9. RECEIVABLES AND OTHER CURRENT ASSETS continued

### 9.1 Trade and other receivables continued

### Other disclosures

**Credit risk**

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations on the financial condition of customers are performed and where appropriate credit guarantee insurance cover is purchased. Balances to the value of R1 063 million (2021: R1 030 million) were covered by credit guarantee insurance. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for indicators of impairment. One debtors balance (2021: one) constitutes a significant concentration of credit risk to an amount of R904 million (2021: R807 million). This balance constitutes 11% (2021: 10%) of the total gross trade receivables, which relates to a customer with a longstanding relationship with the Group and there have been no defaults on payments. There are no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2022 and 2021.

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

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

### Impairment risk profile

The pharmaceutical business as a sector has a low trade receivables impairment risk profile as medicines are essential for ensuring the health of patients and non-payment of debts owing (and subsequent postponement of future medicine supply) would endanger the health and safety of patients and damage the reputation of both private and public sector customers.

Over its history, Aspen has reported a very low incidence of trade receivables impairments and consequently from an operational risk management perspective do not rate this as a high-risk area. The expected credit loss risk only proportionately increases after the 90 days past due period.

**Age analysis of trade receivables (financial instruments only)**

| 2022 | Fully performing R'million | Past due by 1 to 30 days R'million | Past due by 31 to 90 days R'million | Past due by 91 to 180 days R'million | Past due by more than 180 days R'million | Total R'million |
|---|---|---|---|---|---|---|
| Gross trade receivables | **7 010** | **762** | **225** | **258** | **247** | **8 502** |
| Specific provisions – 100% considered unrecoverable[1] | **(6)** | **–** | **(1)** | **(11)** | **(52)** | **(70)** |
| Gross trade receivables net of specific provision | **7 004** | **762** | **224** | **247** | **195** | **8 432** |
| General credit loss provision[2] | **(40)** | **(17)** | **(13)** | **(18)** | **(101)** | **(189)** |
| Net carrying amount | **6 964** | **745** | **211** | **229** | **94** | **8 243** |

| 2021 | Fully performing R'million | Past due by 1 to 30 days R'million | Past due by 31 to 90 days R'million | Past due by 91 to 180 days R'million | Past due by more than 180 days R'million | Total R'million |
|---|---|---|---|---|---|---|
| Gross trade receivables | 6 581 | 583 | 415 | 140 | 194 | 7 913 |
| Specific provisions – 100% considered unrecoverable[1] | (2) | (1) | (5) | (7) | (26) | (41) |
| Gross trade receivables net of specific provision | 6 579 | 582 | 410 | 133 | 168 | 7 872 |
| General credit loss provision[2] | (26) | (13) | (16) | (41) | (78) | (174) |
| Net carrying amount | 6 553 | 569 | 394 | 92 | 90 | 7 698 |

[1] *Specific provisions are raised when there is objective evidence that the amount outstanding will no longer be received in full.*

[2] *The general credit loss provision is calculated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions. The significant changes in trade and other receivables are disclosed above and credit risk exposure is disclosed further below. The expected credit loss provision is 3% (2021: 3%) of gross trade receivables.*

## 9. RECEIVABLES AND OTHER CURRENT ASSETS continued

### 9.1 Trade and other receivables continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a life time expected loss allowance for all trade receivables. To measure the expected credit losses, this is based on days past due for groupings of various customer segments that have similar loss patterns i.e. by geography, customer type and rating and credit insurance. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles over a period of 3 years before 30 June 2021 or 30 June 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomics factors affecting the ability of the customers to settle the receivables.

Management's assessment of the allowance account for losses has resulted in a marginal increase in the expected credit loss provision. The Group has made appropriate adjustments to the historical loss rates to reflect the current economic environment as well as forward looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the customer's liquidity and solvency status, the ongoing trading ability of the customers to which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected change in these factors. The impact of forward looking information has been taken into account to determine the expected credit loss provision in the current year of R259 million (2021: R215 million).

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| **Currency analysis of trade and other receivables (financial instruments only)** | | |
| Euro | **2 529** | 2 499 |
| US Dollar | **1 541** | 1 393 |
| South African Rand | **1 521** | 1 683 |
| Australian Dollar | **746** | 647 |
| Chinese Yuan Renminbi | **684** | 276 |
| New Zealand Dollar | **216** | 229 |
| Mexican Peso | **206** | 119 |
| Brazilian Real | **200** | 172 |
| British Pound Sterling | **128** | 139 |
| Russian Ruble | **50** | 96 |
| Other currencies | **851** | 784 |
| | **8 672** | 8 037 |

#### General

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

Trade and other receivables are predominantly non-interest bearing.

## 9. RECEIVABLES AND OTHER CURRENT ASSETS continued

### 9.2 Derivative financial instruments – asset

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **16** | 17 |
| Fair value gains recognised in the statement of profit or loss | **138** | 108 |
| Cash received under derivative contract | **(229)** | – |
| Transfer from/(to) liabilities | **8** | (112) |
| Currency translation movements | **67** | 3 |
| | **–** | 16 |
| **Split of balance** | | |
| Forward exchange contracts | **–** | 7 |
| Interest rate swaps | **–** | 9 |
| | **–** | 16 |

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

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

The forward exchange contracts and interest rate swaps were classified as "level 2" assets in the fair value measurement hierarchy. None of the financial assets were transferred out of level 2. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying index.

## 10. CASH AND CASH EQUIVALENTS

### Accounting policy

#### Recognition and measurement

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

#### Financial instruments

Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 15.

## 10. CASH AND CASH EQUIVALENTS continued

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Bank balances | **5 802** | 7 964 |
| Short-term bank deposits | **318** | 430 |
| Cash-on-hand | **63** | 152 |
| | **6 183** | 8 546 |
| **Other disclosures** | | |
| **Credit risk** | | |
| Treasury counterparties consist of a diversified group of financial institutions. Cash balances are placed with different financial institutions to minimise risk. The Group does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. At 30 June 2022, more than 90% (2021: 88%) of the Group's cash and cash equivalent balances were held with institutions with an international credit rating of BB or better. | | |
| **Currency analysis of cash and cash equivalents** | | |
| South African Rand | **1 280** | 2 624 |
| Euro | **961** | 1 793 |
| US Dollar | **786** | 1 304 |
| Chinese Yuan Renminbi | **697** | 548 |
| Australian Dollar | **639** | 499 |
| Brazilian Real | **565** | 303 |
| Russian Ruble | **234** | 113 |
| Canadian Dollar | **212** | 222 |
| Mexican Peso | **164** | 198 |
| British Pound Sterling | **44** | 141 |
| Other currencies | **601** | 801 |
| | **6 183** | 8 546 |

### General

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

The average effective interest rate on interest bearing cash and cash equivalents is 4,6% (2021: 3,4%).

## 11. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

### Accounting policy

#### Recognition and measurement

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

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

A disposal group qualifies as discontinued operation if it 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 coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

## 11. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE continued

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Balance at the beginning of the year | **11** | – |
| Disposals | **(494)** | (12 274) |
| South African portfolio to Acino | **(483)** | – |
| European Thrombosis assets | **(11)** | (12 274) |
| Reclassification from various asset classes | **483** | 12 285 |
| | **–** | 11 |
| **Split of balance** | | |
| Assets classified as held-for-sale | **–** | 62 |
| Liabilities classified as held-for-sale | **–** | (51) |
| | **–** | 11 |

### Current year

**South African portfolio to Acino**

In October 2021, Pharmacare Limited, a wholly owned subsidiary of the Company, concluded an agreement with Acino Pharma AG ("Acino") (a company incorporated in Switzerland), in terms whereof Acino acquired a product portfolio of six South African products from Pharmacare Limited, for a consideration of R1,8 billion, plus the cost of the related inventory. This divestment transaction was completed on 1 March 2022.

### Prior year

**European Thrombosis assets**

In the prior year, the Group concluded an agreement to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan. As part of the disposal, Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business. The total purchase consideration (inclusive of inventory) was EUR680 million (R12 497 million) of which an amount of R12 351 million was received in the prior year and R146 million was received in current financial year.

The discontinued European business comprises the European Thrombosis assets divested to Mylan until the date of disposal being 27 November 2020, the costs relating to its disposal, related Thrombosis product discontinuations and other product divestments. The results of the discontinued European business and the residual costs related to prior period disposals have been classified as discontinued operations in terms of *IFRS 5 – Non-current Assets Held-for-sale and Discontinued Operations*. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

## 12. SHARE CAPITAL (NET OF TREASURY SHARES)

### Accounting policy

**Share capital**

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

**Treasury shares**

Shares in the Company held by Group subsidiaries and unvested restricted shares held for employee participants in the Group's share plan are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity. Dividends received on treasury shares are eliminated on consolidation except to the extent that they are paid to participants in the share plan.

When treasury shares held for participants in the share plan vest in such participants, the shares will no longer be classified as treasury shares, their cost will no longer be deducted from equity.

| | | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|---|
| **Split of balance** | | | | |
| Share capital | | 12.1 | **2 017** | 2 089 |
| Treasury shares | | 12.2 | **(233)** | (214) |
| | | | **1 784** | 1 875 |
| 12.1 | **Share capital** | | | |
| | **Authorised** | | | |
| | 717 600 000 (2021: 717 600 000) ordinary shares of no par value | | **–** | – |
| | **Issued** | | | |
| | 446 252 332 (2021: 456 451 541) ordinary shares of no par value | | **2 017** | 2 089 |
| | **Reconciliation of shares** | | **Million** | Million |
| | Shares in issue at the beginning of the year | | **456,5** | 456,5 |
| | Shares bought back, and subsequently cancelled[1] | | **(10,2)** | – |
| | | | **446,3** | 456,5 |
| | The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting. | | | |
| | All shares are fully paid up, and no shares were issued during the year. | | | |
| 12.2 | **Treasury shares** | | **R'million** | R'million |
| | **Treasury shares held** | | | |
| | 1 306 358 (2021: 1 286 675) ordinary shares of no par value | | **233** | 214 |
| | **Reconciliation of balance** | | | |
| | At the beginning of the year | | **214** | 187 |
| | Shares purchased in respect of Share based compensation plans | | **57** | 50 |
| | Deferred incentive bonus shares exercised | | **(38)** | (23) |
| | | | **233** | 214 |
| | **Reconciliation of shares** | | **Million** | Million |
| | Number of shares at the beginning of the year | | **1,3** | 0,9 |
| | Shares purchased in respect of Share based compensation plans | | **0,3** | 0,5 |
| | Deferred incentive bonus shares exercised | | **(0,3)** | (0,1) |
| | | | **1,3** | 1,3 |

[1] *In the current year 10,2 million (2021: nil) number of shares were bought back for an amount of R1,8 billion.*

## 13. NON-CONTROLLING INTERESTS

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | – | 2 |
| Acquisition of non-controlling interests in subsidiary | – | (2) |
| | – | – |

## 14. SHARE-BASED COMPENSATION RESERVE

### Accounting policy

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

Deferred incentive bonuses and phantom shares are granted to management and key employees. The South African Management Deferred Incentive Bonus Scheme  is a compound financial instrument with both an equity and cash-settled portion. There are two cash settled schemes, Aspen International Phantom Share Scheme and Aspen South African Phantom Share 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.

**Equity-settled schemes**

The equity-settled scheme allows certain employees the 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 shares, based on management's estimate of the shares that will vest and adjusted for the effect of non-market vesting conditions. The equity portion of the deferred incentive bonus is not subsequently revalued.

**Cash-settled schemes**

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

**Compound financial instrument share scheme**

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

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

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

## 14. SHARE-BASED COMPENSATION RESERVE continued

### Summary of schemes

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

*The Aspen South African Management Deferred Incentive Bonus Scheme*

| | Long-term component of the scheme (formerly referred to as Medium-term) | Long-term deferred retention component of the scheme |
|---|---|---|
| **Nature and strategic intent of the scheme** | The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. While it has the same performance measures as the annual cash incentive for the first layer, it introduces a retention element through the three-year deferral to ensure that critical executive and professional skills are retained and a new second layer which is forfeitable has been introduced to ensure there is congruence between the interests of executive and managerial employees and shareholders. | The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives. |
| **Determination of value of awards** | The award value varies according to the level of seniority of the executive or manager and for the first layer, is determined according to the achievement of the same performance targets, which apply to the annual cash incentive. For the second layer (referred to as "conditional"), a new set of Group Key Performance Indicators have been determined and each of these are separately measured. Conditional long term incentive ("LTI") awards vest conditionally on maintenance of performance level over the three-year vesting period and subject to adjustment if not maintained.<br><br>The maximum award does not exceed 53% of the total remuneration cost in any instance, except for the Group Chief Executive's awards which is capped at a maximum of 82,5% of the total remuneration cost.<br><br>The cash election option available to participants of the scheme has been removed, with the additional 10% enhancement previously applicable for the election of shares rather than cash factored into the first layer of the LTI award, which vest after a period of three years. | The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and at the discretion of the Committee. |
| **Vesting** | Share awards are acquired and held by the Aspen Share Incentive Trust (in respect of awards made up until 2015) and an unrelated intermediary (in respect of awards made from 2016 onwards) to enable Aspen to settle its future obligation to participating employees upon vesting. No shares are issued in terms of this scheme and it has no dilutive effect.<br><br>Awards for the first layer, vest after a period of three years and are paid out in cash to the employee by the Aspen business employing him or her.<br><br>Conditional LTI awards vest conditionally on maintenance of performance level over the three-year vesting period and are subject to adjustment if not maintained. 50% of conditional LTI shares that vest will only be released for trade in year four (25%) and year five (25%), introducing an extended minimum shareholding period.<br><br>Should the employee retire within the three-year period, the vesting of the awards will be accelerated to the date of retirement.<br><br>Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards. | These awards vest after a period of five, seven, or 10 years, and may only be settled in shares. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the five, seven or 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration. |

# Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2022

**14. SHARE-BASED COMPENSATION RESERVE** continued

*The Aspen International Phantom Share Scheme*

| | Long-term component of the scheme | Long-term component of the scheme (other) |
|---|---|---|
| **Nature and strategic intent of the scheme** | In order to incentivise the management of Aspen's non-South African businesses in the long term, a phantom share scheme exists for selected employees.<br><br>The scheme has been designed to incentivise managers for the long term, align their goals with those of the Aspen Group and to match their reward to movements in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit. | The Aspen International Phantom Share Scheme is aimed at ensuring the retention of a limited number of key offshore senior executives. |
| **Determination of value of awards** | Awards are linked to performance of the employee, the business and growth in the Aspen share price.<br><br>The value of awards that can be awarded annually in terms of this component of the scheme is capped, with this cap varying according to the level of seniority of the executive or manager and territory of employment. | The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and are determined at the discretion of the Committee. |
| **Vesting** | The phantom shares entitle eligible employees to receive a cash amount which is linked to the Aspen share price.<br><br>Awards for the first layer, vest after a period of three years and are paid out in cash to the employee by the Aspen business employing him or her. The second layer is conditional and vest conditionally on maintenance of performance level over the three-year vesting period and are subject to adjustment if not maintained.<br><br>50% of conditional LTI phantom shares that vest will only be paid out in cash to the employee in year four (25%) and year five (25%), introducing an extended minimum shareholding period.<br><br>Should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement.<br><br>Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards. | These awards vest after a period of five, seven or ten years, and are settled in cash. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the five-, seven, or ten-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration. |

## 14. SHARE-BASED COMPENSATION RESERVE continued

*Aspen SA Phantom Share Scheme*

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

### Reconciliation of schemes

*Aspen South African Management Deferred Incentive Bonus Scheme*

| | | | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Award price (R) | Expiry Date | Shares outstanding on 30 June 2021 '000[1] | Awarded during the year '000[2] | Total Dividends reinvested[4] '000 | Released during the year '000 | Lapsed/cancelled during the year '000[3] | **Shares outstanding on 30 June 2022 '000[1]** | **Fair value at award date (R)** | **Share price at award date (R)** |
| 164,96 | Oct 2021 | 153 | – | 1 | (147) | (7) | **–** | **256,77** | **174,64** |
| 105,11 | Oct 2022 | 198 | – | 2 | (33) | (12) | **155** | **104,65** | **90,04** |
| 108,98 | Oct 2023 | 454 | – | 5 | (70) | (35) | **354** | **143,51** | **119,46** |
| 106,74 | May 2024 | 134 | – | 1 | – | – | **135** | **105,11** | **106,74** |
| 194,44 | Oct 2024 | – | 276 | – | (17) | (5) | **254** | **162,09** | **270,49** |
| 326,70 | May 2026 | 214 | – | – | – | – | **214** | **365,00** | **317,50** |
| 106,74 | May 2026 | 134 | – | 1 | – | – | **135** | **105,11** | **106,74** |
| | | 1 287 | 276 | 10 | (267) | (59) | **1 247** | | |

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

[1] *The total number of shares were not vested at 30 June 2022 and 30 June 2021.*
[2] *During the year the Group bought 0,3 million shares (2021: 0,5 million shares) that will be held in the respective Aspen Group employee company until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.*
[3] *Lapsed or cancelled shares are re-allocated to future grants.*
[4] *Share equivalent of dividend value accrued to employees due to dividend that was declared during the year.*

**14. SHARE-BASED COMPENSATION RESERVE** continued

*Aspen South African Management Deferred Incentive Bonus Scheme* continued

| Award price (R) | Expiry Date | Shares out-standing on 30 June 2020 '000[1] | Awarded during the year '000[2] | Released during the year '000 | Lapsed/ cancelled during the year '000[3] | Shares out-standing on 30 June 2021 '000[1] | Fair value at award date (R) | Share price at award date (R) |
|---|---|---|---|---|---|---|---|---|
| | | 2021 | | | | | | |
| 305,18 | Oct 2020 | 97 | – | (94) | (3) | – | 297,84 | 319,45 |
| 164,96 | Oct 2021 | 153 | – | – | – | 153 | 256,77 | 174,64 |
| 105,11 | Oct 2022 | 198 | – | – | – | 198 | 104,65 | 90,04 |
| 108,98 | Oct 2023 | – | 454 | – | – | 454 | 143,51 | 119,46 |
| 106,74 | May 2024 | 134 | – | – | – | 134 | 105,11 | 106,74 |
| 326,70 | May 2026 | 214 | – | – | – | 214 | 365,00 | 317,50 |
| 106,74 | May 2026 | 134 | – | – | – | 134 | 105,11 | 106,74 |
| | | 930 | 454 | (94) | (3) | 1 287 | | |

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

[1] The total number of shares were not vested at 30 June 2021 and 30 June 2020.
[2] During the year the Group bought 0,3 million shares (2021: 0,5 million shares) that will be held in the respective Aspen Group employee company until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.
[3] Lapsed or cancelled shares are re-allocated to future grants.

*Aspen International Phantom Share Scheme*

| Award price (R) | Expiry Date | Shares outstanding on 30 June 2021 '000[1] | Awarded during the year '000 | Total dividends reinvested[2] '000 | Exercised during the year '000 | Lapsed/ cancelled during the year '000 | **Shares outstanding on 30 June 2022 '000[1]** |
|---|---|---|---|---|---|---|---|
| | | **2022** | | | | | |
| 160,18 | Oct 2021 | 176 | – | – | (164) | (12) | **–** |
| 83,41 | Oct 2022 | 334 | – | – | – | (31) | **303** |
| 138,29 | Oct 2023 | 276 | – | – | (1) | (18) | **257** |
| 106,74 | May 2024 | 67 | – | 1 | – | – | **68** |
| 192,63 | Oct 2024 | – | 195 | – | – | (12) | **183** |
| 326,70 | May 2026 | 48 | – | – | – | – | **48** |
| 106,74 | May 2026 | 67 | – | 1 | – | – | **68** |
| | | 968 | 195 | 2 | (165) | (73) | **927** |

[1] The total number of shares were not vested at 30 June 2022 or 30 June 2021.
[2] Share equivalent of dividend value accrued to employee due to dividend that was declared during the year.

## 14. SHARE-BASED COMPENSATION RESERVE continued

*Aspen International Phantom Share Scheme continued*

2021

| Award price (R) | Expiry Date | Shares outstanding on 30 June 2020 '000[1] | Awarded during the year '000 | Exercised during the year '000 | Lapsed/ cancelled during the year '000 | Shares outstanding on 30 June 2021 '000[1] |
|---|---|---|---|---|---|---|
| 286,55 | Oct 2020 | 91 | – | (90) | (1) | – |
| 160,18 | Oct 2021 | 204 | – | (20) | (8) | 176 |
| 83,41 | Oct 2022 | 375 | – | (24) | (17) | 334 |
| 138,29 | Oct 2023 | – | 305 | (18) | (11) | 276 |
| 106,74 | May 2024 | 67 | – | – | – | 67 |
| 326,70 | May 2026 | 48 | – | – | – | 48 |
| 106,74 | May 2026 | 67 | – | – | – | 67 |
| | | 852 | 305 | (152) | (37) | 968 |

[1] *The total number of shares were not vested at 30 June 2021 or 30 June 2020.*

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R139.04 (2021: R162.09).

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R99 million (2021: R91 million).

*Aspen South African Phantom Share Scheme*

**2022**

| Award price (R) | Expiry Date | Shares outstanding on 30 June 2021 '000[2] | Exercised during the year '000 | **Shares outstanding on 30 June 2022 '000[2]** |
|---|---|---|---|---|
| 112,67 | Oct 2021 | 20 | (20) | **–** |
| 131,00 | Oct 2021 | 15 | (15) | **–** |
| 112,67 | Oct 2022 | 20 | – | **20** |
| 131,00 | Oct 2022 | 16 | – | **16** |
| | | 71 | (35) | **36** |

[2] *The total number of shares were not vested at 30 June 2022 or 30 June 2021.*

2021

| Award price (R) | Expiry Date | Shares outstanding on 30 June 2020 '000[3] | Exercised during the year '000 | Lapsed/ cancelled during the year '000 | Shares outstanding on 30 June 2021 '000[3] |
|---|---|---|---|---|---|
| 131,00 | Oct 2020 | 13 | (13) | – | – |
| 112,67 | Oct 2021 | 30 | – | (10) | 20 |
| 131,00 | Oct 2021 | 15 | – | – | 15 |
| 112,67 | Oct 2022 | 31 | – | (11) | 20 |
| 131,00 | Oct 2022 | 16 | – | – | 16 |
| | | 105 | (13) | (21) | 71 |

[3] *The total number of shares were not vested at 30 June 2021 or 30 June 2020.*

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R139.04 (2021: R162.09).

The liability included in trade and other payables on the statement of financial position relating to the Aspen South African Phantom Share Scheme is R4 million (2021: R5 million).

## 15. BORROWINGS

### Accounting policy

#### Recognition and measurement

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

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

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

#### Financial liabilities at amortised cost

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

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

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

#### Lease liabilities

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

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In addition, the carrying amount of lease liabilities is remeasured if there is modification, a change in the lease term, when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

## 15. BORROWINGS continued

### Currency analysis and maturity profile of total borrowings

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Less than 1 year R'million | Between 1 – 5 years R'million | Total R'million | Less than 1 year R'million | Between 1 – 5 years R'million | Total R'million |
| **Lease liabilities** | | | | | | |
| Various currencies | **124** | **221** | **345** | 165 | 266 | 431 |
| | **124** | **221** | **345** | 165 | 266 | 431 |
| **Bank overdrafts** | | | | | | |
| Rand | **1 212** | **–** | **1 212** | 2 591 | – | 2 591 |
| | **1 212** | **–** | **1 212** | 2 591 | – | 2 591 |
| **Unsecured loans** | | | | | | |
| 1) Euro syndicated term and revolving loans | **4 322** | **10 256** | **14 578** | 10 987 | – | 10 987 |
| Euro – capital raising fees | **(20)** | **(95)** | **(115)** | – | – | – |
| 2) Australian Dollar syndicated revolving loan | **2 537** | **–** | **2 537** | 2 574 | – | 2 574 |
| Australian Dollar – capital raising fees | **–** | **–** | **–** | (3) | – | (3) |
| 3) Rand syndicated term and revolving loans | **1 500** | **–** | **1 500** | 5 600 | – | 5 600 |
| 4) Rand – other | **1 467** | **200** | **1 667** | 1 775 | – | 1 775 |
| Rand – capital raising fees | **–** | **–** | **–** | (7) | – | (7) |
| 5) Euro – other | **513** | **–** | **513** | 958 | – | 958 |
| Euro – capital raising fees | **–** | **–** | **–** | (34) | – | (34) |
| Other | **10** | **–** | **10** | – | – | – |
| | **10 329** | **10 361** | **20 690** | 21 850 | – | 21 850 |
| **Total borrowings** | **11 665** | **10 582** | **22 247** | 24 606 | 266 | 24 872 |

### 1) Euro syndicated term and revolving loans

*Repayment profile at June 2022*

| The loan comprises | Amount EUR'million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| **Facility C loan (extended)** | **212** | **May 2018** | **Five years repayable June 2023** | **EURIBOR + margin of 1,60%** |
| **Facility C loan (non – extended)** | **41** | **May 2018** | **Four years repayable July 2022** | **EURIBOR + margin of 1,60%** |
| **IFC** | **600** | **September 2021** | **Seven years repayable in 10 equal semi-annual instalments commencing on 15 March 2024 and concluding on 15 September 2028** | **0% fixed rate + margin of 1,60%** |

[1] *Margin quoted for Facility C loan includes utilisation fees of 0,20%. Utilisation fees are not applicable for the International Finance Corporation ("IFC") Loan. To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the Leverage Ratio) increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a Leverage Ratio of less than 2.00. To the extent that EURIBOR is negative, EURIBOR is set at nil.*

**15. BORROWINGS** continued

**1) Euro syndicated term and revolving loans** continued

*Repayment profile at June 2021*

| The loan comprises | Amount EUR'million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| Facility B loan | 300 | May 2018 | Four years repayable July 2022 | EURIBOR + margin of 1,75% |
| Facility C loan | 348 | May 2018 | Four years repayable July 2022 | EURIBOR + margin of 1,60% |

**2) Australian Dollar syndicated revolving loan**

*Repayment profile at June 2022*

| The loan comprises | Amount AUD' million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| **Facility G loan** | **225** | **May 2018** | **Five years repayable June 2023** | **BBSY + margin of 1,50%** |

*Repayment profile at June 2021*

| The loan comprises | Amount AUD' million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| Facility G loan | 240 | May 2018 | Four years repayable July 2022 | BBSY + margin of 1,50% |

**3) Rand syndicated term and revolving loans**

*Repayment profile at June 2022*

| The loan comprises | Amount R'million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| **Facility D loan** | **1 300** | **May 2018** | **Five years repayable June 2023** | **JIBAR + margin of 1,45%** |
| **Facility E loan** | **200** | **May 2018** | **Five years repayable June 2023** | **JIBAR + margin of 1,50%** |

*Repayment profile at June 2021*

| The loan comprises | Amount R'million | Date obtained | Term | Interest terms[1] |
|---|---|---|---|---|
| Facility D loan | 4 800 | May 2018 | Four years repayable July 2022 | JIBAR + margin of 1,45% |
| Facility E loan | 800 | May 2018 | Four years repayable July 2022 | JIBAR + margin of 1,50% |

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

## 15. BORROWINGS continued

### 4) Rand – other

*Repayment profile at June 2022*

| The loan comprises | Amount R'million | Term | Interest terms |
|---|---|---|---|
| **Various short-term loans** | **167** | **On demand** | **Ranging between 5,00% and 6,10%** |
| **Various short-term loans** | **150** | **Less than three months** | **JIBAR + margin ranging between 0,85% and 1,10%** |
| **Various short-term loans** | **900** | **Less than three months** | **Ranging between 6,00% and 6,35%** |
| **Various short-term loans** | **450** | **Ranging between six months and three years** | **JIBAR + margin ranging between 1,40% and 1,82%** |

*Repayment profile at June 2021*

| The loan comprises | Amount R'million | Term | Interest terms |
|---|---|---|---|
| Various short-term loans | 475 | On demand | Ranging between 4,75% and 5,25% |
| Various short-term loans | 950 | Less than three months | JIBAR + margin ranging between 1,10% and 1,82% |
| Various short-term loans | 200 | Ranging between three and six months | JIBAR + margin of 1,60% |
| Various short-term loans | 150 | Ranging between six months and 12 months | JIBAR + margin of 1,40% |

### 5) Euro – other

*Repayment profile at June 2022*

| The loan comprises | Amount EUR'million | Term | Interest terms |
|---|---|---|---|
| **Various short-term loans** | **30** | **Less than three months** | **EURIBOR + margin of between 1,05% and 1,40%** |

*Repayment profile at June 2021*

| The loan comprises | Amount EUR'million | Term | Interest terms |
|---|---|---|---|
| Various short-term loans | 57 | Less than three months | EURIBOR + margin of between 1,05% and 1,45% |

## 15. BORROWINGS continued

### Interest rate profile of total borrowings

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Total R'million** | **Interest rate %** | **Average effective interest rate %** | Total R'million | Interest rate % | Average effective interest rate % |
| **Bank overdrafts – floating rate (linked to South African prime overdraft rate)** | **1 212** | **Rates ranging between prime and prime less 3,0** | **4,4** | 2 591 | Rates ranging between prime and prime less 3,0 | 4,0 |
| **Unsecured loans – floating rate** | **21 035** | | | 22 281 | | |
| Linked to BBSY | **2 537** | **+ margin of 1,5** | **2,1** | 2 574 | + margin of 1,50 | 1,6 |
| Linked to JIBAR | **2 100** | **+ margin ranging between 0,85 and 1,82** | **6,3** | 6 900 | + margin ranging between 1,1 and 1,82 | 5,1 |
| Linked to overnight call rate | **1 067** | **Overnight call rates ranging between 5,00 and 6,35** | **5,9** | 475 | Overnight call rates ranging between 4,75 and 5,25 | 5,1 |
| Linked to EURIBOR | **4 835** | **+ margin ranging between 1,05 and 1,60** | **1,6** | 11 945 | + margin ranging between 1,05 and 1,75 | 1,6 |
| IFC loan fixed at 0% base rate | **10 256** | **+margin of 1,60** | **1,6** | – | – | – |
| Linked to other rates | **10** | **Various** | **–** | – | – | |
| Lease liabilities | **345** | **Various** | **–** | 431 | Various | – |
| Capital raising fees | **(115)** | **–** | **–** | (44) | – | – |
| **Total borrowings** | **22 247** | | | 24 872 | | |

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

| | 2022 | |
|---|---|---|
| | **All other syndicated facilities** | **IFC loan** |
| >3,00 but <3,50 | **+0,30%** | **+0,20%** |
| >2,50 but <3,00 | **+0,20%** | **+0,10%** |
| >2,00 but <2,50 | **+0,10%** | **+0,05%** |
| <2,00 | **0,00%** | **0,00%** |

### Definitions

JIBAR – Johannesburg Interbank Average Rate
BBSY – Bank Bill Swap Yield
EURIBOR – Euro Interbank Offered Rate

## 15. BORROWINGS continued

### Other disclosures

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Balance at the beginning of the year | 24 872 | 42 321 |
| Cash movements per the statement of cash flows | (3 002) | (14 483) |
| Repayment of borrowings | (15 661) | (30 077) |
| Repayment of lease liabilities | (170) | (189) |
| Proceeds from borrowings | 14 208 | 14 668 |
| (Decrease)/increase of bank overdrafts | (1 379) | 1 115 |
| Non cash movements | 377 | (2 966) |
| Capital raising fees (raised)/released | (69) | 47 |
| Lease liabilities capitalised | 138 | 101 |
| Lease liabilities terminated | (56) | – |
| Currency translation movement | 364 | (3 114) |
| | 22 247 | 24 872 |
| **Split of balance** | | |
| Non-current liabilities | 10 582 | 266 |
| Current liabilities | 11 665 | 24 606 |
| | 22 247 | 24 872 |
| **Currency analysis of lease liabilities** | | |
| Australian Dollar | 112 | 105 |
| Euro | 90 | 101 |
| Chinese Yuan Renminbi | 22 | 31 |
| Brazilian Real | 22 | 10 |
| Mexican Peso | 20 | 35 |
| South African Rand | 18 | 70 |
| Argentine Peso | 6 | 8 |
| British Pound Sterling | 6 | 2 |
| US Dollar | 4 | 7 |
| Other | 45 | 62 |
| | 345 | 431 |

The Group had the following undrawn borrowing facilities at year-end:
- South African Rand denominated facilities of R2 833 million (2021: R3 154 million);
- Euro denominated facilities of EUR529 million (2021: EUR710 million); and
- Australian Dollar denominated facilities of AUD95 million (2021: AUD80 million).

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

All debt facilities, including overdrafts across the Group are unsecured.

### Subsequent events

Refer to note 35 for further details of subsequent events affecting borrowings.

## 16. OTHER NON-CURRENT AND CURRENT LIABILITIES

### Accounting policy

**Recognition and measurement**

*Other non-current and current financial liabilities*

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

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

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

*Deferred revenue*

The Group recognises, as deferred revenue, contributions by third parties to the cost of specific capital expenditure projects. Deferred revenue is recognised at the fair value of the consideration received in advance. Upon completion of a relevant capital expenditure project the related deferred revenue is released to the statement of comprehensive income over the remaining term of the supply contract with the contributing third party. The amount expected to be realised within 12 months from year-end date is shown as current and the amounts expected to be realised 12 months after year-end date is shown as non-current on the statement of financial position.

*Environmental liabilities*

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

### Summary of balance

| | Note | **2022 R'million** | 2021 R'million |
|---|---|---|---|
| Other non-current financial liabilities | 16.1 | **3 473** | 3 672 |
| Deferred revenue | 16.2 | **10** | 51 |
| Environmental liabilities | | **9** | 9 |
| | | **3 492** | 3 732 |

## 16. OTHER NON-CURRENT AND CURRENT LIABILITIES continued

### 16.1 Other non-current and current financial liabilities

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Balance at the beginning of the year | 5 523 | 5 443 |
| Repayments | (1 827) | (563) |
| Disposal of Nutritionals business | (705) | – |
| Disposal of Japanese business | (164) | (214) |
| Conditional transaction related China set up costs | (334) | – |
| Disposal of European Thrombosis assets | (465) | (78) |
| Other | (159) | (271) |
| Additions | 228 | 1 127 |
| Disposal of Japanese business | 225 | – |
| Conditional transaction related China set up costs | – | 52 |
| Disposal of Nutritionals business | – | 87 |
| Disposal of European Thrombosis assets | – | 988 |
| Other | 3 | – |
| Notional interest | 203 | 233 |
| Reversal of Conditional transaction related China set up costs no longer payable | (36) | – |
| Reversal of deferred payable no longer payable - other | (15) | – |
| Other | (11) | (52) |
| Currency translation movements | 64 | (665) |
| | 4 129 | 5 523 |
| **Split of balance** | | |
| Non-current | 3 473 | 3 672 |
| Current | 656 | 1 851 |
| | 4 129 | 5 523 |
| **Summary of balance (non-current and current)**[1] | | |
| 10 year interest free loan | 2 993 | 2 795 |
| Disposal of Nutritionals business | – | 705 |
| Conditional transaction related China set up costs | – | 349 |
| Disposal of Japanese business | 626 | 550 |
| Disposal of European Thrombosis assets | 400 | 850 |
| Other | 110 | 274 |
| | 4 129 | 5 523 |

[1] *All balances are stated at closing rates.*

## 16. OTHER NON-CURRENT AND CURRENT LIABILITIES continued

### 16.1 Other non-current and current financial liabilities continued

#### 10 year interest free loan

As part of a historical business combination, Aspen acquired inventories to the value of R3 billion, a portion of which was funded by way of a 10 year, interest free loan from MSD. The discount rate used in valuing this loan was 8%. This loan was obtained in October 2013 and is repayable at the end of the 10 year period, being 30 September 2023.

In addition to inventories given as security for this loan (refer to note 8), the Group provided a further guarantee to the value of EUR190 million (R3 248 million) to MSD.

#### Conditional transaction related China set up costs

Transaction-related set up costs for China were conditional upon the achievement of defined performance-related milestones payable in December 2021. At 30 June 2021, an estimated liability of USD24 million was determined based on management's judgement relating to the expected achievement levels of the performance-related milestones. In the current year, a final payment of USD22 million was paid and the remaining balance of USD2 million was released to transaction costs in terms of the Group's accounting policy and definitions and has been excluded from normalised headline earnings.

## 16. OTHER NON-CURRENT AND CURRENT LIABILITIES continued

### 16.1 Other non-current and current financial liabilities continued

**Disposal of Nutritionals business**

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

*Performance warranty*

The performance warranty of NZD71 million at 30 June 2021 was based on the expected profit performance of the disposed portfolio in Asia over 3 years. This was included in current liabilities at 30 June 2021. In the current year, the final settlement value of NZD71 million was paid.

*Reconciliation of balance*

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **705** | 619 |
| Repayment | **(705)** | – |
| Disposal of Nutritionals business-deferred conditional contractual payment obligations | **–** | 86 |
| Foreign currency losses | **–** | 24 |
| Increase in warranty provision | **–** | 62 |
| | **–** | 705 |

**Disposal of Japanese business**

As part of the disposal of the Japanese business in the 2020 financial year, Aspen Global entered into a manufacturing and supply agreement with Sandoz for a period of five years with a further two year extension option. Aspen Global have underwritten supply prices to Sandoz based upon achieving future expected cost savings. The unfavourable difference between the actual estimated future supply costs and the underwritten supply prices ("supply price rebate") have been calculated and amounts to a net present value obligation of EUR36 million (2021: EUR32 million) of which EUR10 million (2021: EUR12 million) was paid in the current year. An additional EUR13 million was raised in the current year due to delays in the project and inflationary increases. This increase was accounted for as transaction costs per the Group's accounting policy and definitions, and has been excluded from normalised headline earnings. The discount rate used was 2,2%.

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

| | **2022 EUR'million** | 2021 EUR'million |
|---|---|---|
| Within 1 year | **12** | 11 |
| Within 2 – 5 years | **24** | 18 |
| More than 5 years | **–** | 3 |
| | **36** | 32 |

## 16. OTHER NON-CURRENT AND CURRENT LIABILITIES continued

### 16.1 Other non-current and current financial liabilities continued

**Disposal of European Thrombosis assets**

In the prior year, the Group concluded an agreement to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business.

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Split of balance** | | |
| Volume incentives payments | **400** | 729 |
| Other transaction costs | **–** | 121 |
| | **400** | 850 |

*Volume incentives payments*

In terms of the disposal transaction and related supply contract, Aspen is obliged to pay Mylan volume based incentives based upon the achievement of annual volume thresholds.

The deferred payable recognised is 100% of the expected payments as the achievement of meeting the volume thresholds is considered highly probable. In the current year, EUR20 million was paid. The discount rate used in presenting valuing the volume incentive payments was 3%.

The repayment profile is set out below:

| | 2022 EUR'million | 2021 EUR'million |
|---|---|---|
| Year ended 30 June 2022 | **–** | 20 |
| Year ending 30 June 2023 | **20** | 20 |
| Year ending 30 June 2024 | **3** | 3 |
| | **23** | 43 |

*Other transaction costs*

This is made up of the following types of elements:
- legal and consultants' fees;
- restructuring costs; and
- distribution agreement obligations.

The full balance has been repaid in the current year.

### 16.2 Deferred revenue

**Reconciliation of balance**

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **129** | 160 |
| Recognised in the statement of comprehensive income[1] | **(77)** | (13) |
| Currency translation movements | **1** | (18) |
| | **53** | 129 |

[1] *This amount is included in other operating income on the statement of comprehensive income.*

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Split of balance** | | |
| Non-current | **10** | 51 |
| Current | **43** | 78 |
| | **53** | 129 |

The full balance relates to capital expenditure projects at Aspen Oss B.V.

## 17. UNFAVOURABLE AND ONEROUS CONTRACTS

### Accounting policy

**Recognition and measurement**

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

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

Supply contracts for the third party manufacture of products in Aspen Oss have been classified as either unfavourable or onerous. These liabilities will be released to revenue over the term and quantity of supply of the contracts in terms of *IFRS 15 – Revenue from Contracts with Customers*.

### Reconciliation of balance

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **816** | 1 348 |
| Release to the statement of profit or loss | **(347)** | (372) |
| Currency translation movements | **(36)** | (160) |
| | **433** | 816 |
| **Split of balance** | | |
| Non-current | **87** | 463 |
| Current | **346** | 353 |
| | **433** | 816 |

## 18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

### Accounting policy

**Pension benefits**

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

**Defined contribution plans**

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 23 and 25 of the Group Annual Financial Statements.

**Defined benefit plans**

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

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

This future benefit is discounted to determine its present value, using discount rates based on government bonds, that have maturity dates approximating the terms of the Group's obligations, 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.

## 18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS continued

### Other non-current employee benefits

Some Group companies provide other non-current benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to a given age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

### Defined benefit plans – post-retirement medical aid obligations

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

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

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

### Defined contribution plans

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

Total contributions paid to the various funds by the Group amounted to R371 million for the current financial year (2021: R363 million). The Group has no further payment obligations once the contributions have been paid. The payments made are expensed as incurred in the statement of comprehensive income and are included in staff costs.

### Defined benefit plans

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

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

### Long-term employee benefits

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

## 18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS continued

| | | | Principal actuarial assumptions | | | |
|---|---|---|---|---|---|---|
| | Last actuarial valuation done | Full/ interim valuation | Valuation method adopted | Discount rate | Medical inflation rate | Salary increase rate |
| France | June 2022 | Full | Projected unit credit | 2,5% (2021: 1,1%) | N/A | 2,5% (2021: 1,5%) |
| Germany | June 2022 | Full | Projected unit credit | 2,4% (2021: 1,0%) | N/A | 3,0% (2021: 2,0%) |
| Kenya | June 2022 | Full | Projected unit credit | 14,2% (2021: 10,0%) | N/A | 12,0% (2021: 12,0%) |
| Mexico | December 2021 | Full | Projected unit credit | 7,9% (2021: 6,0%) | N/A | 6,0% (2021: 5,5%) |
| The Philippines | June 2022 | Full | Projected unit credit | 6,6% (2021: 4,5%) | N/A | 6,0% (2021: 6,0%) |
| South Africa | June 2022 | Full | Projected unit credit | 12,4% (2021: 11,1%) | 9,4% (2021: 8,2%) | N/A |
| Tanzania | June 2022 | Full | Projected unit credit | 9,8% (2021: 10,5%) | N/A | 9,0% (2021: 9,0%) |

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

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

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

## 18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS continued

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Amounts recognised in the statement of financial position** | | |
| Present value of retirement and other employee benefit obligations[1] | **582** | 730 |
| Deferred tax assets | **(118)** | (132) |
| | **464** | 598 |
| [1] Included in this amount is an obligation of R134 million (2021: R164 million) for which the Group has a reimbursive right. Refer to note 7 for more detail. | | |
| **Retirement and other employee benefit obligations comprise** | | |
| Unfunded present value of retirement and other employee benefit obligations | **733** | 880 |
| Fair value of plan assets | **(151)** | (150) |
| | **582** | 730 |
| **The movement in the liability recognised in the statement of financial position is as follows** | | |
| Balance at the beginning of the year | **880** | 1 114 |
| Current service costs | **58** | 60 |
| Benefits paid | **(16)** | (15) |
| Net interest expense | **4** | 6 |
| Remeasurements recognised in other comprehensive income – actuarial gains from changes in financial assumptions | **(206)** | (40) |
| – Actuarial losses from changes in demographic assumptions | **8** | 51 |
| – Actuarial gains from changes in financial assumptions | **(214)** | (91) |
| Legislation change – France | **–** | (60) |
| Currency translation movements | **13** | (185) |
| | **733** | 880 |
| **The movement in the fair value of plan assets recognised in the statement of financial position is as follows** | | |
| Balance at the beginning of the year | **150** | 169 |
| Benefits paid | **(2)** | (1) |
| Net interest income | **1** | 1 |
| Remeasurements recognised in other comprehensive income – actual return on plan assets | **1** | 4 |
| Currency translation movements | **1** | (23) |
| | **151** | 150 |
| **Fair value of plan assets** | | |
| The assets of the pension funds are invested as follows | | |
| European government bonds | **102** | 102 |
| Other | **49** | 48 |
| | **151** | 150 |

### Sensitivity analysis

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

### Key risks associated with retirement and other employee benefit obligations

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

## 19. TRADE AND OTHER PAYABLES

### Accounting policy

**Recognition and measurement**

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

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

**Financial liabilities**

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

### Summary of balance

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Trade payables | **3 641** | 3 297 |
| Accrued expenses | **2 520** | 2 778 |
| Indirect taxes | **1 447** | 707 |
| Leave pay | **590** | 575 |
| Bonuses | **551** | 471 |
| Other employee related accruals | **360** | 449 |
| Other | **951** | 936 |
| | **10 060** | 9 213 |
| **Split of balance** | | |
| Financial liabilities | **6 106** | 6 209 |
| Non-financial liabilities | **3 954** | 3 004 |
| | **10 060** | 9 213 |
| **Other disclosures** | | |
| **Currency analysis of trade and other payables (financial instruments only)** | | |
| Euro | **2 530** | 2 564 |
| South African Rand | **1 205** | 1 167 |
| Australian Dollar | **959** | 747 |
| US Dollar | **373** | 854 |
| Swiss Franc | **103** | 48 |
| Canadian Dollar | **83** | 42 |
| Tanzanian Shilling | **82** | 36 |
| Mexican Peso | **65** | 237 |
| Philippine Peso | **61** | 25 |
| Russian Ruble | **60** | 55 |
| British Pound Sterling | **51** | 55 |
| Kenyan Shilling | **46** | 71 |
| Other currencies | **488** | 308 |
| | **6 106** | 6 209 |

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

In the current and prior year no individual vendor represents more than 10% of the Group's trade payables.

## 20. OTHER CURRENT LIABILITIES

### Accounting policy

**Financial liabilities at amortised cost**

This category of financial liabilities comprises other financial liabilities. These financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

### Split of balance

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| Deferred revenue | 16.2 | **43** | 78 |
| Derivative financial instruments | 20.1 | **12** | 36 |
| Other current financial liabilities | 16.1 | **656** | 1 851 |
| | | **711** | 1 965 |

### 20.1 Derivative financial instruments – liability

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **36** | 82 |
| Cash received under derivative contract | **–** | 114 |
| Fair value losses recognised in the statement of profit or loss | **–** | 10 |
| Fair value gains recognised in other comprehensive income | **–** | (1) |
| Transfer from/(to) assets | **8** | (112) |
| Currency translation movements | **(32)** | (57) |
| | **12** | 36 |
| **Split of balance** | | |
| Forward exchange contracts | **12** | 2 |
| Interest rate swaps | **–** | 34 |
| | **12** | 36 |

Interest rate swaps and forward exchange contracts are classified as "level 2" liabilities in the fair value measurement hierarchy. None of the financial liabilities were reclassified out of "level 2" in the current year. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying index.

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

The fair 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 fair values was then discounted using the appropriate currency-specific discount rate to determine the fair value.

## 21. REVENUE

### Accounting policy

**Recognition and measurement**

Revenue, net of trade discounts, distribution fees paid to independent wholesalers and excluding value added tax, comprises the total invoice value of goods, co-marketing fees and royalties derived from the supply of speciality, branded and generic pharmaceutical products to provide treatment for a broad spectrum of acute and chronic conditions.

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

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

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

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

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

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

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

*Sale of goods:*

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

*Co-marketing fees:*

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

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

## 21. REVENUE continued

*Onerous contracts*

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

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

### Summary of balance

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discontinued R'million** | **Total R'million** | Continuing R'million | Discontinued R'million | Total R'million |
| Sale of goods | **38 143** | **–** | **38 143** | 37 265 | 1 939 | 39 204 |
| Co-marketing fees | **115** | **–** | **115** | 129 | – | 129 |
| Unfavourable and onerous contracts release | **348** | **–** | **348** | 372 | – | 372 |
| | **38 606** | **–** | **38 606** | 37 766 | 1 939 | 39 705 |

Revenue has been further disaggregated by customer and manufacturing geography, refer to the Group Revenue Segmental Analysis report on page 25 for further details.

## 22. OPERATING PROFIT

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Continuing R'million | Discon-tinued R'million | Total R'million | Continuing R'million | Discon-tinued R'million | Total R'million |
| **Operating profit has been arrived at after charging/(crediting):** | | | | | | |
| Profit on sale of tangible and intangible assets | (1 212) | – | (1 212) | (165) | – | (165) |
| Loss on the sale of property, plant and equipment and right-of-use assets | 7 | – | 7 | 3 | – | 3 |
| Loss/(profit) on the sale of intangible assets | 98 | – | 98 | (168) | – | (168) |
| Profit on sale of assets classified as held-for-sale | (1 317) | – | (1 317) | – | – | – |
| Auditors' remuneration | 61 | – | 61 | 54 | – | 54 |
| – Audit fees | 59 | – | 59 | 52 | – | 52 |
| Current year | 58 | – | 58 | 57 | – | 57 |
| Under/(over) prior year provision | 1 | – | 1 | (5) | – | (5) |
| – Other services | 2 | – | 2 | 2 | – | 2 |
| Net impairment charges | 1 573 | – | 1 573 | 1 115 | – | 1 115 |
| Impairment of intangible assets (included in other operating expenses) | 1 541 | – | 1 541 | 1 264 | – | 1 264 |
| Impairment of inventories (included in cost of sales) | 338 | – | 338 | 334 | – | 334 |
| Impairment of property, plant and equipment (included in other operating expenses) | 13 | – | 13 | 134 | – | 134 |
| Reversal of impairment losses on property, plant and equipment (included in other operating income) | (16) | – | (16) | (353) | – | (353) |
| Reversal of impairment losses on intangible assets (included in other operating income) | (361) | – | (361) | (413) | – | (413) |
| Impairment of goodwill (included in other operating expenses) | 11 | – | 11 | 131 | – | 131 |
| Impairment of right-of-use assets (included in other operating expenses) | 17 | – | 17 | – | – | – |
| Expected credit losses of trade receivables (included in selling and distribution expenses) | 30 | – | 30 | 18 | – | 18 |
| Repairs and maintenance expenditure on property, plant and equipment | 738 | – | 738 | 695 | – | 695 |
| Short-term and low-value leases | 50 | – | 50 | 84 | – | 84 |
| Land and buildings | 29 | – | 29 | 35 | – | 35 |
| Plant and equipment | 11 | – | 11 | 44 | – | 44 |
| Office equipment, computer equipment and furniture | 10 | – | 10 | 5 | – | 5 |
| Restructuring costs | 174 | – | 174 | 396 | 197 | 593 |
| Transaction costs | 491 | – | 491 | 201 | 223 | 424 |
| Product litigation costs | 75 | – | 75 | 41 | – | 41 |
| Reversal of deferred payable no longer payable | (15) | – | (15) | – | – | – |
| Insurance compensation of assets | (90) | – | (90) | – | – | – |
| Loss on sale of discontinued operations | – | – | – | – | 79 | 79 |

# Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2022

## 23. EXPENSES AND OTHER OPERATING INCOME BY NATURE

| | 2022 | | | | |
|---|---|---|---|---|---|
| **Continuing operations** | **Cost of sales R'million** | **Selling & distribution expenses R'million** | **Admini-strative expenses R'million** | **Net other operating expenses R'million** | **Total R'million** |
| Cost of material and production-related variances | 11 668 | – | – | – | 11 668 |
| Personnel costs and other staff related costs | 4 669 | 2 384 | 1 484 | – | 8 392 |
| Depreciation and amortisation | 936 | 34 | 197 | 546 | 1 713 |
| Advertising and marketing expenses | – | 1 029 | – | – | 1 029 |
| Transport and warehousing costs | 700 | 852 | – | – | 1 552 |
| Net impairment charges | 338 | 30 | – | 1 205 | 1 573 |
| Legal and consulting fees | 317 | 155 | 210 | – | 682 |
| Property costs | 497 | 2 | 25 | – | 524 |
| Repairs and maintenance expenditure on property, plant and equipment | 724 | – | 14 | – | 738 |
| Transaction costs | – | – | – | 491 | 491 |
| Restructuring costs | – | – | – | 174 | 174 |
| Regulatory expenses | – | 310 | – | – | 310 |
| Product litigation costs | – | – | – | 75 | 75 |
| Profit on sale of tangible and intangible assets | – | – | – | (1 212) | (1 212) |
| Insurance compensation of assets | – | – | – | (90) | (90) |
| Reversal of deferred consideration no longer payable | – | – | – | (15) | (15) |
| Other | 451 | 722 | 1 091 | (78) | 2 331 |
| | 20 300 | 5 518 | 3 021 | 1 096 | 29 935 |

## 23. EXPENSES AND OTHER OPERATING INCOME BY NATURE continued

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Cost of sales R'million | Selling & distribution expenses R'million | Admini-strative expenses R'million | Net other operating expenses R'million | Total R'million |
| Cost of material and production-related variances | 12 136 | – | – | – | 12 136 |
| Personnel costs and other staff related costs | 4 062 | 2 462 | 1 461 | – | 7 985 |
| Depreciation and amortisation | 795 | 47 | 201 | 594 | 1 637 |
| Advertising and marketing expenses | – | 986 | – | – | 986 |
| Transport and warehousing costs | 528 | 897 | – | – | 1 425 |
| Net impairment charges | 334 | 18 | – | 763 | 1 115 |
| Legal and consulting fees | 306 | 175 | 454 | – | 935 |
| Property costs | 419 | 2 | 26 | – | 447 |
| Repairs and maintenance expenditure on property, plant and equipment | 685 | – | 10 | – | 695 |
| Transaction costs | – | – | – | 201 | 201 |
| Restructuring costs | – | – | – | 396 | 396 |
| Regulatory expenses | – | 339 | – | – | 339 |
| Product litigation costs | – | – | – | 41 | 41 |
| Profit on sale of tangible and intangible assets | – | – | – | (165) | (165) |
| Other | 712 | 858 | 1 188 | (237) | 2 521 |
| | 19 977 | 5 784 | 3 340 | 1 593 | 30 694 |

## 24. DIRECTORS AND EMPLOYEES

### Accounting policy

**Directors' and prescribed officers' remuneration**

The directors' and prescribed officers' remuneration represent the remuneration paid to, or receivable by, directors and prescribed officers in their capacity as director, prescribed officer or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Group Annual Financial Statements. This disclosure is provided in terms of the JSE Listings Requirements. The Group's Remuneration Committee, through its mandate from the Board of Directors, have resolved that the individuals, listed below as the Group's prescribed officers, are deemed to be prescribed officers as defined by the Companies Act of South Africa. Further details on transactions with key personnel can be found in note 33.

## 24. DIRECTORS AND EMPLOYEES continued

| | 2022 R'thousands | 2021 R'thousands |
|---|---|---|
| **DIRECTORS REMUNERATION** | | |
| **Non-executive directors - fees** | | |
| Yvonne Muthien | **300** | – |
| Linda de Beer | **974** | 967 |
| Kuseni Dlamini | **1 341** | 1 290 |
| Ben Kruger | **857** | 809 |
| Themba Mkhwanazi | **453** | 432 |
| Chris Mortimer[1] | **427** | 446 |
| Babalwa Ngonyama | **1 035** | 1 072 |
| David Redfern | **390** | 383 |
| Sindi Zilwa | **297** | 710 |
| Total (A) | **6 074** | 6 109 |
| **Executive directors** | | |
| Sean Capazorio[2] | **7 311** | – |
| Remuneration | **3 301** | – |
| Retirement and medical aid benefits | **541** | – |
| Performance bonus | **1 254** | – |
| Share-based payment expense | **2 215** | – |
| Gus Attridge[2] | **9 653** | 20 181 |
| Remuneration | **3 594** | 6 914 |
| Retirement and medical aid benefits | **620** | 1 190 |
| Performance bonus | **4 056** | 9 725 |
| Share-based payment expense | **1 383** | 2 352 |
| Stephen Saad | **23 355** | 24 413 |
| Remuneration | **8 739** | 8 405 |
| Retirement and medical aid benefits | **1 457** | 1 399 |
| Performance bonus | **9 813** | 11 764 |
| Share-based payment expense | **3 346** | 2 845 |
| Total (B) | **40 320** | 44 594 |
| **Prescribed officers** | | |
| Lorraine Hill | **16 168** | 15 424 |
| Remuneration | **7 673** | 7 228 |
| Retirement and medical aid benefits | **983** | 1 095 |
| Performance bonus | **2 364** | 2 497 |
| Share-based payment expense | **5 148** | 4 604 |
| Gus Attridge[2] | **9 653** | – |
| Remuneration | **3 594** | – |
| Retirement and medical aid benefits | **620** | – |
| Performance bonus | **4 056** | – |
| Share-based payment expense | **1 383** | – |
| Sean Capazorio[2] | **6 212** | 11 759 |
| Remuneration | **2 573** | 4 947 |
| Retirement and medical aid benefits | **441** | 848 |
| Performance bonus | **983** | 1 739 |
| Share-based payment expense | **2 215** | 4 225 |
| Zizipho Mmango | **9 032** | 8 787 |
| Remuneration | **4 644** | 4 423 |
| Retirement and medical aid benefits | **606** | 578 |
| Performance bonus | **1 660** | 1 540 |
| Share-based payment expense | **2 122** | 2 246 |
| Reginald Haman | **9 491** | 9 329 |
| Remuneration | **4 556** | 4 162 |
| Retirement and medical aid benefits | **694** | 638 |
| Performance bonus | **1 713** | 1 431 |
| Share-based payment expense | **2 528** | 3 098 |
| Mark Sardi | **3 534** | – |
| Remuneration | **2 274** | – |
| Retirement and medical aid benefits | **351** | – |
| Performance bonus | **909** | – |
| Total (C) | **54 090** | 45 299 |
| **Total remuneration paid by the Company (A+B+C)** | **100 484** | 96 002 |

[1] *For further details pertaining to legal fees for Chris Mortimer, refer to note 33.*

[2] *Gus Attridge retired as an executive director and Sean Capazorio was appointed as an executive director effective January 2022. Their remuneration has been split accordingly between executive directors and prescribed officers.*

## 24. DIRECTORS AND EMPLOYEES continued

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discon-tinued R'million** | **Total R'million** | Continuing R'million | Discon-tinued R'million | Total R'million |
| **STAFF COSTS** | | | | | | |
| Wages and salaries | **7 577** | **–** | **7 577** | 7 076 | 407 | 7 483 |
| Defined contribution plan expenses | **371** | **–** | **371** | 363 | – | 363 |
| Defined benefit plan expenses | **32** | **–** | **32** | 32 | – | 32 |
| Share-based payment expense - deferred incentive bonus | **46** | **–** | **46** | 47 | – | 47 |
| Share-based payment expense - phantom share scheme | **12** | **–** | **12** | 20 | – | 20 |
| | **8 038** | **–** | **8 038** | 7 538 | 407 | 7 945 |
| **Amount included in cost of sales** | **4 437** | **–** | **4 437** | 3 828 | 208 | 4 036 |
| Wages and salaries | **4 152** | **–** | **4 152** | 3 566 | 208 | 3 774 |
| Benefits | **285** | **–** | **285** | 262 | – | 262 |
| **Amount included in selling and distribution expenses** | **2 175** | **–** | **2 175** | 2 257 | 196 | 2 453 |
| Wages and salaries | **1 879** | **–** | **1 879** | 1 982 | 195 | 2 177 |
| Benefits | **296** | **–** | **296** | 275 | 1 | 276 |
| **Amount included in administrative expenses** | **1 426** | **–** | **1 426** | 1 453 | 3 | 1 456 |
| Wages and salaries | **1 256** | **–** | **1 256** | 1 277 | – | 1 277 |
| Benefits | **170** | **–** | **170** | 176 | 3 | 179 |
| **STAFF HEADCOUNT** | | | | | | |
| Total number of employees at year-end | | | **9 167** | | | 9 106 |
| Full-time employees | | | **8 580** | | | 8 581 |
| Part-time employees | | | **587** | | | 525 |

## 25. INVESTMENT INCOME

### Accounting policy

**Recognition and measurement**

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Continuing R'million | Discontinued R'million | Total R'million | Continuing R'million | Discontinued R'million | Total R'million |
| Interest on bank balances and short-term deposits | 92 | – | 92 | 108 | – | 108 |
| Other | 13 | – | 13 | 32 | – | 32 |
| | 105 | – | 105 | 140 | – | 140 |

## 26. FINANCING COSTS

### Accounting policy

**Recognition and measurement**

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Continuing R'million | Discontinued R'million | Total R'million | Continuing R'million | Discontinued R'million | Total R'million |
| Interest paid | 573 | – | 573 | 994 | – | 994 |
| Bank overdrafts and borrowings | 513 | – | 513 | 832 | – | 832 |
| Leases | 27 | – | 27 | 35 | – | 35 |
| Other | 33 | – | 33 | 127 | – | 127 |
| Capital raising fees released – transactions | 64 | – | 64 | 47 | – | 47 |
| Notional interest on financial instruments | 192 | – | 192 | 211 | – | 211 |
| Net foreign exchange (gains)/losses | (46) | – | (46) | 147 | – | 147 |
| Fair value gains on financial instruments | (138) | – | (138) | (98) | – | (98) |
| Foreign exchange gains on acquisitions | (3) | – | (3) | (78) | – | (78) |
| | 642 | – | 642 | 1 223 | – | 1 223 |

Financing costs above exclude financing costs of R64 million which have been capitalised during 2022 to capital work-in-progress (2021: R169 million). Refer to note 2 for detail.

## 27. INCOME TAX

### Accounting policy

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

#### Current tax

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

#### Deferred tax

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

#### Capital and wealth taxes

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

#### Withholding taxes

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

#### *IFRIC 23 – Uncertainty over Income Tax Treatment*

Aspen applies interpretation IFRIC 23, which clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12.The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

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

Based on this assessment, the potential cash tax outflow for each uncertain tax matter is quantified using the applicable statutory tax rate and applying a risk probability factor (exercising judgement on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probalised risk values are consolidated in arriving at the Group’s total estimated uncertain tax provision.

# Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2022

## 27. INCOME TAX continued

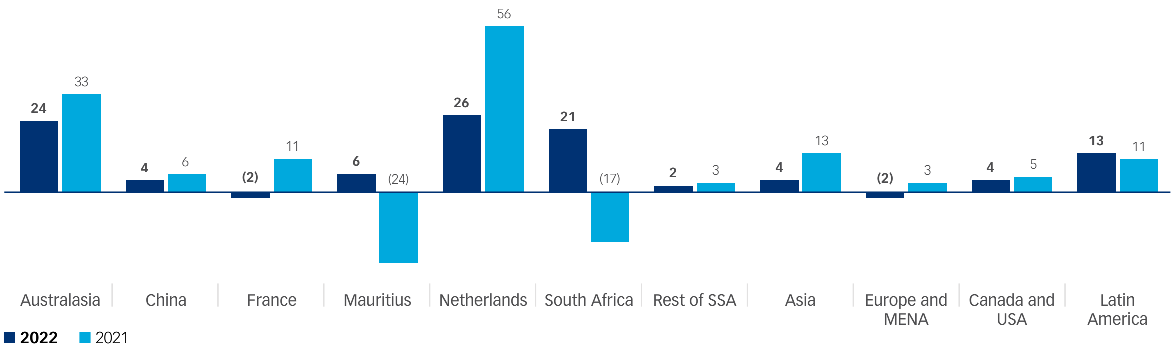
### Summary of balance

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discontinued R'million** | **Total R'million** | Continuing R'million | Discontinued R'million | Total R'million |
| **Current tax** | | | | | | |
| Current year | **1 343** | **–** | **1 343** | 1 196 | (33) | 1 163 |
| Prior year | **83** | **–** | **83** | 38 | – | 38 |
| **Deferred tax** | | | | | | |
| Current year | **185** | **–** | **185** | 40 | (330) | (290) |
| Prior year | **20** | **–** | **20** | (124) | – | (124) |
| Rate change[1] | **(22)** | **–** | **(22)** | – | – | – |
| Capital and wealth taxes | **3** | **–** | **3** | 2 | – | 2 |
| Withholding taxes | **34** | **–** | **34** | 39 | – | 39 |
| | **1 646** | **–** | **1 646** | 1 191 | (363) | 828 |

[1] *The South African Finance Ministry announced a reduction in the South African corporate tax rate from 28% to 27% for tax years commencing on or after 1 April 2022, upon which the change in tax rate became substantively enacted on the 23 February 2022. The deferred tax closing balance has been restated to reflect the impact of this change in rate.*

The tax assets and liabilities that arise in the Group, predominantly arise in Australasia, China, France, Mauritius, the Netherlands and South Africa. The current year income statement charges are graphically reflected below, in addition to the consolidated balances for the remaining countries (by region) that the Group operates in:

**Total tax** (%)



## 27. INCOME TAX continued

### Group's effective tax rate

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

The effective tax rate has been calculated as follows:

| | 2022 % | 2021 % |
|---|---|---|
| **Group's effective tax rate** | | |
| South African tax rate | **28,0** | 28,0 |
| Differences in foreign tax rates: | | |
| Mauritius[1] | **(2,9)** | (1,7) |
| Other[2] | **(3,4)** | (1,2) |
| **Aggregate statutory base tax rate** | **21,7** | 25,1 |
| **Movement in rate due to transactions included in normalised headline earnings:** | | |
| Non-taxable income arising from underlying tax credits[3] | **(2,3)** | (0,5) |
| Other non-taxable income[4] | **(5,7)** | (2,7) |
| Disallowed interest | **0,1** | 0,1 |
| Withholding and other taxes | **0,4** | 0,6 |
| Disallowed holding company expenses | **0,2** | 0,3 |
| Prior year adjustments | **1,3** | (1,4) |
| Government incentives[5] | **–** | (1,5) |
| Travel, entertainment, gifts and staff welfare | **0,4** | 0,4 |
| Provision for uncertain tax positions[6] | **0,6** | (2,7) |
| Other disallowed expenses | **0,4** | 2,5 |
| Tax losses utilised | **(0,7)** | – |
| Reversal of provisions previously raised on deferred tax assets relating to tax losses[7] | **–** | (3,3) |
| **Normalised effective tax rate** | **16,4** | 16,9 |
| **Movement in rate due to transactions excluded from normalised headline earnings:** | | |
| Disallowed impairments | **2,2** | 2,5 |
| Non-taxable capital losses | **(0,2)** | – |
| Disallowed restructuring, transaction costs and finance costs | **1,8** | 0,5 |
| **Group's effective rate of tax** | **20,2** | 19,9 |

[1] *The statutory rate of tax in Mauritius is 15%. This rate is, however, subject to various credits that are available, which do fluctuate from year to year. The Aspen Group's Mauritius-based operations (namely Aspen Global) contributes (2.9%) (2021: (1.7%)) to the differences in foreign tax rates with the balance being contributed by the rest of the Group.*

[2] *The statutory tax rates in the remaining countries range from 0% to 35%. On an overall basis, these entities contribute (3.4%) (2021: (1.2%)) to the differences in foreign rates of tax. The movement from one year to the next arises from a change in the contribution of each Group entity's profits to the overall profits (refer to footnote 1 above).*

[3] *In addition to the difference in tax rate between the statutory tax rate in Mauritius and South Africa, the Mauritius operations are entitled to additional credits that give rise to a further reduction in the tax that is payable on that business' earnings.*

[4] *This includes amounts that are subject to withholding and other taxes which are, consequently, not taxable at the corporate tax level.*

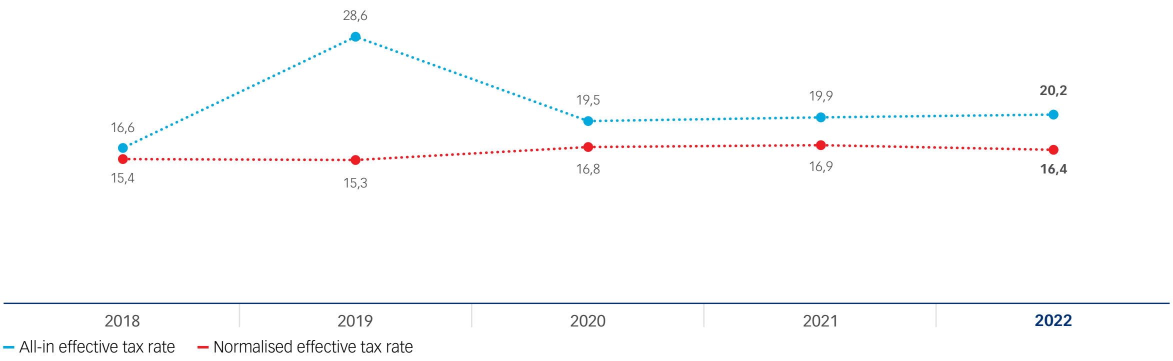
[5] *The South African manufacturing operations qualified for special investment allowances which were partially claimed in 2021. For operational reasons, the final claim in relation to these special investment allowances will only be claimed in 2023.*

[6] *A portion of the IFRIC 23 provision was released during the prior year, due to the Group receiving an adverse assessment, and as a consequence of de-recognising amounts that had previously been included in the provision, which are no longer considered potential tax exposures.*

[7] *During the 2020 fiscal year, deferred tax assets associated with assessed losses were reversed because the business conditions had changed and it was no longer prudent to raise a deferred tax asset in relation to those losses. During 2021, the business performance improved and the deferred tax asset was reinstated.*

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

**Five-year Group effective tax rate** (%)




The effective tax rate is higher in 2019 due to higher impairments being processed during that year.

## 28. DISCONTINUED OPERATIONS

### Prior year discontinued operations

### Discontinued European business

In September 2020, the Group concluded an agreement to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business. The total purchase consideration (inclusive of inventories) was EUR680 million (R12 497 million).

The discontinued European business comprises the European Thrombosis assets divested to Mylan until the date of disposal being 27 November 2020, the costs relating to its disposal, related Thrombosis product discontinuations and other product divestments. The results of the discontinued European business and the residual costs related to prior period disposals were classified as discontinued operations in terms of IFRS 5. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

### Asia Pacific non-core pharmaceutical portfolio

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

### Nutritionals business

During the financial year ended 30 June 2019 the Group divested its Nutritionals business and the results were reported as discontinued operations and included in the "Prior Years" category of the discontinued operations statement of comprehensive income.

### Japanese business

The Group divested its Japanese business effective 31 January 2020 and the results were reported as discontinued operations and included in the "Prior Years" category of the discontinued operations statement of comprehensive income.

### Public Sector ARVs

The Group concluded a transaction effective June 2020 in terms of which the commercialisation and distribution rights for its major public sector ARVs were licensed to Laurus, a leading Indian API manufacturer. In terms of the agreement Aspen would continue to toll manufacture the products for Laurus. The results were reported as discontinued operations and included in the "Prior Years" category of the discontinued operations statement of comprehensive income.

## 28. DISCONTINUED OPERATIONS continued

### Summarised discontinued operations statement of comprehensive income

| | 2021 | | |
|---|---|---|---|
| | European Business R'million | Prior Years Discontinued R'million | Total R'million |
| Revenue | 1 939 | – | 1 939 |
| Gross profit | 401 | – | 401 |
| Operating expenses | (415) | – | (415) |
| Selling and distribution expenses | (387) | – | (387) |
| Administrative expenses | (28) | – | (28) |
| **Normalised EBITA** | (14) | – | (14) |
| Depreciation | 16 | – | 16 |
| **Normalised EBITDA** | 2 | – | 2 |
| *Adjusted for* | | | |
| Depreciation | (16) | – | (16) |
| Transaction costs | – | (223) | (223) |
| Restructuring costs | (197) | – | (197) |
| **Loss before tax** | (211) | (223) | (434) |
| Tax | (6) | 51 | 45 |
| Loss after tax from discontinued operations | (217) | (172) | (389) |
| Profit/(loss) on the sale of discontinued operations (after tax) | 517 | (120) | 397 |
| Profit/(loss) on the sale of discontinued operations (before tax) | 206 | (127) | 79 |
| Tax on profit/(loss) on sale of discontinued operations | 311 | 7 | 318 |
| **Profit/(loss) from discontinued operations** | 300 | (292) | 8 |
| Basic earnings per share – cents | | | 1,8 |
| Headline earnings per share – cents | | | (85,2) |
| Normalised headline earnings per share – cents | | | (14,0) |

## 29. EARNINGS PER SHARE

### Accounting policy

**Basic earnings per share**

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

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

**Diluted earnings per share**

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

The difference is added to the denominator as an issue of ordinary shares for no consideration. No dilutive adjustments have been made to earnings.

**Headline earnings per share**

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 1 of 2021.

**Normalised headline earnings per share**

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

## 29. EARNINGS PER SHARE continued

### Reconciliation of earnings

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing R'million** | **Discon-tinued R'million** | **Total R'million** | Continuing R'million | Discon-tinued R'million | Total R'million |
| **Profit attributable to equity holders of the parent** | **6 488** | **–** | **6 488** | 4 798 | 8 | 4 806 |
| Impairment of property, plant and equipment | **8** | **–** | **8** | 133 | – | 133 |
| – Gross amount | **13** | **–** | **13** | 134 | – | 134 |
| – Tax effect | **(5)** | **–** | **(5)** | (1) | – | (1) |
| Reversal of impairment losses on property, plant and equipment | **(11)** | **–** | **(11)** | (272) | – | (272) |
| – Gross amount | **(16)** | **–** | **(16)** | (353) | – | (353) |
| – Tax effect | **5** | **–** | **5** | 81 | – | 81 |
| Impairment of right-of-use assets | **15** | **–** | **15** | – | – | – |
| – Gross amount | **17** | **–** | **17** | – | – | – |
| – Tax effect | **(2)** | **–** | **(2)** | – | – | – |
| Impairment of intangible assets | **1 483** | **–** | **1 483** | 1 255 | – | 1 255 |
| – Gross amount | **1 541** | **–** | **1 541** | 1 264 | – | 1 264 |
| – Tax effect | **(58)** | **–** | **(58)** | (9) | – | (9) |
| Reversal of impairment of intangible assets | **(361)** | **–** | **(361)** | (412) | – | (412) |
| – Gross amount | **(361)** | **–** | **(361)** | (413) | – | (413) |
| – Tax effect | **–** | **–** | **–** | 1 | – | 1 |
| Loss/(profit) on the sale of intangible assets | **191** | **–** | **191** | (135) | – | (135) |
| – Gross amount | **98** | **–** | **98** | (169) | – | (169) |
| – Tax effect | **93** | **–** | **93** | 34 | – | 34 |
| (Profit)/loss on the sale of property, plant and equipment and right-of-use assets | **(11)** | **–** | **(11)** | 3 | – | 3 |
| – Gross amount | **7** | **–** | **7** | 3 | – | 3 |
| – Tax effect | **(18)** | **–** | **(18)** | – | – | – |
| Profit on the sale of assets classified as held-for-sale | **(1 144)** | **–** | **(1 144)** | – | – | – |
| – Gross amount | **(1 317)** | **–** | **(1 317)** | – | – | – |
| – Tax effect | **173** | **–** | **173** | – | – | – |
| Impairment of goodwill | **11** | **–** | **11** | 127 | – | 127 |
| – Gross amount | **11** | **–** | **11** | 131 | – | 131 |
| – Tax effect | **–** | **–** | **–** | (4) | – | (4) |
| Insurance compensation of assets | **(50)** | **–** | **(50)** | – | – | – |
| – Gross amount | **(90)** | **–** | **(90)** | – | – | – |
| – Tax effect | **40** | **–** | **40** | – | – | – |
| Profit on sale of discontinued operations | **–** | **–** | **–** | – | (397) | (397) |
| – Gross amount | **–** | **–** | **–** | – | (79) | (79) |
| – Tax effect | **–** | **–** | **–** | – | (318) | (318) |
| **Headline earnings** | **6 619** | **–** | **6 619** | 5 497 | (389) | 5 108 |
| Restructuring costs | **135** | **–** | **135** | 291 | 154 | 445 |
| – Gross amount | **174** | **–** | **174** | 396 | 197 | 593 |
| – Tax effect | **(39)** | **–** | **(39)** | (105) | (43) | (148) |
| Transaction costs | **562** | **–** | **562** | 225 | 171 | 396 |
| – Gross amount[1] | **555** | **–** | **555** | 248 | 223 | 471 |
| – Tax effect | **7** | **–** | **7** | (23) | (52) | (75) |
| Foreign exchange gains on transactions | **(3)** | **–** | **(3)** | (76) | – | (76) |
| – Gross amount | **(3)** | **–** | **(3)** | (78) | – | (78) |
| – Tax effect | **–** | **–** | **–** | 2 | – | 2 |
| Product litigation costs | **75** | **–** | **75** | 41 | – | 41 |
| – Gross amount | **75** | **–** | **75** | 41 | – | 41 |
| – Tax effect | **–** | **–** | **–** | – | – | – |
| Reversal of deferred consideration no longer payable | **(15)** | **–** | **(15)** | – | – | – |
| – Gross amount | **(15)** | **–** | **(15)** | – | – | – |
| – Tax effect | **–** | **–** | **–** | – | – | – |
| **Normalised headline earnings** | **7 373** | **–** | **7 373** | 5 978 | (64) | 5 914 |

[1] *Included in transaction costs is capital raising fees of R64 million (2021: R47 million).*

## 29. EARNINGS PER SHARE continued

| | 2022 million | 2021 million |
|---|---|---|
| **Weighted average number of shares in issue** | | |
| Number of shares in issue at the beginning of the year | **456,5** | 456,5 |
| Weighting effect of share buy back | **(2,2)** | – |
| Weighting effect of treasury shares | **(1,3)** | – |
| **Number of shares in issue at the end of the year** | **453,0** | 456,5 |
| Weighted average number of shares for diluted earnings per share | **453,0** | 456,5 |

### Performance per share

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Continuing cents** | **Discon-tinued cents** | **Total cents** | Continuing cents | Discon-tinued cents | Total cents |
| Basic earnings per share (basic and diluted) | **1 432,3** | **–** | **1 432,3** | 1 051,1 | 1,8 | 1 052,9 |
| Headline earnings per share (basic and diluted) | **1 461,2** | **–** | **1 461,2** | 1 204,3 | (85,2) | 1 119,1 |
| Normalised headline earnings per share (basic and diluted) | **1 627,6** | **–** | **1 627,6** | 1 309,7 | (14,0) | 1 295,7 |

## 30. CASH DIVIDEND

### Accounting policy

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

The dividend paid of R1,2 billion relates to the dividend of 262 cents per share declared on 1 September 2021 and paid on 27 September 2021 (June 2021: nil).

Subsequent to year-end, the Board has declared a gross dividend of R1,5 billion (326 cents per ordinary share) which will be paid from income reserves and was recorded in the share register of the Company at the close of business on 23 September 2022. In compliance with *IAS 10 – Events After Balance Sheet Date*, the dividend will be accounted for in the Annual Financial Statements for the year ending 30 June 2023.

## 31. CURRENCY TRANSLATION GAINS/(LOSSES)

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

| | **2022** | 2021 |
|---|---|---|
| **Average rates** | | |
| Euro | **17,143** | 18,362 |
| Australian Dollar | **11,033** | 11,484 |
| Chinese Yuan Renminbi | **2,357** | 2,324 |
| US Dollar | **15,217** | 15,408 |
| Brazilian Real | **2,934** | 2,838 |
| Mexican Peso | **0,755** | 0,740 |
| Canadian Dollar | **12,019** | 11,998 |
| Russian Ruble | **0,206** | 0,207 |
| British Pound Sterling | **20,241** | 20,707 |
| **Closing rates** | | |
| Euro | **17,094** | 16,959 |
| Australian Dollar | **11,277** | 10,725 |
| Chinese Yuan Renminbi | **2,438** | 2,216 |
| US Dollar | **16,333** | 14,310 |
| Brazilian Real | **3,118** | 2,861 |
| Mexican Peso | **0,811** | 0,722 |
| Canadian Dollar | **12,689** | 11,536 |
| Russian Ruble | **0,298** | 0,195 |
| British Pound Sterling | **19,861** | 19,757 |

## 32. FINANCIAL RISK MANAGEMENT

### 32.1 Introduction

The Group does not trade in financial instruments, but in the ordinary course of business operations, the Group is exposed to a variety of financial risks arising from the use of financial instruments. These risks include:
- market risk (comprising interest rate risk and foreign currency risk);
- liquidity risk;
- credit risk; and
- capital risk.

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

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

Concentration risk is the risk that the Group is exposed to financial loss, which if incurred, would be significant due to the aggregate (concentration) exposure the Group has to a particular asset, counterparty, customer or service provider. The management of concentration risk is critical across many of the significant risk categories. Information on the key concentration risks has been set out in the respective notes.

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.

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.2 Financial instruments by category

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

| | At fair value through other compre-hensive income R'million | At amortised cost R'million | Total R'million |
|---|---|---|---|
| **June 2022** | | | |
| **Financial assets** | | | |
| Other non-current and current receivables | **–** | **402** | **402** |
| Trade and other receivables | **–** | **8 672** | **8 672** |
| Cash and cash equivalents | **–** | **6 183** | **6 183** |
| Total financial assets | **–** | **15 257** | **15 257** |
| **Financial liabilities** | | | |
| Unsecured loans | **–** | **20 690** | **20 690** |
| Lease liabilities | **–** | **345** | **345** |
| Bank overdrafts | **–** | **1 212** | **1 212** |
| Other non-current and current financial liabilities | **–** | **4 129** | **4 129** |
| Trade and other payables | **–** | **6 106** | **6 106** |
| Forward exchange contracts (gross settled) | **12** | **–** | **12** |
| Total financial liabilities | **12** | **32 482** | **32 494** |
| **June 2021** | | | |
| **Financial assets** | | | |
| Other non-current and current receivables | – | 728 | 728 |
| Trade and other receivables | – | 8 037 | 8 037 |
| Forward exchange contracts (gross settled) | 7 | – | 7 |
| Interest rate swaps (net settled) | 9 | – | 9 |
| Cash and cash equivalents | – | 8 546 | 8 546 |
| Total financial assets | 16 | 17 311 | 17 327 |
| **Financial liabilities** | | | |
| Unsecured loans | – | 21 850 | 21 850 |
| Lease liabilities | – | 431 | 431 |
| Bank overdrafts | – | 2 591 | 2 591 |
| Other non-current and current financial liabilities | – | 5 523 | 5 523 |
| Trade and other payables | – | 6 209 | 6 209 |
| Forward exchange contracts (gross settled) | 2 | – | 2 |
| Interest rate swaps (net settled) | 34 | – | 34 |
| Total financial liabilities | 36 | 36 604 | 36 640 |

### 32.3 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.

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.3 Market risk management continued

### 32.3.1 Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the individual operations. However, the Group's operations utilise various foreign currencies (currencies other than the operation's functional currencies) in respect of revenue, purchases, capital expenditure, acquisitions, divestments, other financial assets and liabilities as well as borrowings and consequently the Group is exposed to exchange rate fluctuations that have an impact on future cash flows and/or foreign exchange gains or losses recognised in the statement of comprehensive income. Through the selective use of forward exchange contracts, these exposures are managed within risk appetites set by the Audit & Risk Committee.

Hedge accounting was not applied to any forward exchange contracts which the Group had in place during the years ended 30 June 2022 and 2021.

The tables 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 liability/ (asset) R' million |
|---|---|---|---|---|
| **June 2022** | | | | |
| **Exports[1]** | | | | |
| Australian Dollar: Euro | **(17)** | **(188)** | **(189)** | **1** |
| Euro: Mexican Peso | **(92)** | **(1 573)** | **(1 573)** | **–** |
| Chinese Yuan Renminbi: Euro | **(394)** | **(957)** | **(968)** | **11** |
| | | **(2 718)** | **(2 730)** | **12** |
| June 2021 | | | | |
| **Imports[1]** | | | | |
| Euro: Mexican Peso | 66 | (1 111) | (1 104) | (7) |
| | | (1 111) | (1 104) | (7) |
| **Exports[1]** | | | | |
| US Dollar: Euro | (30) | (424) | (424) | – |
| Russian Ruble: Euro | (1 212) | (237) | (239) | 2 |
| | | (661) | (663) | 2 |

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

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.3 Market risk management continued

#### 32.3.1 Foreign currency risk continued

*Definitions*

*Marked to market value*

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

*Forward cover value*

Foreign notional amount translated at the contracted rate.

At 30 June all forward exchange contracts (including those contracts for which the underlying transactions were recorded but payments not reflected by year-end) have a maturity date of less than one year.

*Sensitivity analysis*

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

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Chinese Yuan Renminbi, New Zealand Dollar, Australian Dollar, and Russian Ruble. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding currency translation movements resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to an increase to other comprehensive income of R1 675 million at 30 June 2022 (2021: decrease of R8 370 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 2022. 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.

| | | Weakening in functional currency | |
|---|---|---|---|
| | Change in exchange rate % | **2022 R'million** | 2021 R'million |
| **Denominated: Functional currency** | | | |
| Rand:US Dollar | 10 | **(7)** | (13) |
| Rand:Euro | 10 | **140** | 111 |
| US Dollar:Euro | 10 | **118** | 110 |
| Euro:Chinese Yuan Renminbi | 10 | **(63)** | (7) |
| Euro:Mexican Peso | 10 | **161** | 118 |
| Rand:New Zealand Dollar | 10 | **–** | (71) |
| Other exposures | 10 | **131** | 119 |
| | | **480** | 367 |

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

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.3 Market risk management continued

#### 32.3.1 Foreign currency risk continued

The following significant exchange rates against the Rand applied at 30 June:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Euro | **17,094** | 16,959 | **17,143** | 18,362 |
| Australian Dollar | **11,277** | 10,725 | **11,033** | 11,484 |
| US Dollar | **16,333** | 14,310 | **15,217** | 15,408 |
| Chinese Yuan Renminbi | **2,438** | 2,216 | **2,357** | 2,324 |
| Mexican Peso | **0,811** | 0,722 | **0,755** | 0,740 |
| Brazilian Real | **3,118** | 2,861 | **2,934** | 2,838 |
| British Pound Sterling | **19,861** | 19,757 | **20,241** | 20,707 |
| Russian Ruble | **0,298** | 0,195 | **0,206** | 0,207 |
| Canadian Dollar | **12,689** | 11,536 | **12,019** | 11,998 |

#### 32.3.2 Interest rate risk

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

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

| | Carrying amount | |
|---|---|---|
| | **2022 R'million** | 2021 R'million |
| **Variable rate instruments** | | |
| Other financial receivables | **402** | 728 |
| Cash and cash equivalents | **3 056** | 4 248 |
| Borrowings | **(12 106)** | (17 897) |
| Other financial liabilities | **(4 129)** | (5 530) |
| | **(12 777)** | (18 451) |
| **Fixed rate instruments** | | |
| Borrowings | **(10 256)** | (7 018) |
| | **(10 256)** | (7 018) |

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.3 Market risk management continued

### 32.3.2 Interest rate risk

#### Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contracts ("IRS") expired on 31 March 2022:

| | Outstanding contract amount R' million | Fixed interest rate % | Expiry date |
|---|---|---|---|
| Euro syndicated term loan – Facility B loan – Aspen Finance | 5 128 | 0,09% (three-month EURIBOR floored at nil) | 31 March 2022 |
| Australian Dollar revolving credit facility – Facility G loan – Aspen Asia Pacific | 2 030 | 1,64% (three-month BBSY) | 31 March 2022 |

The EUR and AUD IRSs were each designated as being in a cash flow hedge relationship with their respective hedged items (EUR and AUD term loans and the variability of the loans' periodic interest payments as a result of movements in EURIBOR or BBSY interest rates). The IRSs matured on 31 March 2022, and by that date the cumulative gains and losses of the IRSs had been fully released to the statement of comprehensive income as interest with no amounts remaining in the Group's hedging reserve.

#### Sensitivity analysis

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

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Three-month EURIBOR | **8** | 78 |
| Three-month BBSY | **7** | 2 |
| Three-month JIBAR, and South African prime overdraft rate | **42** | 80 |
| | **57** | 160 |

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.3 Market risk management continued

#### 32.3.2 Interest rate risk

A decrease of 100 basis points in each of the individual interest rate categories for the year ended 30 June would have increased/(decreased) profit before tax by the following:

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Three-month EURIBOR | **(11)** | (23) |
| Three-month BBSY | **(2)** | 2 |
| Three-month JIBAR, and South African prime overdraft rate | **42** | 80 |
| | **29** | 59 |

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.

Assuming that all other variables, in particular foreign currency rates, remained constant, an increase of 100 basis points in each of the yield curve categories for the year ended 30 June would have decreased the fair value of the financial derivative liabilities by the following:

| | 2022 R'million | 2021 R'million |
|---|---|---|
| EURIBOR | **–** | 27 |
| BBSY | **–** | 15 |
| | **–** | 42 |

A decrease of 100 basis points in each of the yield curve categories for the year ended 30 June would have increased the fair value of the financial derivative liabilities by the following:

| | 2022 R'million | 2021 R'million |
|---|---|---|
| EURIBOR | **–** | 0[1] |
| BBSY | **–** | 15 |
| | **–** | 15 |

[1] *Less than R1million.*

### 32.4 Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due. The Group manages liquidity risk by monitoring each Group entity's forecast cash inflows and outflows for the following 12 months and ensuring that an appropriate buffer of cash or undrawn debt facilities is forecast to be maintained over that period.

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.4 Liquidity risk continued

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

| | Undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| | On demand R'million | Less than 1 year R'million | Between 1 – 5 years R'million | More than 5 years R'million | Total R'million |
| **2022** | | | | | |
| **Financial assets** | | | | | |
| Other non-current and current financial receivables | – | 347 | 62 | – | 409 |
| Trade and other receivables (financial instruments only) | – | 8 672 | – | – | 8 672 |
| Cash and cash equivalents | 5 865 | 318 | – | – | 6 183 |
| Total financial assets | 5 865 | 9 337 | 62 | – | 15 264 |
| **Financial liabilities** | | | | | |
| Unsecured loans | – | (10 487) | (10 917) | – | (21 404) |
| Bank overdrafts | (1 212) | – | – | – | (1 212) |
| Lease liabilities | – | (124) | (221) | – | (345) |
| Trade and other payables (financial instruments only) | – | (6 106) | – | – | (6 106) |
| Other non-current and current financial liabilities | – | (645) | (4 003) | – | (4 648) |
| Forward exchange contracts (gross settled)[1] | – | (12) | – | – | (12) |
| Gross cash inflows | – | 2 718 | – | – | 2 718 |
| Gross cash outflows | – | (2 730) | – | – | (2 730) |
| Total financial liabilities | (1 212) | (17 374) | (15 141) | – | (33 727) |
| Net exposure | 4 653 | (8 037) | (15 079) | – | (18 463) |

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

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.4 Liquidity risk continued

| | Undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| | On demand R'million | Less than 1 year R'million | Between 1 – 5 years R'million | More than 5 years R'million | Total R'million |
| **2021** | | | | | |
| **Financial assets** | | | | | |
| Other non-current and current financial receivables | – | 519 | 211 | – | 730 |
| Trade and other receivables (financial instruments only) | – | 8 037 | – | – | 8 037 |
| Forward exchange contracts (gross settled)[1] | – | 7 | – | – | 7 |
| Gross cash inflows | – | (1 104) | – | – | (1 104) |
| Gross cash outflows | – | 1 111 | – | – | 1 111 |
| Cash and cash equivalents | 8 116 | 430 | – | – | 8 546 |
| Interest rate swaps (net settled) | – | 9 | – | – | 9 |
| Total financial assets | 8 116 | 9 002 | 211 | – | 17 329 |
| **Financial liabilities** | | | | | |
| Unsecured loans | – | (22 380) | – | – | (22 380) |
| Bank overdrafts | (2 591) | – | – | – | (2 591) |
| Lease liabilities | – | (165) | (266) | – | (431) |
| Trade and other payables (financial instruments only) | – | (6 209) | – | – | (6 209) |
| Other non-current and current financial liabilities | – | (1 889) | (4 397) | – | (6 286) |
| Forward exchange contracts (gross settled)[1] | – | (2) | – | – | (2) |
| Gross cash inflows | – | 661 | – | – | 661 |
| Gross cash outflows | – | (663) | – | – | (663) |
| Interest rate swaps (net settled) | – | (34) | – | – | (34) |
| Total financial liabilities | (2 591) | (30 679) | (4 663) | – | (37 933) |
| Net exposure | 5 525 | (21 677) | (4 452) | – | (20 604) |

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

### 32.5 Credit risk

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

Credit risk primarily arises from trade and other receivables, other non-current and current receivables, derivative financial instruments and cash and cash equivalents. The Group's maximum exposure to credit risk is represented by the carrying amount of these financial assets, with the exception of trade receivables covered by credit guarantee insurance. Refer to the respective notes for more detail on how the Group manages credit risks for these financial assets.

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.6 Capital risk

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

The capital structure of the Group consists of borrowings, other financial liabilities and equity attributable to shareholders of the parent, comprising share capital, treasury shares, non-distributable reserves and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews this capital structure on at least a semi-annual basis. As part of the review, the Board considers the Group's solvency, liquidity, headroom on applicable financial covenants, mismatches between the foreign currency composition of its earnings and its borrowings, and other relevant factors which may pose a risk to the Group's ability to continue as a going concern. Based on recommendations by the Board, the Group may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

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

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

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| Debt (net of cash and cash equivalents) may not exceed this multiple of earnings before interest, tax, depreciation, non-recurring items and amortisation ("EBITDA")[1] | **3,50** | 3,50 |
| EBITDA must not be below this multiple of net finance charges[2] | **3,50** | 3,50 |

[1] *Actual covenant at 30 June 2022 of 1,9 times (December 2021: 2,1 times).*
[2] *Actual covenant at 30 June 2022 of 14,3 times ( December 2021: 11,4 times).*

As at and for the years ended 31 December 2021 and 30 June 2022, all the above covenants were complied with.

## 33. 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 24.

### Intra-group transactions and balances

During the year, various companies in the Group entered into service, lending, financial guarantee and transactions relating to the buying and selling of goods with one another, on an arm's length basis. These intra-group transactions have been eliminated on consolidation. Refer to note 22 of the Company Annual Financial Statements for a list of material operating subsidiaries and structured entities. None of the balances are secured.

### Transactions and balances with directors

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

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates, which provides legal services to the Group. During the year, total legal fees to Chris Mortimer & Associates expensed in the statement of comprehensive income was R6,4 million (2021: R10,9 million). There were no balances outstanding at 30 June 2022 (2021: R1,7 million).

Directors' and prescribed officers' remuneration is disclosed in note 24.

### Transactions with key management personnel

Key management personnel consist of directors of key Group companies.

The key management personnel compensation consists of:

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Short-term employee benefits | **184** | 170 |
| Post-employment benefits | **15** | 9 |
| Share-based payment expense | **42** | 47 |
| Total key management remuneration paid | **241** | 226 |
| Number of employees included above | **30** | 27 |

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

## 34. CONTINGENT LIABILITIES

### Other contingent liabilities

The Group has a number of individually insignificant contingent liabilities amounting to R110 million (2021: R63 million).

## 35. SUBSEQUENT EVENTS

### Borrowings

As of 30 June 2022, the Group had in place EUR, ZAR and AUD syndicated bank debt facilities totalling the equivalent of R17,1 billion which mature on 1 July 2023 (the "Maturing Facilities"). The Group has commenced a process to refinance the Maturing Facilities through new syndicated bank debt facilities (the "New Facilities") of similar commercial terms, value, tenor, currency composition and lender composition as the Maturing Facilities. It is intended that the New Facilities will be in place before the end of November 2022.

### Dividends

Subsequent to year-end, the Board has declared a gross dividend to shareholders of R1,5 billion (326 cents per ordinary share), which will be paid from income reserves and was recorded in the share register of the Company at the close of business on 23 September 2022. In compliance with *IAS 10 – Events After Balance Sheet Date*, the dividend will be accounted for in the Annual Financial Statements for the year ending 30 June 2023.

# Residual accounting policies

for the year ended 30 June 2022

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

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

## Basis of preparation of financial results

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

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

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

## GROUP ACCOUNTING

The Annual Financial Statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis. A listing of the Group's material operating subsidiaries and structured entities are set out in note 22 of the Company Annual Financial Statements.

### Subsidiaries

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

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the Company Annual Financial Statements. None of the investments in subsidiaries are listed.

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

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

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

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

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

### Inter-company transactions and balances

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

### Changes in ownership in subsidiaries

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

### Disposal of subsidiaries

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

## Business combinations and goodwill

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

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

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

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

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

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

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

Significant judgement is applied by management when considering whether a transaction should be classified as a business combination or as an asset acquisition.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

## Foreign currency translation

### Functional and presentation currency

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

### Foreign currency transactions (except for hyperinflationary economies)

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

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

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

# Residual accounting policies continued

for the year ended 30 June 2022

### Foreign operations (except for hyperinflationary economies)

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

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

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

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

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

## Financial instruments

### Accounting for derivative financial instruments and hedging activities

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

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

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

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

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

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

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

### Fair value hedges

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

### Cash flow hedges

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

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

### Net investment hedge

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

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

### Fair value estimation

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

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

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

In assessing the fair value of non-traded derivatives and other financial instruments, the Group makes assumptions that are based on market conditions existing at each year-end.
The carrying values of the following financial assets and financial liabilities approximate their fair values:
- trade and other financial receivables;
- cash and cash equivalents;
- other non-current and current receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- other non-current financial liabilities;
- other current financial liabilities;
- current borrowings; and
- non-current borrowings.

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

### Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within 12 months after the reporting period or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## Comparative figures

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

### Reclassifications and presentation

The Annual Financial Statements are presented in Rands and all values are rounded to the nearest million (R'million), except when otherwise indicated.

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

## Accounting policies specific to the Company

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

### Revenue

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

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

# Residual accounting policies continued

for the year ended 30 June 2022

### Amounts due by Group companies

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

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

### Amounts due to Group companies

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

## Constant exchange rate report

The presentation currency of the Group is Rand.

In addition to that the Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in a supplementary unaudited annexure. Refer to page 143.

## New standards, amendments and interpretations

The following standards, amendments and interpretations were effective for the first time in the year ended 30 June 2022:

| Standards, amendments and interpretations | Description | Effective date | Effect on the Group |
|---|---|---|---|
| Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. | Financial years beginning on or after 1 January 2021. | The Group applied this amendment from the financial year ended 30 June 2022. No material impact for the Group. |
| Covid-19-related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) | The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. | Financial years beginning on or after 1 April 2021. | The Group applied this amendment from the financial year ended 30 June 2022. The Group did not have any lease agreements impacted by this amendment. Refer to note 3 and 15 disclosure on IFRS 16 – Leases. |

The following standards, amendments and interpretations were not yet effective for the year ended 30 June 2022:

| Standards, amendments and interpretations | Description | Effective date | Effect on the Group |
|---|---|---|---|
| *IFRS 17 – Insurance Contracts* | IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. | Financial years beginning on or after 1 January 2023. | The Group will apply this amendment from financial year ending 30 June 2024. No material impact expected to the Group |
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. | Financial years beginning on or after 1 January 2024. | The Group will apply this amendment from financial year ending 30 June 2025. No material impact expected to the Group |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. | Financial years beginning on or after 1 January 2022. | The Group will apply this amendment from financial year ending 30 June 2023. No material impact expected to the Group |
| Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) | The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. | Financial years beginning on or after 1 January 2022. | The Group will apply this amendment from financial year ending 30 June 2023. No material impact expected to the Group |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) | The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). | Financial years beginning on or after 1 January 2022. | The Group will apply this amendment from financial year ending 30 June 2023. No material impact expected to the Group |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS | Financial years beginning on or after 1 January 2023. | The Group will apply this amendment from financial year ending 30 June 2024. No material impact expected to the Group |

# Residual accounting policies continued

for the year ended 30 June 2022

| Standards, amendments and interpretations | Description | Effective date | Effect on the Group |
|---|---|---|---|
| Definition of Accounting Estimates (Amendments to IAS 8) | The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. | Financial years beginning on or after 1 January 2023. | The Group will apply this amendment from financial year ending 30 June 2024. No material impact expected to the Group |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) | The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. | Financial years beginning on or after 1 January 2023. | The Group will apply this amendment from financial year ending 30 June 2024. No material impact expected to the Group |
| AIP *IFRS 1 – First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter* | | Financial years beginning on or after 1 January 2022. | The Group will apply this amendment from financial year ending 30 June 2023. No material impact expected to the Group |
| AIP *IFRS 9 – Financial Instruments* – Fees in the "10 per cent" test for derecognition of financial liabilities | | Financial years beginning on or after 1 January 2023. | The Group will apply this amendment from financial year ending 30 June 2024. No material impact expected to the Group |

### Improvements to IFRS

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

The following improvements were issued in May 2020 and were effective for the financial year ended 30 June 2022:
- *IFRS 1 – First-time Adoption of International Financial Reporting Standards*
- *IFRS 9 – Financial Instruments*
- *IFRS 16 – Leases*

# Company Annual Financial Statements

for the year ended 30 June 2022

# Company statement of financial position

at 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 1 | **23 963** | 20 200 |
| Intangible assets | 2 | **678** | 1 176 |
| Property, plant and equipment | 3 | **149** | 151 |
| Right-of-use assets | 4 | **2** | 3 |
| Deferred tax assets | 5 | **71** | 28 |
| Other non-current assets | | **–** | 126 |
| **Total non-current assets** | | **24 863** | 21 684 |
| **Current assets** | | | |
| Amounts due by Group companies | 1 | **262** | 482 |
| Cash and cash equivalents | 6 | **503** | 304 |
| Receivables and prepayments | 7 | **241** | 235 |
| Current tax assets | | **–** | 24 |
| Other current financial receivables | 8 | **5** | – |
| **Total current assets** | | **1 011** | 1 045 |
| **Total assets** | | **25 874** | 22 729 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital (net of treasury shares) | 9 | **3 051** | 3 225 |
| Non-distributable reserves | | **147** | 181 |
| Share-based compensation reserve | 10 | **162** | 135 |
| Retained income | | **22 335** | 18 250 |
| **Total shareholders' equity** | | **25 695** | 21 791 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Amounts due to Group companies | 1 | **9** | 60 |
| Trade and other payables | 11 | **160** | 173 |
| Current tax liabilities | | **10** | – |
| Other financial liabilities | 12 | **–** | 705 |
| **Total current liabilities** | | **179** | 938 |
| **Total liabilities** | | **179** | 938 |
| **Total equity and liabilities** | | **25 874** | 22 729 |

# Company statement of comprehensive income

for the year ended 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| Revenue | 13 | **7 669** | 2 331 |
| Administrative expenses | | **(617)** | (601) |
| Other operating income | | **366** | 45 |
| Other operating expenses | | **(317)** | (457) |
| **Operating profit** | 14 | **7 101** | 1 318 |
| Investment income | 16 | **21** | 11 |
| Financing costs | 17 | **(44)** | – |
| **Profit before tax** | | **7 078** | 1 329 |
| Tax | 18 | **(65)** | (50) |
| **Profit for the year** | | **7 013** | 1 279 |
| **OTHER COMPREHENSIVE INCOME, NET OF TAX**[1] | | | |
| Revaluation of other non-current financial assets | | **–** | 35 |
| **Total comprehensive income** | | **7 013** | 1 314 |

[1] *All items in other comprehensive income will not be reclassified to profit or loss.*

# Company statement of changes in equity

for the year ended 30 June 2022

| | Share capital(net of treasury shares) R'million | Non-distributable reserves: Hedging reserve R'million | Non-distributable reserves: FVOCI[2] reserve R'million | Share-based compensation reserve R'million | Retained income R'million | Total R'million |
|---|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2020** | 3 225 | 143 | 3 | 109 | 16 971 | 20 451 |
| **Total comprehensive income** | – | – | 35 | – | 1 279 | 1 314 |
| Profit for the year | – | – | – | – | 1 279 | 1 279 |
| Other comprehensive income[1] | – | – | 35 | – | – | 35 |
| Share-based payment expenses | – | – | – | 44 | – | 44 |
| Deferred incentive bonus shares exercised | – | – | – | (18) | – | (18) |
| **BALANCE AT 30 JUNE 2021** | **3 225** | **143** | **38** | **135** | **18 250** | **21 791** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **7 013** | **7 013** |
| Profit for the year | **–** | **–** | **–** | **–** | **7 013** | **7 013** |
| Treasury shares | **(88)** | **–** | **(38)** | **–** | **–** | **(126)** |
| Treasury shares purchased | **(35)** | **–** | **–** | **–** | **–** | **(35)** |
| Dividends paid | **–** | **–** | **–** | **–** | **(1 196)** | **(1 196)** |
| Share-based payment expenses | **–** | **–** | **–** | **48** | **–** | **48** |
| Deferred incentive bonus shares exercised | **21** | **–** | **–** | **(21)** | **–** | **–** |
| Share buy back | **(72)** | **–** | **–** | **–** | **(1 728)** | **(1 800)** |
| Transfer between reserves | **–** | **4** | **–** | **–** | **(4)** | **–** |
| **BALANCE AT 30 JUNE 2022** | **3 051** | **147** | **–** | **162** | **22 335** | **25 695** |

[1] *Total comprehensive income has been separately disclosed between the profit for the year and the other comprehensive income.*
[2] *Fair value through other comprehensive income.*

# Company statement of cash flows

for the year ended 30 June 2022

| | Note | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations[1] | A | **7 053** | 1 684 |
| Financing costs paid | B | **(44)** | – |
| Investment income received | C | **21** | 11 |
| Tax paid | D | **(58)** | (41) |
| **Cash generated from operating activities** | | **6 972** | 1 654 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure – property, plant and equipment | | **(4)** | (2) |
| Capital expenditure – intangible assets | | **(90)** | (336) |
| Proceeds on disposal of intangible assets | | **681** | 105 |
| Capital injection in subsidiaries | | **(5 107)** | (1 457) |
| Acquisition of other non-current financial assets | | **–** | (36) |
| Cash inflows/(outflows) – amounts due by Group companies | | **207** | (168) |
| Purchase of other current financial receivables | | **(5)** | – |
| Disposal of subsidiary | | **1 333** | – |
| Performance warranty payment – Nutritionals business | | **(705)** | – |
| **Cash used in investing activities** | | **(3 690)** | (1 894) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of lease liability | | **(1)** | – |
| Dividends paid | | **(1 196)** | – |
| Share buy back[2] | | **(1 800)** | – |
| Purchase of treasury shares | | **(35)** | – |
| Cash (outflows)/inflows – amounts to Group companies | | **(51)** | 47 |
| **Cash (used in)/generated from financing activities** | | **(3 083)** | 47 |
| **CASH AND CASH EQUIVALENTS** | | | |
| Movement in cash and cash equivalents | | **199** | (192) |
| Cash and cash equivalents at the beginning of the year | | **304** | 496 |
| **Cash and cash equivalents at the end of the year** | | **503** | 304 |

[1] *Includes dividends received of R7 058 million (2021: R1 717 million).*
[2] *In the current year 10,2 million (2021: nil) number of shares were bought back for an amount of R1,8 billion.*

# Notes to the Company statement of cash flows

for the year ended 30 June 2022

| | | 2022 R'million | 2021 R'million |
|---|---|---|---|
| **A.** | **CASH GENERATED FROM OPERATIONS** | | |
| | Operating profit | **7 101** | 1 318 |
| | Amortisation of intangible assets | **45** | 44 |
| | Depreciation of property, plant and equipment and right-of-use assets | **13** | 12 |
| | Impairment – intangible assets | **183** | – |
| | Impairment – amounts due by Group companies | **13** | 8 |
| | Impairment – investment in subsidiaries | **26** | 346 |
| | Loss on the sale of the Nutritionals business | **–** | 86 |
| | Profit on the sale of intangible assets | **(327)** | (43) |
| | Share-based payment expense – employees | **39** | 41 |
| | Other non-cash items | **(15)** | 2 |
| | Cash operating profit | **7 077** | 1 814 |
| | Working capital movements | **(25)** | (130) |
| | Increase in receivables and prepayments | **(5)** | (115) |
| | Decrease in other payables | **(20)** | (15) |
| | | **7 053** | 1 684 |
| **B.** | **FINANCING COSTS PAID** | | |
| | Interest expense | **(2)** | (1) |
| | Net foreign exchange (losses)/gains | **(42)** | 1 |
| | | **(44)** | – |
| **C.** | **INVESTMENT INCOME RECEIVED** | | |
| | Interest received on bank balances | **21** | 11 |
| | | **21** | 11 |
| **D.** | **TAX PAID** | | |
| | Amounts receivable at the beginning of the year | **24** | 37 |
| | Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes) | **(92)** | (54) |
| | Amounts payable/(receivable) at the end of the year | **10** | (24) |
| | | **(58)** | (41) |

# Notes to the Company Annual Financial Statements

for the year ended 30 June 2022

## 1. INVESTMENTS IN SUBSIDIARIES

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **SUMMARY OF BALANCE** | | |
| **Reflected as non-current assets** | | |
| Investments at cost less accumulated impairment losses | **23 963** | 20 200 |
| **Reflected as current assets** | | |
| Amounts due by Group companies[1] | **262** | 482 |
| **Reflected as current liabilities** | | |
| Amounts due to Group companies[1] | **(9)** | (60) |
| | **24 216** | 20 622 |

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

For further details of interests in material operating subsidiaries please refer to note 22.

### Reconciliation of investments in subsidiaries

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Balance at the beginning of the year | **20 200** | 19 131 |
| Capital injection in subsidiaries per statement of cash flows | **5 107** | 1 457 |
| Alphamed Formulations Pvt Limited | **187** | 62 |
| Aspen Bad Oldesloe GmbH | **257** | – |
| Aspen Notre Dame de Bondeville SAS | **513** | 595 |
| Aspen SA Operations (Pty) Limited | **4 150** | – |
| Pharmacare Limited | **–** | 800 |
| Disposal of subsidiaries | **(1 333)** | – |
| Fine Chemicals Corporation (Pty) Limited | **(1 333)** | – |
| Amounts due by Group companies (transferred to)/capitalised | **–** | (56) |
| Pharmacare Limited | **–** | (56) |
| Impairments | **(26)** | (346) |
| Fine Chemicals Corporation (Pty) Limited | **(26)** | (346) |
| Share-based payment expenses capitalised | **15** | 14 |
| | **23 963** | 20 200 |

In the prior year, the impairment of Fine Chemicals Corporation (Pty) Limited arose as a result of a fair value exercise pending the sale of the shares to Aspen Oss B.V., another 100% owned subsidiary of the Company. The key assumptions were as follows:

- period covered by the forecasts and budgets of eight years;
- average growth in revenue per annum of 6%;
- average gross profit percentage per annum of 20%;
- capital expenditure per annum R76 million; terminal growth rate of 4%; and average annual pre-tax discount rate applied to cash flows of 12%.

In the current year, the remaining investment in Fine Chemicals Corporation (Pty) Limited was fully impaired.

# Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2022

## 1. INVESTMENTS IN SUBSIDIARIES continued

### Amounts due by Group companies

#### Credit risk

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

#### Reconciliation of balance

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Balance at beginning of year** | **482** | 322 |
| Impairment losses | **(13)** | (8) |
| Cash movements | **(207)** | 168 |
| | **262** | 482 |

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

## 2. INTANGIBLE ASSETS

#### Reconciliation of balance

| | Intellectual property R'million | Product participation and other contractual rights R'million | Computer software R'million | Total R'million |
|---|---|---|---|---|
| **2022** | | | | |
| Carrying amount | | | | |
| Cost | **1 118** | **43** | **689** | **1 850** |
| Accumulated amortisation | **(729)** | **(43)** | **(169)** | **(941)** |
| Accumulated impairment losses | **(47)** | **–** | **(184)** | **(231)** |
| | **342** | **–** | **336** | **678** |
| **Movement in intangible assets** | | | | |
| Carrying amount at the beginning of the year | **705** | **–** | **471** | **1 176** |
| Additions | **2** | **–** | **88** | **90** |
| Reclassification to property, plant and equipment | **–** | **–** | **(6)** | **(6)** |
| Amortisation | **(8)** | **–** | **(37)** | **(45)** |
| Impairment losses | **(3)** | **–** | **(180)**[1] | **(183)** |
| Disposals[2] | **(354)** | **–** | **–** | **(354)** |
| | **342** | **–** | **336** | **678** |
| **2021** | | | | |
| **Carrying amount** | | | | |
| Cost | 1 552 | 43 | 606 | 2 201 |
| Accumulated amortisation | (769) | (43) | (131) | (943) |
| Accumulated impairment losses | (78) | – | (4) | (82) |
| | 705 | – | 471 | 1 176 |
| **Movement in intangible assets** | | | | |
| Carrying amount at the beginning of the year | 724 | – | 224 | 948 |
| Additions | 2 | – | 332 | 334 |
| Disposals | (1) | – | (61) | (62) |
| Amortisation | (20) | – | (24) | (44) |
| | 705 | – | 471 | 1 176 |

[1] *Software development costs, which were no longer technically or commercially feasible.*

[2] *This relates to an agreement Aspen has concluded with Acino, in terms of which Acino acquired a product portfolio of six products one of which was owned by the Company being Trustan, for a consideration of R681 million effective 1 March 2022.*

## 2. INTANGIBLE ASSETS continued

### Indefinite useful life intangible assets

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Split of balance** | | |
| GSK OTC brands[1] | **232** | 232 |
| Other | **105** | 108 |
| | **337** | 340 |

[1] *Key assumptions on impairment tests for the GSK OTC brands were as follows:*
- *period covered by the forecasts and budgets of five years (2021: five years);*
- *average growth in revenue per annum of 14% (2021: 14%);*
- *average gross profit percentage per annum of 61% (2021: 60%);*
- *growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 2,8% (2021: 2,5%); and*
- *average annual pre-tax discount rate applied to cash flows of 17,1% (2021: 15,8%).*

Based on the above calculations no impairments were recognised for the indefinite useful life intangible assets other than reported in the note. The Directors and management have performed a sensitivity analysis in order to consider and assess the impact of possible changes in key assumptions on the recognised impairments. The assumptions that are considered to be the main drivers in the calculation of the value of the intangible assets and where changes are reasonably possible are: price levels, the growth rate of the assets beyond the five-year forecast period and the discount rate used. Sensitivities were run considering a 1% reduction in revenue due to lower prices, a 1% point reduction in growth rates beyond the five year project period and a 1% increase in the pre-tax discount rate. These sensitivities did not result in any material additional impairments and the Directors and management consider that changes in excess of those used are not probable and that the remaining headroom between the value determined in the impairment tests and the carrying amounts of the indefinite useful life intangible assets is sufficient to support the above disclosure.

### Commitments

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

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Authorised and contracted for | **516** | 170 |
| Authorised but not yet contracted for | **323** | 279 |
| | **839** | 449 |

### Other disclosure

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

# Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2022

## 3. PROPERTY, PLANT AND EQUIPMENT

### Reconciliation of balance

| | Buildings R'million | Other tangible assets[1] R'million | Total R'million |
|---|---|---|---|
| **2022** | | | |
| **Carrying amount** | | | |
| Cost | **159** | **80** | **239** |
| Accumulated depreciation | **(24)** | **(66)** | **(90)** |
| | **135** | **14** | **149** |
| **Movement in property, plant and equipment** | | | |
| Carrying amount at the beginning of the year | **138** | **13** | **151** |
| Additions | **–** | **4** | **4** |
| Depreciation[2] | **(3)** | **(9)** | **(12)** |
| Reclassification from intangible assets | **–** | **6** | **6** |
| | **135** | **14** | **149** |
| **2021** | | | |
| **Carrying amount** | | | |
| Cost | 159 | 78 | 237 |
| Accumulated depreciation | (21) | (65) | (86) |
| | 138 | 13 | 151 |
| **Movement in property, plant and equipment** | | | |
| Carrying amount at the beginning of the year | 141 | 19 | 160 |
| Additions | 1 | 1 | 2 |
| Depreciation[2] | (4) | (7) | (11) |
| | 138 | 13 | 151 |

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

### Commitments

#### Capital commitments

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

| | 2022 R'million | 2021 R'million |
|---|---|---|
| Authorised but not yet contracted for | **24** | 237 |
| Authorised and contracted for | **15** | – |
| | **39** | 237 |

### Other disclosure

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

## 4. RIGHT-OF-USE ASSETS

### Reconciliation of balance

| | Buildings[1] R'million | Computer Hardware R'million | Total R'million |
|---|---|---|---|
| **2022** | | | |
| **Carrying amount** | | | |
| Cost | **–** | **3** | **3** |
| Accumulated depreciation | **–** | **(1)** | **(1)** |
| | **–** | **2** | **2** |
| **Movement in right-of-use assets** | | | |
| Carrying amount at the beginning of the year | **–** | **3** | **3** |
| Additions[1] | **–** | **–** | **–** |
| Depreciation | **–** | **(1)** | **(1)** |
| | **–** | **2** | **2** |
| **2021** | | | |
| **Carrying amount** | | | |
| Cost | – | 3 | 3 |
| Accumulated depreciation[1] | – | – | – |
| | – | 3 | 3 |
| **Movement in right-of-use assets** | | | |
| Additions | – | 3 | 3 |
| Depreciation[1] | – | – | – |
| | – | 3 | 3 |

[1] *Amounts are below R1 million.*

### Other disclosure

The amounts recognised in the statement of comprehensive income pertain to interest expense and depreciation. These amount are below R1 million, except for depreciation of R1 million in the current year.

## 5. DEFERRED TAX ASSETS

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Balance at the beginning of the year | **28** | 26 |
| Statement of comprehensive income charge – included in tax | **42** | 2 |
| Statement of comprehensive income credit – prior year adjustment | **4** | – |
| Statement of comprehensive income credit – rate change adjustment[1] | **(3)** | – |
| | **71** | 28 |
| **Deferred tax balance comprises** | | |
| Property, plant and equipment | **8** | 6 |
| Intangible assets | **37** | (4) |
| Right-of-use-assets | **(1)** | (1) |
| Other receivables and payables | **26** | 27 |
| Non-current liabilities | **1** | – |
| | **71** | 28 |
| **The statement of comprehensive income charge comprises** | | |
| Property, plant and equipment | **2** | 2 |
| Intangible assets | **41** | (1) |
| Right-of-use-assets | **–** | (1) |
| Other receivables and payables | **(1)** | 2 |
| Non-current liabilities | **1** | – |
| | **43** | 2 |

[1] *The South African Finance Ministry announced a reduction to the South African corporate tax rate from 28% to 27% for tax years commencing on or after 1 April 2022, upon which the change in tax rate became substantively enacted on the 23 February 2022. The opening balance for deferred taxes has been updated to reflect the impact of this change in tax rate.*

# Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2022

## 6. CASH AND CASH EQUIVALENTS

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Bank balances | **503** | 304 |

**Other disclosure**

The average effective interest rate on cash and cash equivalents for the year ended 30 June 2022 is 4,4% (2021: 4,3%)

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

All cash and cash equivalents are denominated in Rand.

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

## 7. RECEIVABLES AND PREPAYMENTS

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Prepayments | **20** | 13 |
| Interest accrued | **2** | 1 |
| Indirect taxes | **74** | 45 |
| Related parties | **70** | 90 |
| SAP Licensing receivable | **74** | – |
| Other | **1** | 86 |
| | **241** | 235 |
| **Split of balance** | | |
| Financial assets | **145** | 176 |
| Non-financial assets | **96** | 59 |
| | **241** | 235 |

**Other disclosure**

The Company holds no collateral over any receivables and prepayments.

Receivables and prepayments are non-interest bearing.

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

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

## 8. OTHER CURRENT FINANCIAL RECEIVABLES

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Enterprise development loan awarded | **5** | – |
| | **5** | – |

In terms of a written Enterprise Development Loan agreement, Aspen has advanced funding in the capital sum of R5 million to a BBBEE beneficiary, namely CEPPWAWU and its interim administrator. The loan bears interest at the South African prime rate. In the current year, an assessment was performed on the loan with no impairment being recognised.

## 9. SHARE CAPITAL (NET OF TREASURY SHARES)

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| **Authorised** | | |
| 717 600 000 (2021: 717 600 000) ordinary shares with no par value | **–** | – |
| **Issued** | | |
| 446 252 332 (2021: 456 451 541) ordinary shares with no par value | **3 051** | 3 225 |
| **Reconciliation of balance** | | |
| Shares in issue at the beginning of the year | **456,5** | 456,5 |
| Share buy back | **(10,2)** | – |
| | **446,3** | 456,5 |

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

All shares are fully paid up, and no shares were issued during the year.

In the current year, 10,2 million (2021: nil) number of shares were bought back for an amount of R1,8 billion.

The Company had 0,8 million number of treasury shares at year-end.

# Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2022

## 10. SHARE-BASED COMPENSATION RESERVE

### Summary of schemes

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

*The Aspen South African Management Deferred Incentive Bonus Scheme*

| | Long-term component of the scheme (formerly referred to as Medium-term) | Long-term deferred retention component of the scheme |
|---|---|---|
| **Nature and strategic intent of the scheme** | The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. While it has the same performance measures as the annual cash incentive for the first layer, it introduces a retention element through the three-year deferral to ensure that critical executive and professional skills are retained and a new second layer which is forfeitable has been introduced to ensure there is congruence between the interests of executive and managerial employees and shareholders. | The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives. |
| **Determination of value of awards** | The award value varies according to the level of seniority of the executive or manager and, for the first layer, is determined according to the achievement of the same performance targets which apply to the annual cash incentive. For the second layer (referred to as "conditional"), a new set of Group Key Performance Indicators have been determined and each of these are separately measured. Conditional long-term incentive ("LTI") awards vest conditionally on maintenance of performance level over the three-year vesting period, and are subject to adjustment if not maintained.<br><br>The maximum award does not exceed 53% of the total remuneration cost in any instance, except for the Group Chief Executive's awards which are capped at a maximum of 82,5% of the total remuneration cost.<br><br>The cash election option available to participants of the scheme has been removed, with the additional 10% enhancement previously applicable for the election of shares rather than cash factored into the first layer of the LTI award, which vest after a period of three years. | The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and at the discretion of the Committee. |
| **Vesting** | Share awards are acquired and held by the Aspen Share Incentive Trust (in respect of awards made up until 2015) and an unrelated intermediary (in respect of awards made from 2016 onwards) to enable Aspen to settle its future obligation to participating employees upon vesting. No shares are issued in terms of this scheme and it has no dilutive effect.<br><br>Awards for the first layer, vest after a period of three years and are paid out in cash to the employee by the Aspen business employing him or her.<br><br>Conditional LTI awards vest conditionally on the maintenance of performance level over the three-year vesting period and are subject to adjustment if not maintained. 50% of conditional LTI shares that vest will only be released for trade in year 4 (25%) and year 5 (25%), introducing an extended minimum shareholding period.<br><br>Should the employee retire within the three-year period, the vesting of the awards will be accelerated to the date of retirement.<br><br>Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards. | These awards vest after a period of five, seven, or 10 years, and may only be settled in shares. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the five, seven or 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration. |

## 10. SHARE-BASED COMPENSATION RESERVE continued

*Aspen SA Phantom Share Scheme*

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

### Reconciliation of schemes

*Aspen South African Management Deferred Incentive Bonus Scheme*

| | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Award price (R) | Expiry Date | Shares outstanding on 30 June 2021 '000[1] | Awarded during the year '000[2] | Total Dividends reinvested '000 | Released during the year '000 | Lapsed/ cancelled during the year '000[3] | **Shares outstanding on 30 June 2022 '000[1]** | **Fair value at award date (R)** | **Share price at award date (R)** |
| 164,96 | Oct 2021 | 111 | – | 1 | (102) | (10) | **–** | **256,77** | **174,64** |
| 105,11 | Oct 2022 | 136 | – | 1 | (16) | (4) | **117** | **104,65** | **90,04** |
| 108,98 | Oct 2023 | 331 | – | 3 | (32) | (27) | **275** | **143,51** | **119,46** |
| 106,74 | May 2024 | 100 | – | 1 | – | – | **101** | **105,11** | **106,74** |
| 194,44 | Oct 2024 | – | 177 | – | (2) | (1) | **174** | **162,09** | **270,49** |
| 326,70 | May 2026 | 143 | – | – | – | – | **143** | **365,00** | **317,50** |
| 106,74 | May 2026 | 100 | – | 1 | – | – | **101** | **105,11** | **106,74** |
| | | 921 | 177 | 7 | (152) | (42) | **911** | | |

## 10. SHARE-BASED COMPENSATION RESERVE continued

*Aspen South African Management Deferred Incentive Bonus Scheme continued*

| 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Award price (R) | Expiry Date | Shares out-standing on 30 June 2020 '000[1] | Awarded during the year '000[2] | Total Dividends reinvested '000 | Released during the year '000 | Lapsed/ cancelled during the year '000[3] | Shares out-standing on 30 June 2021 '000[1] | Fair value at award date (R) | Share price at award date (R) |
| 305,18 | Oct 2020 | 61 | – | – | (61) | – | – | 297,84 | 319,45 |
| 164,96 | Oct 2021 | 111 | – | – | – | – | 111 | 256,77 | 174,64 |
| 105,11 | Oct 2022 | 136 | – | – | – | – | 136 | 104,65 | 90,04 |
| 108,98 | Oct 2023 | | 331 | – | – | – | 331 | 143,51 | 119,46 |
| 106,74 | May 2024 | 100 | – | – | | – | 100 | 105,11 | 106,74 |
| 326,70 | May 2026 | 143 | – | – | – | – | 143 | 365,00 | 317,50 |
| 106,74 | May 2026 | 100 | – | – | – | – | 100 | 105,11 | 106,74 |
| | | 651 | 331 | – | (61) | – | 921 | | |

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

[1] *The total number of shares were not vested at 30 June 2022 and 30 June 2021.*
[2] *During the year the Company bought 0,2 million shares (2021: 0,3 million shares) that will be held until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.*
[3] *Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are re-allocated to future grants.*

*Aspen South African Phantom Share Scheme*

| **2022** | | | | | | |
|---|---|---|---|---|---|---|
| Award price (R) | Expiry Date | Shares outstanding on 30 June 2021 '000[5] | Awarded during the year '000 | Exercised during the year '000 | Lapsed/ cancelled during the year '000 | **Shares outstanding on 30 June 2022 '000[5]** |
| 112,67 | Oct 2021 | 20 | – | (20) | – | **–** |
| 131,00 | Oct 2021 | 15 | – | (15) | – | **–** |
| 112,67 | Oct 2022 | 20 | – | – | – | **20** |
| 131,00 | Oct 2022 | 16 | – | – | – | **16** |
| | | 71 | – | (35) | – | **36** |

| 2021 | | | | | | |
|---|---|---|---|---|---|---|
| Award price (R) | Expiry Date | Shares outstanding on 30 June 2020 '000[5] | Awarded during the year '000 | Exercised during the year '000 | Lapsed/ cancelled during the year '000 | Shares outstanding on 30 June 2021 '000[5] |
| 131,00 | Oct 2020 | 13 | – | (13) | – | – |
| 112,67 | Oct 2021 | 30 | – | – | (10) | 20 |
| 131,00 | Oct 2021 | 15 | – | – | – | 15 |
| 112,67 | Oct 2022 | 31 | – | – | (11) | 20 |
| 131,00 | Oct 2022 | 16 | – | – | – | 16 |
| | | 105 | – | (13) | (21) | 71 |

[5] *The total number of shares were not vested at 30 June 2022.*

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R139,04 (2021: R162,09).

The liability included in trade and other payables on the statement of financial position relating to the Aspen South African Phantom Share Scheme is R3,7 million (2021: R5,2 million).

## 11. TRADE AND OTHER PAYABLES

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Accrued expenses | **22** | 15 |
| Leave pay | **17** | 18 |
| Bonuses | **69** | 72 |
| Trade payables | **24** | 29 |
| Insurance accrual | **20** | 20 |
| Other | **8** | 19 |
| | **160** | 173 |
| **Split of balance** | | |
| Financial liabilities | **46** | 45 |
| Non-financial liabilities | **114** | 128 |
| | **160** | 173 |

### Other disclosure

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

## 12. OTHER FINANCIAL LIABILITIES

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Reconciliation of balance** | | |
| Balance at the beginning of the year | **705** | 619 |
| Performance warranty payment – Nutritionals business | **(705)** | – |
| Increase in warranty provision – Nutritionals business | **–** | 62 |
| Foreign currency losses – Nutritionals business | **–** | 24 |
| | **–** | 705[1] |
| **Nutritionals business** | | |
| In the 2019 financial year the Group concluded an agreement to divest of its Nutritionals business predominantly carried on in Latin America, sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands (Nutritionals business) to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. The transaction was concluded effective 31 May 2019 and the results of the disposals were included as part of discontinued operations. | | |
| **Performance warranty** | | |
| The performance warranty of NZD71 million at 30 June 2021 was based on the expected profit performance of the disposed portfolio in Asia over three years. This was included in current liabilities at 30 June 2021. In the current year, the final settlement value of NZD71 million was paid. | **–** | 705 |
| | **–** | 705 |

[1] *The balance has been classified as current in the statement of financial position as at June 2021.*

## 13. REVENUE

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Royalties | **187** | 141 |
| Administrative fees received from subsidiaries | **424** | 473 |
| Dividends received from subsidiaries | **7 058** | 1 717 |
| | **7 669** | 2 331 |

## 14. OPERATING PROFIT

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Operating profit has been arrived at after charging:** | | |
| Audit fees | **13** | 13 |
| Current year | **12** | 13 |
| Prior year under provision | **1** | – |
| Impairment – intangible assets (included in other operating expenses) | **183** | – |
| Impairment – investment in subsidiaries (included in other operating expenses) | **26** | 346 |
| Impairment – amounts due by Group companies | **13** | 8 |
| Transaction costs | **37** | – |
| Repairs and maintenance expenditure on property, plant and equipment | **3** | 1 |

## 15. DIRECTORS AND EMPLOYEES

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Staff costs** | | |
| Salaries | **302** | 275 |
| Defined contribution plans | **28** | 33 |
| Share-based payment expense – deferred incentive bonus | **39** | 41 |
| Cash portion | **7** | 11 |
| Equity portion | **32** | 30 |
| Other employee contributions | **7** | 3 |
| | **376** | 352 |

Further details of the Directors and employees of the Group are available in the Group's Annual Financial Statements, refer to note 24.

## 16. INVESTMENT INCOME

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Interest received on bank balances | **21** | 11 |
| | **21** | 11 |

## 17. FINANCING COSTS

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Interest paid on borrowings | **(2)** | (1) |
| Net foreign exchange (losses)/gains | **(42)** | 1 |
| | **(44)** | – |

## 18. TAX

| | 2022 R'million | 2021 R'million |
|---|---|---|
| **Summary of balance** | | |
| Current tax | **92** | 54 |
| Current year | **100** | 35 |
| Prior year | **(8)** | 19 |
| Deferred tax | **(43)** | (2) |
| Current year | **(42)** | 5 |
| Prior year | **(4)** | (7) |
| Rate change[1] | **3** | – |
| Withholding tax | **16** | (2) |
| | **65** | 50 |
| **Reconciliation of effective tax rate** | **%** | % |
| South African current tax rate | **28,0** | 28,0 |
| Non-taxable income relating to intangible assets | **(0,4)** | (0,4) |
| Non-deductible expenses relating to intangible assets | **0,3** | 0,4 |
| Non-deductible expenses relating to other assets | **0,1** | 8,6 |
| Dividends and similar income not subject to tax | **(27,8)** | (36,0) |
| Additional income arising from tax law interpretation | **0,3** | 1,0 |
| Non-deductible expenses | **0,1** | 0,8 |
| Non-deductible expenses relating to holding company apportionment | **0,3** | 1,5 |
| Non-taxable restructuring costs | **–** | (0,8) |
| Non-deductible costs relating to acquisitions and disposals | **0,1** | – |
| Non-recoverable withholding taxes | **0,2** | (0,1) |
| Prior year adjustment | **(0,2)** | 0,8 |
| Rate change | **(0,1)** | – |
| **Effective tax rate** | **0,9** | 3,8 |

[1] *The South African Finance Ministry announced a reduction in the South African corporate tax rate from 28% to 27% for tax years commencing on or after 1 April 2022, upon which the change in tax rate became substantively enacted on the 23 February 2022. The deferred tax closing balance has been restated to reflect the impact of this change in rate.*

# Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2022

## 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 24 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 22 for a list of the material operating subsidiaries and structured entities.

None of the balances are secured.

| | 2022 R'million | 2021 R'million |
|---|---|---|
| The following intra-group transactions took place between Aspen Holdings and Group companies during the current year: | | |
| **Royalties received** | **187** | 141 |
| Pharmacare Limited | **187** | 141 |
| **Administration fees received** | **424** | 473 |
| Aspen Global Incorporated | **71** | 86 |
| Aspen Healthcare FZ LLC | **16** | 15 |
| Aspen Notre Dame de Bondeville SAS | **17** | 16 |
| Aspen Oss B.V. | **27** | 66 |
| Aspen Pharma Ireland Limited | **25** | 41 |
| Pharmacare Limited | **51** | 94 |
| Aspen Pharmacare Australia (Pty) Limited | **14** | 18 |
| Aspen Port Elizabeth (Pty) Limited | **2** | 38 |
| Aspen SA Operations (Pty) Limited | **58** | – |
| Aspen Bad Oldesloe GmbH | **12** | 10 |
| Aspen Pharma – Indústria Farmacêutica Ltda | **10** | 12 |
| Aspen Labs S.A. de C.V. | **12** | 7 |
| Fine Chemicals Corporation (Pty) Limited | **11** | 11 |
| Other subsidiaries | **98** | 59 |
| **Dividends received** | **7 058** | 1 717 |
| Aspen Global Incorporated | **5 013** | 1 314 |
| Pharmacare Limited | **1 700** | – |
| Aspen Oss B.V. | **345** | 403 |
| The following intra-group balances were outstanding between Aspen Holdings and Group companies at year-end | | |
| **Amounts reflected as current assets** | **262** | 482 |
| Aspen Global Incorporated | **12** | 26 |
| The Aspen Share Incentive Scheme Trust | **15** | 28 |
| Shelys Pharmaceuticals International Limited | **7** | 10 |
| Pharmacare Limited | **48** | – |
| Aspen Port Elizabeth (Pty) Limited | **–** | 132 |
| Aspen SA Operations (Pty) Limited | **15** | – |
| Fine Chemicals Corporation (Pty) Limited | **5** | 89 |
| Aspen Oss B.V. | **32** | 46 |
| Aspen Labs S.A. de C.V. | **2** | 11 |
| Beta Healthcare International Limited | **29** | 25 |
| Aspen USA Incorporated | **11** | 13 |
| Aspen Pharmacare Nigeria Limited | **13** | 11 |
| Other subsidiaries | **73** | 91 |
| **Amounts reflected as current liabilities** | **9** | 60 |
| Pharmacare Limited | **1** | 52 |
| Aspen Port Elizabeth (Pty) Limited | **–** | 6 |
| Other subsidiaries | **8** | 2 |

## 19. RELATED PARTY TRANSACTIONS continued

### Transactions and balances with directors

All Directors have given general declarations of interest in terms of section 75 of the Companies Act of 2008. These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Company in terms of a customer/supplier relationship. These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time practicing attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R2,4 million (2021: R0,7 million) and no balance was outstanding at year-end (2021: nil).

### Transactions with key management personnel

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

Key management personnel compensation consists of:

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Short-term employee benefits | **74** | 83 |
| Post-employment benefits | **6** | 7 |
| Share-based payment expense | **24** | 29 |
| Total key management remuneration paid | **104** | 119 |
| Number of employees included above | **16** | 16 |

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

## 20. FINANCIAL RISK MANAGEMENT

### 20.1 Introduction

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

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

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

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

Concentration risk is the risk that the Company is exposed to financial loss, which if incurred, would be significant due to the aggregate (concentration) exposure the Company has to a particular asset, counterparty, customer or service provider. The management of concentration risk is critical across many of the significant risk categories. Information on the key concentration risks have been set out in the respective notes.

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

**20. FINANCIAL RISK MANAGEMENT** continued

## 20.2 Financial instruments by category

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

| 2022 | At fair value through other comprehensive income R'million | At amortised cost R'million | Total R'million |
|---|---|---|---|
| **Financial assets** | | | |
| Receivables and prepayments | – | **145** | **145** |
| Cash and cash equivalents | – | **503** | **503** |
| Amounts due by Group companies | – | **262** | **262** |
| Other current financial receivables | – | **5** | **5** |
| Total financial assets | – | **915** | **915** |
| **Financial liabilities** | | | |
| Other payables | – | **46** | **46** |
| Amounts due to Group companies | – | **9** | **9** |
| Total financial liabilities | – | **55** | **55** |

| 2021 | At fair value through other comprehensive income R'million | At amortised cost R'million | Total R'million |
|---|---|---|---|
| **Financial assets** | | | |
| Receivables and prepayments | – | 176 | 176 |
| Cash and cash equivalents | – | 304 | 304 |
| Amounts due by Group companies | – | 482 | 482 |
| Other non-current financial assets | 126 | – | 126 |
| Total financial assets | 126 | 962 | 1 088 |
| **Financial liabilities** | | | |
| Other payables | – | 45 | 45 |
| Amounts due to Group companies | – | 60 | 60 |
| Total financial liabilities | – | 105 | 105 |

## 20.3 Market risk management

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

## 20. FINANCIAL RISK MANAGEMENT continued

### 20.4 Foreign currency risk

The Company's transactions are predominantly entered into in Rand. However, the Company utilise various foreign currencies (currencies other than the Rand) in respect of its income and expenses. Consequently, the Company is exposed to exchange rate fluctuations that have an impact on cash flows and/or foreign exchange gains or losses recognised in the statement of comprehensive income.

Through the selective use of forward exchange contracts, these exposures are managed within risk appetites set by the Audit & Risk Committee.

At 30 June 2022 and 30 June 2021 the Company had no outstanding forward exchange contracts.

**Sensitivity analysis**

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

The Company is mainly exposed to fluctuations in foreign exchange rates in respect of the Euro and New Zealand Dollar (as per prior year). The analysis considered the impact of changes in foreign exchange rates on the statement of comprehensive income.

The analysis had been performed on the basis of the change occurring at the start of the reporting period and assumed that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2021.

A 10% weakening in the Rand against the foreign exchange rates to which the Company is exposed at the reporting date, would have decreased profit before tax by R2 million (2021: R74 million).

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

### 20.5 Interest rate risk

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

| | Carrying amount | |
|---|---|---|
| | **2022 R'million** | 2021 R'million |
| **Variable rate instruments** | | |
| Receivables and prepayments | **2** | 1 |
| Cash and cash equivalents | **503** | 304 |
| Variable rate exposure | **505** | 305 |

**Sensitivity analysis**

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

An increase of 1% in interest rates for the year ended 30 June 2022 would have increased profit before tax by R7 million and increased profit before tax by R10 million in 2021. A decrease of 1% will have an equal and opposite effect on profit before tax.

## 20. FINANCIAL RISK MANAGEMENT continued

### 20.6 Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The Company finances its operations through a mixture of retained earnings and short-term bank funding (in the form of overdraft facilities attached to its bank accounts). The Company participates (alongside Aspen SA Operations (Pty) Limited, Pharmacare Limited, Fine Chemicals Corporation (Pty) Limited, Aspen Finance (Pty) Limited and Brimpharm SA (Pty) Limited) in the Group's South African notional Cashpool (the "Cashpool"). This Cashpool comprises Rand bank accounts held with FirstRand Bank Limited (the "Bank") In terms of the Cashpool, each of the participants have collectively pledged any positive cash balances on their accounts in favour of the Bank with respect to any overdrawn balances on their accounts.

Pharmacare Limited maintains separate funding facilities which it utilises or repays daily to ensure that the Cashpool's debit balances are matched by its credit balances. On this basis, the Company is able to access its cash balances and/or overdraft facilities to the extent that the Cashpool is appropriately funded. Therefore, the Company's liquidity risk is inextricably linked to that of the aforementioned Cashpool participants as a whole. The Group's treasury department monitors the Cashpool and the cash forecasts of each of the Cashpool participants and ensures that adequate funding facilities and reserve borrowing capacities are maintained to ensure that each of the Cashpool participants are able to meet their payment obligations as they fall due.

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

| | Undiscounted cash flows | | | |
|---|---|---|---|---|
| **2022** | **On demand R'million** | **Less than 1 year R'million** | **Between 1 – 5 years R'million** | **Total R'million** |
| **Financial assets** | | | | |
| Receivables and prepayments (financial instruments only) | **–** | **145** | **–** | **145** |
| Cash and cash equivalents | **–** | **503** | **–** | **503** |
| Amounts due by Group companies | **262** | **–** | **–** | **262** |
| Other current financial receivables | **–** | **5** | **–** | **5** |
| Total financial assets | **262** | **653** | **–** | **915** |
| **Financial liabilities** | | | | |
| Other payables (financial instruments only) | **–** | **(46)** | **–** | **(46)** |
| Amounts due to Group companies | **(9)** | **–** | **–** | **(9)** |
| Total financial liabilities | **(9)** | **(46)** | **–** | **(55)** |
| Net exposure | **253** | **607** | **–** | **860** |

| | Undiscounted cash flows | | | |
|---|---|---|---|---|
| 2021 | On demand R'million | Less than 1 year R'million | Between 1 – 5 years R'million | Total R'million |
| **Financial assets** | | | | |
| Receivables and prepayments (financial instruments only) | – | 176 | – | 176 |
| Cash and cash equivalents | – | 304 | – | 304 |
| Other non-current financial assets | – | 42 | 84 | 126 |
| Amounts due by Group companies | 482 | – | – | 482 |
| Total financial assets | 482 | 522 | 84 | 1 088 |
| **Financial liabilities** | | | | |
| Other payables (financial instruments only) | – | (45) | – | (45) |
| Amounts due to Group companies | (60) | – | – | (60) |
| Total financial liabilities | (60) | (45) | – | (105) |
| Net exposure | 422 | 477 | 84 | 983 |

## 20. FINANCIAL RISK MANAGEMENT continued

### 20.7 Credit risk

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

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

### 20.8 Capital risk

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

The capital structure of the Company consists of equity attributable to holders of the parent comprising share capital, non-distributable reserves and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews this capital structure on at least a semi-annual basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Company may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

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

## 21. FINANCIAL GUARANTEES

### Guarantees to financial institutions

The Company, along with Aspen Finance (Pty) Limited, Aspen Global Incorporated, Pharmacare Limited, SA Operations (Pty) Limited and Aspen Asia Pacific (Pty) Limited (and its active subsidiaries) (collectively, the Guarantors) is a guarantor with respect to a significant portion of the Group's banking/funding facilities. The following facility amounts (which exclude facilities where the Company is the only borrower thereto) were, as of 30 June 2022, collectively guaranteed by the Company (and in most cases, along with the Guarantors)

| | **2022 R'million** | 2021 R'million |
|---|---|---|
| Australian Dollar denominated facilities | **4 040** | 3 842 |
| Euro denominated facilities | **34 735** | 34 971 |
| US Dollar denominated facilities | **1 846** | 1 903 |
| South African Rand denominated facilities | **10 047** | 14 650 |
| | **50 668** | 55 366 |

Financial guarantee facilities utilised was R22,0 billion at year end (2021: R24,5 billion).

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

## OTHER DISCLOSURES

### 22. MATERIAL OPERATING SUBSIDIARIES AND STRUCTURED ENTITIES

| | | | | Effective Group holding | | Investment | |
|---|---|---|---|---|---|---|---|
| Country of incorporation | Company | Currency | Issued capital '000 | **2022 %** | 2021 % | **2022 R'million** | 2021 R'million |
| **Direct** | | | | | | | |
| India | Alphamed Formulations Pvt Limited | INR | [1] | **100** | 100 | **495** | 308 |
| Germany | Aspen Bad Oldesloe GmbH | EUR | [1] | **100** | 100 | **942** | 685 |
| South Africa | Aspen Finance (Pty) Limited | EUR | 12 000 | **100** | 100 | **213** | 213 |
| Mauritius | Aspen Global Incorporated | EUR | 908 529 | **100** | 100 | **8 654** | 8 654 |
| France | Aspen Notre Dame de Bondeville SAS | EUR | 331 311 | **100** | 100 | **4 888** | 4 375 |
| The Netherlands | Aspen Oss B.V. | EUR | 53 000 | **100** | 100 | **1 389** | 1 389 |
| Nigeria | Aspen Pharmacare Nigeria Limited | NGN | 61 267 | **100** | 100 | **3** | 3 |
| Uganda | Beta Healthcare (Uganda) Limited | UGX | 6 040 000 | **100** | 100 | **26** | 26 |
| Kenya | Beta Healthcare International Limited | KES | 30 000 | **100** | 100 | **7** | 7 |
| South Africa | Fine Chemicals Corporation (Pty) Limited | ZAR | 1 375 000 | **100** | 100 | **–** | 1 359 |
| Ghana | Kama Industries Limited | GHS | 6 927 | **100** | 100 | **55** | 55 |
| South Africa | Pharmacare Limited | ZAR | 1 435 | **100** | 100 | **2 878** | 2 863 |
| South Africa | SA Operations (Pty) Limited | ZAR | 4 150 000 | **100** | – | **4 150** | – |
| Various | Various | [2] | [2] | **[2]** | [2] | **263** | 263 |
| **Indirect** | | | | | | | |
| Brazil | A.Pharma Distribuidora Limitada | BRL | [1] | **100** | 100 | **–** | – |
| Hong Kong | Aspen Asia Company Limited | HKD | 5 514 | **100** | 100 | **–** | – |
| Australia | Aspen Asia Pacific (Pty) Limited | AUD | 83 952 | **100** | 100 | **–** | – |
| Costa Rica | Aspen CariCam S.A. | CRC | 500 | **100** | 100 | **–** | – |
| China | Aspen China Company Limited | CNY | 41 960 | **100** | 100 | **–** | – |
| Colombia | Aspen Colombiana S.A.S. | COP | 40 558 482 | **100** | 100 | **–** | – |
| France | Aspen France SAS | EUR | 12 550 | **100** | 100 | **–** | – |
| Germany | Aspen Germany GmbH | EUR | 2 525 | **100** | 100 | **–** | – |
| Russia | Aspen Health LLC | RUB | 615 400 | **100** | 100 | **–** | – |
| United Arab Emirates | Aspen Healthcare FZ LLC | USD | [1] | **100** | 100 | **–** | – |
| Malta | Aspen Healthcare Malta Ltd | EUR | [1] | **100** | 100 | **–** | – |
| Taiwan | Aspen Healthcare Taiwan Limited | TWD | 65 000 | **100** | 100 | **–** | – |
| Italy | Aspen Italia SRL | EUR | 1 010 | **100** | 100 | **–** | – |
| Mexico | Aspen Labs S.A. de C.V. | MXN | 909 225 | **100** | 100 | **–** | – |
| Malaysia | Aspen Medical Products Malaysia Sdn Bhd | MYR | 19 000 | **100** | 100 | **–** | – |
| Mexico | Aspen Mexico, S de R. L. de C.V. | MXN | 2 196 046 | **100** | 100 | **–** | – |
| Peru | Aspen Peru S.A. | PEN | 57 743 | **100** | 100 | **–** | – |
| Brazil | Aspen Pharma – Indústria Farmacêutica Limitada | BRL | 399 377 | **100** | 100 | **–** | – |
| Australia | Aspen Pharma (Pty) Limited | AUD | 11 862 | **100** | 100 | **–** | – |
| Ireland | Aspen Pharma Ireland Limited | EUR | 42 001 | **100** | 100 | **–** | – |
| Mexico | Aspen Pharma Mexicana S. de R.L. de C.V. | MXN | [1] | **100** | 100 | **–** | – |
| Australia | Aspen Pharmacare Australia (Pty) Limited | AUD | 167 373 | **100** | 100 | **–** | – |
| Canada | Aspen Pharmacare Canada Inc. | CAD | 32 826 | **100** | 100 | **–** | – |
| Spain | Aspen Pharmacare Espana SL | EUR | 12 003 | **100** | 100 | **–** | – |
| England | Aspen Pharmacare UK Limited | GBP | 13 500 | **100** | 100 | **–** | – |
| Philippines | Aspen Philippines Incorporated | PHP | 396 389 | **100** | 100 | **–** | – |
| Poland | Aspen Polska | PLN | [1] | **100** | 100 | **–** | – |
| Ecuador | Aspenpharma S.A. | USD | 3 170 | **100** | 100 | **–** | – |
| Cyprus | PharmaLatina Holdings Limited | USD | 15 637 | **100** | 100 | **–** | – |
| Tanzania | Shelys Pharmaceuticals Limited | TZS | 6 723 843 | **100** | 100 | **–** | – |
| Turkey | VLD Danıs̡manlık Tıbbi Ürünlerve Tanıtım Hizmetleri A.Ş. | TRY | 15 850 | **100** | 100 | **–** | – |
| Various | Various | [2] | [2] | **[2]** | [2] | **–** | – |
| **Trusts (structured entities)[3]** | | | | | | | |
| South Africa | Aspen Share Appreciation Plan | ZAR | N/A | **100** | 100 | **–** | – |
| South Africa | Aspen Share Incentive Scheme | ZAR | N/A | **100** | 100 | **–** | – |
| **Total investments in subsidiaries** | | | | | | **23 963** | 20 200 |

[1] *Less than 500.*
[2] *These direct and indirect holdings are made up of various subsidiaries incorporated in multiple territories.*
[3] *These trusts are structured entities which are consolidated into the Group Annual Financial Statements and are not subject to any other risk exposure.*

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

**Definitions**

AUD: Australian Dollar
BRL: Brazilian Real
CAD: Canadian Dollar
CNY: Chinese Yuan Renminbi
COP: Colombian Peso
EUR: Euro
GBP: British Pound Sterling
GHS: Ghanaian Cedi
HKD: Hong Kong Dollar
INR: Indian Rupee
KES: Kenyan Shillings
MXN: Mexican Peso
MYR: Malaysian Ringgit
NGN: Nigerian Naira
PEN: Peruvian Sol
PHP: Philippine Peso
PLN: Polish Zloty
RUB: Russian Ruble
TRY: Turkish Lira
TWD: Taiwan Dollar
TZS: Tanzanian Shilling
UGX: Ugandan Shilling
USD: US Dollar
ZAR: South African Rand

# Illustrative constant exchange rate report – Annexure 1

## Illustrative constant exchange rate report on selected financial data

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

The pro forma constant exchange rate information has been extracted from Note N included in the Reviewed provisional Group financial results for the year ended 30 June 2022 and cash dividend declaration. Aspen's auditors have issued a reporting accountant's report on certain financial information included in Note N. Read the information included in Note N together with the reporting accountant's report thereon for a full understanding. The *pro forma* constant exchange rate information is presented to demonstrate the impact of fluctuations in currency exchange rates on the Group's reported results. The *pro forma* constant exchange rate information is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The *pro forma* constant exchange rate information has been compiled in terms of the JSE Listings Requirements and SAICA's Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 30 June 2022. The illustrative *pro forma* constant exchange rate information on selected financial data has been derived from the reviewed financial information included in the Reviewed provisional Group financial results for the year ended 30 June 2022 and cash dividend declaration.

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

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

| | **June 2022 average rates** | June 2021 average rates |
|---|---|---|
| Euro | **17,143** | 18,362 |
| Australian Dollar | **11,033** | 11,484 |
| Chinese Yuan Renminbi | **2,357** | 2,324 |
| US Dollar | **15,217** | 15,408 |
| Brazilian Real | **2,934** | 2,838 |
| Mexican Peso | **0,755** | 0,740 |
| Canadian Dollar | **12,019** | 11,998 |
| Russian Ruble | **0,206** | 0,207 |
| British Pound Sterling | **20,241** | 20,707 |

### Revenue, other income, cost of sales and expenses

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

### Interest paid net of investment income

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

### Tax

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

# Illustrative constant exchange rate report – Annexure 1 continued

## Illustrative constant exchange rate report on selected financial data continued

| | June 2022 (at 2022 average rates) R'million | June 2021 (at 2021 average rates) R'million | Change at reported exchange rates % | Recalculated Illustrative constant exchange rates June 2021 (at 2022 average rates) R'million | Change at constant exchange rates % |
|---|---|---|---|---|---|
| **Key constant exchange rate indicators** | | | | | |
| **Continuing operations** | | | | | |
| Revenue | **38 606** | 37 766 | 2 | 36 724 | 5 |
| Gross profit | **18 306** | 17 789 | 3 | 17 462 | 5 |
| Normalised EBITDA[1] | **11 012** | 9 945 | 11 | 9 767 | 13 |
| Operating profit | **8 671** | 7 072 | 23 | 7 000 | 24 |
| Normalised headline earnings | **7 373** | 5 978 | 23 | 5 918 | 25 |
| *Basic and diluted earnings per share (cents)* | ***1 432,3*** | *1 051,1* | *36* | *1 050,0* | *36* |
| *Headline and diluted headline earnings per share (cents)* | ***1 461,2*** | *1 204,3* | *21* | *1 193,5* | *22* |
| *Normalised headline and diluted headline earnings per share (cents)* | ***1 627,6*** | *1 309,7* | *24* | *1 296,4* | *26* |

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

| | June 2022 (at 2022 average rates) % | June 2021 (at 2021 average rates) % |
|---|---|---|
| **Revenue currency mix** | | |
| Euro | **31** | 29 |
| South African Rand | **17** | 18 |
| Australian Dollar | **14** | 13 |
| Chinese Yuan Renminbi | **10** | 10 |
| US Dollar | **7** | 7 |
| Brazilian Real | **4** | 3 |
| Mexican Peso | **3** | 3 |
| Canadian Dollar | **2** | 1 |
| Russian Ruble | **2** | 2 |
| British Pound Sterling | **1** | 2 |
| Other currencies | **9** | 12 |
| **Total** | **100** | 100 |

June 2022 (at 2022 average rates)

| | Sterile Focus Brands R'million | Regional Brands R'million | Total Commercial Pharmaceuticals R'million | Total Manufacturing R'million | Total R'million |
|---|---|---|---|---|---|
| Revenue | 10 253 | 17 405 | 27 658 | 10 948 | 38 606 |
| Cost of sales | (4 032) | (7 571) | (11 603) | (8 697) | (20 300) |
| Gross profit | 6 221 | 9 834 | 16 055 | 2 251 | 18 306 |
| Selling and distribution expenses | | | | | (5 518) |
| Administrative expenses | | | | | (3 021) |
| Net other operating income | | | | | 78 |
| Depreciation | | | | | 1 167 |
| **Normalised EBITDA**[1] | | | | | 11 012 |
| *Adjusted for* | | | | | |
| Depreciation | | | | | (1 167) |
| Amortisation | | | | | (546) |
| Profit on sale of assets | | | | | 1 212 |
| Net impairment of assets | | | | | (1 205) |
| Insurance compensation of assets | | | | | 90 |
| Restructuring costs | | | | | (174) |
| Transaction costs | | | | | (491) |
| Reversal of deferred consideration no longer payable | | | | | 15 |
| Product litigation costs | | | | | (75) |
| **Operating profit** | | | | | 8 671 |
| Gross profit (%) | 60,7 | 56,5 | 58,0 | 20,6 | 47,4 |
| Selling and distribution expenses (%) | | | | | 14,3 |
| Administrative expenses (%) | | | | | 7,8 |
| Normalised EBITDA (%) | | | | | 28,5 |

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

# Illustrative constant exchange rate report – Annexure 1 continued

## Illustrative constant exchange rate report on selected financial data continued

June 2021 (at 2022 average rates)

| | Sterile Focus Brands R'million | Regional Brands R'million | Total Commercial Pharmaceuticals R'million | Total Manufacturing R'million | Total R'million |
|---|---|---|---|---|---|
| Revenue | 10 512 | 16 895 | 27 407 | 9 317 | 36 724 |
| Cost of sales | (4 200) | (7 666) | (11 866) | (7 396) | (19 262) |
| Gross profit | 6 312 | 9 229 | 15 541 | 1 921 | 17 462 |
| Selling and distribution expenses | | | | | (5 663) |
| Administrative expenses | | | | | (3 268) |
| Net other operating income | | | | | 225 |
| Depreciation | | | | | 1 011 |
| **Normalised EBITDA**[1] | | | | | 9 767 |
| *Adjusted for* | | | | | |
| Depreciation | | | | | (1 011) |
| Amortisation | | | | | (575) |
| Profit on sale of assets | | | | | 163 |
| Net impairment of assets | | | | | (722) |
| Restructuring costs | | | | | (390) |
| Transaction costs | | | | | (193) |
| Product litigation costs | | | | | (39) |
| **Operating profit** | | | | | 7 000 |
| Gross profit (%) | 60,0 | 54,6 | 56,7 | 20,6 | 47,5 |
| Selling and distribution expenses (%) | | | | | 15,4 |
| Administrative expenses (%) | | | | | 8,9 |
| Normalised EBITDA (%) | | | | | 26,6 |

Change

| | Sterile Focus Brands % | Regional Brands % | Total Commercial Pharmaceuticals % | Total Manufacturing % | Total % |
|---|---|---|---|---|---|
| Revenue | (2) | 3 | 1 | 18 | 5 |
| Cost of sales | (4) | (1) | (2) | 18 | 5 |
| Gross profit | (1) | 7 | 3 | 17 | 5 |
| Selling and distribution expenses | | | | | (3) |
| Administrative expenses | | | | | (8) |
| Net other operating income | | | | | (65) |
| Depreciation | | | | | 15 |
| **Normalised EBITDA**[1] | | | | | 13 |

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

| | June 2022 (at 2022 average rates) R'million | June 2021 (at 2022 average rates)[1] R'million | Change % |
|---|---|---|---|
| **COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY** | **27 658** | **27 407** | **1** |
| Africa Middle East | 8 403 | 8 633 | (3) |
| Asia | 5 116 | 5 127 | (0) |
| Australasia | 5 107 | 4 680 | 9 |
| Europe CIS | 4 737 | 4 931 | (4) |
| Americas | 4 295 | 4 036 | 6 |
| **MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE** | | | |
| **Manufacturing revenue – finished dose form** | **5 433** | **3 307** | **64** |
| Europe CIS | 3 175 | 2 104 | 51 |
| Africa Middle East | 1 662 | 671 | >100 |
| Australasia | 596 | 532 | 12 |
| **Manufacturing revenue – active pharmaceutical ingredients (Chemicals)** | **4 737** | **4 849** | **(2)** |
| Europe CIS | 4 415 | 4 518 | (2) |
| Africa Middle East | 210 | 256 | (18) |
| Asia | 112 | 75 | 49 |
| **Manufacturing revenue – active pharmaceutical ingredients (Biochem)** | **778** | **1 161** | **(33)** |
| Europe CIS | 778 | 1 161 | (33) |
| **Total Manufacturing revenue** | **10 948** | **9 317** | **18** |
| **Total revenue** | **38 606** | **36 724** | **5** |
| **SUMMARY OF REGIONS** | | | |
| Europe CIS | 13 105 | 12 714 | 3 |
| Africa Middle East | 10 275 | 9 560 | 7 |
| Australasia | 5 703 | 5 212 | 9 |
| Asia | 5 228 | 5 202 | 0 |
| Americas | 4 295 | 4 036 | 6 |
| **Total revenue** | **38 606** | **36 724** | **5** |

[1] *Commercial responsibility for Israel has been moved to Africa Middle East from Europe CIS, and consequently, the prior period numbers have been restated to reflect this segmental change.*

# Illustrative constant exchange rate report – Annexure 1 continued

**June 2022 (at 2022 average rates)**

| | Sterile Focus Brands R'million | Regional Brands R'million | Total R'million |
|---|---|---|---|
| **BY CUSTOMER GEOGRAPHY** | | | |
| Africa Middle East | **525** | **7 878** | **8 403** |
| Asia | **4 503** | **613** | **5 116** |
| Australasia | **643** | **4 464** | **5 107** |
| Europe CIS | **3 143** | **1 594** | **4 737** |
| Americas | **1 439** | **2 856** | **4 295** |
| **Total Commercial Pharmaceuticals** | **10 253** | **17 405** | **27 658** |

**June 2021 (at 2022 average rates)[1]**

| | Sterile Focus Brands R'million | Regional Brands R'million | Total R'million |
|---|---|---|---|
| **BY CUSTOMER GEOGRAPHY** | | | |
| Africa Middle East | 525 | 8 108 | 8 633 |
| Asia | 4 513 | 614 | 5 127 |
| Australasia | 725 | 3 955 | 4 680 |
| Europe CIS | 3 349 | 1 582 | 4 931 |
| Americas | 1 400 | 2 636 | 4 036 |
| **Total Commercial Pharmaceuticals** | 10 512 | 16 895 | 27 407 |

**Change**

| | Sterile Focus Brands % | Regional Brands % | Total % |
|---|---|---|---|
| **BY CUSTOMER GEOGRAPHY** | | | |
| Africa Middle East | 0 | (3) | (3) |
| Asia | (0) | (0) | (0) |
| Australasia | (11) | 13 | 9 |
| Europe CIS | (6) | 1 | (4) |
| Americas | 3 | 8 | 6 |
| **Total Commercial Pharmaceuticals** | (2) | 3 | 1 |

[1] *Commercial responsibility for Israel has been moved to Africa Middle East from Europe CIS, and consequently, the prior period numbers have been restated to reflect this segmental change.*

# Unaudited share statistics

## Analysis of shareholders at 30 June 2022

| | Number of shareholders | % of shareholders | Number of shares | % of total shareholding |
|---|---|---|---|---|
| **ORDINARY SHARES** | | | | |
| **Size of holding** | | | | |
| 1 – 2 500 | 41 741 | 93,3 | 11 176 060 | 2,5 |
| 2 501 – 12 500 | 1 828 | 4,1 | 9 713 639 | 2,2 |
| 12 501 – 25 000 | 370 | 0,8 | 6 537 456 | 1,5 |
| 25 001 – 50 000 | 269 | 0,6 | 9 711 526 | 2,2 |
| 50 001 and over | 542 | 1,2 | 409 113 651 | 91,6 |
| | 44 750 | 100 | 446 252 332 | 100,0 |

## Major shareholders

### Institutional shareholders

According to the register of shareholders at 30 June 2022, the following are the top 10 registered institutional shareholders:

| | Number of shares | % of total shareholding |
|---|---|---|
| **INSTITUTIONAL SHAREHOLDER** | | |
| Public Investment Corporation | 62 048 016 | 13,9 |
| Coronation Asset Management | 31 463 183 | 7,1 |
| BlackRock | 19 325 491 | 4,3 |
| Sanlam Investment Management | 17 968 337 | 4,0 |
| The Vanguard Group Inc | 14 437 021 | 3,2 |
| Schroders Plc | 11 853 027 | 2,7 |
| Foord Asset Management | 10 950 171 | 2,5 |
| GIC Asset Management Pte Ltd | 6 979 306 | 1,6 |
| State Street Global Advisors Ltd | 6 778 151 | 1,5 |
| Old Mutual Ltd | 5 686 297 | 1,3 |
| | 187 489 000 | 42,1 |

### Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2022, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed in the Remuneration Policy and Implementation Report, to be included in the 2022 Integrated Report.

| | Number of shares | % of total shareholding |
|---|---|---|
| **SHAREHOLDER** | | |
| Government Employees Pension Fund | 78 626 296 | 17,6 |
| Saad, SB | 57 174 161 | 12,8 |
| Attridge, MG | 19 024 134 | 4,3 |
| Ceppwawu Investments (Pty) Ltd | 10 053 368 | 2,3 |
| GIC Asset Management Pte Ltd | 6 979 306 | 1,6 |
| Vanguard Emerging Markets Stock Index Fund | 5 256 061 | 1,2 |
| Vanguard Total International Stock Index | 5 228 070 | 1,2 |
| SAFE Investment Company Ltd | 4 951 877 | 1,1 |
| Foord Balanced Fund | 4 860 341 | 1,1 |
| Old Mutual Life Assurance Co Ltd | 4 262 226 | 1,0 |
| | 196 415 840 | 44,2 |

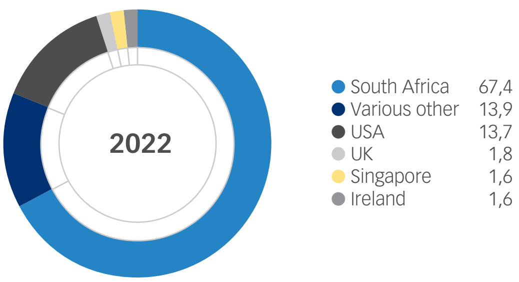
# Unaudited share statistics continued

## Shareholders’ spread

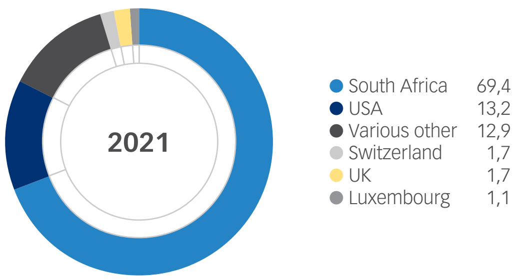
As required by paragraph 8.63 and in terms of paragraph of 4.25 of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2022 was as follows:

| | Number of shareholders | Number of shares | % of total shareholding |
|---|---|---|---|
| **Non-public shareholders** | 13 | 156 403 192 | 35,0 |
| Directors of the Company and directors of material subsidiaries | 11 | 76 470 538 | 17,1 |
| Government Employees Pension Fund | 1 | 78 626 296 | 17,6 |
| Employee share trusts – treasury shares | 1 | 1 306 358 | 0,3 |
| **Public shareholders** | 44 737 | 289 849 140 | 65,0 |
| **Total shareholding** | 44 750 | 446 252 332 | 100,0 |
| **Public shareholders (including the GEPF)** | 44 738 | 368 475 436 | 82,6 |

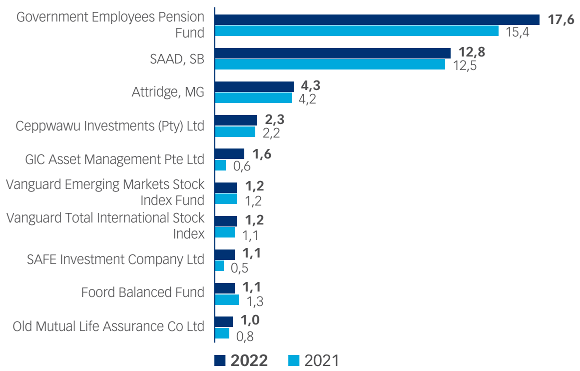
**Beneficial shareholders – country** (%)



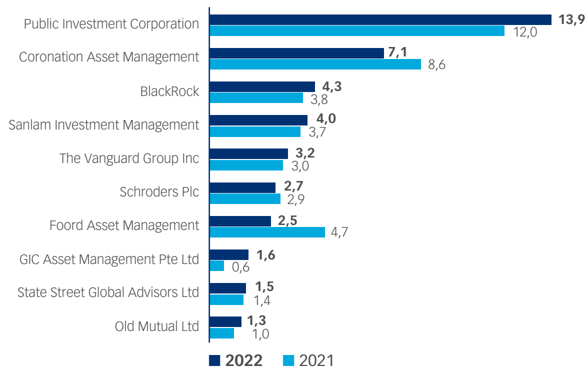

**Beneficial shareholders – country** (%)




**Top 10 beneficial shareholders** (%)




**Top 10 institutional shareholders** (%)




Percentages for top 10 beneficial shareholders and top 10 institutional shareholders reflected above are as a percentage of the total issued share capital of the Company.

# Administration

## Company Secretary

Riaan Verster
BProc, LLB, LLM (Labour Law)

## Registered office and postal address

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PO Box 1587, Gallo Manor, 2052
Telephone +27 11 239 6100
Telefax +27 11 239 6144

## Registration number

1985/002935/06

## Share code

APN ISIN: ZAE 000066692
APN Legal Entity Identifier ("LEI"): 635400ZYSN1IRD5QWQ94

## Website address

www.aspenpharma.com

## Auditors

Ernst & Young Inc

## Sponsors

Investec Bank Limited

## Transfer secretaries

JSE Investor Services (Pty) Limited
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