aspen
HOLDINGS

Annual Financial Statements 2021

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 2021, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Riaan Verster
Company Secretary & Group Governance Officer

Johannesburg

4 October 2021

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 131, 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.

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

Gus Attridge
Deputy Group Chief Executive and Financial Director

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 (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, having satisfied itself of the capacity and independence of this firm and the designated auditor; • 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; • Determined the fees to be paid to the auditor and the auditor's terms of engagement; • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor; • Determined the nature and extent of any non-audit services that the auditor may provide to the Group (during the year, R2 million was paid to EY in respect of the provision of non-audit services, which is approximately 4% of the external audit fee paid for the year); • 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; • Meets separately with EY (without presence of management) at least twice a year, or more regularly as may be required; • Called for the necessary 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 • Noted that the external auditor had expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2021.
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/ • Stands ready to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, the internal financial controls of the Company and the Group or any related matter; and • Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.
Internal financial controls, internal audit and combined assurance	• 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 2021 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; • 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; • Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the internal audit function, as well as the expertise and experience of the Chief Audit Executive; and • Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate.
Oversight of risk governance and risk management	• Monitored the implementation of the Group Risk Policy and Group Risk Plan as approved by the Board; • Reviewed and considered the activities and reports of the Group Executive Risk Forum and Tax Committee; • Reviewed and considered business unit risk reports presented to the Committee; • Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes; • Reviewed and recommended for approval the Group's risk appetite framework; • Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported on by the Group's internal and external auditors; • Reviewed and approved the adequacy of the Group's insurance cover; and • 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.

Audit & Risk Committee report continued

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 • Considered financial-related tip-off reports and management actions to address these.
Assurance in respect of financial expertise of the Financial Director and finance function	• Confirmed the expertise and experience of the: – Deputy Group Chief Executive, who performs the duties of the Company's Financial Director; and – Group's finance function and the senior members of management responsible for the Group's finance function, including the Group Finance Officer; • Noted that Gus Attridge would retire as Deputy Group Chief Executive with effect from 31 December 2021 and confirmed its satisfaction with the appointment of Sean Capazorio (the current Group Finance Officer) as Group Chief Financial Officer, who will perform the duties of the Company's Finance Director, with effect from 1 January 2022.
Information & Technology ("I&T") Governance	• Reviewed the Group's maturity in respect of Information & Technology ("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; • 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 • 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	26 August 2020 (1)	26 August 2020 (2)	28 August 2020	8 September 2020	21 October 2020 (1)	21 October 2020 (2)	23 November 2020	**23 February 2021**	**26 February 2021**	**8 March 2021**	**21 June 2021**
Linda de Beer	X	X	X	X	X	X	X	**X**	**X**	**X**	**X**
Ben Kruger	X	X	X	X	X	X	X	**X**	**X**	**X**	**X**
Babalwa Ngonyama (Chair)	X	X	X	X	X	X	X	**X**	**X**	**X**	**X**
Sindi Zilwa	X	X	X	X	N/A	N/A	N/A	**N/A**	**N/A**	**N/A**	**N/A**

Ms Zilwa stepped down as a member of the Committee with effect from 15 October 2020. Ms Zilwa served the Committee with distinction during her tenure on this Committee and I speak on behalf of the entire Committee in thanking her for her dedicated service during this time.

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

ANNUAL FINANCIAL STATEMENTS FOR THE 2021 FINANCIAL YEAR

The Committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the Company and the Group for the year under review and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's report titled "Reporting back on the proactive monitoring of financial statements in 2020", dated 19 February 2021, and received management's confirmation that the necessary and appropriate actions were taken to ensure the findings and recommendations of this report are implemented and adopted within the Group as appropriate.

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 Deputy Group Chief Executive 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 Deputy Group Chief Executive (in his capacity as the Financial 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 affiliates. 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 Deputy Group Chief Executive, 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
Impairment of intangible assets	The Audit & Risk Committee reviewed and interrogated all elements supporting the valuation and measurement of goodwill and indefinite life intangible assets, which included stress testing the process and key assumptions underpinning the valuations. The process of reviewing the classification of intangible assets and the criteria for determining whether these assets met the definition of indefinite life intangible assets was extensively reviewed and the Committee was satisfied that the classification and valuation of indefinite life intangible assets was materially correct and fairly presented. Rigorous impairment testing of intangible asset values was once again performed resulting in net impairments of R982 million.
Divestment of the assets related to the European Thrombosis business	On 27 November 2020, the Group completed the divestment of the assets related to the commercialisation of the European Thrombosis business to Mylan Ireland Limited ("Mylan"). In terms of the transaction, the disposal group included the inventory and related intellectual property. This divestment arrangement also included underwriting certain inventory supply prices for a limited period and performance incentives. The proceeds of the divestment were R12,4 billion resulting in a profit on disposal of R0,2 billion. The Committee was satisfied that the Group's accounting treatment in respect of this divestment, and related inventory, was appropriate and that all relevant additional disclosure requirements have been met.

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 R313 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, 11 ("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 90% of Group profit before tax, 87% of Group revenue and 81% 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 4 October 2021, 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 2021 ("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, EY, audited the Annual Financial Statements, and its report is presented on page 8.

The Annual Financial Statements were prepared under the supervision of Deputy Group Chief Executive, Gus Attridge CA(SA), approved by the Board of Directors on 4 October 2021 and are signed on its behalf.

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

Kuseni Dlamini
Chairman

Gus Attridge
Deputy Group Chief Executive

Johannesburg
4 October 2021

Directors' report

The directors have pleasure in presenting their report for the Group and the Company for the year ended 30 June 2021.

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 110 and of the Company on pages 111 to 131 of the Annual Financial Statements. The segmental analysis is included on pages 22 to 24.

The consolidated earnings attributable to equity holders of the Company amounted to R4 806 million for the year, compared with R4 664 million for the previous year, an increase of 3%. Headline earnings per share from continuing operations ("HEPS") increased by 21% from 998,1 cents to 1 204,3 cents.

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

SHARE CAPITAL

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

	Number of shares million	Share capital R'million
Ordinary shares		
Balance and the beginning and end of the year	456,5	2 089

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:

- Gus Attridge – appointed January 1999
- 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
- Babalwa Ngonyama – appointed April 2016
- David Redfern – appointed February 2015
- Stephen Saad – appointed January 1999
- Sindi Zilwa – appointed September 2006

The further biographical details of the directors, the capacities in which they have been appointed to on the Board and 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 and Group Executive: Governance & Communications is Riaan Verster. 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, Ben Kruger, Themba Mkhwanazi and Babalwa Ngonyama retire by rotation, and being eligible, offer themselves for re-election.

Sindi Zilwa will retire from the Board on 9 December 2021.

The Board wishes to express its deep gratitude to Ms Zilwa for her dedication to the Group and for the immense and lasting contribution she has made to it over the last 15 years.

The Group Chief Executive and the Deputy Group Chief Executive are employed on indefinite term service contracts subject to a six-month notice period by either party. It was announced, on 10 February 2021, that Gus Attridge would retire as the Deputy Group Chief Executive and Finance Director with effect 31 December 2021. It was also announced, on 5 August 2021, that Sean Capazorio will be appointed as Group Chief Financial Officer with effect from 1 January 2022 and fulfil the function of the Company's Executive Financial Director from this date, in terms of paragraph 3.84(f) of the JSE Listings Requirements.

Details of directors' interests in the Company's issued shares are to be included in the Remuneration Policy and Implementation Report, to be included in the 2021 Integrated Report, and directors' remuneration details are set out in note 25 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 2021 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 2021 financial year (refer to note 24 of the Group Annual Financial Statements):

Divestment of assets relating to the European Thrombosis business

In September 2020 the Group concluded an agreement (subject to conditions precedent which were fulfilled in November 2020) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Subsequent to this, Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis

Directors' report continued

business. The total purchase consideration (inclusive of inventory) was EUR680 million (R12 491 million) including an amount receivable in July 2021 of EUR7,6 million (R140 million).

Agreement to manufacture Johnson & Johnson COVID-19 vaccine

Pharmacare Limited, a wholly-owned South African subsidiary of the Company, entered into an agreement with Janssen Pharmaceuticals, Inc., and Janssen Pharmaceutica NV, two of the Janssen Pharmaceutical Companies of Johnson & Johnson, for the technical transfer and commercial manufacture of its COVID-19 vaccine in order for Aspen to perform formulation, filling and secondary packaging of the vaccine for supply to Johnson & Johnson, with manufacturing capacity of up to 300 million doses per annum being made available at the Group's Gqeberha site in South Africa.

MEMORANDUM OF INCORPORATION

No changes were made to the Company's Memorandum of Incorporation during the year ended 30 June 2021 and up until the date of this report in South Africa.

DIVIDEND TO SHAREHOLDERS

Taking into account the earnings and cash flow performance for the year ended 30 June 2021, existing debt service commitments, future proposed investments and funding options, notice was given that the Board declared a gross dividend of 262 cents per ordinary share to shareholders recorded in the share register of the Company at the close of business on 23 September 2021 (2020: no dividend declared or paid).

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 456 451 541 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 2022.

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

Last day to trade cum dividend	Monday, 20 September 2021
Shares commence trading ex dividend	Tuesday, 21 September 2021
Record date	Thursday, 23 September 2021
Payment date	Monday, 27 September 2021

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 2022, 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.

SPECIAL RESOLUTIONS

At the annual general meeting of Aspen shareholders convened on 9 December 2020, the following special resolutions were passed by the Company:

- approval of remuneration for non-executive directors for the year ended 30 June 2021 and for the period 1 July 2020 to the date of the 2021 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 transfer of shares in Aspen SA OSD Operations (Pty) Limited from Aspen Pharmacare Holdings Limited to Aspen SA Operations (Pty) Limited, effective 6 May 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; and
- the remuneration payable to the non-executive directors of Aspen Finance (Pty) Limited was approved.

AUDITOR

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 21 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 25 of the Group Annual Financial Statements and note 18 of the Company Annual Financial Statements.

BORROWINGS

Borrowings at year-end (net of cash and cash equivalents) amounted to R16 326 million (2020: R35 228 million) are made up as follows:

	2021 R'million	2020 R'million
Non-current borrowings	**266**	36 019
Current borrowings	**24 606**	6 302
Cash and cash equivalents	**(8 546)**	(7 093)
	16 326	35 228

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

Borrowings

During August 2021, the Group concluded negotiations with lenders of its unsecured EUR, ZAR and AUD syndicated term loans to extend the maturity dates of certain of those facilities from 1 July 2022 to 1 July 2023. This maturity date extension applies to R24,4 billion of the Company's existing R31,2 billion facilities, with the remaining portion of those facilities retaining their 1 July 2022 maturity date.

During August 2021, all conditions precedent relating to a new unsecured EUR600 million seven-year amortising term loan (the "New Loan") were cleared. The New Loan is sourced from a club of development finance institutions. The proceeds of the New Loan will be used exclusively by the Group to repay and cancel the existing syndicated loan facilities. The commercial terms, covenants and undertakings of the New Loan are materially similar to the Group's existing borrowings.

As a consequence of the above, of the R31,2 billion worth of external debt facilities that the Group had in place as of 30 June 2021, R29,8 billion (R18,6 billion of the amount which was utilised as of 30 June 2021) will be reclassified from current borrowings to non-current borrowings during the 2022 financial year.

API business

As announced on 9 September 2021 via SENS, Aspen has decided to embark on a structured process to facilitate offers for all or parts of its API business from those parties that submitted unsolicited offers and other selected interested parties. This will enable Aspen to make a full and informed assessment of what it considers to be in the best interests of Aspen, the management and employees of its API business and other stakeholders.

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 131, which comprise the consolidated and separate statements of financial position as at 30 June 2021, 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 2021, 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 each 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.

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 R54.9 billion and R1.2 billion respectively. The Group also has goodwill to the value of R4.6 billion (Company: R nil). 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. As described in note 1 and note 2 of the consolidated and separate financial statements respectively, the recoverable amount of the intangible assets and goodwill had been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the Board. 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, increased competitive pressure and volume-based procurement tenders in which the Group was unsuccessful. Notes 1 and 4 of the Group financial statements describe intangible assets and goodwill which were impaired to the gross value of R1 billion and R0.1 billion respectively. Impairment reversals for the Group related to intangible assets only, amounted to R0.4 billion. There were no impairments noted in respect of the intangible assets recognised in the Company financial statements.	Our procedures amongst others included the following: • We obtained an understanding of management's processes and controls applied – to assess the valuation of the CGUs and the related intangible assets and goodwill, – to evaluate the useful lives of the intangible assets, and – to identify and define the CGUs. • 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. • We performed detailed quantitative and qualitative assessments to select various CGUs for detailed testing, for the sample of CGUs selected: – 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. – 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 risk premiums to the risk-free rates against external international databases.

Independent auditor's report

To the Shareholders of Aspen Pharmacare Holdings Limited continued

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:
• Selection of the appropriate impairment model;
• Discount rate applied;
• Specific risk premiums added to the discount rate by management;
• Inputs to the cash flow forecasts such as growth and terminal value rates;
• Useful lives of intangible assets;
• Assumptions regarding pricing growth, volume growth and margin management;
 	
The valuation of intangible assets and goodwill required significant auditor attention and is considered a Key Audit Matter due to the following:
• The quantum of the Group balances being 55% and 92% in relation to the consolidated total assets and equity respectively as at 30 June 2021 (and 5% in relation to both the total assets and equity of the Company), and the resulting quantum of impairments recognised during the current year,
• The number of Cash Generating Units (CGUs) and models to be evaluated,
• The extent to which we involved our internal valuations specialists to evaluate management's judgements and assumptions,
• The extent of interdependencies and complexity involved in the key judgements and assumptions to determine the recoverable amounts, which are inherently uncertain and could change over time,
• The number of countries, operating and reporting segments that the brands operate in brought into focus:
  – The need for a weighted discount rate which appropriately covered these various jurisdictions,
  – The forecasting of annual growth, terminal growth, cost-saving and efficiency measures as well as the respective useful lives reflective of the various locations.
• 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.
	– We evaluated the weighting applied to the country specific risk premiums by reference to the proportion of cash flows from each country.
	– 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.
	– We evaluated management's growth and terminal value with reference to country-specific inflation rates.
	– We evaluated management's assessment of useful lives with reference to product life cycles, license to distribute and underlying sales agreements.
	– We identified the interdependencies between various inputs to evaluate that the inputs used are consistent in a given model and across models.
	– We recalculated the arithmetical accuracy of management's computations.
	– 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.
	– 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 a given CGU.
	• We evaluated the disclosures in note 1 and note 2 of the Group and Company financial statements respectively relating to intangible assets and goodwill to assess compliance with the requirements of *IAS 38 Intangible assets.*

Key Audit Matter	How the matter was addressed in the audit
Divestment of the assets related to the European business (Consolidated financial statements only)	
On 27 November 2020, the Group completed the divestment of the assets related to the commercialisation of the European Thrombosis business to Mylan Ireland Limited ('Mylan'). In terms of the transaction, the disposal group included the inventory and related intellectual property. This divestment arrangement also contains certain specified inventory supply prices for a limited period and performance incentives. As described in note G, the proceeds of the divestment were R12,4 billion resulting in a profit on disposal of R0,2 billion. We considered the area to be a key audit matter which warranted significant audit attention and focus due to the complexity of the divestment agreement, the extent of geographical locations across the globe that were affected by the divestment, the extensive involvement of our internal financial reporting and tax specialists, and the extent of discussions we held with management to understand the complexities of the divestment agreement. We focused specifically on the following: • There were several judgements, estimates and assumptions applied in arriving at the effective date transaction value. These related to milestone payments, future production levels, incentive provisions and pending uncertain events or contingencies. • As per the divestment arrangement, the Group underwrote certain inventory supply prices for a limited period, inventory returns and performance incentives. The calculation of such guarantees and provisions were based on key estimates, judgements, assumptions and uncertain future events, such as sales forecasts, rate of returns and volume growth. This resulted in detailed discussions being held with management to understand the application of their estimates and judgements. • The net book value of the associated intellectual property and goodwill was subjected to an extraction from previously reported gross carrying values. • The effective date value of inventory transferred to Mylan was based on the Group's inventory holding across Europe. This necessitated a large degree of co-ordination with the Group's subsidiaries to ensure the completeness and accuracy thereof.	Our procedures, amongst others, included the following: • We inspected the divestment agreement to obtain an understanding of the divestment and identify the salient points of the agreement. • We assessed management's position paper on the accounting treatment of the divestment to evaluate the accounting treatment against the salient features of the agreement. • We involved our internal financial reporting specialists to assess the appropriateness of the accounting treatment of the divestment agreement, specifically with reference to the following accounting standards: – *IAS 2 – Inventories* – *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets* – *IFRS 15 – Revenue from Contracts with Customers* – *IAS 38 – Intangible Assets* – *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*. • We involved our internal corporate tax and international tax specialists to assess the appropriate tax treatment across the various jurisdictions such as France, Italy, Mauritius and South Africa which were impacted by the divestment agreement. • We directed and supervised our component teams in the regions impacted by the divestment agreement to evaluate management's application of the divestment agreement and the related accounting principles. • We evaluated the various aspects of the consideration, net book value of intellectual property and goodwill, transaction costs and ultimately the profit on disposal with reference to the divestment agreement, management's position paper and the underlying accounting records. • We obtained an understanding of management's process to determine the effective date value of inventory for the inventory holdings across Europe, and we supervised and directed our component teams to observe management's stocktake for inventories within the divestment agreement. • We agreed the first and second tranche of the consideration paid to the respective bank statements to corroborate the cash settlement and deferred settlement elements. • We obtained an understanding of the estimates made by management, how they determined such estimates and the inputs applied therein.

Independent auditor's report

To the Shareholders of Aspen Pharmacare Holdings Limited continued

Key Audit Matter	How the matter was addressed in the audit
Divestment of the assets related to the European business (Consolidated financial statements only) continued	
• Whilst the Group divested of its assets related to the Thrombosis business within the European market, the French portion was not included in the initial divestment. This resulted in Aspen France retaining the commercial aspect and acting as an agent on behalf of Mylan. The application of the agency principle required robust discussion and assessment from an *IFRS15 – Revenue from contracts with customers* perspective. • As the divestment relates to a particular geographic region and represents a reportable segment of the Group, it was considered in terms of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*. This resulted in additional disclosures and complexities in the preparation of the Group financial statements as well as the restatement of corresponding figures. The impact of the transaction has been disclosed in note G (Proceeds received from sale of discontinued operations) and note 24 (Discontinued operations) to the consolidated financial statements.	• We evaluated these inputs, estimates, assumptions and judgements used in the determination of the respective effects of the inventory supply prices, inventory returns and performance incentives contained in the divestment arrangement by comparing management's forecasts of sales, rate of returns and volume growth across the various locations to past actuals and macro-economic data that we benchmarked against external sources. • We recalculated the arithmetical accuracy of management's computations. • We assessed the disclosures relating to discontinued operations to assess compliance with the requirements of *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.*

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 144-page document titled "Aspen Holdings Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report, the Audit & Risk Committee's Report and 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 1 year.

Ernst & Young Inc.

Ernst & Young Inc.
Director
Derek Engelbrecht
Registered Auditor

4 October 2021
102 Rivonia Road
Sandton
Johannesburg

Group statement of financial position

at 30 June 2021

	Note	2021 R'million	2020 R'million
ASSETS			
Non-current assets			
Intangible assets	1	**54 882**	73 040
Property, plant and equipment	2	**14 826**	14 232
Right-of-use assets	3	**400**	601
Goodwill	4	**4 621**	5 375
Deferred tax assets	5	**1 323**	1 714
Contingent environmental assets	6	**305**	324
Other non-current receivables	7	**622**	1 145
Total non-current assets		**76 979**	96 431
Current assets			
Inventories	8	**13 409**	16 413
Receivables and other current assets	9	**10 688**	13 232
Cash and cash equivalents	10	**8 546**	7 093
Total operating current assets		**32 643**	36 738
Assets classified as held-for-sale	11	**62**	–
Total current assets		**32 705**	36 738
TOTAL ASSETS		**109 684**	133 169
SHAREHOLDERS' EQUITY			
Retained income		**50 756**	45 911
Non-distributable reserves		**12 931**	21 354
Share capital (net of treasury shares)	12	**1 875**	1 902
Share-based compensation reserve	14	**65**	48
Ordinary shareholders' equity		**65 627**	69 215
Non-controlling interests	13	**–**	2
TOTAL SHAREHOLDERS' EQUITY		**65 627**	69 217
LIABILITIES			
Non-current liabilities			
Borrowings	15	**266**	36 019
Other non-current liabilities	16	**3 732**	4 957
Unfavourable and onerous contracts	17	**463**	927
Deferred tax liabilities	5	**1 810**	2 701
Contingent environmental indemnification liabilities	6	**305**	324
Retirement and other employee benefit obligations	18	**730**	945
Total non-current liabilities		**7 306**	45 873
Current liabilities			
Borrowings	15	**24 606**	6 302
Trade and other payables	19	**9 213**	9 691
Other current liabilities	20	**2 528**	1 665
Unfavourable and onerous contracts	17	**353**	421
Total operating current liabilities		**36 700**	18 079
Liabilities classified as held-for-sale	11	**51**	–
Total current liabilities		**36 751**	18 079
TOTAL LIABILITIES		**44 057**	63 952
TOTAL EQUITY AND LIABILITIES		**109 684**	133 169

Group statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 R'million	Restated[1] 2020 R'million
CONTINUING OPERATIONS			
Revenue	21	**37 766**	33 659
Cost of sales		**(19 977)**	(16 524)
Gross profit		**17 789**	17 135
Selling and distribution expenses		**(5 784)**	(5 699)
Administrative expenses		**(3 340)**	(3 192)
Other operating income		**1 067**	515
Other operating expenses		**(2 660)**	(3 029)
Operating profit	22	**7 072**	5 730
Investment income	26	**140**	156
Financing costs	27	**(1 223)**	(1 688)
Profit before tax		**5 989**	4 198
Tax	28	**(1 191)**	(818)
Profit after tax from continuing operations		**4 798**	3 380
DISCONTINUED OPERATIONS			
Profit after tax from discontinued operations	24	**8**	1 284
Profit for the year		**4 806**	4 664
OTHER COMPREHENSIVE INCOME, NET OF TAX[2]			
Net (losses)/gains from cash flow hedging in respect of business acquisitions		**(53)**	67
Currency translation (losses)/gains	31	**(8 370)**	10 282
Remeasurement of retirement and other employee benefit obligations		**37**	1
Total comprehensive (loss)/income		**(3 580)**	15 014
EARNINGS PER SHARE			
Basic and diluted earnings per share (cents)	29		
From continuing operations		**1 051,1**	740,5
From discontinued operations		**1,8**	281,3
		1 052,9	1 021,8

[1] *Restated for discontinued operations, refer to note 24.*

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

Group statement of changes in equity

for the year ended 30 June 2021

		Non-distributable reserves						
	Share capital (net of treasury shares) R'million	Hedging reserve R'million	Foreign currency translation reserve R'million	Share-based compensation 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 2019	1 911	414	10 591	49	41 246	54 211	2	54 213
Total comprehensive income	–	67	10 282	–	4 665	15 014	–	15 014
Profit for the year	–	–	–	–	4 664	4 664	–	4 664
Other comprehensive income	–	67	10 282	–	1	10 350	–	10 350
Deferred incentive bonus shares exercised	32	–	–	(32)	–	–	–	–
Treasury shares purchased	(41)	–	–	–	–	(41)	–	(41)
Share-based payment expenses	–	–	–	31	–	31	–	31
BALANCE AT 30 JUNE 2020	**1 902**	**481**	**20 873**	**48**	**45 911**	**69 215**	**2**	**69 217**
Total comprehensive (loss)/income	**–**	**(53)**	**(8 370)**	**–**	**4 843**	**(3 580)**	**–**	**(3 580)**
Profit for the year	**–**	**–**	**–**	**–**	**4 806**	**4 806**	**–**	**4 806**
Other comprehensive (loss)/income	**–**	**(53)**	**(8 370)**	**–**	**37**	**(8 386)**	**–**	**(8 386)**
Treasury shares purchased	**(50)**	**–**	**–**	**–**	**–**	**(50)**	**–**	**(50)**
Deferred incentive bonus shares exercised	**23**	**–**	**–**	**(23)**	**–**	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**–**	**40**	**–**	**40**	**–**	**40**
Acquisition of non-controlling interests in subsidiary	**–**	**–**	**–**	**–**	**2**	**2**	**(2)**	**–**
BALANCE AT 30 JUNE 2021	**1 875**	**428**	**12 503**	**65**	**50 756**	**65 627**	**–**	**65 627**

Group statement of cash flows

for the year ended 30 June 2021

	Note	2021 R'million	Restated[1] 2020 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**9 522**	11 302
Financing costs paid	B	**(1 207)**	(1 780)
Investment income received	C	**140**	149
Tax paid	D	**(1 630)**	(1 411)
Cash generated from operating activities		**6 825**	8 260
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(2 045)**	(2 039)
Proceeds received from disposal of property, plant and equipment		**38**	6
Capital expenditure – intangible assets	E	**(1 386)**	(651)
Proceeds received from disposal of intangible assets	F	**375**	244
Proceeds received from prior year disposal of Asia Pacific non-core pharmaceutical portfolio		**740**	389
Net proceeds received from disposal of Japanese business	G	**309**[2]	4 229
Net proceeds received from disposal of European Thrombosis assets	G	**12 351**	–
Proceeds received from disposal of other non-current assets		**13**	86
Contractual adjustment – Nutritionals business consideration	H	**–**	(334)
Proceeds received from disposal of assets classified as held-for-sale		**–**	32
Payment of deferred, fixed and contingent consideration relating to prior year business transactions		**(563)**	(338)
Acquisition of subsidiary	I	**(69)**	–
Cash generated from investing activities		**9 763**	1 624
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**14 668**	14 217
Repayment of borrowings		**(30 077)**	(25 475)
Repayment of lease liabilities		**(189)**	(166)
Purchase of treasury shares		**(50)**	(41)
Cash outflow from financing activities		**(15 648)**	(11 465)
Movement in cash and cash equivalents before currency translation movements		**940**	(1 581)
Currency translation movements		**(602)**	1 050
Movement in cash and cash equivalents		**338**	(531)
Cash and cash equivalents at the beginning of the year		**5 617**	6 148
Cash and cash equivalents at the end of the year[3]	J	**5 955**	5 617
DISCONTINUED OPERATIONS INCLUDED IN THE ABOVE			
Cash generated from operating activities		**(20)**	941
Cash generated from investing activities		**13 579**	4 126
Cash disposed of in subsidiaries		**–**	(109)
		13 559	4 958

[1] *Restated for discontinued operations.*
[2] *In the current year the amount of R309 million includes proceeds received as provided for in prior year of R367 million and current year losses incurred of R58 million included in loss on sale of discontinued operations.*
[3] *For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances and short-term bank deposits less bank overdrafts.*

Notes to the Group statement of cash flows

for the year ended 30 June 2021

		2021 R'million	2020 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**6 638**	7 420
	Continuing operations	**7 072**	5 730
	Discontinued operations[1]	**(434)**	1 690
	Amortisation of intangible assets	**594**	632
	Depreciation of property, plant and equipment and right-of-use-assets	**1 059**	971
	Net impairment charges	**1 115**	2 383
	Loss on disposal of property, plant and equipment	**3**	18
	Profit on disposal of intangible assets	**(168)**	(222)
	Profit on disposal of assets classified as held-for-sale	**–**	(19)
	Expenses incurred not paid	**–**	175
	Share-based payment expense – employees	**67**	49
	Deferred revenue	**(13)**	(35)
	Unfavourable and onerous contracts	**(372)**	(351)
	Other non-cash items	**(49)**	89
	Cash operating profit	**8 874**	11 110
	Working capital movements	**648**	192
	Increase in inventories	**(280)**	(727)
	Decrease in trade and other receivables	**348**	1 618
	Decrease/(increase) in trade and other payables	**580**	(699)
		9 522	11 302
B.	**FINANCING COSTS PAID**		
	Financing costs per statement of comprehensive income	**(1 223)**	(1 688)
	Add: Capitalised interest	**(169)**	(238)
	Less: Non-cash financing costs	**185**	146
		(1 207)	(1 780)
C.	**INVESTMENT INCOME RECEIVED**		
	Investment income per statement of comprehensive income	**140**	156
	Less: Non-cash investment income received	**–**	(7)
		140	149
D.	**TAX PAID**		
	Amounts payable at the beginning of the year	**(651)**	(718)
	Tax charged to the statement of comprehensive income	**(1 203)**	(1 290)
	Transfer to assets classified as held-for-sale	**–**	32
	Currency translation movements	**12**	(86)
	Amounts payable at the end of the year	**563**	927
	Amounts receivable at the end of the year	**(351)**	(276)
		(1 630)	(1 411)
E.	**CAPITAL EXPENDITURE – INTANGIBLE ASSETS**		
	Capital expenditure – intangible assets	**(1 568)**	(651)
	Ultiva licence extension future milestone capitalised	**182**	–
		(1 386)	(651)
F.	**PROCEEDS FROM DISPOSAL OF INTANGIBLE ASSETS**		
	Proceeds receivable from disposal of intangible assets	**196**	402
	Proceeds received from prior year disposals	**197**	–
	Outstanding proceeds	**(18)**	(158)
		375	244

[1] *Refer to note 24.*

		June 2021 R'million
G.	**PROCEEDS RECEIVED FROM SALE OF DISCONTINUED OPERATIONS**	
	Proceeds received on disposal of European Thrombosis assets	
	Proceeds	
	Proceeds receivable	**12 491**
	Proceeds outstanding at year-end (classified as other current receivables)	**(140)**
	Cash inflow per cash flow statement	**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 2021

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

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

		2021 R'million	2020 R'million
H.	**CONTRACTUAL ADJUSTMENTS – NUTRITIONALS BUSINESS CONSIDERATION**		
	Amounts provided in prior year, paid in current year	**–**	(225)
	Current year losses incurred included in loss on sale of discontinued operations	**–**	(109)
		–	(334)

I. ACQUISITION OF SUBSIDIARY

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**

		2021 R'million	2020 R'million
J.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**7 964**	6 441
	Short-term bank deposits	**430**	530
	Cash-in-transit and cash-on-hand	**152**	122
	Cash and cash equivalents per the statement of financial position	**8 546**	7 093
	Less: bank overdrafts[1]	**(2 591)**	(1 476)
	Cash and cash equivalents per the statement of cash flows	**5 955**	5 617

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

Group segmental analysis

for the year ended 30 June 2021

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 which 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 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 Pharmaceuticals 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 has 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:

- Following the disposal of the European Thrombosis assets and related European Thrombosis product discontinuations, the Anaesthetic and Thrombosis therapeutic segments have been consolidated under the Sterile Focus Brands segment; and
- The Regional revenue segments have been consolidated into broader geographical regions which reflect the reshaped Aspen business structure simplifying segmental management and analysis.

The business segments which make up the Manufacturing segment have been revised with the active pharmaceutical ingredients segment being split into a Chemical and a Biochem segment, which reflects the increased strategic focus on these business segments as part of the reshaped Aspen business structure.

	2021				
	Sterile Focus Brands R'million	**Regional Brands R'million**	**Total Commercial Pharma-ceuticals R'million**	**Total Manufac-turing R'million**	**Total R'million**
Revenue	10 691	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)
Contribution profit					12 005
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 disposal of assets					165
Net impairment 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
Contribution profit %					31,8
Administrative expenses %					8,8
Normalised EBITDA %					26,3

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

Group segmental analysis continued

for the year ended 30 June 2021

	Restated[1] 2020				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Total Manufac-turing R'million	Total R'million
Revenue	9 615	16 751	26 366	7 293	33 659
Cost of sales	(3 590)	(7 800)	(11 390)	(5 134)	(16 524)
Gross profit	6 025	8 951	14 976	2 159	17 135
Selling and distribution expenses					(5 699)
Contribution profit					11 436
Administrative expenses					(3 192)
Net other operating income					428
Depreciation					940
Normalised EBITDA[2]					9 612
Adjusted for					
Depreciation					(940)
Amortisation					(615)
Profit on disposal of assets					223
Net impairment of assets					(1 458)
Restructuring costs					(413)
Transaction costs					(445)
Product litigation costs					(234)
Operating profit					5 730
Gross profit %	62,7	53,4	56,8	29,6	50,9
Selling and distribution expenses %					16,9
Contribution profit %					34,0
Administrative expenses %					9,5
Normalised EBITDA %					28,6

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma-ceuticals %	Manufac-turing %	Total %
Revenue	11	3	6	36	12
Cost of sales	22	1	7	51	21
Gross profit	5	4	4	0	4
Selling and distribution expenses					1
Contribution profit					5
Administrative expenses					5
Net other operating income					(45)
Depreciation					11
Normalised EBITDA[2]					3

[1] *Restated for discontinued operations and segmental reclassifications.*

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

Group revenue segmental analysis

for the year ended 30 June 2021

	2021 R'million	Restated[1] 2020 R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**27 874**	26 366	6
Africa Middle East	**8 570**	8 368	2
Europe CIS	**5 314**	5 453	(3)
Asia	**5 117**	4 320	18
Australasia	**4 867**	4 230	15
Americas	**4 006**	3 995	0
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**3 495**	1 378	>100
Europe CIS	**2 248**	672	>100
Africa Middle East	**693**	313	>100
Australasia	**554**	393	41
Manufacturing revenue – active pharmaceutical ingredients (Chemicals)	**5 154**	4 799	7
Europe CIS	**4 817**	4 312	12
Africa Middle East	**260**	372	(30)
Asia	**77**	115	(33)
Manufacturing revenue – active pharmaceutical ingredients (Biochem)	**1 243**	1 116	11
Europe CIS	**1 243**	1 116	11
Total Manufacturing revenue	**9 892**	7 293	36
Total revenue	**37 766**	33 659	12
SUMMARY OF REGIONS			
Europe CIS	**13 622**	11 553	18
Africa Middle East	**9 523**	9 053	5
Australasia	**5 421**	4 623	17
Asia	**5 194**	4 435	17
Americas	**4 006**	3 995	0
Total revenue	**37 766**	33 659	12

[1] *Restated for discontinued operations and segmental reclassifications.*

Group revenue segmental analysis continued

for the year ended 30 June 2021

COMMERCIAL PHARMACEUTICALS THERAPEUTIC AREA ANALYSIS BY CUSTOMER GEOGRAPHY

	2021		
	Sterile Focus Brands R'million	**Regional Brands R'million**	**Total R'million**
Commercial Pharmaceuticals			
Africa Middle East	**513**	**8 057**	**8 570**
Europe CIS	**3 540**	**1 774**	**5 314**
Asia	**4 491**	**626**	**5 117**
Australasia	**754**	**4 113**	**4 867**
Americas	**1 393**	**2 613**	**4 006**
Total Commercial Pharmaceuticals	**10 691**	**17 183**	**27 874**

	Restated[1] 2020		
	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
Commercial Pharmaceuticals			
Africa Middle East	457	7 911	8 368
Europe CIS	3 364	2 089	5 453
Asia	3 728	592	4 320
Australasia	683	3 547	4 230
Americas	1 383	2 612	3 995
Total Commercial Pharmaceuticals	9 615	16 751	26 366

	Change		
	Sterile Focus Brands %	Regional Brands %	Total %
Commercial pharmaceuticals			
Africa Middle East	12	2	2
Europe CIS	5	(15)	(3)
Asia	20	6	18
Australasia	10	16	15
Americas	1	0	0
Total Commercial Pharmaceuticals	11	3	6

[1] *Restated for discontinued operations and segmental reclassifications.*

Notes to the Group Annual Financial Statements

for the year ended 30 June 2021

NON-CURRENT ASSETS

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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

1. INTANGIBLE ASSETS continued

Accumulated Amortisation

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

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

Development costs
Development costs are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met.

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

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

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

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

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

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

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

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

The growth 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 assets further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity;
- the strategy (2022 budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restriction on its ability to use the asset;
- redundancy of a similar medication due to changes in market preferences; and
- development of new drugs treating the same disease.

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

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

Indefinite useful life intangible assets constitute 87% of total intangible assets (2020: 89% of total intangible assets).

Definite useful life intangible assets

Amortisation rates and residual values

The Group amortises its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product 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 2021 was as follows:

Intellectual property	Up to 37 years
Product participation and other contractual rights	Up to 38 years
Computer software	Up to 10 years
Development costs	Up to 15 years

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

1. INTANGIBLE ASSETS continued

Reconciliation of balance

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 categories	(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

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

1. INTAGIBLE ASSETS continued

Indefinite useful life intangible assets

Split of balance	2021 R'million	2020 R'million
(1) AstraZeneca Anaesthetics portfolio	**18 129**	21 522
(2) GSK Thrombosis business	**6 377**	13 598
(3) MSD business	**6 571**	9 406
(4) GSK Anaesthetics portfolio	**4 936**	4 847
(5) Specialist global brands	**3 853**	3 552
(6) ELIZ products	**3 599**	4 139
(7) GSK OTC brands	**1 803**	2 194
(8) GSK classic brands	**747**	910
(9) Mono-Embolex business	**–**	2 539
Other brands	**1 987**	2 144
	48 002	64 851

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

Impairment of intangible assets

Key assumptions used in the impairment tests for significant indefinite useful life intangible assets were as follows in 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)
AstraZeneca Anaesthetics portfolio	18 129	5 years	2	61	0	6
MSD business	6 571	5 years	4	70	0	8
GSK Thrombosis business	6 377	5 years	4	63	0	9
GSK Anaesthetics portfolio	4 936	5 years	4	59	0	7
Specialist global brands	3 853	5 years	0	57	0	9
ELIZ products	3 599	5 years	2	61	0	8
GSK OTC brands	1 803	5 years	6	50	0	9
GSK classic brands	747	5 years	4	65	0	6

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

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

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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 directors and management's view that the appropriate impairments and reversal of impairments were recognised at 30 June 2021.

	1% point reduction in revenue due to price reduction R'million	1% point reduction in terminal growth[1] R'million	0,5% point 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**

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

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

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

	Carrying value 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)
AstraZeneca Anaesthetics portfolio	21 522	5 years	3	62	0	8
GSK Thrombosis business	13 598	5 years	(1)	53	0	9
MSD business	9 406	5 years	5	72	0	8
GSK Anaesthetics portfolio	4 847	5 years	(1)	60	0	9
ELIZ products	4 139	5 years	2	56	0	10
Specialist global brands	3 552	5 years	(4)	56	0	10
Mono-Embolex business	2 539	5 years	2	39	0	7
GSK OTC brands	2 194	5 years	7	49	0	11
GSK classic brands	910	5 years	1	64	0	9

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

1. INTANGIBLE ASSETS continued

	Note	2021 R'million	2020 R'million
Impairment of intangible assets (included in other operating expenses)			
Impairment of intangible assets can be split as follows			
AstraZeneca Anaesthetics portfolio	1	**630**	–
Development costs	2	**182**	96
GSK OTC Brands	3	**154**	286
US Brand	4	**115**	–
Specialist Global Brands	5	**113**	63
MSD Brands		**31**	52
GSK Classic Brands distributed in Australia		**29**	133
Hydroxyprogesterone Caproate ("HPC")		**–**	640
Other		**10**	69
		1 264	1 339

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) Aspen was unsuccessful in a major volume-based procurement tender in China, which has resulted in a material decrease in the revenue outlook for one product in that country.
(2) Product development projects which were no longer technically or commercially feasible have been fully impaired.
(3) Two brands, one sold in Brazil and the other in Nigeria, which have experienced a high level of competitive pressure.
(4) Decline in sales outlook in the United States of Benzotropine.
(5) Decline in sales outlook in the United States of one of the oncology products.

	2021 R'million	2020 R'million
Reversal of impairments can be split as follows		
Specialist Global Brands	**(221)**	–
GSK Anaesthetics portfolio product	**(179)**	–
Other	**(13)**	–
	(413)	–
Net impairment of intangible assets	**851**	1 339

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

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

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

	Growth in revenue (% per annum)[1]	Gross profit (% per annum)	Growth (% per annum)[2]	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**

[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.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

1. INTANGIBLE ASSETS continued

Commitments	2021 R'million	2020 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	**291**	540
Authorised but not yet contracted for	**494**	359
	785	899

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.

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

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 2021 was as follows

Buildings	Up to 50 years
Plant and equipment	Up to 30 years
Computer equipment	Up to 10 years
Office equipment and furniture	Up to 10 years

Reconciliation of balance

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 categories	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 5,3% (2020: 8,3%).*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

2. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of balance continued

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

[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 5,3% (2020: 8,3%).*

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

2. PROPERTY, PLANT AND EQUIPMENT continued

Impairments

	2021 R'million	2020 R'million
Split of balance		
South African factories	–	11
Indian factory	130	–
Other	4	1
	134	12

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 will commence in June 2022 and the site is expected to be fully operational before June 2023.

Reversal of impairments

	2021 R'million	2020 R'million
Split of balance		
European factories	349	2
Other	5	–
	354	2

European factories

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

Key assumptions on reversal of impairment test were as follows

- period covered by the forecasts and budgets of seven 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

	2021 R'million	2020 R'million
Authorised and contracted for	571	1 279
Authorised but not yet contracted for	1 127	2 175
	1 698	3 454

Summary of Land and Buildings

	2021 R'million	2020 R'million
Land	664	747
Buildings	4 837	2 967
	5 501	3 714

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

2. PROPERTY, PLANT AND EQUIPMENT continued

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

	2021			Restated[1] 2020		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Cost of sales	**770**	**–**	**770**	681	–	681
Selling and distribution expenses	**34**	**1**	**35**	22	3	25
Administrative expenses	**50**	**–**	**50**	77	2	79
	854	**1**	**855**	780	5	785

[1] *Restated for discontinued operations.*

Other disclosures

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 10 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 2021 was as follows

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

3. RIGHT-OF-USE ASSETS continued

Accounting policy

Renewal and termination options

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

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

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

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

Lease and non-lease components

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

Short-term leases and leases of low-value assets

The Group elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is R72 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

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)
Early termination of leases	(7)	(37)	–	–	(44)
Currency translation movements	(40)	(11)	(1)	(2)	(54)
	303	69	7	21	400

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

3. RIGHT-OF-USE ASSETS continued

Reconciliation of balance continued

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

Commitments

Short-term leases and leases of low-value assets

	2021 R'million	2020 R'million
The Group has a number of insignificant short-term and low-value leased assets which includes leases of offices, warehouses and other equipment. These are not included in the right-of-use assets but expensed in terms of *IFRS 16 – Leases*.		
The future minimum lease commitments are as follows		
Less than 1 year	**15**	30
Between 2 and 5 years	**28**	64
Later than 5 years	**1**	2
	44	96

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

Amount recognised in the statement of comprehensive income	2021 R'million	2020 R'million
Buildings	**135**	122
Motor vehicles	**53**	54
Plant and machinery	**5**	4
Computer hardware	**11**	6
Depreciation	**204**	186
Interest expense (included in finance costs)	**35**	58
Expenses relating to short-term and low-value leases (included in operating expenses)	**84**	94
Amount recognised in the statement of cash flows		
Expenses relating to short-term and low-value leases (included in operating activities)	**84**	94
Interest paid (included in operating activities)	**35**	58
Repayment of lease liabilities (included in financing activities)	**189**	166
Total cash outflow	**308**	318

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

	2021			Restated[1] 2020		
	Continuing R'million	Discontinued R'million	Total R'million	Continuing R'million	Discontinued R'million	Total R'million
Cost of sales	**25**	**–**	**25**	19	–	19
Selling and distribution expenses	**13**	**–**	**13**	8	–	8
Administrative expenses	**151**	**15**	**166**	133	26	159
	189	**15**	**204**	160	26	186

[1] *Restated for discontinued operations.*

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. After initial recognition, goodwill is measured at cost less any 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 gain 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 CGU. Each of those CGUs 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 CGUs or groups of CGUs 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 CGU to the carrying amount. Impairment testing is only performed on CGUs that are considered to be significant in comparison to the total carrying amount of goodwill.

Value-in-use

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

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

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

The growth rates used to extrapolate cash flow projections beyond the period covered by the budgets and forecasts take into account the long-term average rates of the industry in which the CGU 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 CGUs. 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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

4. GOODWILL continued

	2021 R'million	2020 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	5 375	4 649
Acquisition of subsidiary	27	–
Transfer to assets classified as held-for-sale	(121)	(45)
Impairment losses	(131)	(96)
GSK Anaesthetics portfolio	(43)	(13)
AstraZeneca Anaesthetics portfolio	(35)	–
MSD Business	(25)	(83)
Other	(28)	–
Currency translation movements	(529)	867
	4 621	5 375
Split of balance		
Sigma business – Australasia	3 395	3 787
AstraZeneca Anaesthetics portfolio	275	369
MSD business	64	224
GSK Anaesthetics portfolio	32	82
Other	855	913
	4 621	5 375

Impairment of goodwill

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

	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	3 395	5 years	3	39	AUD11 million	3	9
AstraZeneca Anaesthetics portfolio	275	5 years	2	60	–	0	6
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 abovementioned budgets and forecasts.*
[2] *Average growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts.*

Based on the calculations the goodwill relating to the MSD business was impaired by R25 million (2020: R83 million). In addition, goodwill of R43 million and R35 million (2020: R13 million and Nil) relating to the GSK Anaesthetics portfolio and AstraZeneca Anaesthetics portfolio, respectively, was impaired.

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

4. GOODWILL continued

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

	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	3 787	5 years	2	39	AUD7 million	3	10
AstraZeneca Anaesthetics portfolio	369	5 years	3	62	–	0	8
MSD business	224	5 years	5	72	–	0	8
GSK Anaesthetics portfolio	82	5 years	(1)	60	–	0	9

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

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

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.

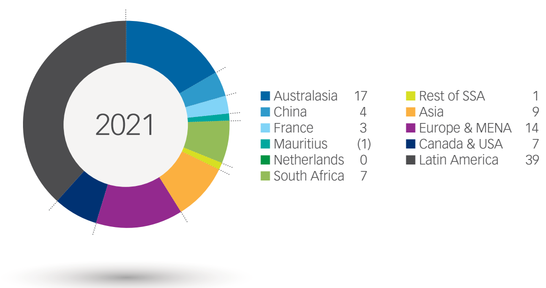
Notes to the Group Annual Financial Statements continued

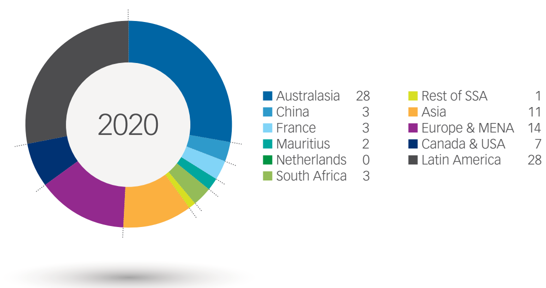
for the year ended 30 June 2021

5. DEFERRED TAX continued

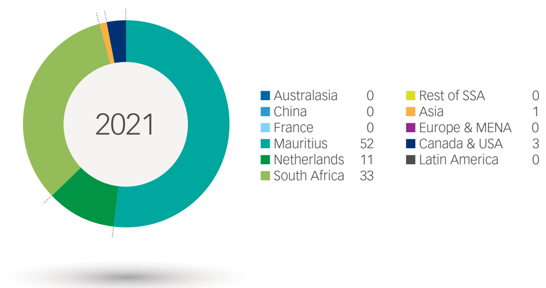
	2021 R'million	2020 R'million
Reconciliation of balance		
Deferred tax liabilities – opening balance	**2 701**	2 049
Deferred tax assets – opening balance	**(1 714)**	(1 163)
Net deferred tax liabilities – opening balance	**987**	886
Credited to statement of profit or loss	**(414)**	(43)
Charge to other comprehensive income	**7**	1
Transfer to assets classified as held-for-sale	**–**	(82)
Currency translation movements	**(93)**	225
	487	987
Split of balance		
Deferred tax liabilities	**1 810**	2 701
Deferred tax assets	**(1 323)**	(1 714)
	487	987
Deferred tax balance comprises		
Intangible assets	**1 535**	2 189
Property, plant and equipment	**643**	664
Non-current liabilities	**150**	228
Provisions	**(434)**	(716)
Onerous contracts	**(170)**	(270)
Tax losses	**(708)**	(908)
Retirement benefit obligations	**(132)**	(198)
Other receivables and payables	**(378)**	(75)
Other	**(19)**	73
	487	987

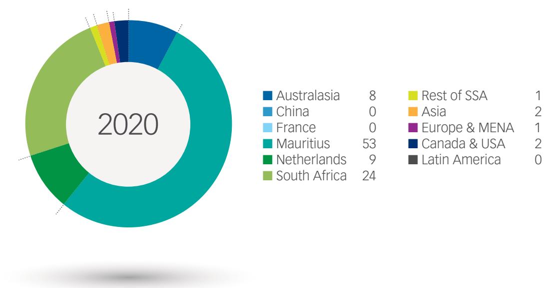
Deferred tax asset (%)





Deferred tax liability (%)





5. DEFERRED TAX continued

On an annual basis, the Group assesses its deferred tax assets, especially relating to the timing of use of those assets. During the current year, we specifically considered the recoverability of the deferred tax assets relating to assessed losses as the remaining deferred tax assets are realised during the subsequent year as provisions are reversed for accounting purposes and realised for tax purposes. In performing the assessment of deferred tax assets relating to assessed losses, we considered the duration in which those deferred tax assets will be utilised by applying a combination of the stress-tested management's earnings projections and the domestic tax rules relating to the utilisation of those assessed losses. To the extent that we believe that the deferred tax asset will be utilised within the foreseeable future, a deferred tax asset is raised. If, however, the domestic tax law, limits our ability to claim the assessed losses against taxable income 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, certain businesses in South Africa are expected to generate tax losses. Management is confident that these tax losses will be utilised in the foreseeable future and raised a deferred tax asset to take this into account. In addition, the future profitability of our Brazilian operations was assessed and it was considered appropriate to raise further deferred tax assets for these operations in relation to assessed tax losses that have arisen in the past as deferred tax assets had not been raised historically due to lower future profit expectations at that time.

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 Argentina and the Netherlands and adjustments to the deferred tax balances have been incorporated in the balances that have been disclosed for the respective Group companies. The Group does report its deferred tax assets and liabilities based on its ability to net those off against one another, assuming that the asset and liability arises in the same tax group for tax purposes.

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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

6. CONTINGENT ENVIRONMENTAL ASSETS AND INDEMNIFICATION LIABILITIES continued

Reconciliation of balance

	2021 R'million	2020 R'million
Carrying amount at the beginning of the year	**324**	801
Increase/(decrease) in liability from updated assessment	**26**	(579)
Currency translation movements	**(45)**	102
	305	324

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 EUR18 million (2020: EUR17 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

	2021 R'million	2020 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**2 761**	1 450
Proceeds received per the statement of cash flows – average exchange rate	**(1 317)**	(475)
Disposal of the Asia Pacific non-core pharmaceutical portfolio	**(740)**	(389)
Disposal of the Japanese business	**(367)**	–
Disposal of Fludrocortisone intellectual property in UK and Europe	**(197)**	–
Other	**(13)**	(86)
Outstanding proceeds – average exchange rate per statement of cash flows	**140**	1 280
Disposal of European Thrombosis assets	**140**	–
Disposal of the Asia Pacific non-core pharmaceutical portfolio	**–**	186
Disposal of the Japanese business	**–**	936
Disposal of Fludrocortisone intellectual property in UK and Europe	**–**	158
Japanese business – Ultiva milestone licence extension no longer receivable	**(182)**	–
Impairment of enterprise development loans	**–**	(13)
Reimbursive rights legislation change – France	**(60)**	–
Currency translation movements	**(174)**	519
	1 168	2 761
Split of balance		
Non-current	**622**	1 145
Current	**546**	1 616
	1 168	2 761
Summary of balance (non-current and current)[1]		
Employee benefits – reimbursive rights	**164**	279
Prepayments made to API supplier	**276**	303
Outstanding proceeds from the disposal of the Japanese business	**520**	1 159
Enterprise development loans	**27**	36
Outstanding proceeds from the disposal of the Asia Pacific non-core pharmaceutical portfolio	**–**	776
Outstanding proceeds from the disposal of Fludrocortisone intellectual property in UK and Europe	**–**	208
Outstanding proceeds from the disposal of European Thrombosis assets	**131**	–
Other	**50**	–
	1 168	2 761

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

	2021 R'million	2020 R'million
Split of balance		
Financial instruments	**728**	2 482
Non-financial instruments	**440**	279
	1 168	2 761

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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. Management considers the credit risk associated with these non-current receivables to be low.

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 current 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.

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% (2020: 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 (2020: R13 million) against these enterprise development loans.

Outstanding proceeds from the disposal of the Asia Pacific non-core pharmaceutical portfolio

In the prior year, the unconditional receivable of AUD67 million was outstanding. The full amount has been received in the current year.

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

	2021 R'million	2020 R'million
Ultiva licence extension milestone receivable – current	**–**	193
Uninterrupted supply milestone payment	**445**	881
Non-current	**195**	499
Current	**250**	382
New business development milestone	**75**	85
Non-current	**–**	85
Current	**75**	–
	520	1 159

Ultiva licence extension milestone

The Ultiva brand was commercialised in Japan by Janssen in the prior year . Aspen would have received a milestone payment from Sandoz based on their ability to renew the contract at more favourable terms. The milestone payment was based on achievement of an extended contract with Janssen as well as improved supply prices. In the prior year, an 80% probability was applied to this scenario that Aspen would be able to secure the contract extension as well as provide certain levels of improved supply prices. Management's best estimate was a contingent receivable of EUR10 million in financial year 2020. During the current financial year, Sandoz exercised its protective right in the disposal contract to sell the Ultiva brand back to Aspen following a delay in negotiations with the local distributor, Janssen, in Japan. The Ultiva brand has been repurchased from Sandoz and has been valued based on the fair value negotiated with Sandoz, plus an additional value attributed for securing the full commercialisation rights from the distributor on the renegotiation of that agreement. The contingent milestone payment of EUR10 million has been included in the final valuation of EUR33 million and our assessment indicates no impairment risk although the contingent milestone payment is no longer receivable.

7. OTHER NON-CURRENT AND CURRENT RECEIVABLES continued

Uninterrupted supply milestone payment

As part of the disposal of the Japanese business in the prior 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 will be entitled to a total milestone receipt of EUR50 million over three calendar years (the first year ended December 2020) based upon meeting contractual stock supply service levels in each contract year. Aspen has included a total contingent receivable of EUR47 million in the statement of financial position in 2020. Based on the expected performance, Aspen has included 100% of the first two milestones and conservatively 80% of the third milestone. In the current year, the first milestone payment of EUR20 million has been received. The discount rate used in present valuing of the supply milestone receipt was 2,2%.

	EUR'million	EUR'million
Repayment profile		
Year ended 30 June 2021 (100% probability)	**–**	20
Year ending 30 June 2022 (100% probability)	**15**	15
Year ending 30 June 2023 (EUR15 million at 80% probability)	**12**	12
	27	47

Outstanding proceeds from the disposal of Fludrocortisone in UK and Europe

Effective 28 February 2020 Aspen disposed of its rights to Fludrocortison in UK and Europe for a total consideration of EUR24 million with EUR13 million received on the transaction date and EUR11 million received in the current year.

Outstanding proceeds from the disposal of the European Thrombosis assets

In September 2020 the Group concluded an agreement (subject to conditions precedent which were fulfilled in November 2020) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Subsequent to this, Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business. The following amounts were outstanding at year-end

	EUR'million	EUR'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 year-end, R83 million (EUR5 million) was outstanding and is expected to be received in the 2022 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). This amount is outstanding at year-end and is expected to be received in the 2022 financial year.		
	131	–

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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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.

	2021 R'million	2020 R'million
Summary of balance		
Raw materials	**3 279**	3 877
Work-in-progress	**4 298**	3 785
Finished goods	**5 311**	8 243
Consumables	**521**	508
	13 409	16 413
Impairment of inventories		
The impairment charge (included in cost of sales) is made up as follows		
Impairment of inventories recognised as an expense[1]	**702**	1 050
Movement in the provision for impairment	**(368)**	(103)
	334	947

[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.*

	2021 R'million	2020 R'million
Reconciliation of provision for impairment		
Balance at the beginning of the year	**996**	967
Raised during the year	**983**	663
Utilised during the year	**(1 351)**	(766)
Europe Thrombosis assets disposal – transaction-related NRV adjustments	**708**	–
Transfer to assets held-for-sale	**–**	(5)
Currency translation movements	**(153)**	137
	1 183	996

Other disclosures

Inventories to the value of R2,8 billion (2020: R3.0 billion) have been pledged as security for the 10-year interest free loan from MSD. Refer to note 16.1.

All inventories were at cost, except for Chemical stock of R231 million (2020: R521 million) and Bio-chemical stock of R509 million (2020: nil) 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 impairments, using the effective interest rate method. No fair value adjustment is made for the effect of time value of money where receivables have a short-term profile. Financial assets and liabilities are in the Group statement of financial position when the Group becomes a party to the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

Other receivables comprise receivables mainly of a contractual nature, initially recognised at fair value and subsequently at amortised cost. The remainder of other receivables which are not of a contractual nature is recognised initially at fair value and subsequently at fair value through profit 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, among others, the failure of a debtor to engage in a repayment plan with the Group for a period of greater than 180 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is credited against 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. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when the fair value is negative.

Notes to the Group Annual Financial Statements continued

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9. RECEIVABLES AND OTHER CURRENT ASSETS continued

	Note	2021 R'million	2020 R'million
Split of balance			
Trade and other receivables	9.1	**9 775**	11 323
Derivatives	9.2	**16**	17
Current tax assets		**351**	276
Other current receivables	7	**546**	1 616
		10 688	13 232

9.1 Trade and other receivables

	2021 R'million	2020 R'million
Summary of balance		
Trade receivables	**7 913**	9 280
Allowance for credit losses	**(215)**	(228)
Net trade receivables	**7 698**	9 052
Indirect taxes	**1 084**	813
Prepayments	**235**	329
Other	**758**	1 129
	9 775	11 323
Split of balance		
Financial assets	**8 037**	9 471
Non-financial assets	**1 738**	1 852
	9 775	11 323
Reconciliation of trade receivables		
Balance at the beginning of the year	**9 280**	9 446
Reclassification to assets classified as held-for-sale	**–**	(358)
Acquisition of subsidiary	**22**	–
Cash movements	**(378)**	(860)
Continuing operations	**8**	(525)
Discontinued operations[1]	**(386)**	(335)
Bad debts written off	**(5)**	(246)
Currency translation	**(1 006)**	1 298
	7 913	9 280
Impairment of trade and other receivables		
The impairment charge is made up as follows		
Bad debts written-off	**5**	246
Movement in the allowance for credit losses	**13**	(268)
	18	(22)
The majority of the write-off in the prior year related to long outstanding debtors in the Nutritionals business disposed of in May 2019.		
Reconciliation of allowance for credit losses[2]		
Balance at the beginning of the year	**228**	460
Raised during the year	**69**	102
Utilised during the year	**(56)**	(370)
Continuing operations	**(56)**	(135)
Discontinued operations[3]	**–**	(235)
Currency translation movements	**(26)**	36
	215	228

[1] *Current 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. Prior year discontinued operations – this relates to the pre-disposal trade receivables from the Japanese business and the wind down of receivables from the Nutritionals business.*

[2] *The allowance for credit losses includes specific and general credit loss provisions.*

[3] *Write-off of trade receivables of the Nutritionals business provided for in the previous financial year.*

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 030 million (2020: R898 million) were covered by credit guarantee insurance. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. One debtors balance (2020: none) constitutes a significant concentration of credit risk to an amount of R807 million (2020: nil). This balance constitutes 10% (2020: 0%) 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 2021 and 2020.

The Group has made allowance for specific trade debtors who have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Amounts past their due dates that 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.

Introduction

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 day past due period.

Age analysis of trade receivables (financial instruments only)

2021	**Fully performing**	**Past due by 1 to 30 days**	**Past due by 31 to 90 days**	**Past due by 91 to 180 days**	**Past due by more than 180 days**	**Total**
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**

2020	Fully performing	Past due by 1 to 30 days	Past due by 31 to 90 days	Past due by 91 to 180 days	Past due by more than 180 days	Total
Gross trade receivables	6 984	1 289	480	243	284	9 280
Specific provisions – 100% considered unrecoverable[1]	(18)	(1)	(6)	(10)	(128)	(163)
Gross trade receivables net of specific provision	6 966	1 288	474	233	156	9 117
General credit loss provision[2]	(23)	(3)	(6)	(2)	(31)	(65)
Net carrying amount	6 943	1 285	468	231	125	9 052

[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% (2020: 2%).*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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 three years before 30 June 2020 or 30 June 2021 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.

We have also considered the potential implications of COVID-19 in the assessment of the allowance account for losses, the impact of this 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 R215 million (2020: R228 million).

	2021 R'million	2020 R'million
Currency analysis of trade and other receivables (financial instruments only)		
Australian Dollar	**647**	722
Brazilian Real	**172**	319
Euro	**2 499**	2 308
Mexican Peso	**119**	270
British Pound Sterling	**139**	127
South African Rand	**1 683**	1 566
Russian Ruble	**96**	215
US Dollar	**1 393**	2 345
Other currencies	**1 289**	1 599
	8 037	9 471

General

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

Trade and other receivables are predominantly non-interest bearing.

No trade and other receivables have been pledged as security.

9. RECEIVABLES AND OTHER CURRENT ASSETS continued

9.2 Derivative financial instruments – asset

	2021 R'million	2020 R'million
Balance at the beginning of the year	**17**	36
Fair value gains/(losses) recognised in the statement of profit or loss	**108**	(129)
Fair value losses recognised in other comprehensive income	**–**	81
Transfer (to)/from liabilities	**(112)**	24
Translation of foreign operations	**3**	5
	16	17
Split of balance		
Forward exchange contracts	**7**	11
Interest rate swaps	**9**	6
	16	17

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

The 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 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" during 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.

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.

Notes to the Group Annual Financial Statements continued

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10. CASH AND CASH EQUIVALENTS continued

	2021 R'million	2020 R'million
Summary of balance		
Bank balances	**7 964**	6 441
Short-term bank deposits	**430**	530
Cash-in-transit and cash-on-hand	**152**	122
	8 546	7 093

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 2021, more than 88% (2020: 97%) of the Group's cash and cash equivalent balances were held with institutions with an international credit rating of BB or better.

Currency analysis of cash and cash equivalents	2021 R'million	2020 R'million
South African Rand	**2 624**	1 552
Euro	**1 793**	2 078
US Dollar	**1 304**	1 236
Chinese Yuan Remnibi	**548**	445
Australian Dollar	**499**	277
Brazilian Real	**303**	212
Canadian Dollar	**222**	60
Mexican Peso	**198**	191
British Pound Sterling	**141**	61
Russian Ruble	**113**	208
Other currencies	**801**	773
	8 546	7 093

General

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

The average effective interest rate on interest-bearing cash and cash equivalents is 3.4% (2020: 3.7%).

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

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	–	16
Disposals	(12 274)	(5 406)
Japanese business	–	(5 390)
European Thrombosis assets	(12 274)	–
Other	–	(16)
Reclassification from various asset classes	12 285	5 390
Currency translation movements	–	–
	11	–
Split of balance		
Assets classified as held-for-sale	62	–
Liabilities classified as held-for-sale	(51)	–
	11	–

Current year disposal

European business

In September 2020 the Group concluded an agreement (subject to conditions precedent which were fulfilled in November 2020) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Subsequent to this, 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 491 million) including an amount receivable in July 2021 of EUR7,6 million (R140 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 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.

Prior year disposal

Japanese business

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

Notes to the Group Annual Financial Statements continued

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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	2021 R'million	2020 R'million
Split of balance			
Share capital	12.1	**2 089**	2 089
Treasury shares	12.2	**(214)**	(187)
		1 875	1 902
12.1 Share capital			
Authorised			
717 600 000 (2020: 717 600 000) ordinary shares of no par value		**–**	–
Issued			
456 451 541 (2020: 456 451 541) ordinary shares of no par value		**2 089**	2 089

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.

	2021 R'million	2020 R'million
12.2 Treasury shares		
Treasury shares held		
1 286 675 (2020: 929 754) ordinary shares of no par value	**214**	187
Reconciliation of balance		
Balance at the beginning of the year	**187**	178
Shares purchased	**50**	41
Deferred incentive bonus shares exercised	**(23)**	(32)
	214	187
Reconciliation of shares	**Million**	Million
Number of shares at the beginning of the year	**0,9**	0,6
Shares purchased	**0,5**	0,4
Deferred incentive bonus shares exercised	**(0,1)**	(0,1)
	1,3	0,9

13. NON-CONTROLLING INTERESTS

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

14. SHARE-BASED COMPENSATION RESERVE

Accounting policy

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

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

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

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

Equity-settled schemes

The equity-settled schemes (Aspen Share Incentive Scheme, Aspen Share Appreciation Plan and South African Management Deferred Incentive Bonus Scheme) allow certain employees the option or rights to acquire ordinary shares in Aspen Pharmacare Holdings Limited. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at grant date of the equity-settled share-based payment is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the 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 are 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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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

	Medium-term component of the scheme	Long-term component of the scheme
Nature and strategic intent of the scheme	The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. While it has the same performance measures as the annual cash incentive, it introduces a retention element through the three-year deferral to ensure that critical executive and professional skills are retained and that there is congruence between the interests of executive and managerial employees and shareholders. Considering that most eligible employees have historically elected to receive the value of the award in Aspen shares (2020: 88%, 2019: 90% and 2018: 93%), it is believed that the alignment between the strategic goals of the Group in respect of sustainable value creation and employee interests is being achieved.	The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives.
Determination of value of awards	The award value varies according to the level of seniority of the executive or manager and is determined according to the achievement of the same performance targets which apply to the annual cash incentive. The maximum award does not exceed 33% of the total remuneration cost in any instance, except for executive directors' awards, which are capped at a maximum of 82,5% of their total remuneration cost. To encourage the holding of shares within the Company, an enhancement of 10% is given to employees who elect to receive the award in shares.	The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and at the discretion of the Committee.
Vesting	Awards are deferred for three years and eligible employees are given the choice at the date of the award to receive the deferred bonus in cash or Aspen shares, or split 50/50 between cash and shares. To the extent that an employee elects to receive shares pursuant to the award, share awards are acquired and held by the Aspen Share Incentive Trust (in respect of awards made up until 2015) and an unrelated intermediary (in respect of awards made from 2016 onwards) to enable Aspen to settle its future obligation to participating employees upon vesting. No shares are issued in terms of this scheme and it has no dilutive effect. Should the employee retire within the three-year period, the vesting of the awards will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	These awards vest after a period of 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.

14. SHARE-BASED COMPENSATION RESERVE continued

The Aspen International Phantom Share Scheme

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

Aspen SA Phantom Share Scheme

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

14. SHARE-BASED COMPENSATION RESERVE continued

Reconciliation of schemes

Aspen South African Management Deferred Incentive Bonus Scheme

The following tables provide details of the 2021 reconciliation of movement in shares. For the reconciliation of the relevant movement category between 1 July 2019 and 30 June 2020, refer to 2020 Group Annual Financial Statements.

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)**
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. The Company values for the relevant movement categories are (Outstanding on 30 June 2020: 3 015 thousand shares, awarded: 331 thousand shares, released: 61 thousand shares and outstanding on 30 June 2021: 578 thousand shares).*

[2] *During the year the Group bought 0,5 million shares (2020: 0,4 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, held by the Aspen Share Incentive Scheme Trust, are re-allocated to future grants.*

Aspen International Phantom Share Scheme

Award price (R)	Expiry Date	Shares outstanding on 30 June 2020 '000[4]	Awarded during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2021 '000[4]**
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**

[4] *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 R162,09 (2020: R143,51).

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R91 million (2020: R52 million).

Aspen South African Phantom Share Scheme

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 2021.*

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R162,09 (2020: R143,51).

The liability included in trade and other payables on the statement of financial position relating to the Aspen South African Phantom Share Scheme is R5,2 million (2020: R1,5 million).

NON-CURRENT LIABILITIES

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.

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

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

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.

Notes to the Group Annual Financial Statements continued

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15. BORROWINGS continued

Currency analysis and maturity profile of total borrowings

	2021			2020		
	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	165	266	431	190	436	626
	165	266	431	190	436	626
Bank overdrafts						
Rand	2 591	–	2 591	1 476	–	1 476
	2 591	–	2 591	1 476	–	1 476
Unsecured loans						
1) Euro syndicated term loan	10 987	–	10 987	–	26 392	26 392
2) Australian Dollar syndicated revolving loan	2 574	–	2 574	–	2 990	2 990
Australian Dollar – capital raising fees	(3)	–	(3)	–	(7)	(7)
3) Rand syndicated term loan	5 600	–	5 600	–	6 300	6 300
4) Rand – other	1 775	–	1 775	1 337	–	1 337
Rand – capital raising fees	(7)	–	(7)	–	(13)	(13)
5) Euro – other	958	–	958	3 299	–	3 299
Euro – capital raising fees	(34)	–	(34)	–	(79)	(79)
	21 850	–	21 850	4 636	35 583	40 219
Total borrowings	24 606	266	24 872	6 302	36 019	42 321

(1) Euro syndicated term and revolving loans

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%

Repayment profile at June 2020

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

(2) Australian Dollar syndicated revolving loan

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%

Repayment profile at June 2020

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

[1] *To the extent that the Group's leverage 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 2.0. (2020: margin presented of between 2.5 and 3.0). Margin quoted for Facility C includes utilisation fees of 0,20% (2020: 0,40%).*

15. BORROWINGS continued

(3) Rand syndicated term and revolving loans

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%**

Repayment profile at June 2020

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 1,65%
Facility E loan	1 500	May 2018	Four years repayable July 2022	JIBAR + margin of 1,70%

(4) Rand – other

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%**

Repayment profile at June 2020

The loan comprises	Amount R'million	Term	Interest terms
Various short-term loans	520	On demand	Ranging between 5,00% and 6,25%
Various short-term loans	2	Less than three months	JIBAR + margin of 0,75%
Various short-term loans	265	Ranging between three and six months	SAFEX + margin of 1,15%
Various short-term loans	550	Ranging between six months and 12 months	JIBAR + margin ranging between 1,30% and 1,67%

(5) Euro – other

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%**

Repayment profile at June 2020

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

[1] To the extent that the Group's leverage 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 2.0 (2020: margin presented of between 2.5 and 3.0). Margin quoted for Facility C includes utilisation fees of 0,20% (2020: 0,40%).

Notes to the Group Annual Financial Statements continued

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15. BORROWINGS continued

Interest rate profile of total borrowings

	2021			2020		
	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)	2 591	Rates ranging between prime and prime less 3,0	4,0	1 476	Rates ranging between prime and prime less 3,0	5,8
Unsecured loans – floating rate	22 281			40 845		
Linked to BBSY	2 574	+ margin of 1,5	1,6	2 990	+ margin of 1,70	2,1
Linked to JIBAR	6 900	+ margin ranging between 1,1 and 1,82	5,1	6 852	+ margin ranging between 0,75 and 1,70	5,8
Linked to overnight call rate	475	Overnight call rates ranging between 4,75 and 5,25	5,1	520	Overnight call rates ranging between 5,0 and 6,25	5,7
Linked to EURIBOR	11 945	+ margin ranging between 1,05 and 1,75	1,6	29 691	+ margin ranging between 1,05 and 2,50	2,1
Linked to SAFEX	–	–	–	265	+ margin of 1,15	4,8
Lease liabilities	431	Various	–	626	Various	–
Capital raising fees	(44)	–	–	(99)	–	–
Total borrowings	24 872			42 321		

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

	2021
>3,00 but <3,50	+0,30%
>2,50 but <3,00	+0,20%
>2,00 but <2,50	+0,10%
<2,00	0,00%

Definitions

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

15. BORROWINGS continued

Other disclosures

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	**42 321**	47 961
Repayment of borrowings	**(30 077)**	(25 475)
Repayment of lease liabilities	**(189)**	(166)
Proceeds from borrowings	**14 668**	14 217
Capital raising fees released	**47**	45
Lease liabilities capitalised	**101**	759
Increase/(decrease) of bank overdrafts	**1 115**	(1 353)
Transfer to assets classified as held-for-sale	**–**	(274)
Currency translation movements	**(3 114)**	6 607
	24 872	42 321
Split of balance		
Non-current liabilities	**266**	36 019
Current liabilities	**24 606**	6 302
	24 872	42 321
Currency analysis of lease liabilities		
Australian Dollar	**105**	135
Euro	**101**	228
South African Rand	**70**	88
Mexican Peso	**35**	32
Chinese Yuan Renminbi	**31**	66
Brazilian Real	**10**	14
US Dollar	**7**	6
Other	**72**	57
	431	626

The Group had the following undrawn borrowing facilities at year-end:
- South African Rand denominated facilities of R3 154 million (2020: R2 329 million);
- Euro denominated facilities of EUR710 million (2020: EUR407 million); and
- Australian Dollar denominated facility of AUD80 million (2020: AUD70 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 event

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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.

Financial liabilities

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

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	2021 R'million	2020 R'million
Other non-current financial liabilities	16.1	**3 672**	4 842
Deferred revenue	16.2	**51**	105
Environmental liabilities		**9**	10
		3 732	4 957

16. OTHER NON-CURRENT LIABILITIES continued

16.1 Other non-current and current financial liabilities

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	**5 443**	4 184
Repayments per the statement of cash flows – average exchange rate	**(563)**	(564)
Disposal of Nutritionals business	**–**	(225)
Disposal of Asia Pacific non-core pharmaceutical portfolio	**(37)**	(21)
Disposal of Japanese business	**(214)**	(57)
AstraZeneca –Deferred consideration relating to intellectual property acquired	**(34)**	(168)
Disposal of European Thrombosis assets	**(78)**	–
Other	**(200)**	(93)
Additions – average exchange rate	**1 127**	779
Disposal of Japanese business	**–**	747
Conditional transaction-related China set up costs	**52**	–
Disposal of Nutritionals business	**87**	–
Disposal of European Thrombosis assets	**988**	–
Other	**–**	32
Notional interest	**233**	191
Currency translation movements	**(665)**	750
Other	**(52)**	103
	5 523	5 443
Split of balance		
Non-current	**3 672**	4 842
Current	**1 851**	601
	5 523	5 443
Summary of balance (non-current and current)[1]		
10-year interest free loan	**2 795**	3 012
Conditional transaction-related China set up costs	**349**	365
AstraZeneca – deferred consideration relating to intellectual property acquired	**101**	61
Disposal of Asia Pacific non-core pharmaceutical portfolio	**89**	138
Disposal of Nutritionals business	**705**	619
Disposal of Japanese business	**550**	861
Disposal of European Thrombosis assets	**850**	–
Other	**84**	387
	5 523	5 443

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

16. OTHER NON-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.

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 222 million) to MSD.

Conditional transaction related China set up costs

Transaction-related set up costs for China are conditional upon the achievement of defined performance-related milestones payable in December 2021. The liability has been determined based upon management's judgement relating to the expected achievement levels of the performance-related milestones. The current year expense of USD3 million (2020: USD21 million) has been classified as a transaction cost in terms of the Group's accounting policy and has been excluded from normalised headline earnings. The provision has been estimated for the June 2021 financial year, with a liability payable in December 2021 of USD24 million (2020: USD21 million).

AstraZeneca – deferred consideration relating to intellectual property acquired

Zuvamor

On 1 January 2019, Pharmacare Limited ("PL") acquired the exclusive rights to promote and distribute Zuvamor in South Africa for a period of four years. Zuvamor is a statin medication, used to prevent cardiovascular disease in those at high-risk and treats abnormal lipids. Based on the expected performance of the brand over the term of the agreement, the deferred consideration recognised is 100% of the expected payments under the agreement, which we consider to be highly probable. Further to this, PL has been granted the option to purchase the brand after the four years for a consideration of USD1 million. In the current year, R34 million was paid. It is expected that PL will exercise its option to acquire the brand post the agreement. The transaction has been classified as an intangible asset acquisition and not a business combination.

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

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

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

	2021 R'million	2020 R'million
Year ended 30 June 2021	**–**	26
Year ending 30 June 2022	**32**	28
Year ending 30 June 2023	**17**	28
	49	82

The repayment profile for the option is set out below

	2021 USD'million	2020 USD'million
Year ending 30 June 2023	**1**	1
	1	1

Disposal of Asia Pacific non-core pharmaceutical portfolio

As part of the disposal of the Asia Pacific non-core pharmaceutical portfolio during the 2019 financial year, the Group entered into a supply contract with Mylan for a minimum period of 5 years for the supply of products at a fixed price. Liabilities were recognised to meet the contractual supply obligations. In the current year, R37 million (2020: R21 million) was repaid.

16. OTHER NON-CURRENT LIABILITIES continued

16.1 Other non-current and current financial liabilities continued

The provision profile is set out below

	2021 AUD'million	2020 AUD'million
Year ended 30 June 2021	–	3
Year ending 30 June 2022	4	4
Year ending 30 June 2023 to 2024	4	4
	8	11

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 is based on the expected profit performance of the disposed portfolio in Asia over three years. The provision of NZD65 million was assessed as adequate in the previous financial year. Based upon latest estimates, management increased the provision by a further NZD6 million to NZD71 million. The additional expense has resulted in an additional loss on sale of discontinued operations. The amount will be payable by latest 31 December 2021.

Reconciliation of balance

	2021 R'million	2020 R'million
Balance at the beginning of the year	619	693
Disposal of Nutritionals business – deferred conditional contractual payment obligations	86	(74)
Foreign currency losses/(gains)	24	(74)
Increase in warranty provision	62	–
	705	619

Disposal of Japanese business

As part of the disposal of the Japanese business in the prior 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 has 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 EUR32 million of which EUR12 million (2020: EUR6 million) was paid in the current year. The discount rate used was 2,2%.

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

	2021 EUR'million	2020 EUR'million
Within 1 year	11	12
Within 2 – 5 years	18	27
More than 5 years	3	5
	32	44

Disposal of European Thrombosis assets

In September 2020, the Group concluded an agreement (subject to conditions precedent which were fulfilled in November 2020) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Subsequent to this, Mylan also acquired the distribution rights and related assets for the French commercial Thrombosis business.

Split of balance	2021 R'million	2020 R'million
Volume incentive payments	729	–
Other transaction costs	121	–
	850	–

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

16. OTHER NON-CURRENT LIABILITIES continued

16.1 Other non-current and current financial liabilities continued

Volume incentive 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. The discount rate used in presenting valuing the volume incentive payments was 3%.

The repayment profile is set out below.

	2021 EUR'million	2020 EUR'million
Year ending 30 June 2022	20	–
Year ending 30 June 2023	20	–
Year ending 30 June 2024	3	–
	43	–

Other transaction costs

This is made up of the following elements:

- Legal and consultant's fees;
- Restructuring costs; and
- Distribution agreement obligations.

16.2 Deferred revenue

Reconciliation of balance

	2021 R'million	2020 R'million
Balance at the beginning of the year	160	163
Recognised in the statement of comprehensive income[1]	(13)	(35)
Currency translation movements	(18)	32
	129	160

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

Split of balance		
Non-current	51	105
Current	78	55
	129	160

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*.

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	**1 348**	1 380
Release to the statement of profit or loss	**(372)**	(351)
Currency translation movements	**(160)**	319
	816	1 348
Split of balance		
Non-current	**463**	927
Current	**353**	421
	816	1 348

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 and which are denominated in the currency in which the benefits are expected to be paid. Independent actuaries perform the calculation annually using the projected unit credit method.

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

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

Other non-current employee benefits

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

Notes to the Group Annual Financial Statements continued

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18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS continued

Defined benefit plans – post-retirement medical aid obligations

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

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

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 R363 million for the current financial year (2020: R382 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.

				Principal actuarial assumptions		
	Last actuarial valuation done	**Full/interim valuation**	**Valuation method adopted**	**Discount rate**	**Medical inflation rate**	**Salary increase rate**
France	**June 2021**	**Full**	**Projected unit credit**	**1,1% (2020: 1,0%)**	**N/A**	**1,5% (2020: 1,8%)**
Germany	**June 2021**	**Full**	**Projected unit credit**	**1,0% (2020: 1,0%)**	**N/A**	**2,0% (2020: 2,0%)**
Kenya	**June 2020**	**Full**	**Projected unit credit**	**10,0% (2020: 10,0%)**	**N/A**	**12,0% (2020: 12,0%)**
Mexico	**December 2020**	**Full**	**Projected unit credit**	**6,0% (2020: 7,2%)**	**N/A**	**5,5% (2020: 5,5%)**
The Philippines	**June 2021**	**Full**	**Projected unit credit**	**4,5% (2020: 3,4%)**	**N/A**	**6,0% (2020: 6,0%)**
South Africa	**June 2021**	**Full**	**Projected unit credit**	**11,1% (2020: 12,3%)**	**8,2% (2020: 9,1%)**	**N/A**
Tanzania	**June 2021**	**Full**	**Projected unit credit**	**10,5% (2020: 11,0%)**	**N/A**	**9,0% (2020: 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

	2021 R'million	2020 R'million
Amounts recognised in the statement of financial position		
Present value of retirement and other employee benefit obligations[1]	**730**	945
Deferred tax	**(132)**	(198)
	598	747

[1] *Included in this amount is an obligation of R164 million (2020: R279 million) for which the Group has a reimbursive right. Refer to note 7 for more detail.*

	2021 R'million	2020 R'million
Retirement and other employee benefit obligations comprise		
Unfunded present value of retirement and other employee benefit obligations	**880**	1 114
Fair value of plan assets	**(150)**	(169)
	730	945
The movement in the liability recognised in the statement of financial position is as follows		
Balance at the beginning of the year	**1 114**	883
Current service costs	**60**	59
Benefits paid	**(15)**	(21)
Net interest expense	**6**	13
Remeasurements recognised in other comprehensive income – actuarial gains from changes in financial assumptions	**(40)**	(4)
– Actuarial losses/(gains) from changes in demographic assumptions	**51**	(20)
– Actuarial (gains)/losses from changes in financial assumptions	**(91)**	16
Legislation change – France	**(60)**	–
Currency translation movements	**(185)**	184
	880	1 114
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	**169**	139
Benefits paid	**(1)**	(3)
Net interest income	**1**	1
Remeasurements recognised in other comprehensive income – actual return on plan assets	**4**	(1)
Currency translation movements	**(23)**	33
	150	169
Fair value of plan assets		
The assets of the pension funds are invested as follows		
European government bonds	**102**	115
Other	**48**	54
	150	169

Notes to the Group Annual Financial Statements continued

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18. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS continued

Sensitivity analysis

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

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 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

	2021 R'million	2020 R'million
Trade payables	**3 297**	3 369
Accrued expenses	**2 778**	3 050
Indirect taxes	**707**	425
Leave pay	**575**	593
Bonuses	**471**	412
Other employee related accruals	**449**	504
Other	**936**	1 338
	9 213	9 691
Split of balance		
Financial liabilities	**6 209**	6 817
Non-financial liabilities	**3 004**	2 874
	9 213	9 691
Other disclosures		
Currency analysis of trade and other payables (financial instruments only)		
Euro	**2 564**	2 925
South African Rand	**1 167**	1 185
US Dollar	**854**	1 153
Australian Dollar	**747**	682
Mexican Peso	**237**	284
Kenyan Shilling	**71**	69
British Pound Sterling	**55**	126
Other currencies	**514**	393
	6 209	6 817

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

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

Notes to the Group Annual Financial Statements continued

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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	2021 R'million	2020 R'million
Current tax liabilities		**563**	927
Deferred revenue	16.2	**78**	55
Derivative financial instruments	20.1	**36**	82
Other current financial liabilities	16.1	**1 851**	601
		2 528	1 665

20.1 Derivative financial instruments – liability

	2021 R'million	2020 R'million
Balance at the beginning of the year	**82**	259
Cash received under derivative contract	**114**	–
Fair value losses/(gains) recognised in profit or loss	**10**	(122)
Fair value gains recognised in other comprehensive income	**(1)**	(108)
Transfer (to)/from assets	**(112)**	24
Currency translation movements	**(57)**	29
	36	82
Split of balance		
Forward exchange contracts	**2**	17
Interest rate swaps	**34**	65
	36	82

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

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

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

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

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

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

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

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21. REVENUE continued

Accounting policy

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 Customers* as it represents the difference between the market price and selling price of the products (i.e. linked to an element of revenue). Accounting for the unfavourable contract as an element of revenue has been determined on a straight-line basis as this is the best depiction of the transfer of products.

Summary of balance

	2021			Restated[1] 2020		
	Continuing R'million	**Discontinued R'million**	**Total R'million**	Continuing R'million	Discontinued R'million	Total R'million
Sale of goods	**37 265**	**1 939**	**39 204**	33 191	6 877	40 068
Co-marketing fees	**129**	**–**	**129**	117	–	117
Unfavourable and onerous contracts release	**372**	**–**	**372**	351	–	351
	37 766	**1 939**	**39 705**	33 659	6 877	40 536

[1] *Restated for discontinued operations.*

Revenue has been further disaggregated by customer and manufacturing geography, refer to the Group revenue segmental analysis report on page 25.

22. OPERATING PROFIT

	2021			Restated[1] 2020		
	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	**(165)**	**–**	**(165)**	(223)	–	(223)
Loss on the sale of property, plant and equipment	**3**	**–**	**3**	18	–	18
Profit on the sale of intangible assets	**(168)**	**–**	**(168)**	(222)	–	(222)
Profit on sale of assets classified as held-for-sale	**–**	**–**	**–**	(19)	–	(19)
Auditor's remuneration	**54**	**–**	**54**	64	1	65
– Audit fees	**52**	**–**	**52**	61	1	62
Current year	**57**	**–**	**57**	60	1	61
(Over)/under prior year provision	**(5)**	**–**	**(5)**	1	–	1
– Other services	**2**	**–**	**2**	3	–	3
Net impairment charges	**1 115**	**–**	**1 115**	2 383	–	2 383
Impairment of intangible assets (included in other operating expenses)	**1 264**	**–**	**1 264**	1 339	–	1 339
Impairment charge – inventories (included in cost of sales)	**334**	**–**	**334**	947	–	947
Impairment of property, plant and equipment (included in other operating expenses)	**134**	**–**	**134**	12	–	12
Reversal of impairment losses on property, plant and equipment (included in other operating income)	**(353)**	**–**	**(353)**	(2)	–	(2)
Reversal of impairment losses on intangible assets (included in other operating income)	**(413)**	**–**	**(413)**	–	–	–
Impairment of other non-current and current receivables (included in other operating expenses)	**–**	**–**	**–**	13	–	13
Impairment of goodwill (included in other operating expenses)	**131**	**–**	**131**	96	–	96
Trade receivables – impairment charge/(reversal) for expected credit losses (included in selling and distribution expenses)	**18**	**–**	**18**	(22)	–	(22)
Repairs and maintenance expenditure on property, plant and equipment	**695**	**–**	**695**	560	–	560
Short-term and low-value leases	**84**	**–**	**84**	21	–	21
– Land and buildings	**35**	**–**	**35**	11	–	11
– Plant and equipment	**44**	**–**	**44**	9	–	9
– Office equipment, computer equipment and furniture	**5**	**–**	**5**	1	–	1
Restructuring costs	**396**	**197**	**593**	413	27	440
Transaction costs	**201**	**223**	**424**	445	12	457
Product litigation costs	**41**	**–**	**41**	234	–	234
Loss/(profit) on sale of discontinued operations	**–**	**79**	**79**	–	(34)	(34)

[1] *Restated for discontinued operations.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

23. EXPENSES AND OTHER OPERATING INCOME BY NATURE

	2021				
Continuing operations	**Cost of sales R'million**	**Selling and 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**

	Restated 2020[1]				
	Cost of sales R'million	Selling and 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	9 590	–	–	–	9 590
Personnel costs and other staff-related costs	3 433	2 373	1 581	–	7 387
Depreciation and amortisation	700	30	210	615	1 555
Advertising and marketing expenses	–	936	–	–	936
Transport and warehousing costs	498	867	–	–	1 365
Net impairment charges	947	(22)	–	1 458	2 383
Legal and consulting fees	325	141	468	–	934
Property costs	407	2	29	–	438
Repairs and maintenance expenditure on property, plant and equipment	545	–	15	–	560
Transaction costs	–	–	–	445	445
Restructuring costs	–	–	–	413	413
Regulatory expenses	–	374	–	–	374
Product litigation costs	–	–	–	234	234
Profit on sale of tangible and intangible assets	–	–	–	(223)	(223)
Other	79	998	889	(428)	1 538
	16 524	5 699	3 192	2 514	27 929

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

24. DISCONTINUED OPERATIONS

Current year discontinued operations

Discontinued European business

In September 2020, the Group concluded an agreement (subject to conditions precedent which were fulfilled in November 2020) to divest the assets related to the commercialisation of Aspen's Thrombosis products in Europe to Mylan Ireland Limited ("Mylan"). Subsequent to this, 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 491 million) including an amount receivable in July 2021 of EUR7,6 million (R140 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 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 comprehensive income.

Prior year discontinued operations

Asia Pacific non-core pharmaceutical portfolio

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

Summarised discontinued operations statement of comprehensive income

	2021		
	European business R'million	**Prior years 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)**

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

24. DISCONTINUED OPERATIONS continued

	Restated 2020		
	European business R'million	Prior years R'million	Total R'million
Revenue	4 989	1 888[1]	6 877
Gross profit	2 198	760	2 958
Operating expenses	(868)	(344)	(1 212)
Selling and distribution expenses	(829)	(288)	(1 117)
Administrative expenses	(39)	(56)	(95)
Normalised EBITA	1 330	416	1 746
Depreciation	26	5	31
Normalised EBITDA	1 356	421	1 777
Adjusted for			
Depreciation	(26)	(5)	(31)
Amortisation	–	(17)	(17)
Transaction costs	–	(12)	(12)
Restructuring costs	–	(27)	(27)
Operating profit	1 330	360	1 690
Foreign exchange gains on disposals	–	42	42
Profit before tax	1 330	402	1 732
Tax	(170)	(84)	(254)
Profit after tax from discontinued operations	1 160	318	1 478
Loss on sale of discontinued operations (after tax)	–	(194)	(194)
Loss on sale of discontinued operations (before tax)	–	(34)	(34)
Tax on loss on sale of discontinued operations	–	(160)	(160)
Profit from discontinued operations	1 160	124	1 284
Basic earnings per share – cents			281,3
Headline earnings per share – cents			324,0
Normalised headline earnings per share – cents			320,3

[1] The prior year revenue is split as follows

	June 2020 R'million
Japanese business	1 434
Public Sector ARVs	251
Asia Pacific non-core pharmaceutical portfolio	203
	1 888

25. DIRECTORS AND EMPLOYEES

Accounting policy

Directors' and prescribed officers' remuneration

The directors' and prescribed officers' remuneration represents 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, has 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.

	2021 R'thousand	2020 R'thousand
Non-executive directors – fees		
Roy Andersen	–	205
Linda de Beer	967	889
Kuseni Dlamini	1 290	1 223
Ben Kruger	809	685
Themba Mkhwanazi	432	464
Chris Mortimer[1]	446	443
Babalwa Ngonyama	1 072	977
David Redfern	383	349
Sindi Zilwa	710	854
Total (A)	6 109	6 089
Executive directors		
Gus Attridge	20 181	18 986
Remuneration	6 914	6 547
Retirement and medical aid benefits	1 190	1 135
Performance bonus	9 725	9 218
Share-based payment expense	2 352	2 086
Stephen Saad	24 413	22 967
Remuneration	8 405	7 964
Retirement and medical aid benefits	1 399	1 329
Performance bonus	11 764	11 151
Share-based payment expense	2 845	2 523
Total (B)	44 594	41 953
Prescribed officers		
Lorraine Hill	15 611	13 067
Remuneration	7 228	6 792
Retirement and medical aid benefits	1 095	1 028
Performance bonus	2 443	995
Share-based payment expense	4 845	4 252
Sean Capazorio	11 721	9 967
Remuneration	4 947	4 648
Retirement and medical aid benefits	848	796
Performance bonus	1 701	693
Share-based payment expense	4 225	3 830
Zizipho Mmango	7 508	1 349
Remuneration	4 423	915
Retirement and medical aid benefits	578	81
Performance bonus	261	–
Share-based payment expense	2 246	353
Reginald Haman	8 148	1 471
Remuneration	4 162	967
Retirement and medical aid benefits	638	113
Performance bonus	250	–
Share-based payment expense	3 098	391
Total (C)	42 988	25 854
Total remuneration paid by the Company (A+B+C)	93 691	73 896

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

25. DIRECTORS AND EMPLOYEES continued

	2021			Restated[1] 2020		
	Continuing R'million	Discontinued R'million	Total R'million	Continuing R'million	Discontinued R'million	Total R'million
Staff costs						
Wages and salaries	7 076	407	7 483	6 289	1 319	7 608
Defined contribution plan expenses	363	–	363	395	7	402
Defined benefit plan expenses	32	–	32	71	–	71
Share-based payment expense – deferred incentive bonus	47	–	47	35	–	35
Share-based payment expense – phantom share scheme	20	–	20	15	–	15
	7 538	407	7 945	6 805	1 326	8 131
Amount included in cost of sales	3 828	208	4 036	3 251	800	4 051
Wages and salaries	3 566	208	3 774	3 011	800	3 811
Benefits	262	–	262	240	–	240
Amount included in selling and distribution expenses	2 257	196	2 453	2 136	504	2 640
Wages and salaries	1 982	195	2 177	1 783	488	2 271
Benefits	275	1	276	353	16	369
Amount included in administrative expenses	1 453	3	1 456	1 418	22	1 440
Wages and salaries	1 277	–	1 277	1 258	21	1 279
Benefits	176	3	179	160	1	161
Staff headcount						
Total number of employees at year-end			9 106			9 868
Full-time employees			8 581			9 069
Part-time employees			525			799

[1] *Restated for discontinued operations.*

26. INVESTMENT INCOME

Accounting policy

Recognition and measurement

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

	2021			2020		
	Continuing R'million	Discon-tinued R'million	Total R'million	Continuing R'million	Discon-tinued R'million	Total R'million
Interest on bank balances and short-term deposits	108	–	108	141	–	141
Other	32	–	32	15	–	15
	140	–	140	156	–	156

27. FINANCING COSTS

Accounting policy

Recognition and measurement

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

	2021			Restated 2020		
	Continuing R'million	Discon-tinued R'million	Total R'million	Continuing R'million	Discon-tinued[1] R'million	Total R'million
Interest paid	994	–	994	1 470	–	1 470
Bank overdrafts and borrowings	832	–	832	1 312	–	1 312
Leases	35	–	35	58	–	58
Other	127	–	127	100	–	100
Capital raising fees released – transactions	47	–	47	45	–	45
Notional interest on financial instruments	211	–	211	182	–	182
Net foreign exchange losses/(gains)	147	–	147	15	(42)	(27)
Fair value gains on derivative financial instruments	(98)	–	(98)	(7)	–	(7)
Foreign exchange gains on acquisitions	(78)	–	(78)	(17)	–	(17)
	1 223	–	1 223	1 688	(42)	1 646

[1] *The prior year finance costs previously shown as attributable to discontinued operations have been reclassified to be included in continuing operations. The resultant reclassification of the comparative numbers for continuing and discontinued operations is not material with the value of finance costs for the prior comparative period amounting to R74,0 million.*

Financing costs above exclude financing costs of R169 million which have been capitalised during 2021 to capital work-in-progress (2020: R238 million). Refer to note 2 for detail.

Notes to the Group Annual Financial Statements continued

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28. INCOME TAX

Accounting policy

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

Current tax

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

Deferred tax

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

Capital and wealth taxes

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

Withholding taxes

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

IFRIC 23 – Uncertainty over Income Tax Treatment

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

In applying IFRIC 23 the Aspen Group has assessed the risk profile of all uncertain tax matters based on the following criteria:
- the outcome of similar historical or current audits within the Group;
- consensus opinions from expert advisors 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 judgment on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probabilised risk values are consolidated in arriving at the Group's total estimated uncertain tax provision. The Aspen Group was not required to raise a take-on provision, to bring into account exposures that existed at 30 June 2019, as the Aspen Group held an adequate provision at that time on the basis that it had historically applied the principles of IFRIC 23 when raising those historic provisions.

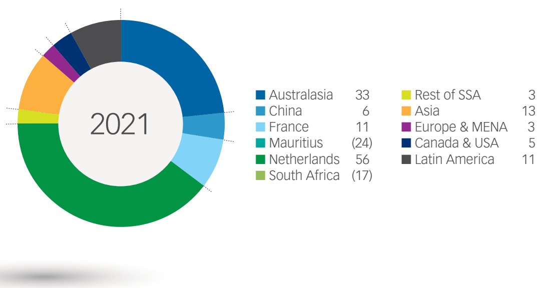
28. INCOME TAX continued

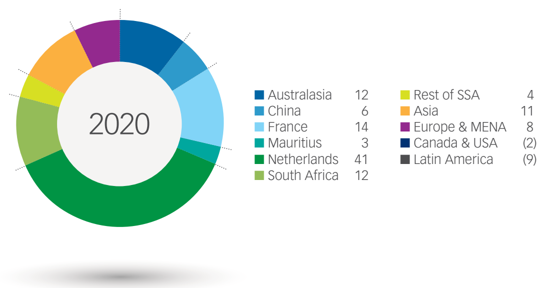
Summary of balance

	2021			Restated[1] 2020		
	Continuing R'million	**Discon-tinued R'million**	**Total R'million**	Continuing R'million	Discon-tinued R'million	Total R'million
Current tax						
Current year	**1 196**	**(33)**	**1 163**	1 018	450	1 468
Prior year	**38**	**–**	**38**	(181)	–	(181)
Deferred tax						
Current year	**40**	**(330)**	**(290)**	(72)	–	(72)
Prior year	**(124)**	**–**	**(124)**	65	(36)	29
Capital and wealth taxes	**2**	**–**	**2**	3	–	3
Withholding taxes	**39**	**–**	**39**	(15)	–	(15)
	1 191	**(363)**	**828**	818	414	1 232

[1] *Restated for discontinued operations.*

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





Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

28. INCOME TAX continued

Group's effective tax rate

The Group's effective tax rate for the prior year has been restated to take into consideration the allocation of taxes to discontinued operations. The current year and restated prior year effective tax rates are as follows:

	2021 %	Restated 2020 %
Group's effective tax rate		
South African tax rate	**28,0**	28,0
Differences in foreign tax rates:		
Mauritius[1]	**(1,7)**	(4,9)
Other[2]	**(1,2)**	(0,4)
Aggregate statutory base tax rate	**25,1**	22,7
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income arising from underlying tax credits	**(0,5)**	(4,5)
Other non-taxable income[3]	**(2,7)**	0,2
Disallowed interest	**0,1**	–
Withholding and other taxes	**0,6**	(0,2)
Disallowed holding Company expenses	**0,3**	–
Prior year adjustments	**(1,4)**	(2,9)
Government incentives	**(1,5)**	(0,1)
Travel, entertainment, gifts and staff welfare	**0,4**	–
Provision for uncertain tax positions[5]	**(2,7)**	1,1
Other disallowed expenses[4]	**2,5**	0,5
Reversal of provisions previously raised on deferred tax assets relating to tax losses	**(3,3)**	–
Normalised effective tax rate	**16,9**	16,8
Movement in rate due to transactions excluded from normalised headline earnings:		
Disallowed impairments	**2,5**	1,8
Non-taxable capital losses	**–**	(0,9)
Disallowed restructuring, transaction costs and finance costs	**0,5**	1,4
Disallowed product litigation costs	**–**	0,4
Group's effective rate of tax	**19,9**	19,5

[1] The statutory rate of tax in Mauritius is 15%. This rate is, however, subject to various credits that are available, which do fluctuate from year to year. The Aspen Group's Mauritius-based operations (namely Aspen Global Incorporated) contributes (1,7%) (2020: (4,9%)) to the differences in foreign tax rates with the balance being contributed by the rest of the Group.

[2] The statutory tax rates in the remaining countries range from 0% to 40%. On an overall basis, these entities contribute (1,2%) (2020: (0,4%)) 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).

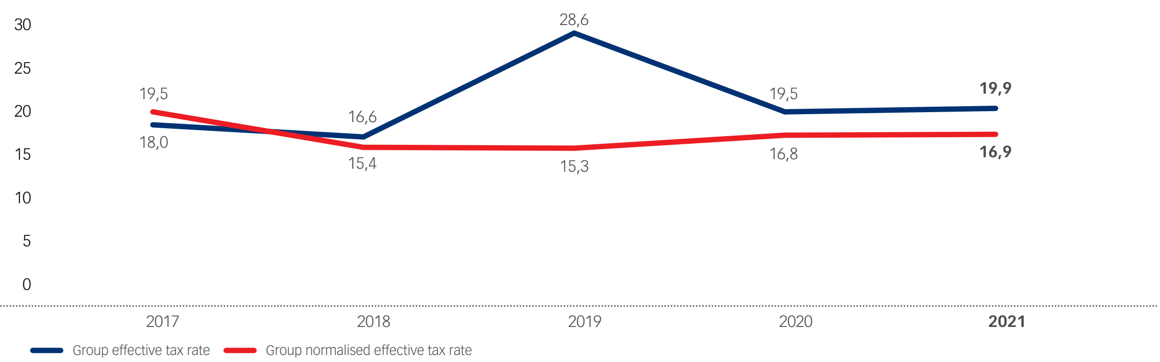
[3] This includes amounts that are subject to withholding and other taxes which are, consequently, not taxable at the corporate tax level.

[4] This includes various potentially disallowable costs.

[5] This includes consulting fees, contributions to share schemes, donations, fines and penalties and other costs that are non-deductible. These items are immaterial on an individual basis. A portion of the IFRIC 23 provision was released during the year due to the Group receiving an adverse assessment and as a consequence of de-recognising amounts that had previously included in the provision, which are no longer considered potential tax exposures.

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.

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 2019.

Normalised headline earnings per share

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

29. EARNINGS PER SHARE continued

Reconciliation of earnings

	2021			Restated 2020		
	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	4 798	8	4 806	3 380	1 284	4 664
Impairment of property, plant and equipment	133	–	133	8	–	8
– Gross amount	134	–	134	12	–	12
– Tax effect	(1)	–	(1)	(4)	–	(4)
Reversal of impairment losses on property, plant and equipment	(272)	–	(272)	(1)	–	(1)
– Gross amount	(353)	–	(353)	(2)	–	(2)
– Tax effect	81	–	81	1	–	1
Impairment of other non-current and current receivables	–	–	–	9	–	9
– Gross amount	–	–	–	13	–	13
– Tax effect	–	–	–	(4)	–	(4)
Impairment of intangible assets	1 255	–	1 255	1 282	–	1 282
– Gross amount	1 264	–	1 264	1 339	–	1 339
– Tax effect	(9)	–	(9)	(57)	–	(57)
Reversal of impairment of intangible assets (gross amount)	(412)	–	(412)	–	–	–
– Gross amount	(413)	–	(413)	–	–	–
– Tax effect	1	–	1	–	–	–
Profit on the sale of intangible assets	(135)	–	(135)	(216)	–	(216)
– Gross amount	(169)	–	(169)	(222)	–	(222)
– Tax effect	34	–	34	6	–	6
Loss on the sale of property, plant and equipment	3	–	3	13	–	13
– Gross amount	3	–	3	18	–	18
– Tax effect	–	–	–	(5)	–	(5)
Profit on the sale of assets classified as held-for-sale	–	–	–	(14)	–	(14)
– Gross amount	–	–	–	(19)	–	(19)
– Tax effect	–	–	–	5	–	5
Impairment of goodwill	127	–	127	96	–	96
– Gross amount	131	–	131	96	–	96
– Tax effect	(4)	–	(4)	–	–	–
(Profit)/loss on sale of discontinued operations	–	(397)	(397)	–	194	194
– Gross amount	–	(79)	(79)	–	34	34
– Tax effect	–	(318)	(318)	–	160	160
Headline earnings	5 497	(389)	5 108	4 557	1 478	6 035
Restructuring costs	291	154	445	307	17	324
– Gross amount	396	197	593	413	27	440
– Tax effect	(105)	(43)	(148)	(106)	(10)	(116)
Transaction costs	225	171	396	402	9	411
– Gross amount	248	223	471	490	12	502
– Tax effect	(23)	(52)	(75)	(88)	(3)	(91)
Foreign exchange gains on transactions	(76)	–	(76)	(17)	(42)	(59)
– Gross amount	(78)	–	(78)	(17)	(42)	(59)
– Tax effect	2	–	2	–	–	–
Product litigation costs	41	–	41	205	–	205
– Gross amount	41	–	41	234	–	234
– Tax effect	–	–	–	(29)	–	(29)
Normalised headline earnings	5 978	(64)	5 914	5 454	1 462	6 916

29. EARNINGS PER SHARE continued

Shares

	2021 million	2020 million
Weighted average number of shares in issue	**456,5**	456,5
Weighted average number of shares for diluted earnings per share	**456,5**	456,5

Performance per share

	2021			Restated 2020		
	Continuing cents	Discon-tinued cents	Total cents	Continuing cents	Discon-tinued cents	Total cents
Basic earnings per share (basic and diluted)	**1 051,1**	**1,8**	**1 052,9**	740,5	281,3	1 021,8
Headline earnings per share (basic and diluted)	**1 204,3**	**(85,2)**	**1 119,1**	998,1	324,0	1 322,1
Normalised headline earnings per share (basic and diluted)	**1 309,7**	**(14,0)**	**1 295,7**	1 194,8	320,3	1 515,1

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.

No dividend per share was accounted for in the statement of changes in equity for the year ended 30 June 2021 (2020: nil), in accordance with *IAS 10 – Events after the Reporting Period*.

Subsequent to year-end, the Board has declared a gross dividend of R1,2 billion (262 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 2021. 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 2022.

31. CURRENCY TRANSLATION (LOSSES)/GAINS

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

	2021	2020
Average rates		
Euro	**18,362**	17,327
Australian Dollar	**11,484**	10,494
US Dollar	**15,408**	15,677
Chinese Yuan Renminbi	**2,324**	2,229
Mexican Peso	**0,740**	0,759
Brazilian Real	**2,838**	3,478
British Pound Sterling	**20,707**	19,735
Canadian Dollar	**11,998**	11,659
Russian Ruble	**0,207**	0,234
Closing rates		
Euro	**16,959**	19,504
Australian Dollar	**10,725**	11,961
US Dollar	**14,310**	17,360
Chinese Yuan Renminbi	**2,216**	2,457
Mexican Peso	**0,722**	0,752
Brazilian Real	**2,861**	3,170
British Pound Sterling	**19,757**	21,472
Canadian Dollar	**11,536**	12,749
Russian Ruble	**0,195**	0,244

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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 and 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 and 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 have 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

JUNE 2021	At fair value through other compre-hensive income R'million	At amortised cost R'million	Total R'million
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
June 2020			
Financial assets			
Other non-current and current receivables	–	2 482	2 482
Trade and other receivables	–	9 471	9 471
Forward exchange contracts (gross settled)	11	–	11
Interest rate swaps (net settled)	6	–	6
Cash and cash equivalents	–	7 093	7 093
Total financial assets	17	19 046	19 063
Financial liabilities			
Unsecured loans	–	40 219	40 219
Lease liabilities	–	626	626
Bank overdrafts	–	1 476	1 476
Other non-current and current financial liabilities	–	5 443	5 443
Trade and other payables	–	6 817	6 817
Forward exchange contracts (gross settled)	17	–	17
Interest rate swaps (net settled)	65	–	65
Total financial liabilities	82	54 581	54 663

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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT continued

32.3 Market risk management

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, other financial assets and liabilities, as well as borrowings, and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currency. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, is not taken into account when considering foreign currency risk. The Aspen Board defines the Group's appetite for economic risk.

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

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

At 30 June 2021 and 2020, the Group had forward exchange contracts denominated in various currencies in respect of firm commitments and no hedge accounting was applied. Ineffectiveness that arises from cash flow hedges is recognised in the statement of comprehensive income. There was no material ineffectiveness in 2021 and 2020.

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

JUNE 2021	Foreign amount million	Forward cover value R'million	Marked to market value R'million	Cumulative (asset)/ liability R'million
Imports[1]				
Euro	**66**	**(1 111)**	**(1 104)**	**(7)**
		(1 111)	**(1 104)**	**(7)**
Exports[1]				
US Dollar	**(30)**	**(424)**	**(424)**	**–**
Russian Ruble	**(1 212)**	**(237)**	**(239)**	**2**
		(661)	**(663)**	**2**
June 2020				
Imports[1]				
Euro	5	92	103	(11)
Australian Dollar	21	260	260	–
		352	363	(11)
Exports[1]				
Euro	55	1 073	1 056	17
Chinese Yuan Renminbi	(263)	(644)	(645)	1
US Dollar	(45)	(774)	(775)	1
Russian Ruble	1 265	312	314	(2)
		(33)	(50)	17

[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.

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

Sensitivity analysis

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

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Chinese Renminbi, New Zealand Dollar, Australian Dollar and Russian Ruble. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding currency translation movements resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to a decrease to other comprehensive income of R8 370 million at 30 June 2021 (2020: credit of R10 282 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 2021.

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

	Change in exchange rate %	Weakening in functional currency 2021 R'million	Weakening in functional currency 2020 R'million
Denominated: Functional currency			
Rand:US Dollar	10	**(13)**	8
Rand:Euro	10	**111**	103
US Dollar:Euro	10	**110**	123
Euro:Chinese Yuan Renminbi	10	**(7)**	85
Euro:Mexican Peso	10	**118**	102
Rand:New Zealand Dollar	10	**(71)**	(62)
Other exposures	10	**119**	84
		367	443

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

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

	Spot rate		Average rate	
	2021	2020	**2021**	2020
Euro	**16,959**	19,504	**18,362**	17,327
Australian Dollar	**10,725**	11,961	**11,484**	10,494
US Dollar	**14,310**	17,360	**15,408**	15,677
Chinese Yuan Renminbi	**2,216**	2,457	**2,324**	2,229
Mexican Peso	**0,722**	0,752	**0,740**	0,759
Brazilian Real	**2,861**	3,170	**2,838**	3,478
British Pound Sterling	**19,757**	21,472	**20,707**	19,735
Russian Ruble	**0,195**	0,244	**0,207**	0,234
Canadian Dollar	**11,536**	12,749	**11,998**	11,659

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT continued

32.3 Market risk management continued

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	
	2021 R'million	2020 R'million
Variable rate instruments		
Other non-current and current receivables	**728**	2 482
Cash and cash equivalents	**4 248**	2 777
Borrowings	**(17 897)**	(34 416)
Other non-current and current financial liabilities	**(5 530)**	(5 443)
	(18 451)	(34 600)
Fixed rate instruments		
Borrowings	**(7 018)**	(8 004)
	(7 018)	(8 004)

Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contracts ("IRS") were in place at 30 June 2021

	Outstanding contract amount R'million	Fixed interest rate %	Expiry date
Euro syndicated term loan – Facility B loan – Aspen Finance	5 088	0,09% (three-month EURIBOR floored at nil)	31 March 2022
Australian Dollar revolving credit facility – Facility G loan – Aspen Asia Pacific	1 930	1,64% (three-month BBSY)	31 March 2022

With respect to the IRSs related to the Facility B and G loans, the IRSs were designated in a cash flow hedge relationship. The nature of the risks that were hedged (interest rate risk) was the variability of the periodic interest payments on the hedged items, attributable to movements in the EURIBOR and BBSY interest rates, respectively. Gains and losses recognised in the hedging reserve in equity at 30 June 2021 will be continuously released to the statement of comprehensive income as interest (finance costs) on the loans.

The maturity profile of the gross contract amounts at 30 June 2021 is between one and two years.

Sensitivity analysis

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

	2021 R'million	2020 R'million
Three-month EURIBOR	**78**	145
Three-month BBSY	**2**	4
Three-month JIBAR, SAFEX and South African prime overdraft rate	**80**	82
	160	231

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:

	2021 R'million	2020 R'million
Three-month EURIBOR	**(23)**	(11)
Three-month BBSY	**2**	4
Three-month JIBAR, SAFEX and South African prime overdraft rate	**80**	82
	59	75

32. FINANCIAL RISK MANAGEMENT continued

32.3 Market risk management continued

32.3.2 Interest rate risk

Changes in market interest rates also affected equity (hedging reserve) through the impact of such changes on the fair values of the interest rate swaps designated in effective hedge relationships and the extent of the hedge effectiveness. The analysis assumes that all other variables, in particular foreign currency rates, remained constant.

An increase of 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

	2021 R'million	2020 R'million
EURIBOR	**27**	54
BBSY	**15**	37
	42	91

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:

	2021 R'million	2020 R'million
EURIBOR	**0[1]**	0[1]
BBSY	**15**	39
	15	39

[1] *Less than R1 million*

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 effectively managing its working capital, capital expenditure and cash flows. The Group finances its operations through a mixture of retained earnings, short-term and long-term bank funding. Adequate banking facilities and reserve borrowing capacities are maintained. The Group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 15 for detail.

The Group manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis. The following are the undiscounted contractual maturities of financial assets and liabilities.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT continued

32.4 Liquidity risk continued

2021	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
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[2]	–	(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.*
[2] *Refer to Subsequent events note 35 in respect of refinancing of unsecured loans.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT continued

32.4 Liquidity risk continued

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

[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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

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, 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 2021	31 December 2020
Debt (net of cash and cash equivalents) may not exceed this multiple of earnings before interest, tax, depreciation, non-recurring items and amortisation ("EBITDA")	**3,50**	3,50
EBITDA must not be below this multiple of net finance charges	**3,50**	3,50

At 31 December 2020 and for the year ended 30 June 2021, 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 25.

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 21 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 R10,9 million (2020: R10,9 million). There was a balance outstanding at 30 June 2021 of R1,7 million (2020: nil).

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

Transactions with key management personnel

Key management personnel consist of directors of key Group companies.

The key management personnel compensation consists of:

	2021 R'million	2020 R'million
Short-term employee benefits	**168**	152
Post-employment benefits	**9**	8
Share-based payment expense	**47**	13
Total key management remuneration paid	**224**	173
Number of employees included above	**27**	27

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2021

34. CONTINGENT LIABILITIES

Other contingent liabilities

The Group has a number of individually insignificant contingent liabilities amounting to R63 million (2020: R78 million).

35. SUBSEQUENT EVENTS

Borrowings

During August 2021, the Group concluded negotiations with lenders of its unsecured EUR, ZAR and AUD syndicated term loans to extend the maturity dates of certain of those facilities from 1 July 2022 to 1 July 2023. This maturity date extension applies to R24,4 billion of the Company's existing R31,2 billion facilities, with the remaining portion of those facilities retaining their 1 July 2022 maturity date.

During August 2021, all conditions precedent relating to a new unsecured EUR600 million seven-year amortising term loan (the "New Loan") were cleared. The New Loan is sourced from a club of development finance institutions. The proceeds of the New Loan will be used exclusively by the Group to repay and cancel the existing syndicated loan facilities. The commercial terms, covenants and undertakings of the New Loan are materially similar to the Group's existing borrowings.

As a consequence of the above, of the R31,2 billion worth of external debt facilities that the Group had in place as of 30 June 2021, R29,8 billion (R18,6 billion of the amount which was utilised as of 30 June 2021) will be reclassified from current borrowings to non-current borrowings during the 2022 financial year.

Dividends

Subsequent to year-end, the Board has declared a gross dividend to shareholders of R1,2 billion (262 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 2021. 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 2022.

API business

As announced on 9 September 2021 via SENS, Aspen has decided to embark on a structured process to facilitate offers for all or parts of its API Business from those parties that submitted unsolicited offers and other selected interested parties. This will enable Aspen to make a full and informed assessment of what it considers to be in the best interests of Aspen, the management and employees of its API Business and other stakeholders.

Residual accounting policies

for the year ended 30 June 2021

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 21 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.*

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 are 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.

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

Residual accounting policies continued

for the year ended 30 June 2021

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

Amounts due by Group companies

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

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

Amounts due to Group companies

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

CONSTANT EXCHANGE RATE REPORT

The presentation currency of the Group is Rand.

In addition to that, the Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in a supplementary unaudited annexure. Refer to page 132.

Residual accounting policies continued

for the year ended 30 June 2021

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following standards, amendments and interpretations were effective for the first time in the year ended 30 June 2021:

STANDARDS, AMENDMENTS AND INTERPRETATIONS	DESCRIPTION	EFFECTIVE DATE	EFFECT ON THE GROUP
Amendment to *IAS 1 – Presentation of Financial Statements* and *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* on the definition of material.	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."	Financial years beginning on or after 1 January 2020.	The Group applied this amendment from the financial year ended 30 June 2021. No material impact for the Group.
Amendment to *IFRS 3 – Definition of a Business*	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.	Financial years beginning on or after 1 January 2020.	The Group applied this amendment from the financial year ended 30 June 2021. Refer to note I for impact of business acquisitions.
Amendment to *IFRS 16 – COVID-19 related Rent Concessions*	The amendment 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 January 2020.	The Group applied this amendment from the financial year ended 30 June 2021.The Group did not have any lease agreements impacted by this amendment. Refer to note 3 and 15 disclosure on *IFRS 16 – Leases*.
Amendments to References to the Conceptual Framework in IFRS Standards	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting; • reinstating prudence as a component of neutrality; • defining a reporting entity, which may be a legal entity, or a portion of an entity; • revising the definitions of an asset and a liability; • removing the probability threshold for recognition and adding guidance on derecognition; • adding guidance on different measurement basis; and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.	Financial years beginning on or after 1 January 2020.	The Group applied this amendment from the financial year ended 30 June 2021. No material impact to the Group

STANDARDS, AMENDMENTS AND INTERPRETATIONS	DESCRIPTION	EFFECTIVE DATE	EFFECT ON THE GROUP
Amendments to IFRS 9, IAS 39 and *IFRS 7 – Interest Rate Benchmark Reform*	The amendments made to *IFRS 7 – Financial Instruments: Disclosures*, *IFRS 9 – Financial Instruments* and *IAS 39 – Financial Instruments: Recognition and Measurement* provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect all companies in all industries.	Financial years beginning on or after 1 January 2020.	The Group applied this amendment from the financial year ended 30 June 2021. No material impact on Group.

The following standards, amendments and interpretations were not yet effective for the year ended 30 June 2021:

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

Residual accounting policies continued

for the year ended 30 June 2021

STANDARDS, AMENDMENTS AND INTERPRETATIONS	DESCRIPTION	EFFECTIVE DATE	EFFECT ON 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, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.	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
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

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 2021:

- *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 2021

Company statement of financial position

at 30 June 2021

	Note	2021 R'million	2020 R'million
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**20 200**	19 131
Intangible assets	2	**1 176**	948
Property, plant and equipment	3	**151**	160
Right-of-use-assets	4	**3**	–
Deferred tax assets	5	**28**	26
Other non-current financial assets	6	**126**	73
Total non-current assets		**21 684**	20 338
Current assets			
Amounts due by Group companies	1	**482**	322
Cash and cash equivalents	7	**304**	496
Receivables and prepayments	8	**235**	121
Current tax assets		**24**	37
Total current assets		**1 045**	976
TOTAL ASSETS		**22 729**	21 314
SHAREHOLDERS' EQUITY			
Retained income		**18 250**	16 971
Share capital	9	**3 225**	3 225
Non-distributable reserve		**181**	146
Share-based compensation reserve		**135**	109
TOTAL SHAREHOLDERS' EQUITY		**21 791**	20 451
LIABILITIES			
Non-current liabilities			
Other non-current financial liabilities	11	**–**	619
Total non-current liabilities		**–**	619
Current liabilities			
Amounts due to Group companies	1	**60**	69
Other payables	10	**173**	175
Other financial liabilities	11	**705**	–
Total current liabilities		**938**	244
TOTAL LIABILITIES		**938**	863
TOTAL EQUITY AND LIABILITIES		**22 729**	21 314

Company statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 R'million	2020 R'million
Revenue	12	**2 331**	1 209
Administrative expenses		**(601)**	(545)
Other operating income		**45**	–
Other operating expenses		**(457)**	(280)
Operating profit	13	**1 318**	384
Investment income	15	**11**	44
Financing costs	16	**–**	(3)
Profit before tax		**1 329**	425
Tax	17	**(50)**	(62)
Profit for the year		**1 279**	363
OTHER COMPREHENSIVE INCOME, NET OF TAX[1]			
Revaluation of other non-current financial assets	6	**35**	41
Total comprehensive income		**1 314**	404

[1] *All items in other comprehensive income may be reclassified to profit or loss.*

Company statement of changes in equity

for the year ended 30 June 2021

		Non-distributable reserves				
	Share capital R'million	Hedging reserve R'million	FVOCI[3] reserve R'million	Share-based compensation reserve[2] R'million	Retained income R'million	Total R'million
BALANCE AT 1 JULY 2019	3 225	143	(38)	98	16 608	20 036
Total comprehensive income	–	–	41	–	363	404
Profit for the year	–	–	–	–	363	363
Other comprehensive income[1]	–	–	41	–	–	41
Share-based payment expenses	–	–	–	34	–	34
Deferred incentive bonus shares exercised	–	–	–	(23)	–	(23)
BALANCE AT 30 JUNE 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	**–**	**–**	**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**

[1] *Total comprehensive income has been separately disclosed between the profit for the year and other comprehensive income.*
[2] *Details relating to the Group shares are in note 14 of the Group Annual Financial Statements.*
[3] *Fair value through other comprehensive income.*

Company statement of cash flows

for the year ended 30 June 2021

	Note	2021 R'million	2020 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations[1]	A	**1 683**	539
Financing costs paid	B	**–**	(3)
Investment income received	C	**11**	44
Tax paid	D	**(41)**	(75)
Cash generated from operating activities		**1 653**	505
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(2)**	(4)
Capital expenditure – intangible assets		**(334)**	(148)
Proceeds on disposal of intangible assets		**105**	1
Payments on the disposal of Nutritionals business		**–**	(40)
Capital injection in subsidiaries		**(1 457)**	(407)
Acquisition of other non-current financial assets		**(36)**	(33)
Cash (outflows)/inflows – amounts due by Group companies		**(168)**	226
Contractual adjustments – Nutritionals business consideration		**–**	(74)
Payment of deferred, fixed and contingent consideration relating to prior year business acquisitions		**–**	(145)
Cash used in investing activities		**(1 892)**	(624)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows/(outflows) – amounts to Group companies		**47**	(319)
Cash generated from/(used in) financing activities		**47**	(319)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**(192)**	(438)
Cash and cash equivalents at the beginning of the year		**496**	934
Cash and cash equivalents at the end of the year[2]		**304**	496

[1] *Includes dividends received of R1 717 million (2020: R535 million).*
[2] *For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances less bank overdrafts.*

Notes to the Company statement of cash flows

for the year ended 30 June 2021

		2021 R'million	2020 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**1 318**	384
	Amortisation of intangible assets	**44**	51
	Depreciation of property, plant and equipment and right-of-use assets	**11**	15
	Impairment – intangible assets	**–**	5
	Impairment – amounts due by Group companies	**8**	10
	Impairment – investment in subsidiaries	**346**	21
	Loss on the sale of the Nutritionals business	**86**	40
	Profit on the sale of intangible assets	**(43)**	–
	Deferred incentive bonus shares exercised	**–**	(23)
	Share-based payment expense – employees	**41**	24
	Other non-cash items	**2**	1
	Cash operating profit	**1 813**	528
	Working capital movements	**(130)**	11
	(Increase)/decrease in receivables and prepayments	**(115)**	11
	Increase in other payables	**(15)**	–
		1 683	539
B.	**FINANCING COSTS PAID**		
	Interest expense	**(1)**	–
	Net foreign exchange gains/(losses)	**1**	(3)
		–	(3)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**11**	44
		11	44
D.	**TAX PAID**		
	Amounts receivable at the beginning of the year	**37**	21
	Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)	**(54)**	(59)
	Amounts receivable at the end of the year	**(24)**	(37)
		(41)	(75)

Notes to the Company annual financial statements

for the year ended 30 June 2021

1. INVESTMENTS IN SUBSIDIARIES

	2021 R'million	2020 R'million
Summary of balance		
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**20 200**	19 131
Reflected as current assets		
Amounts due by Group companies[1]	**482**	322
Reflected as current liabilities		
Amounts due to Group companies[1]	**(60)**	(69)
	20 622	19 384

[1] *The intra-group facilities, which 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 21.

Reconciliation of investments in subsidiaries

	2021 R'million	2020 R'million
Balance at the beginning of the year	**19 131**	18 633
Capital injection in subsidiaries per statement of cash flows	**1 457**	407
Alphamed Formulations Pvt Limited	**62**	32
Fine Chemicals Corporation (Pty) Limited	**–**	375
Aspen Notre Dame de Bondeville	**595**	–
Pharmacare Limited	**800**	–
Amounts due by Group companies (transferred to)/capitalised	**(56)**	99
Shelys Pharmaceuticals International Limited	**–**	99
Pharmacare Limited	**(56)**	–
Impairments	**(346)**	(21)
Brimpharm SA (Pty) Limited	**–**	(10)
Kama Industries Limited	**–**	(11)
Fine Chemicals Corporation (Pty) Limited	**(346)**	–
Share-based payment expenses capitalised	**14**	13
	20 200	19 131

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%.

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:

	2021 R'million	2020 R'million
Amounts due by Group companies	**482**	322
Ageing of financial assets		
Fully performing	**482**	322

Impairment losses are recorded in the expected credit 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.

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

2. INTANGIBLE ASSETS

Reconciliation of balance

2021	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
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**
2020				
Carrying amount				
Cost	1 578	43	335	1 956
Accumulated amortisation	(776)	(43)	(107)	(926)
Accumulated impairment losses	(78)	–	(4)	(82)
	724	–	224	948
Movement in intangible assets				
Carrying amount at the beginning of the year	746	–	111	857
Additions	2	–	146	148
Disposals	–	–	(1)	(1)
Amortisation	(23)	–	(28)	(51)
Impairment losses	(1)	–	(4)	(5)
	724	–	224	948

2. INTANGIBLE ASSETS continued

Indefinite useful life intangible assets

Split of balance	2021 R'million	2020 R'million
GSK OTC brands[1]	**232**	232
Other	**108**	108
	340	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 (2020: five years);*
- *average growth in revenue per annum of 14% (2020: 5%);*
- *average gross profit percentage per annum of 60% (2020: 57%);*
- *growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 2,5% (2020: 0%); and*
- *average annual pre-tax discount rate applied to cash flows of 15,8% (2020: 13%).*

Based on the above calculations no impairments were recognised for the indefinite useful life intangible assets other than reported in the note. For detailed sensitivities on the intangible assets refer to note 1 of the Group Annual Financial Statements.

Commitments

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

	2021 R'million	2020 R'million
Authorised and contracted for	**170**	380
Authorised but not yet contracted for	**279**	255
	449	635

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 2021

3. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of balance

	Buildings R'million	Other tangible assets[1] R'million	Total R'million
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**
2020			
Carrying amount			
Cost	158	77	235
Accumulated depreciation	(17)	(58)	(75)
	141	19	160
Movement in property, plant and equipment			
Carrying amount at the beginning of the year	144	27	171
Additions	1	3	4
Depreciation[2]	(4)	(11)	(15)
	141	19	160

[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:

	2021 R'million	2020 R'million
Authorised but not yet contracted for	**237**	31
	237	31

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
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 amounts are below R1 million for the year ended 30 June 2021.

No right-of-use assets were pledged or committed as security for any borrowings.

5. DEFERRED TAX ASSETS

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	26	25
Statement of comprehensive income charge – included in tax	2	8
Statement of comprehensive income credit – prior year adjustment	–	(7)
	28	26
Deferred tax balance comprises		
Property, plant and equipment	6	4
Intangible assets	(4)	(3)
Right-of-use assets	(1)	–
Other payables	27	25
	28	26
The statement of comprehensive income charge comprises		
Property, plant and equipment	2	8
Intangible assets	(1)	(18)
Right-of-use assets	(1)	–
Other payables	2	11
	2	1

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

6. OTHER NON-CURRENT FINANCIAL ASSETS

Reconciliation of balance

	2021 R'million	2020 R'million
Balance at the beginning of the year	**73**	27
Acquisition of shares in Aspen Pharmacare Holdings Limited[1]	**36**	33
Disposal of shares in Aspen Pharmacare Holdings Limited[2]	**(18)**	(28)
Revaluation to fair value through other comprehensive income	**35**	41
	126	73

The Aspen Pharmacare Holdings Limited shares are fair valued by reference to the stock exchange quoted bid prices. The Company elected to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under *IAS 32 - Financial instruments: Presentation* and are not held for trading. These shares are classified as "level 1" assets in the fair value measurement hierarchy. The share price as at 30 June 2021 was R162,09 (2020: R143,51).

[1] *Shares are purchased and held by the Company until vesting date.*
[2] *Shares given to employees on vesting.*

7. CASH AND CASH EQUIVALENTS

	2021 R'million	2020 R'million
Summary of balance		
Bank balances	**304**	496

Other disclosure

The average effective interest rate on cash and cash equivalents is 4,3% (2020: 5,8%) at 30 June.

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

All cash and cash equivalents are denominated in Rand.

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

8. RECEIVABLES AND PREPAYMENTS

	2021 R'million	2020 R'million
Summary of balance		
Prepayments	**13**	14
Interest accrued	**1**	2
Indirect taxes	**45**	17
Restructuring costs recoverable from subsidiaries	**90**	–
Other	**86**	88
	235	121
Split of balance		
Financial assets	**176**	88
Non-financial assets	**59**	33
	235	121

Other disclosure

The Company holds no collateral over any receivables and prepayments.

Receivables and prepayments are non-interest bearing.

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

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

9. SHARE CAPITAL

	2021 R'million	2020 R'million
Summary of balance		
Authorised		
717 600 000 (2020: 717 600 000) ordinary shares with no par value	–	–
Issued		
456 451 541 (2020: 456 451 541) ordinary shares with no par value	3 225	3 225

	2021 million	2020 million
Shares in issue	456,5	456,5

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

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

10. OTHER PAYABLES

	2021 R'million	2020 R'million
Summary of balance		
Accrued expenses	15	46
Leave pay	18	20
Bonuses	72	74
Other	68	35
	173	175
Split of balance		
Financial liabilities	45	68
Non-financial liabilities	128	107
	173	175

Other disclosure

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

11. OTHER FINANCIAL LIABILITIES

	2021 R'million	2020 R'million
Reconciliation of balance		
Balance at the beginning of the year	619	838
Disposal of Nutritionals business – deferred conditional contractual payment obligations	–	(74)
AstraZeneca – Deferred consideration relating to intellectual property acquired	86	(145)
Increase in warranty provision	62	–
Foreign currency losses/(gains)	24	(145)
	705	619
Split of balance		
Non-current	–	619
Current	705	–
	705	619

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

11. OTHER FINANCIAL LIABILITIES continued

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.

	2021 R'million	2020 R'million
Performance warranty		
The performance warranty is based on the expected profit performance of the disposed portfolio in Asia over three years. The provision of NZD65 million was assessed as adequate in the previous financial year. Based upon latest estimates management increased the provision by a further NZD6 million to NZD71 million. The additional expense has resulted in an additional loss on sale of discontinued operations. The amount will be payable by latest 31 December 2021.	**705**	619
	705	619

12. REVENUE

	2021 R'million	2020 R'million
Summary of balance		
Royalties	**141**	256
Administrative fees received from subsidiaries	**473**	418
Dividends received from subsidiaries and joint ventures	**1 717**	535
	2 331	1 209

13. OPERATING PROFIT

	2021 R'million	2020 R'million
Operating profit has been arrived at after charging:		
Audit fees	**13**	14
Current year	**13**	13
Prior year underprovision	**–**	1
Impairment – intangible assets (included in other operating expenses)	**–**	5
Impairment – investment in subsidiaries (included in other operating expenses)	**346**	22
Impairment – amounts due by Group companies	**8**	10
Transaction costs	**–**	3
Repairs and maintenance expenditure on property, plant and equipment	**1**	1

14. DIRECTORS AND EMPLOYEES

	2021 R'million	2020 R'million
Staff costs		
Salaries	**275**	284
Defined contribution plans	**33**	34
Share-based payment expense – deferred incentive bonus	**41**	24
Cash portion	**11**	2
Equity portion	**30**	22
Other employee contributions	**3**	7
	352	349

Further details of the directors and employees of the Group are available in the Group's Annual Financial Statements, refer to note 25.

15. INVESTMENT INCOME

	2021 R'million	2020 R'million
Summary of balance		
Interest received on bank balances	**11**	44
	11	44

16. FINANCING COSTS PAID

	2021 R'million	2020 R'million
Summary of balance		
Interest paid on borrowings	**(1)**	–
Net foreign exchange gains/(losses)	**1**	(3)
	–	(3)

17. TAX

	2021 R'million	2020 R'million
Summary of balance		
Current tax	**54**	59
– Current year	**35**	67
– Prior year	**19**	(8)
Deferred tax	**(2)**	(1)
– Current year	**5**	(8)
– Prior year	**(7)**	7
Witholding tax	**(2)**	4
	50	62

Reconciliation of effective tax rate	**%**	%
South African current tax rate	**28,0**	28,0
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income relating to intangible assets	**(0,4)**	2,0
Non-deductible expenses relating to intangible assets	**0,4**	1,6
Non-taxable income relating to other assets	**–**	(2,5)
Non-deductible expenses relating to other assets	**8,6**	1,4
Dividends and similar income not subject to tax	**(36,0)**	(29,8)
Additional income arising from tax law interpretation	**1,0**	–
Non-deductible expenses	**0,8**	1,8
Non- deductible expenses relating to holding company apportionment	**1,5**	1,9
(Non-taxable)/non-deductible restructuring costs	**(0,8)**	9,0
Non-deductible costs relating to acquisitions and disposals	–	0,2
Non-recoverable withholding taxes	**(0,1)**	1,1
Prior year adjustment	**0,8**	(0,4)
Effective tax rate	**3,8**	14,3

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

18. 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 25 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 21 for a list of the material operating subsidiaries and structured entities.

None of the balances are secured.

	2021 R'million	2020 R'million
The following intra-group transactions took place between Aspen Holdings and Group companies during the current year		
Royalties received	**141**	256
Pharmacare Limited	**141**	256
Administration fees received	**473**	418
Aspen Global Incorporated	**86**	91
Aspen Healthcare FZ LLC	**15**	16
Aspen Notre Dame de Bondeville SAS	**16**	16
Aspen Oss B.V.	**66**	29
Aspen Pharma Ireland Limited	**41**	36
Pharmacare Limited	**94**	74
Aspen Pharmacare Australia (Pty) Limited	**18**	16
Aspen Port Elizabeth (Pty) Limited	**38**	27
Other subsidiaries	**99**	113
Dividends received (and paid to the Company)	**1 717**	535
Aspen Global Incorporated	**1 314**	487
Aspen Oss B.V.	**403**	–
Other subsidiaries	**–**	48
The following intra-group balances were outstanding between Aspen Holdings and Group companies at year-end		
Amounts reflected as current assets	**482**	322
Aspen Global Incorporated	**26**	38
The Aspen Share Incentive Scheme Trust	**28**	36
Shelys Pharmaceuticals International Limited	**10**	35
Pharmacare Limited	**–**	47
Aspen Port Elizabeth (Pty) Limited	**132**	10
Fine Chemicals Corporation (Pty) Limited	**89**	4
Aspen Oss B.V.	**46**	13
Aspen Labs S.A. de C.V.	**11**	4
Beta Healthcare International Ltd	**25**	26
Aspen USA Inc.	**13**	11
Aspen Pharmacare Nigeria Limited	**11**	9
Other subsidiaries	**91**	89
Amounts reflected as current liabilities	**60**	69
Pharmacare Limited	**1**	2
Aspen Port Elizabeth (Pty) Limited	**6**	27
Pharmacare Limited	**51**	–
Other subsidiaries	**2**	40

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 practising attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R0,7 million (2020: R0,3 million) and no balance was outstanding at year end (2020: nil).

18. RELATED PARTY TRANSACTIONS continued

Transactions with key management personnel

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

Key management personnel compensation consists of:

	2021 R'million	2020 R'million
Short-term employee benefits	**81**	63
Post-employment benefits	**7**	6
Share-based payment expense	**29**	10
Total key management remuneration paid	**117**	79
Number of employees included above	**16**	15

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

19. FINANCIAL RISK MANAGEMENT

19.1 Introduction

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

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

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

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

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.

19.2 Financial instruments by category

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

JUNE 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

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

19. FINANCIAL RISK MANAGEMENT continued

19.2 Financial instruments by category continued

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

19.3 Market risk management

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

19.4 Foreign currency risk

The Company's transactions are predominantly entered into in Rand. However, the Company's operations utilise various foreign currencies (currencies other than the operations functional currencies) in respect of expenses incurred. Consequently, the Company is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies other than Rand.

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

At 30 June 2021 and 30 June 2020 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 2020.

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 R74 million (2020: R64 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.

19. FINANCIAL RISK MANAGEMENT continued

19.5 Interest rate risk

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

	Carrying amount	
	2021 R'million	2020 R'million
Variable rate instruments		
Receivables and prepayments	**1**	2
Cash and cash equivalents	**304**	496
Variable rate exposure	**305**	498

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 2021 would have increased profit before tax by R4 million and increased profit before tax by R5 million in 2020. A decrease of 1% will have an equal and opposite effect on profit before tax.

19.6 Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The Company manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Company finances its operations through a mixture of retained income, bank funding and financing from Group companies. Adequate banking facilities and reserve borrowing capacities are maintained. The Company manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

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

	Undiscounted cash flows			
JUNE 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**

Notes to the Company annual financial statements continued

for the year ended 30 June 2021

19. FINANCIAL RISK MANAGEMENT continued

19.6 Liquidity risk continued

June 2020	Undiscounted cash flows 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)	–	88	–	88
Cash and cash equivalents	–	496	–	496
Other non-current financial assets	–	24	49	73
Amounts due by Group companies	322	–	–	322
Total financial assets	322	608	49	979
Financial liabilities				
Other payables (financial instruments only)	–	(68)	–	(68)
Amounts due to Group companies	(69)	–	–	(69)
Total financial liabilities	(69)	(68)	–	(137)
Net exposure	253	540	49	842

19.7 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.

19.8 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.

20. CONTINGENT LIABILITIES

Guarantees to financial institutions

The Company, along with Aspen Finance (Pty) Limited, Aspen Global Incorporated, Pharmacare Limited, and Aspen Asia Pacific (Pty) Limited (and its active subsidiaries) (collectively, the "Guarantors") is a guarantor with respect to a significant portion of the Group's banking/funding facilities. The following facility amounts (which exclude facilities where the Company is the only borrower thereto) were, as of 30 June 2021, collectively guaranteed by the Company (and in most cases, along with the Guarantors):

	2021 million	2020 million
Australian Dollar denominated facilities	**358**	358
Euros denominated facilities	**2 062**	2 642
US Dollar denominated facilities	**133**	133
South African Rand denominated facilities	**14 650**	14 950

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.

21. MATERIAL OPERATING SUBSIDIARIES AND STRUCTURED ENTITIES

				Effective Group holding		**Investment**	
Country of incorporation	Company	Currency	Issued capital '000	**2021 %**	2020 %	**2021 R'million**	2020 R'million
Direct							
India	Alphamed Formulations Pvt Limited	INR	[1]	**100**	100	**308**	246
Germany	Aspen Bad Oldesloe GmbH	EUR	[1]	**100**	100	**685**	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	301 311	**100**	100	**4 375**	3 780
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**	1 705
Ghana	Kama Industries Limited	GHS	6 927	**100**	100	**55**	55
South Africa	Pharmacare Limited	ZAR	1 435	**100**	100	**2 863**	2 105
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.	USD	16 653 673	**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	35 226	**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	17 254	**100**	100	**–**	–
Tanzania	Shelys Pharmaceuticals Limited	TZS	6 723 843	**100**	100	**–**	–
Turkey	VLD Danışmanlık 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						**20 200**	19 131

[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 Holdings.

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 Niara
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 financial data from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in the tables on the next page.

The pro forma constant exchange rate information has been extracted from Note J included in the Reviewed provisional Group financial results for the year ended 30 June 2021 and cash dividend declaration. Aspen's auditors have issued a reporting accountant's report on certain financial information included in Note J. Read the information included in Note J together with the reporting accountant's report 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 constant exchange rate report is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The pro forma constant exchange rate information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 30 June 2021. The illustrative constant exchange rate report on selected financial data has been derived from the reviewed financial information.

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 restated 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 are set out below

	June 2021 average rates	June 2020 average rates
Euro	**18,362**	17,327
Australia Dollar	**11,484**	10,494
US Dollar	**15,408**	15,677
Chinese Yuan Renminbi	**2,324**	2,229
Mexican Peso	**0,740**	0,759
Brazilian Real	**2,838**	3,478
British Pound Sterling	**20,707**	19,735
Canadian Dollar	**11,998**	11,659
Russian Ruble	**0,207**	0,234

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 recalculated by applying the actual effective tax rate to the restated profit before tax.

ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	June 2021 (at 2021 average rates) R'million	Restated June 2020 (at 2020 average rates) R'million	Change at reported exchange rates %	Restated recalculated June 2020 (at 2021 average rates) R'million	Change in constant exchange rates %
Key constant exchange rate indicators					
Continuing operations					
Revenue	**37 766**	33 659	12	34 395	10
Gross profit	**17 789**	17 135	4	17 475	2
Normalised EBITDA[1]	**9 945**	9 612	3	9 872	1
Operating profit	**7 072**	5 730	23	5 847	21
Normalised headline earnings	**5 978**	5 454	10	5 580	7
Earnings per share (cents) (basic and diluted)	**1 051,1**	740,5	42	749,6	40
Headline earnings per share (cents) (basic and diluted)	**1 204,3**	998,1	21	1 020,8	18
Normalised headline earnings per share (cents) (basic and diluted)	**1 309,7**	1 194,8	10	1 222,4	7

[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 2021 (at 2021 average rates) %	Restated June 2020 (at 2020 average rates) %
Revenue currency mix		
Euro	**29**	27
South African Rand	**18**	20
Australia Dollar	**13**	14
Chinese Yuan Renminbi	**10**	9
US Dollar	**7**	7
Mexican Peso	**3**	3
Brazilian Real	**3**	3
British Pound Sterling	**2**	2
Russian Ruble	**2**	1
Canadian Dollar	**1**	1
Other currencies	**12**	13
Total	**100**	100

Illustrative constant exchange rate report – Annexure 1 continued

ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	June 2021 (at 2021 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Total Manufac-turing R'million	Total R'million
Revenue	10 691	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)
Contribution profit					12 005
Administrative expenses					(3 340)
Net other operating income					237
Depreciation					1 043
Normalised EBITDA[1]					9 945
Adjusted for					
Depreciation					(1 043)
Amortisation					(594)
Loss on sale of assets					165
Net impairment 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	21,9	47,1
Selling and distribution expenses (%)					15,3
Contribution profit (%)					31,8
Administrative expenses (%)					8,8
Normalised EBITDA (%)					26,3

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

ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	June 2020 (at 2021 average rates)[1]				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma-ceuticals R'million	Total Manufac-turing R'million	Total R'million
Revenue	9 815	16 919	26 734	7 661	34 395
Cost of sales	(3 683)	(7 919)	(11 602)	(5 318)	(16 920)
Gross profit	6 132	9 000	15 132	2 343	17 475
Selling and distribution expenses					(5 807)
Contribution profit					11 668
Administrative expenses					(3 210)
Net other operating income					449
Depreciation					965
Normalised EBITDA[2]					9 872
Adjusted for					
Depreciation					(965)
Amortisation					(631)
Profit on sale of assets					237
Impairment of assets					(1 533)
Restructuring costs					(421)
Transaction costs					(449)
Product litigation costs					(263)
Operating profit					5 847
Gross profit (%)	62,5	53,2	56,6	30,6	50,8
Selling and distribution expenses (%)					16,9
Contribution profit (%)					33,9
Administrative expenses (%)					9,3
Normalised EBITDA (%)					28,7

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma-ceuticals %	Total Manufac-turing %	Total %
Revenue	9	2	4	29	10
Cost of sales	19	(1)	5	46	18
Gross profit	3	4	3	(8)	2
Selling and distribution expenses					0
Contribution profit					3
Administrative expenses					4
Net other operating income					(47)
Depreciation					8
Normalised EBITDA[2]					1

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

Illustrative constant exchange rate report – Annexure 1 continued

ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	June 2021 (at 2021 average rates) R'million	June 2020 (at 2021 average rates) R'million	Change %
COMMERCIAL PHARMACEUTICALS BY CUSTOMER GEOGRAPHY	**27 874**	26 734	4
Africa Middle East	**8 570**	8 319	3
Europe CIS	**5 314**	5 653	(6)
Asia	**5 117**	4 457	15
Australasia	**4 867**	4 623	5
Americas	**4 006**	3 682	9
MANUFACTURING REVENUE BY GEOGRAPHY OF MANUFACTURE			
Manufacturing revenue – finished dose form	**3 495**	1 446	>100
Europe CIS	**2 248**	707	>100
Africa Middle East	**693**	309	>100
Australasia	**554**	430	29
Manufacturing revenue – active pharmaceutical ingredients (Chemicals)	**5 154**	5 032	2
Europe CIS	**4 817**	4 548	6
Africa Middle East	**260**	371	(30)
Asia	**77**	113	(32)
Manufacturing revenue – active pharmaceutical ingredients (Biochem)	**1 243**	1 183	5
Europe CIS	**1 243**	1 183	5
Total manufacturing revenue	**9 892**	7 661	29
Total revenue	**37 766**	34 395	10
SUMMARY OF REGIONS			
Europe CIS	**13 622**	12 091	13
Africa Middle East	**9 523**	8 999	6
Australasia	**5 421**	5 053	7
Asia	**5 194**	4 570	14
Americas	**4 006**	3 682	9
Total revenue	**37 766**	34 395	10

ILLUSTRATIVE CONSTANT EXCHANGE RATE REPORT ON SELECTED FINANCIAL DATA continued

	June 2021 (at 2021 average rates)		
	Sterile Focus Brands R'million	**Regional Brands R'million**	**Total R'million**
BY CUSTOMER GEOGRAPHY			
Commercial pharmaceuticals			
Africa Middle East	**513**	**8 057**	**8 570**
Europe CIS	**3 540**	**1 774**	**5 314**
Asia	**4 491**	**626**	**5 117**
Australasia	**754**	**4 113**	**4 867**
Americas	**1 393**	**2 613**	**4 006**
Total Commercial Pharmaceuticals	**10 691**	**17 183**	**27 874**

	June 2020 (at 2021 average rates)		
	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
BY CUSTOMER GEOGRAPHY			
Commercial pharmaceuticals			
Africa Middle East	449	7 870	8 319
Europe CIS	3 483	2 170	5 653
Asia	3 853	604	4 457
Australasia	747	3 876	4 623
Americas	1 283	2 399	3 682
Total Commercial Pharmaceuticals	9 815	16 919	26 734

	Change		
	Sterile Focus Brands %	Regional Brands %	Total %
BY CUSTOMER GEOGRAPHY			
Commercial pharmaceuticals			
Africa Middle East	14	2	3
Europe CIS	2	(18)	(6)
Asia	17	4	15
Australasia	1	6	5
Americas	9	9	9
Total Commercial Pharmaceuticals	9	2	4

Unaudited share statistics

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2021

	Number of shareholders	% of shareholders	Number of shares	% of total shareholding
Ordinary shares				
Size of holding				
1 – 2 500	40 023	92,4	11 855 285	2,6
2 501 – 12 500	2 032	4,7	10 807 805	2,4
12 501 – 25 000	396	0,9	7 193 433	1,6
25 001 – 50 000	285	0,7	10 305 149	2,3
50 001 and over	581	1,3	416 289 869	91,1
	43 317	100,0	456 451 541	100,0

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2021, the following are the top 10 registered institutional shareholders:

	Number of shares	% of total shareholding
Institutional shareholder		
Public Investment Corporation	54 558 649	12,0
Coronation Asset Management	39 326 295	8,6
Foord Asset Management	21 534 239	4,7
BlackRock	17 235 125	3,8
Sanlam Investment Management	16 672 348	3,7
The Vanguard Group Inc	13 713 542	3,0
Schroders Plc	13 391 373	2,9
Ninety One Plc	12 618 671	2,8
Allan Gray (Pty) Ltd	10 476 538	2,3
Westwood Global Investments LLC	9 468 271	2,1
	208 995 051	45,9

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2021, 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 2021 Integrated Report.

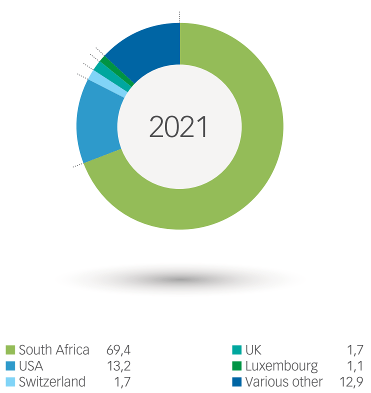
	Number of shares	% of total shareholding
Shareholder		
Government Employees Pension Fund	70 426 943	15,4
Saad, SB	57 159 809	12,5
Attridge, MG	19 012 270	4,2
Alexander Forbes Investments	12 607 357	2,8
Ceppwawu Investments (Pty) Ltd	10 053 368	2,2
Coronation Balanced Plus Fund	6 232 211	1,4
Foord Balanced Fund	5 773 504	1,3
WGI Emerging Markets Fund LLC	5 597 400	1,2
Vanguard Emerging Markets Stock Index Fund	5 285 335	1,2
Vanguard Total International Stock Index	5 030 045	1,1
	197 178 242	43,3

SHAREHOLDERS' SPREAD

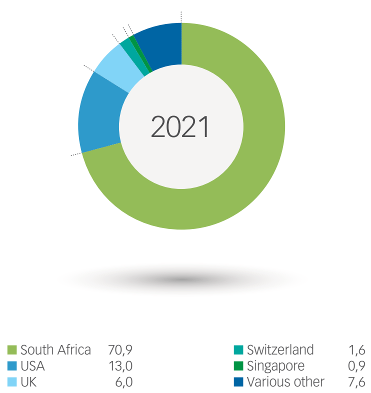
As required by paragraph 8.63 and in terms of paragraph of 4.25 of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2021 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	**12**	**148 097 015**	**32,4**
Directors of the Company and directors of material subsidiaries	10	76 383 397	16,7
Government Employees Pension Fund ("GEPF")	1	70 426 943	15,4
Employee share trusts – treasury shares	1	1 286 675	0,3
Public shareholders	**43 305**	**308 354 526**	**67,6**
Total shareholding	**43 317**	**456 451 541**	**100,0**
Public shareholders (including the GEPF)	**43 306**	**378 781 469**	**83,0**

Beneficial shareholders – country (%)

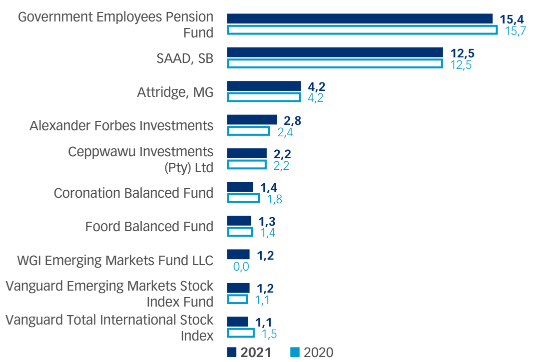


Institutional shareholders – country (%)

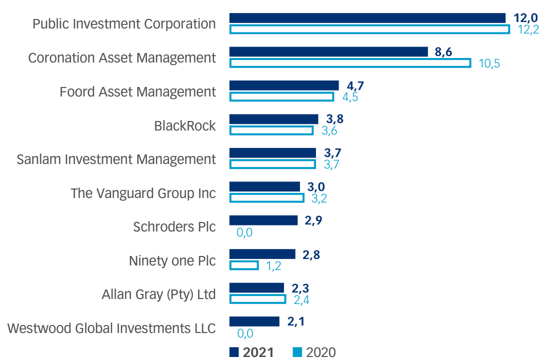


The geographical split of beneficial and institutional shareholders above is based on shareholders who own more than 25 000 Aspen shares.

Top 10 beneficial shareholders (%)



Top 10 institutional shareholders (%)



Percentages for top 10 beneficial shareholders and top 10 institutional shareholders reflected above are as a percentage of the total issued share capital of the Company.

Administration

COMPANY SECRETARY & GROUP GOVERNANCE OFFICER
Riaan Verster
BProc, LLB, LLM (Labour Law)

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1985/002935/06

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APN Legal Entity Identifier ("LEI"): 635400ZYSN1IRD5QWQ94

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DISCLAIMER

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