2019 Annual Financial Statements

Healthcare. We Care.

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All company names have been abbreviated throughout the Annual Financial Statements and appear on pages 16 and 118.

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 2019, 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
28 October 2019

Audit & Risk Committee report

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

Activities	Outcome
Engagement with the Group's external auditors	• Nominated and recommended to shareholders the appointment of the external auditor of the Company and the Group who is a registered auditor and who, in the opinion of the Audit & Risk Committee, is independent of the Company and the Group; • Determined the fees to be paid to the auditor and the auditor's terms of engagement; • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor; • Determined the nature and extent of any non-audit services that the auditor may provide to the Group; and • Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group which are of a material nature as provided for in the Group's non-audit services policy.
Compliance with Companies Act requirements	• Prepared this report in compliance with section 94(7)(f) of the Companies Act, which report has been included in the Annual Financial Statements by reference; • Stands ready to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, including the Summarised Group Annual Financial Statements contained in the Integrated Report, the internal financial controls of the Company and the Group or any related matter; and • Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.
Internal financial controls, internal audit and combined assurance	• Assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during the year under review and that the results of the audit tests conducted indicate that the internal financial controls provided a sound basis for the preparation of financial statements; • Considered and confirmed its satisfaction with the effectiveness of the internal audit function, as well as the expertise and experience of the Chief Audit Executive; and • Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate.
Oversight of risk management	• Monitored the implementation of the Group risk policy and Group risk plan as approved by the Board; • Reviewed and considered the activities and reports of the Group executive risk forum and Tax Committee; • Reviewed and considered business unit risk reports presented to the Committee; • Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes; • Reviewed and recommended for approval the Group's risk appetite framework; • Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported by the Group's internal and external auditors; and • Reviewed and approved the adequacy of the Group's insurance cover.
Integrated reporting and 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; • Considered financial-related tip-off reports and management actions to address these; and • Reviewed the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements.

Audit & Risk Committee report continued

Audit & Risk Committee Terms of Reference

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

Committee members and attendance at meetings

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

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

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

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

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

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

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

Audit & Risk Committee	3 September 2018	11 September 2018	19 October 2018	24 October 2018	5 December 2018	6 March 2019	28 June 2019
Roy Andersen	✓	✓	✓	✓	✓	✓	✓
Linda de Beer*	✓	✓	✓	✓	✓	✓	Apology
Ben Kruger*	n/a	n/a	n/a	n/a	n/a	n/a	✓
Babalwa Ngonyama (Chairman)	✓	✓	✓	✓	✓	✓	✓
Sindi Zilwa	✓	✓	✓	✓	✓	✓	✓

** Ms De Beer and Mr Kruger were appointed to the Committee on 31 July 2018 and 1 April 2019 respectively.*

The overall average attendance for the Audit & Risk Committee meetings held during the year was 96,6%.

Roles and responsibilities

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

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

Statutory duties

External auditor

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

The Committee has also satisfied itself with the quality of the external audit work being performed by PricewaterhouseCoopers Inc., performed in respect of all of the Group's subsidiaries, except for Aspen's South African subsidiaries which are audited by both PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. on a shared basis, and that the firm and relevant designated auditor are accredited with the JSE list of auditors and the Independent Regulatory Body of Auditors and hold the requisite certifications and registrations. In recommending the appointment of a proposed external auditor, the Committee calls for and requests:

- The decision letter and findings report of the inspection report issued in respect of the firm by the Independent Regulatory Board for Auditors ("IRBA") of South Africa on both the proposed external audit firm and the designated individual director;
- A summary of the proposed external audit firm monitoring procedures; and
- The outcome and summary of any legal or disciplinary proceedings which may have been instituted by the IRBA against the proposed external audit firm and designated individual auditor.

PricewaterhouseCoopers Inc. has been the Group's external auditor since the Company's listing on the JSE in 1998. The Committee has agreed to recommend to shareholders the appointment of Anastacia Tshesane of PricewaterhouseCoopers Inc. as the designated auditor, responsible for performing the functions of auditor, for the 2020 financial year - her first year in this role. SizweNtsalubaGobodo Inc. has again been appointed to share in the auditing of the Company's South African subsidiaries in the forthcoming year.

The Committee has initiated a process in terms whereof it is intended that PricewaterhouseCoopers Inc. will be replaced as the Group's external auditor by the financial year commencing 1 July 2020 in line with the South African Independent Regulatory Board of Auditors' rule issued on mandatory audit firm rotation.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2019.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The Committee approved the terms of the service agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy. During the year an amount of R12 580 716 was paid to PricewaterhouseCoopers Inc. in respect of non-audit services, which is approximately 29,6% of the external audit fee paid for the year. Of this, R2 821 804 (4,6%) related to non-audit services performed in the ordinary course, with the remainder relating to vendor due diligence fees. The external auditor is invited to and attend all Audit & Risk Committee meetings and is required to meet independently with the Committee at least annually. A schedule of findings by the external auditor arising from the annual statutory audit is tabled and presented at an Audit & Risk Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. The external auditor has expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2019.

Internal financial controls

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

Based on the results of the formal documented review of the design, implementation and effectiveness of the Group's systems of internal financial controls conducted by Group internal audit, supported by approved outsourced internal audit service providers during the 2019 financial year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audits, no material breakdowns in the functioning of the internal financial controls were noted during the year under review.

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

Audit & Risk Committee report continued

Expertise and experience of the Financial Director and the finance function

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

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

Annual Financial Statements

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

The Committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the Company and the Group and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's report titled "Reporting back on proactive monitoring of financial statements in 2018" in terms of the JSE letter on the proactive monitoring process, dated 19 March 2019.

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

Matter	Outcome
Carrying value of goodwill and intangible assets and classification and useful life of intangible assets	The Audit & Risk Committee reviewed and interrogated all elements supporting the valuation and measurement of goodwill and indefinite life intangible assets which included stress testing the process and key assumptions underpinning the valuations. The process of reviewing the classification of intangible assets and the criteria for determining whether these assets met the definition of indefinite life intangible assets was extensively reviewed and the Committee was satisfied that the classification and valuation of indefinite life intangible assets was materially correct and fairly presented. Rigorous impairment testing of tangible and intangible asset values was once again performed, resulting in total impairments of R3,8 billion of which R3,1 billion related to intangible asset impairments.
Accounting for the disposal of the Nutritionals Business	On 31 May 2019, the Group completed the divestment of its Nutritionals Business (Nutritionals) to the Lactalis Group for a gross consideration of R12 billion. The accounting treatment of the Nutritionals divestment was considered as a key audit matter as it represents a material transaction to the Group and because of the quantum of, and complexity and judgement required in calculating the profit on disposal. In addition to this, the classification of Nutritionals as a discontinued operation would result in additional disclosures in the Group Statement of Comprehensive Income in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Audit & Risk Committee was satisfied that the Group's accounting treatment in respect of this divestment was appropriate and that all additional disclosure requirements have been met.

Going concern

The Audit & Risk Committee reviewed a documented assessment by management of the going concern premise of the Group before recommending to the Board that the Group is a going concern and will remain so for the foreseeable future. The Committee reviews all proposed intercompany funding proposals and distributions to shareholders in terms of sections 44, 45 and 46 of the Companies Act, recommending such funding arrangements to the Board for consideration.

Duties assigned by the Board

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

Integrated reporting

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

During the 2019 financial year, the Committee considered the results of the sustainability audits conducted by Environmental Resources Management and limited assurance engagements performed on selected key performance indicators by Environmental Resources Management, PricewaterhouseCoopers Inc., as the Group's external auditors, and internal audit. The Committee is satisfied that the sustainability information, as presented in the 2019 Integrated Report, is reliable, consistent and fairly presented.

Tax and treasury oversight

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

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

Internal audit

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

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

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

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

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

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

Combined assurance

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

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

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

Whistle-blowing

Our whistle-blowing arrangements are approved and monitored by the Audit & Risk Committee and the Social & Ethics Committee. The Group Ethics Committee (a management committee consisting of four senior functional executives) receives and deals with any concerns or complaints, whether from within or outside Aspen, through an independent specialised tip-offs call centre, and tables this information and the results of follow-ups at each Social & Ethics Committee meeting. Financial and internal control-related tip-offs are then also tabled at the Audit & Risk Committee meetings.

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

Audit & Risk Committee report continued

Risk governance

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

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

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

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

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

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

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

IT governance

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

The governance and management of technology and information is based on a federated operating model where Aspen businesses and functional departments are responsible for the implementation, management and operation of technology and information considered appropriate to enable those businesses and functional departments. Opportunities for standardisation and to achieve procurement synergies continue to be explored from a Group perspective.

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

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

At its meeting held on 23 October 2019, the Audit & Risk Committee reviewed and recommended the Integrated Report and related sustainability information, as well as the Annual Financial Statements for approval by the Board of Directors.

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

Babalwa Ngonyama CA(SA)
Audit & Risk Committee Chairman

Statement of responsibility by the Board of Directors

The Board of directors ("Board") are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 30 June 2019 ("Annual Financial Statements") of Aspen Pharmacare Holdings Limited and its subsidiaries.

The Board considers that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards ("IFRS") that they consider to be applicable have been followed. The Board are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The directors 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 have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the Annual Financial Statements comply with the relevant legislation.

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

Aspen Pharmacare Holdings Limited and its subsidiaries operated in a well-established control environment, which is 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 have no reason to believe that the Group or any company within the Group will not continue as going concerns 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.

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

The Group's external auditor, PricewaterhouseCoopers Incorporated, audited the Annual Financial Statements, and its report is presented on page 11.

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 28 October 2019 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
28 October 2019

Directors’ Report

The directors have pleasure in presenting their report for the Group and the Company for the year ended 30 June 2019.

Nature of business

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

Financial results and review of operations

The financial results of the Group are set out on pages 16 to 118 and of the Company on pages 120 to 146 of the Annual Financial Statements. The segmental analysis is included on pages 24 to 29.

The consolidated earnings attributable to equity holders of the Company amounted to R6 463 million for the year, compared with R6 037 million for the previous year, an increase of 7%. Headline earnings per share from continuing operations (“HEPS”) decreased by 11% from 1 383,5 cents to 1227,6 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 (million)
Ordinary shares		
Opening balance	**456,5**	**2 089**
Shares issued – share schemes	**–**	**–**
	456,5	**2 089**

Further details of the authorised and issued share capital of the Company are given in note 12 of the Group Annual Financial Statements and note 10 of the Company Annual Financial Statements.

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

Directorate and Secretary

The names of the directors in office at the date of this report are set out on pages 94 and 95 of the Integrated Report. The Company Secretary & Group Governance Officer is Riaan Verster. His business and postal addresses appear on page 153 of this report.

On 31 July 2018, John Buchanan retired from the Board and Linda de Beer was appointed to the Board. Ben Kruger and Themba Mkhwanazi were appointed to the Board on 1 April 2019.

In terms of the Company’s Memorandum of Incorporation, Kuseni Dlamini, Ben Kruger, Themba Mkhwanazi, Babalwa Ngonyama, David Redfern and Sindi Zilwa retire by rotation, and being eligible, offer themselves for re-election.

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

Details of directors’ interests in the Company’s issued shares are shown on page 111 of the Integrated Report and directors’ remuneration details are set out in note 26 of the Group Annual Financial Statements.

The following changes have taken place in the interests of the directors in the shares of the Company between 30 June 2019 and the date of this report:
9 576 shares were transferred to Stephen Saad in October 2019 in terms of the vesting arrangements of the South African Management Deferred Incentive Bonus Scheme; and
7 798 shares were transferred to Gus Attridge in October 2019 in terms of the vesting arrangements of the South African Management Deferred Incentive Bonus Scheme.

Group share trading policy

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

Transactions

The following notable transactions were effected during the 2019 financial year:

Asia Pacific non-core pharmaceutical portfolio

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. In Aspen's interim results for the six months ended 31 December 2018 these prospective discontinuations and divestments were classified as discontinued operations with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5. As at 30 June 2019 these divestments and discontinuations were complete and the results of the divestments are included as part of discontinued operations.

Nutritionals Business

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France, for a gross consideration of EUR740 million. In Aspen's interim results for the six months ended 31 December 2018 the Nutritionals Business was classified as a discontinued operation with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

Memorandum of Incorporation

No changes were made to the Company's Memorandum of Incorporation during the year ended 30 June 2019 and up until the date of this report.

Dividend to shareholders

Taking into account the earnings and cash flow performance for the year ended 30 June 2019, existing debt service commitments, future proposed investments and funding options, notice was given that the Board would not declare a dividend to shareholders.

Going concern

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 2020, the Board believes that the Group and the Company have adequate resources to continue in operation for the next 12 months.

Special resolutions

At the annual general meeting of Aspen shareholders convened on 6 December 2018, the following special resolutions were passed by the Company:

- approval of remuneration for non-executive directors for the year ended 30 June 2019 and for the period 1 July 2018 to the date of the 2019 annual general meeting;
- a general authority was granted for the Company and any of its subsidiaries to provide direct or indirect financial assistance to a related or inter-related company. This authority is valid until the Company's next annual general meeting, or until revoked at a special general meeting of shareholders; and
- a general authority was granted for the Company to acquire shares in the Company from time to time, up to 20% of the Company's issued share capital.

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

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

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

Auditors

The Audit & Risk Committee and Board have recommended that PricewaterhouseCoopers Inc. be reappointed as the designated auditor of the Group and the Company in terms of the resolution to be proposed at the annual general meeting in accordance with the Companies Act. The directors further confirm that the A&R Co has addressed the specific responsibility required by it in terms of the Companies Act and that membership of the A&R Co will be proposed to shareholders by ordinary activities of the A&R Co 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 24 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 26 of the Group Annual Financial Statements and note 21 of the Company Annual Financial Statements.

Borrowings

Borrowings at year-end (net of cash and cash equivalents) amounted to R38 984 million (2018: R46 780 million) are made up as follows:

	2019 R'million	Restated 2018 R'million
Non-current borrowings	**39 713**	46 725
Current borrowings	**8 248**	11 225
Cash and cash equivalents	**(8 977)**	(11 170)
	38 984	46 780

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 and note 11 of the Company Annual Financial Statements.

Subsequent events

Post-year-end, the Australian regulatory authority ("TGA") issued an instruction for the recall of all pharmaceutical products containing the active pharmaceutical ingredient ranitidine, which provides relief from stomach acid build-up, and is used in the treatment of heartburn, gastric reflux and ulcers. Ranitidine contains traces of a by-product compound called N-nitrosodimethylamine ("NMDA"), which may pose a low carcinogenic risk from long-term exposure. The TGA and other international regulatory agencies are in the process of investigating the issue. Aspen's ranitidine containing finished product, branded as Zantac, is predominantly sold as an OTC product in Australia and is also available as a prescription product. Following consultation with the TGA, Aspen recalled Zantac with effect from 1 October 2019.

As a consequence of the recall, Aspen has revised the assumptions supporting the value of the Zantac brand (included partly within the GSK Classic Brand portfolio and mainly in the GSK OTC brand portfolio) and raised an impairment of R719 million on a worst-case basis, assuming that the brand will not recover from the negative impact of the recall. Aspen is, however, actively working on plans to relaunch the brand containing an alternative API formulation, which would comply with the new pharmaceutical regulations. The cost related to the recall and return of stock from the market is not material and has not been accrued as a liability in the statement of financial position. The total revenue for Zantac in Australasia for the financial year ended 30 June 2019 was R119 million and the impact of the loss of Zantac on future earnings is not considered material.

Independent auditor's report to the shareholders of Aspen Pharmacare Holdings Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Aspen Pharmacare Holdings Limited ("the Company") and its subsidiaries (together "the Group") as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

Aspen Pharmacare Holdings Limited's consolidated and separate financial statements, set out on pages 16 to 146, comprise:

- the Group and Company statements of financial position as at 30 June 2019;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the Group and Company financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together "the IRBA Codes") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Our audit approach

Overview

Materiality	***Overall Group materiality*** R328 million, which represents 5% of consolidated adjusted profit before tax.
Group scoping	***Group audit scope*** Our audit included full scope audits of Aspen's financially significant components. Analytical procedures were performed over the remaining components.
Key audit matters	***Key audit matters*** • Measurement of goodwill and indefinite life intangible assets; • Useful lives of intangible assets; and • Divestment of Aspen's Nutritionals business to Lactalis.

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

Independent auditor's report to shareholders of Aspen Pharmacare Holdings Limited continued

Materiality

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

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

Overall Group materiality	R328 million
How we determined it	5% of consolidated profit before tax, adjusted for non-recurring items
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. Profit before tax was adjusted for once-off transaction costs relating to terminations and divestments and once-off impairments of intangible assets to calculate a comparable and consistent materiality. These costs were unrelated to normal operating activities. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

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

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

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

The group engagement team met with the component auditors of the most significant audit components and engaged with the remaining component auditors by means of discussing pertinent matters and reviewing reporting documents submitted to us as the group engagement team. In order to obtain sufficient audit evidence in respect of non-significant components, the group engagement team performed analytical review procedures on their financial information. These components have been assessed to be financially inconsequential to the Group.

Key audit matters

Key audit matters are those matters that, in our professional 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.

Key audit matter	How our audit addressed the key audit matter
Measurement of goodwill and indefinite life intangible assets and useful lives of intangible assets **This key audit matter applies to the consolidated and separate financial statements** Indefinite useful life intangible assets amounting to R58 995 million (Company: R340 million) and goodwill amounting to R4 649 million, represents a material portion of the Group and Company's total assets. The Group performs annual impairment tests over the recoverability of goodwill and the valuation of indefinite useful life intangible assets as required by IFRS. These tests are subjective in nature due to management's judgements and assumptions relating to the CGUs, including future performance, profit margins and pre-tax discount rates across multiple territories. Impairment charges related to indefinite useful life intangible assets and goodwill amounted to R3 131 million (Company: R56 million) and R111 million respectively for the financial year and have been recognised in the Group and the Company's statements of comprehensive income. The valuation of these assets, and the quantum of associated impairment charges recognised by the Group and the Company remains inherently sensitive to changes in the underlying assumptions. The assignment of useful lives to intangible assets is subjective and requires management's judgement which is informed by various factors, including past experience and the assessment of the business plans for, and the nature of, the individual intangible assets. Changes in circumstances and assumptions may necessitate the reassessment of these assigned useful lives. During the current year, management attributed finite useful lives to brands with a carrying value of R1 955 million that were previously considered to be indefinite. The factors considered by management in determining the classification between finite and indefinite are included in note 2: *Intangible assets – Significant judgements and estimates*. We considered the valuation of goodwill at the Group level, and indefinite life intangible assets and useful lives of intangible assets at the Group and Company level, to be a matter of most significance to the current year audit due to the following: • the size of these balances in relation to the consolidated and separate financial statements, where applicable; and • the judgement and estimates applied by management in determining impairment as well as useful lives. Refer to notes 2 and 4 for further disclosures relating to intangible assets and goodwill (Company: note 2).	We obtained the Group's impairment analysis and tested the reasonableness of key assumptions, including revenue growth, profit margins, cash conversion, terminal values and discount rates. We focused our audit effort on intangible assets that were sensitive to regulatory pricing and demand, and those CGUs that had a present value of discounted cash flows to net book value excess of less than 10%. We considered these assets to present a heightened risk of additional impairment. Our audit procedures included comparing key assumptions to business plans and economic forecasts. We found management's key assumptions to be in-line with these forecasts and appropriately reflected in future performance estimates. The engagement team assessed the reasonability of the discount rates used with reference to market data and widely applied foreign risk premiums. In addition, we performed a sensitivity analysis over the data used by management to evaluate the impact of individual assumptions on the overall impairment charge recognised. We found the discount rate applied by management to be reasonable. We evaluated management's determination of the CGUs and found this to be the lowest level at which goodwill and intangible assets are monitored. We compared the revised future cash flow forecasts to approved budgets and found them to be consistent and reasonable in relation to the current year financial results. For impairment charges recognised, we tested the accuracy of the models and recalculated the impairment expenses, and found no material differences. We challenged management's assumptions with regards to the indefinite useful life classification of certain intangible assets by considering the individual brand plans, historical performance, evidence of competitor entry into the market, and future growth forecasts to identify whether any indicators of declining growth rates existed. Where such trends were identified, we considered the reasons and the impact on the useful life assumption. We also considered the implication of these trends on the impairment testing performed. Based on our work performed, we concurred with management's assessment of classification between finite and indefinite life.

Key audit matter	How our audit addressed the key audit matter
Divestment of Aspen's Nutritionals business to Lactalis **This key audit matter applies to the consolidated and separate financial statements.** On 31 May 2019, the Group completed the divestment of its Nutritionals Business ("Nutritionals") to the Lactalis Group. In terms of the transaction, the disposal group included the following key elements: • Intellectual property and related goodwill owned by Aspen Pharmacare Holdings Limited (Company) in respect of the South African and Sub-Saharan Africa businesses, and by Aspen Global Incorporated relating to the Latin America and Asia Pacific businesses; • Tangible assets owned by various Aspen Group companies in respect of the South African, sub-Saharan Africa and Latin American businesses; • Product registrations and retail registrations relating to Aspen's nutritional products; and • Shares in companies conducting Aspen's Nutritional's business across Asia Pacific. We considered the accounting treatment of the Nutritionals divestment to be a matter of most significance to the current year audit due to the following: • it represents a material transaction to the Group and the Company; • the quantum, complexity, and judgement required in calculating the profit on disposal; and • the classification of Nutritionals as a discontinued operation will result in additional disclosures, and complexity in the preparation of the Group financial statements in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. The impact of the transaction has been disclosed in note 24: *Discontinued operations* to the Group and Company financial statements.	We inspected the executed agreements to evaluate and determine the appropriate accounting treatment of the transaction in accordance with the requirements of IFRS 5. We found management's accounting treatment of the transaction to be in line with requirements of IFRS 5. We held discussions and performed inquiries with the Group's transactions team to obtain an understanding of the disposal process and contingencies contained in the executed agreements. We tested the profit on disposal of the Nutritionals business by reconciling the consideration received to the contractual agreements and bank accounts, and by agreeing the net assets disposed to underlying accounting records. We found no material differences in this regard. Furthermore, in testing the profit on disposal, we challenged the accounting and classification of the contractual liabilities which are specifically linked to the future performance of the Asia Pacific businesses. We concurred with management's conclusions on the accounting treatment of these liabilities in accordance with the requirements of IAS 37: *Provisions, Contingent Liabilities and Contingent Asset*s. We evaluated the adequacy of the disclosure of the disposal in the Group and the Company financial statements by performing procedures to test the completeness and accuracy of the assets and liabilities included in the disposal groups, and the results presented as discontinued operations, including measurement in accordance with IFRS. We found no material differences in this regard. We reconciled the discontinued operations results to the business unit reporting available in the Group and Company's financial reporting system. Based on the procedures performed, we concurred with management's conclusions on the classification and presentation of the sale.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Aspen Holdings 2019 Annual Financial Statements", which includes the Directors' Report, the Audit & Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, and in the document titled "Aspen Pharmacare Holdings Limited Integrated Report 2019". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information, 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 IFRS 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's 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/or the Company or to cease operations, or has 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 ISA 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 ISA, 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Aspen Pharmacare Holdings Limited for 22 years.

PricewaterhouseCoopers Inc.
Director: CR West
Registered Auditor
4 Lisbon Lane, Waterfall City

28 October 2019

Group statement of financial position

at 30 June 2019

	Notes	2019 R'million	Restated* 2018 R'million	Restated* 2017 R'million
Assets				
Non-current assets				
Intangible assets	2	**66 468**	72 163	60 006
Property, plant and equipment	3	**12 065**	11 368	9 749
Goodwill	4	**4 649**	6 126	5 940
Deferred tax assets	5	**1 163**	966	987
Contingent environmental indemnification assets	6	**801**	802	747
Other non-current assets	7	**1 018**	1 189	801
Total non-current assets		**86 164**	92 614	78 230
Current assets				
Inventories	8	**14 648**	14 959	14 014
Receivables and other current assets	9	**12 511**	13 229	12 442
Cash and cash equivalents	10	**8 977**	11 170	10 707
Total operating current assets		**36 136**	39 358	37 163
Assets classified as held-for-sale	11	**16**	135	200
Total current assets		**36 152**	39 493	37 363
Total assets		**122 316**	132 107	115 593
Shareholders' equity				
Retained income		**41 246**	36 326	31 601
Non-distributable reserves		**11 005**	11 056	8 780
Share capital (including treasury shares)	12	**1 911**	1 905	1 929
Share-based compensation reserve	14	**49**	60	54
Ordinary shareholders' equity		**54 211**	49 347	42 364
Non-controlling interests	13	**2**	28	27
Total shareholders' equity		**54 213**	49 375	42 391
Liabilities				
Non-current liabilities				
Borrowings	15	**39 713**	46 725	28 978
Other non-current liabilities	16	**3 702**	2 775	4 381
Unfavourable and onerous contracts	18	**1 055**	1 382	1 635
Deferred tax liabilities	5	**2 049**	2 213	2 085
Contingent environmental liabilities	17	**801**	802	747
Retirement and other employee benefit obligations	19	**744**	635	570
Total non-current liabilities		**48 064**	54 532	38 396
Current liabilities				
Borrowings**	15	**8 248**	11 225	18 860
Trade and other payables	20	**9 555**	10 414	10 257
Other current liabilities	21	**1 911**	6 187	5 341
Unfavourable and onerous contracts	19	**325**	374	348
Total current liabilities		**20 039**	28 200	34 806
Total liabilities		**68 103**	82 732	73 202
Total equity and liabilities		**122 316**	132 107	115 593

** See note 1 for details about restatements for changes in accounting policies.*
*** Includes bank overdrafts.*

Group statement of comprehensive income

for the year ended 30 June 2019

	Notes	2019 R'million	Restated* 2018 R'million
Continuing operations			
Revenue	22	**38 872**	38 314
Cost of sales		**(19 174)**	(18 628)
Gross profit		**19 698**	19 686
Selling and distribution expenses		**(6 846)**	(6 596)
Administrative expenses		**(3 097)**	(2 980)
Other operating income		**658**	417
Other operating expenses		**(5 604)**	(2 021)
Operating profit	23	**4 809**	8 506
Investment income	27	**439**	343
Financing costs	28	**(2 477)**	(2 105)
Profit before tax		**2 771**	6 744
Tax	29	**(774)**	(1 122)
Profit after tax from continuing operations		**1 997**	5 622
Discontinued operations			
Profit after tax from discontinued operations	25	**4 467**	416
Profit for the year		**6 464**	6 038
Other comprehensive income, net of tax			
Net losses from cash flow hedging in respect of business acquisitions		**(32)**	(96)
Currency translation (losses)/gains		**(19)**	2 372
Remeasurement of retirement and other employee benefit obligations**		**(47)**	1
Total comprehensive income		**6 366**	8 315
Profit for the year attributable to			
Equity holders of the parent		**6 463**	6 037
Non-controlling interests		**1**	1
		6 464	6 038
Total comprehensive income attributable to			
Equity holders of the parent		**6 365**	8 314
Non-controlling interests		**1**	1
		6 366	8 315
Earnings per share			
Basic earnings per share (cents)	30		
From continuing operations		**437,3**	1 231,3
From discontinued operations		**978,6**	91,2
		1 415,9	1 322,5
Diluted earnings per share (cents)	30		
From continuing operations		**437,3**	1 231,3
From discontinued operations		**978,6**	91,2
		1 415,9	1 322,5

* *See note 1 for details about restatements for changes in accounting policies and discontinued operations.*

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

Group statement of equity changes

for the year ended 30 June 2019

		Non-distributable reserves						
	Share capital (including treasury shares) R'million	Hedging reserve R'million	Foreign currency translation reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Total attribu-table to equity holders of the parent R'million	Non-control-ling interests R'million	Total R'million
Balance at 1 July 2017 (previously reported)	1 929	542	8 232	54	32 354	43 111	27	43 138
Impact of adoption of IFRS 15 and IFRS 9	–	–	6	–	(753)	(747)	–	(747)
Balance at 30 June 2017 Restated	1 929	542	8 238	54	31 601	42 364	27	42 391
Total comprehensive income	–	(96)	2 372	–	6 038	8 314	1	8 315
Profit for the year	–	–	–	–	6 037	6 037	1	6 038
Other comprehensive (losses)/income	–	(96)	2 372	–	1	2 277	–	2 277
Dividends paid	–	–	–	–	(1 313)	(1 313)	–	(1 313)
Deferred incentive bonus shares exercised	20	–	–	(20)	–	–	–	–
Treasury shares purchased	(44)	–	–	–	–	(44)	–	(44)
Share-based payment expenses	–	–	–	26	–	26	–	26
Balance at 30 June 2018 Restated	**1 905**	**446**	**10 610**	**60**	**36 326**	**49 347**	**28**	**49 375**
Total comprehensive income	**–**	**(32)**	**(19)**	**–**	**6 416**	**6 365**	**1**	**6 366**
Profit for the year	**–**	**–**	**–**	**–**	**6 463**	**6 463**	**1**	**6 464**
Other comprehensive losses	**–**	**(32)**	**(19)**	**–**	**(47)**	**(98)**	**–**	**(98)**
Dividends paid	**–**	**–**	**–**	**–**	**(1 437)**	**(1 437)**	**–**	**(1 437)**
Treasury shares purchased	**(29)**	**–**	**–**	**–**	**–**	**(29)**	**–**	**(29)**
Deferred incentive bonus shares exercised	**35**	**–**	**–**	**(35)**	**–**	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**–**	**24**	**–**	**24**	**–**	**24**
Acquisition of non-controlling interests in subsidiary	**–**	**–**	**–**	**–**	**(14)**	**(14)**	**(27)**	**(41)**
Movement in joint ventures	**–**	**–**	**–**	**–**	**(45)**	**(45)**	**–**	**(45)**
Balance at 30 June 2019	**1 911**	**414**	**10 591**	**49**	**41 246**	**54 211**	**2**	**54 213**

Group statement of cash flows

for the year ended 30 June 2019

	Notes	2019 R'million	Restated 2018 R'million
Cash flows from operating activities			
Cash generated from operations	A	**9 540**	10 328
Financing costs paid	B	**(2 132)**	(2 077)
Investment income received	C	**390**	261
Tax paid	D	**(1 796)**	(1 495)
Cash generated from operating activities		**6 002**	7 017
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(2 442)**	(2 145)
Proceeds on the sale of property, plant and equipment		**9**	17
Capital expenditure intangible assets	G	**(1 141)**	(881)
Acquisition of residual rights – AZ Anaesthetics		**–**	(5 202)
Proceeds on the sale of intangible assets		**90**	62
Acquisition of subsidiaries and joint ventures	E	**(1 016)**	(152)
Payment of deferred, fixed and contingent consideration relating to prior year business acquisitions		**(5 644)**	(4 599)
Proceeds received from other non-current assets		**42**	50
Proceeds received on disposal of Nutritionals Business	F	**12 016**	–
Proceeds received on disposal of Asia Pacific non-core pharmaceutical portfolio	F	**1 299**	–
Proceeds received on assets classified as held-for-sale		**25**	37
Cash generated from/(utilised) investing activities		**3 238**	(12 813)
Cash flows from financing activities			
Proceeds from borrowings		**23 365**	19 186
Repayment of borrowings		**(33 123)**	(11 496)
Dividends paid		**(1 437)**	(1 313)
Acquisition of non-controlling interest in subsidiary		**(41)**	–
Treasury shares purchased		**(29)**	(44)
Cash (outflow)/generated from financing activities		**(11 265)**	6 333
Movement in cash and cash equivalents before currency translation movements		**(2 025)**	537
Currency translation movements		**59**	389
Movement in cash and cash equivalents		**(1 966)**	926
Cash and cash equivalents at the beginning of the year		**8 114**	7 188
Cash and cash equivalents at the end of the year	H	**6 148**	8 114
Discontinued operations included in the above:			
Cash (utilised in)/generated from operating activities		**(20)**	374
Cash generated from investing activities		**12 299**	–
Cash and cash equivalents per the statement of cash flows		**(63)**	–
		12 216	374

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

Notes to the Group statements of cash flows

for the year ended 30 June 2019

		2019 R'million	Restated 2018 R'million
A.	**Cash generated from operations**		
	Operating profit	**5 064**	9 256
	Amortisation of intangible assets	**490**	632
	Depreciation of property, plant and equipment	**784**	740
	Impairment charges	**4 622**	1 657
	Reversal of impairment charges	**(26)**	(130)
	Loss on the sale of property, plant and equipment	**24**	–
	Loss on the sale of intangible assets	**40**	4
	Loss on sale on assets classified as held-for-sale	**16**	–
	Expenses incurred not paid	**538**	–
	Release of environmental liability	**(81)**	–
	Share-based payment expense – employees	**37**	43
	Deferred revenue	**(38)**	(127)
	Reversal of deferred consideration no longer payable	**(264)**	–
	Unfavourable and onerous contracts	**(377)**	(357)
	Other non-cash items	**89**	207
	Cash operating profit	**10 918**	11 925
	Working capital movements	**(1 378)**	(1 597)
	Increase in inventories	**(1 028)**	(1 117)
	Decrease/(increase) in trade and other receivables	**869**	(205)
	Decrease in trade and other payables	**(1 219)**	(275)
		9 540	10 328
B.	**Financing costs paid**		
	Interest expense	**(1 898)**	(1 884)
	Net foreign exchange losses	**–**	(16)
	Borrowing costs capitalised to property, plant and equipment	**(234)**	(177)
		(2 132)	(2 077)
C.	**Investment income received**		
	Interest received per statement of comprehensive income	**439**	343
	Non-cash investment income received	**(49)**	(82)
		390	261
D.	**Tax paid**		
	Amounts payable at the beginning of the year	**(194)**	(334)
	Tax charged to the statement of comprehensive income	**(2 332)**	(1 325)
	Currency translation movements	**12**	(30)
	Amounts owing at the end of the year	**999**	517
	Amounts receivable at the end of the year	**(281)**	(323)
		(1 796)	(1 495)

E. Disposal of subsidiaries and acquisition of joint ventures

2019 – Nutritional joint venture acquisition and disposal

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

Subsidiaries acquired exclusively with the view to resale are valued at fair value less costs to sell. This valuation resulted in a R756 million fair value gain recognised in discontinued operations (included in profit on sale of discontinued operations). Refer to note 7 of the Annual Financial Statements.

2018 – Alphamed Formulations Pty Limited ("Alphamed") business acquisition

With effect from 12 June 2018, Aspen Pharmacare acquired 100% of the share capital of Alphamed for a consideration of R164 million.

Due to Alphamed being a standalone company, incorporating manufacturing and development operations, Aspen is accounting for its acquisition as a business combination. Due to the timing of the transaction Aspen did not complete the detailed exercise to identify and value the separately identifiable intangible assets acquired and thereafter the goodwill, if any, arising as a result of the transaction as at 30 June 2018. The accounting for the transaction has been finalised as set out below. No material variances were noted between the provisional and the final accounting.

	R'million
Fair value of assets and liabilities acquired	
Property, plant and equipment	87
Inventories	24
Receivables and prepayments	46
Cash and cash equivalents at acquisition	1
Deferred tax liabilities	(3)
Trade and other payables	(28)
Current borrowings	(16)
Fair value of net assets acquired	111
Goodwill	53
Cash and cash equivalents at acquisition	1
Cash outflow on acquisition	165

Notes to the Group statements of cash flows continued

for the year ended 30 June 2019

F. Proceeds received from sale of discontinued operations

	Nutritionals Business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	Total R'million
Proceeds			
Proceeds received	12 079	2 199	**14 278**
Proceeds outstanding at year-end	–	(900)	**(900)**
Cash disposed of in subsidiary	(63)	–	**(63)**
Cash inflow per cash flow statement	12 016	1 299	**13 315**
Assets disposed			
Non-current assets			
Property, plant and equipment	723	–	**723**
Goodwill	413	906	**1 319**
Intangible assets	2 176	1 110	**3 286**
Investments in joint ventures	1 983	–	**1 983**
Other non-current financial receivables	–	308	**308**
Deferred tax assets	2	–	**2**
Total non-current assets	5 297	2 324	**7 621**
Current assets			
Inventories	817	–	**817**
Receivables and other current assets	241	–	**241**
Cash and cash equivalents	63	–	**63**
Total current assets	1 121	–	**1 121**
Total assets	6 418	2 324	**8 742**
Liabilities			
Trade and other payables	(91)	–	**(91)**
Deferred tax liabilities	(33)	–	**(33)**
Total liabilities	(124)	–	**(124)**
Net assets disposed	6 294	2 324	**8 618**

F. Proceeds received from sale of discontinued operations continued

	Nutritionals Business R'million	Asia Pacific non-core pharmaceutical portfolio R'million	**Total R'million**
Liabilities raised as part of disposals*			
Non-current liabilities			
Financial liabilities	618	81	**699**
Current liabilities			
Financial liabilities	233	86	**319**
Net liabilities raised	851	167	**1 018**
Profit/(loss) on sale of discontinued operations	5 690	(292)	**5 398**
Profit/(loss)	4 934	(292)	**4 642**
Fair value gain on revaluation of joint ventures	756	–	**756**

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

	2019 R'million	Restated 2018 R'million
G. Capital expenditure – intangible assets		
Capital expenditure – intangible assets	**(1 522)**	(881)
Consideration outstanding	**381**	–
	(1 141)	(881)
H. Cash and cash equivalents		
Bank balances	**8 677**	9 688
Short-term bank deposits	**234**	1 450
Cash-on-hand	**66**	32
Cash and cash equivalents per the statement of financial position	**8 977**	11 170
Less: bank overdrafts^	**(2 829)**	(3 056)
Cash and cash equivalents per the statement of cash flows	**6 148**	8 114

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

Segmental reporting

Following the integration of the recent anaesthetics business acquisitions into the Group and the finalisation of the disposal of the Nutritionals Business segment, 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 Chief Operating Decision Maker ("CODM").

The business segments which make up the Pharmaceutical segment have been revised as follows:
- The High Potency & Cytotoxic therapeutic segment has been reclassified to Regional Brands as these products are now managed on a regional basis;
- The Therapeutic Focused Brand segment has been replaced by the Sterile Focus Brand segment and includes the Anaesthetics and Thrombosis portfolios;
- The total Pharmaceutical segment has been split at a revenue and gross profit level between the Commercial Pharmaceuticals and Manufacturing segments to give separate visibility to the gross profits earned by each of these segments;
- The Commercial Pharmaceuticals segment comprises the Sterile Focus Brand and Regional Brand segments;
- The Manufacturing segment relates to the manufacture and sale of active pharmaceutical ingredient and finished dose form products to third-party customers; and
- 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 Pharmaceutical segment and the costs supporting the manufacture and sale of active pharmaceutical ingredients and finished dose form products to third-party customers are included in the Manufacturing segment gross margin.

The entity-wide revenue disclosure reflects the regional split of revenue within the reportable segments. The regions are as follows:
- Sub-Saharan Africa
- Developed Europe
- Australasia
- Latin America
- Developing Europe & CIS
- China
- Japan
- Other Asia
- MENA
- USA and Canada.

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

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

Group segmental analysis

for the year ended 30 June 2019

	30 June 2019				
	Sterile Focus Brands R'million	**Regional Brands R'million**	**Total Commercial Pharma R'million**	**Manufacturing R'million**	**Total R'million**
Revenue	**15 267**	**17 817**	**33 084**	**5 788**	**38 872**
Cost of sales	**(6 902)**	**(8 032)**	**(14 934)**	**(4 240)**	**(19 174)**
Gross profit	**8 365**	**9 785**	**18 150**	**1 548**	**19 698**
Selling and distribution expenses					**(6 846)**
Contribution profit					**12 852**
Administrative expenses					**(3 097)**
Net other operating income					**332**
Depreciation					**737**
Normalised EBITDA*					**10 824**
Adjusted for:					
Depreciation					**(737)**
Amortisation					**(455)**
Loss on sale of assets					**(80)**
Net impairment of assets					**(3 812)**
*Restructuring costs					**(131)**
Transaction costs					**(540)**
Reversal of deferred consideration no longer payable					**264**
Product litigation costs					**(524)**
Operating profit					**4 809**
Gross profit (%)	**54,8**	**54,9**	**54,9**	**26,7**	**50,7**
Selling and distribution expenses (%)					**17,6**
Contribution profit (%)					**33,1**
Administrative expenses (%)					**8,0**
Normalised EBITDA (%)					**27,8**

	Restated 30 June 2018				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	14 869	17 321	32 190	6 124	38 314
Cost of sales	(6 995)	(7 500)	(14 495)	(4 133)	(18 628)
Gross profit	7 874	9 821	17 695	1 991	19 686
Selling and distribution expenses					(6 596)
Contribution profit					13 090
Administrative expenses					(2 980)
Net other operating income					247
Depreciation					674
Normalised EBITDA*					11 031
Adjusted for:					
Depreciation					(674)
Amortisation					(435)
Loss on sale of assets					(55)
Net impairment of assets					(691)
Restructuring costs					(199)
Transaction costs					(154)
Product litigation costs					(317)
Operating profit					8 506
Gross profit (%)	53,0	56,7	55,0	32,5	51,4
Selling and distribution expenses (%)					17,2
Contribution profit (%)					34,2
Administrative expenses (%)					7,8
Normalised EBITDA (%)					28,8

** 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 2019

	% Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	3	3	3	(5)	1
Cost of sales	(1)	7	3	3	3
Gross profit	6	0	3	(22)	0
Selling and distribution expenses					4
Contribution profit					(2)
Administrative expenses					4
Net other operating income					34
Depreciation					9
Normalised EBITDA*					(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 2019

	30 June 2019 R'million	Restated 30 June 2018 R'million	Change %
Commercial Pharmaceuticals by customer geography	**33 084**	32 190	3
Sub-Saharan Africa	**7 986**	7 987	0
Developed Europe	**7 381**	7 420	(1)
Australasia	**4 048**	3 890	4
Latin America	**3 083**	2 930	5
Developing Europe & CIS	**2 516**	2 693	(7)
China	**2 872**	2 415	19
Japan	**2 124**	1 931	10
Other Asia	**1 343**	1 298	3
MENA	**1 056**	978	8
USA & Canada	**675**	648	4
Manufacturing revenue by geography of manufacture			
Manufacturing revenue – finished dose form	**1 235**	1 521	(19)
Australasia	**372**	360	3
Developed Europe	**627**	625	0
Sub-Saharan Africa	**236**	536	(56)
Manufacturing revenue – active pharmaceutical ingredients	**4 553**	4 603	(1)
Developed Europe	**4 087**	4 271	(4)
Sub-Saharan Africa	**353**	332	6
Other Asia	**113**	–	100
Total manufacturing revenue	**5 788**	6 124	(5)
Total revenue	**38 872**	38 314	1
Summary of regions			
Developed Europe	**12 095**	12 316	(2)
Sub-Saharan Africa	**8 575**	8 855	(3)
Australasia	**4 420**	4 250	4
Latin America	**3 083**	2 930	5
Developing Europe & CIS	**2 516**	2 693	(7)
China	**2 872**	2 415	19
Japan	**2 124**	1 931	10
Other Asia	**1 456**	1 298	12
MENA	**1 056**	978	8
USA & Canada	**675**	648	4
Total revenue	**38 872**	38 314	1

Group revenue segmental analysis continued

for the year ended 30 June 2019

Commercial Pharmaceuticals therapeutic area analysis

	30 June 2019				
	Anaesthetics Brands R'million	**Thrombosis R'million**	**Sterile Focus Brands R'million**	**Regional Brands R'million**	**Total R'million**
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	**111**	**8**	**119**	**7 867**	**7 986**
Developed Europe	**2 191**	**3 411**	**5 602**	**1 779**	**7 381**
Australasia	**663**	**22**	**685**	**3 363**	**4 048**
Latin America	**894**	**75**	**969**	**2 114**	**3 083**
Developing Europe & CIS	**283**	**1 868**	**2 151**	**365**	**2 516**
China	**1 976**	**869**	**2 845**	**27**	**2 872**
Japan	**1 332**	**32**	**1 364**	**760**	**2 124**
Other Asia	**675**	**167**	**842**	**501**	**1 343**
MENA	**237**	**118**	**355**	**701**	**1 056**
USA & Canada	**321**	**14**	**335**	**340**	**675**
Total Commercial Pharmaceuticals	**8 683**	**6 584**	**15 267**	**17 817**	**33 084**

	Restated 30 June 2018				
	Anaesthetics Brands R'million	Thrombosis R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	143	8	151	7 836	7 987
Developed Europe	2 154	3 473	5 627	1 793	7 420
Australasia	713	21	734	3 156	3 890
Latin America	870	71	941	1 989	2 930
Developing Europe & CIS	397	1 876	2 273	420	2 693
China	1 779	616	2 395	20	2 415
Japan	1 213	48	1 261	670	1 931
Other Asia	658	151	809	489	1 298
MENA	207	159	366	612	978
USA & Canada	304	8	312	336	648
Total Commercial Pharmaceuticals	8 438	6 431	14 869	17 321	32 190

	% Change				
	Anaesthetics Brands %	Thrombosis %	Sterile Focus Brands %	Regional Brands %	Total %
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(22)	0	(21)	0	0
Developed Europe	2	(2)	0	(1)	(1)
Australasia	(7)	5	(7)	7	4
Latin America	3	6	3	6	5
Developing Europe & CIS	(29)	0	(5)	(13)	(7)
China	11	41	19	35	19
Japan	10	(33)	8	13	10
Other Asia	3	11	4	2	3
MENA	14	(26)	(3)	15	8
USA & Canada	6	75	7	1	4
Total Commercial Pharmaceuticals	3	2	3	3	3

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

The implementation of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* became effective for Aspen in the 2019 financial year. Aspen has assessed and applied the new standards and the June 2019 results have been reported in line with the new requirements. The June 2018 comparative period has been restated in the audited results on a full retrospective basis. This note explains the impact of the adoption of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*.

IFRS 15

The new standard, IFRS 15: *Revenue from Contracts with Customers* was adopted by the Group and applied on a full retrospective basis in the financial year ended 30 June 2019. Following a detailed review of the impact of implementing the revised standard, the Group identified certain distribution arrangements in terms of which control of inventory did not transfer to the customer within the relevant financial period and this required a restatement in terms of IFRS 15: *Revenue from Contracts with Customers*. In adopting IFRS 15: *Revenue from Contracts with Customers* no incorrect treatment under IAS 18: *Revenue* was identified. The restatement was finalised at year-end with only one change (from the half-year restatement) relating to a distribution contract for the supply of products in USA. The financial impact of the change was not material. For further detail refer to note 22.

IFRS 9

Applying the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. The assessment resulted in an increase in the allowance account for losses and the resultant restatement has been applied on a full retrospective basis.

1.1 Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. IFRS 9: *Financial Instruments* was generally adopted without restating comparative information with the exception of an increase in the allowance account for losses. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2017, but are recognised in the opening balance sheet on 1 July 2017.

The Group has adopted IFRS 15: *Revenue from Contracts with Customers* from 1 July 2017 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The only revenue stream affected by the IFRS 15: *Revenue from Contracts with Customers* adoption relates to the sale of goods. Accordingly, the restatement presented in the table below relates only to the sale of goods. In accordance with the transition provisions in IFRS 15: *Revenue from Contracts with Customers*, the Group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial year.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

2018

Statement of comprehensive income (extract)	As originally presented 30 June 2018 R'million	Discontinued 30 June 2018 R'million	Continuing 30 June 2018 R'million	IFRS 15 R'million	Restated 30 June 2018 R'million
Revenue	42 596	(4 239)	38 357	(43)	38 314
Cost of sales	(20 991)	2 302	(18 689)	61	(18 628)
Gross profit	21 605	(1 937)	19 668	18	19 686
Tax	(1 385)	254	(1 131)	9	(1 122)
Profit after tax*	6 011	(416)	5 595	27	5 622
Performance indicators (extract)					
Earnings per share – cents	1 316,6	(91,2)	1 225,4	5,9	1 231,3
Headline earnings per share – cents	1 468,8	(91,2)	1 377,6	5,9	1 383,5
Normalised headline earnings per share – cents	1 604,9	(92,4)	1 512,5	5,9	1 518,4

** Profit after tax equals total comprehensive income attributable to equity holders of the parent.*

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

1.1 Impact on the financial statements continued

2018

Statement of financial position (extract)	As originally presented 30 June 2018 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated 30 June 2018 R'million
Assets				
Current assets				
Inventories	14 496	–	463	14 959
Receivables and other current assets	14 421	(80)	(1 112)	13 229
Total current assets	28 917	(80)	(649)	28 188
Shareholders' equity				
Reserves	48 162	(80)	(640)	47 442
Total shareholders' equity	48 162	(80)	(640)	47 442
Liabilities				
Current liabilities				
Other current liabilities	6 196	–	(9)	6 187
Total current liabilities	6 196	–	(9)	6 187

2017

Statement of financial position (extract)	As originally presented 30 June 2017 R'million	IFRS 9 R'million	IFRS 15 R'million	Restated 30 June 2017 R'million
Assets				
Current assets				
Inventories	13 611	–	403	14 014
Receivables and other current assets	13 592	(80)	(1 070)	12 442
Total current assets	27 203	(80)	(667)	26 456
Shareholders' equity				
Reserves	41 182	(80)	(667)	40 435
Total shareholders' equity	41 182	(80)	(667)	40 435

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

1.2 IFRS 9: *Financial Instruments*

IFRS 9: *Financial Instruments* replaces the provisions of IFRS 9: *Financial Instruments* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group applied IFRS 9: *Financial Instruments* retrospectively, and restated opening retained income on 1 July 2017 for the cumulative impact of changes as a result of the adoption of IFRS 9: *Financial Instruments*. Changes to accounting policies and adjustments recognised in the financial statements are detailed in this note.

Classification and measurement

The following table shows the original classification and carrying amount under IAS 39: *Financial Instruments*, and the new carrying amount under IFRS 9: *Financial Instruments* for each class of the Group's financial assets and liabilities at 1 July 2017.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Other non-current receivables	Loans and receivables	Amortised cost	709	709
Trade and other receivables*	Loans and receivables	Amortised cost	11 214	10 022
Forward exchange contracts (gross settled)	Fair value through other comprehensive income	Fair value through other comprehensive income	26	26
Cash and cash equivalents	Loans and receivables	Amortised cost	11 170	11 170
Total financial assets			23 119	21 927
Financial liabilities				
Unsecured loans	Amortised cost	Amortised cost	54 879	54 879
Finance lease and instalment credit liabilities	Amortised cost	Amortised cost	15	15
Bank overdrafts	Amortised cost	Amortised cost	3 056	3 056
Other financial liabilities	Amortised cost	Amortised cost	8 081	8 081
Trade and other payables	Amortised cost	Amortised cost	7 222	7 222
Forward exchange contracts (gross settled)	Fair value through other comprehensive income	Fair value through other comprehensive income	66	66
Interest rate swaps (net settled)	Fair value through other comprehensive income	Fair value through other comprehensive income	9	9
Total financial liabilities			73 328	73 328

** This includes the restatement for IFRS 9:* Financial Instruments *and IFRS 15:* Revenue from Contracts with Customers.

Derivatives and hedging activities

The foreign currency forwards and interest rate swaps in place as at 30 June 2017 qualified as cash flow hedges under IFRS 9: *Financial Instruments*. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9: *Financial Instruments* and these relationships are therefore treated as continuing hedges.

For foreign currency forwards, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points were recognised in the statement of profit or loss prior to 1 July 2017.

Since adoption of IFRS 9: *Financial Instruments*, the Group recognises changes in the fair value of foreign currency forwards attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (inventory) when it is recognised. This change has been applied retrospectively for foreign currency forwards in cash flow hedge relationships resulting in an immaterial impact on the financial statements.

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

1.2 IFRS 9: *Financial Instruments* continued

Impairment of financial assets

The Group has two types of financial assets that are subject to the IFRS 9: *Financial Instruments* new expected credit loss model:

- trade and other receivables (financial instruments only);
- non-current financial assets; and
- cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9: *Financial Instruments* for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained income and equity is disclosed in the table in the impact on financial statements previously.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9: *Financial Instruments*, no impairment losses were identified.

Trade and other receivables and non-current financial assets

The Group applies the IFRS 9: *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 July 2017 of R80 million for trade receivables and nil for other non-current financial assets for contract assets. Note 9 provides details supporting the calculation of the allowance.

1.3 IFRS 15: *Revenue from Contacts with Customers*

Transition to IFRS 15

IFRS 15: *Revenue from Contracts with Customers* replaces the existing requirements governing revenue recognition under all existing revenue standards and related interpretations. The new standard establishes a comprehensive framework for determining and reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. In applying the new standard, the Company recognises revenue upon the transfer of control over products to the customer and the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity.

Changes in accounting policies and financial information from the adoption of IFRS 15: *Revenue from Contracts with Customers* have been applied on a full retrospective basis and the Group has therefore restated comparative information. The cumulative impact of IFRS 15: *Revenue from Contracts with Customers* is recognised as an adjustment in retained income on 1 July 2017, being the first adoption of the standard for the Group, with all other comparative periods restated as detailed in this note.

The Group applied the following process in implementing the transition to IFRS 15: *Revenue from Contracts with Customers*

- The Group assessed the impact of the change in accounting standard that relates to revenue from contracts with customers;
- It was identified that the impact of transitioning from a risk and rewards based approach to a controls based approach potentially affected the Group where pharmaceutical products are sold to customers through distributors;
- Under IAS 18: *Revenue*, revenue was recognised when risks and rewards were transferred, being when the products were delivered at the distributors warehouse. Applying the new requirements under IFRS 15: *Revenue from Contracts with Customers*, revenue can only be recognised when control of the products are transferred to the end customer, therefore revenue can now only be recognised at the point in time when the products are delivered to the end customer;
- Two distribution models were identified where IFRS 15: *Revenue from Customers with Contracts* required a restatement of the revenue recognised. Revenue for these contracts were correctly accounted for under IAS 18: *Revenue recognition* and the restatements were not made to correct accounting treatments under the previous accounting standard.

Non-current assets

2. Intangible assets

Accounting policy

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

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

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

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

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

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

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

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

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets if they meet the following criteria:
- the costs can be measured reliably;
- the software is technically feasible;
- future economic benefits are probable;
- the Group intends to and has sufficient resources to complete development; and
- the Group intends to use or sell the asset.

2. **Intangible assets** continued

Accumulated amortisation

Intellectual property

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

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

Development costs

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

Product participation and contractual rights

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

Software

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

Impairment

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

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

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

Value-in-use

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

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

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

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

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

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

2. **Intangible assets** continued

Significant judgements and estimates

Indefinite useful life intangible assets

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

- historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity;
- the strategy (2020 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.

In the current year, management transferred R1 955 million indefinite useful life intangible assets to finite useful life intangible assets as part of the annual assessment of useful lives.

Indefinite useful life intangible assets constitutes 89% of total intangible assets (2018: 89% of total intangible assets).

Definite useful life intangible assets

Amortisation rates and residual values

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

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

The estimated remaining useful life information for 2019 was as follows:

Intellectual property	Up to 40 years
Product participation and other contractual rights	Up to 40 years
Computer software	Up to 10 years

2. **Intangible assets** continued

Reconciliation of balance

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

2018	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	73 596	1 646	1 691	1 707	78 640
Accumulated amortisation	(3 271)	(267)	(276)	(684)	(4 498)
Accumulated impairment losses	(1 857)	(118)	(1)	(3)	(1 979)
	68 468	1 261	1 414	1 020	72 163
Movement in intangible assets					
Carrying amount at the beginning of the year	56 473	1 199	1 406	928	60 006
Additions	395	219	–	267	881
Acquisition of Residual Rights – AZ Anaesthetics	8 060	–	–	–	8 060
Disposals	–	(64)	–	(3)	(67)
Amortisation	(390)	(45)	(16)	(181)	(632)
Reclassification between categories	7	(8)	–	1	–
Impairment losses	(648)	(66)	–	(36)	(750)
Impairment losses reversed	127	–	–	–	127
Currency translation movements	4 444	26	24	44	4 538
	68 468	1 261	1 414	1 020	72 163

2. Intangible assets continued

Indefinite useful life intangible assets

Split of balance	2019 R'million	2018 R'million
(1) ELIZ products	**4 163**	5 194
(2) Specialist global brands	**3 483**	4 394
(3) GSK OTC brands	**2 108**	3 389
(4) GSK Classic brands	**1 051**	1 731
(5) Mono-Embolex business	**2 085**	2 089
(6) MSD business	**7 672**	8 625
(7) GSK Thrombosis business	**11 196**	11 215
(8) AstraZeneca Anaesthetics portfolio	**19 284**	19 313
(9) GSK Anaesthetics portfolio	**4 893**	5 156
(10) Other brands	**3 060**	3 391
	58 995	64 497

The key brands for the abovementioned indefinite life intangible assets are as follows:
(1) Eltroxin, Lanoxin, Imuran and Zyloric.
(2) Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate.
(3) Phillips Milk of Magnesia, Dequadin, Solpadeine, Cartia, Zantac and Borstol.
(4) Imigran, Lamictal, Mesasil and Zofran.
(5) Mono-Embolex
(6) Deca Durabolin, Desogrestrel, Dexmethasone, Meticorten, Metrigen, Orgaran, Ovestin, Testosterone and Thyrax.
(7) Arixtra and Fraxiparine.
(8) Diprivan, EMLA, Marcaine, Naropin, Carbocaine, Citanest and Xylocaine.
(9) Ultiva, Nimbex, Mivacron, Tracrium and Anectine.

Impairment of intangible assets

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

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

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

2. **Intangible assets** continued

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modelling. It is the directors and management's view that the appropriate impairments and reversal of impairments were recognised as of 30 June 2019.

	1% point reduction in revenue due to price reductions	1% point reduction in terminal growth*	0,5% point increase in the pre-tax discount rate
ELIZ products	14	36	24
Specialist Global Brands	76	175	122
GSK Classic Brands	14	54	34
MSD business	19	54	33
GSK Thrombosis business	217	486	272
GSK Anaesthetics Portfolio	13	120	58

** 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 intangibles 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 2018:

	Carrying amount of intangible assets (R'million)	Period covered by forecasts and budgets	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
ELIZ products	5 194	5 years	3	63	0	11
Specialist Global Brands	4 394	5 years	6	72	0	9
GSK OTC Brands	3 389	5 years	4	54	1	14
GSK Classic Brands	1 731	5 years	0	68	0	10
Mono-Embolex business	2 089	5 years	5	38	0	7
MSD business	8 625	5 years	3	69	1	11
GSK Thrombosis business	11 215	5 years	2	49	0	12
AstraZeneca Anaesthetics Portfolio	19 313	5 years	2	59	0	12
GSK Anaesthetics Portfolio	5 156	5 years	3	62	0	12

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

2. **Intangible assets** continued

	Note	2019 R'million	2018 R'million
Impairment of intangible assets (included in other operating expenses)			
Impairment of intangible assets can be split as follows:			
Specialist Global Brands	1	**876**	–
Zantac Brand	2	**719**	–
South African Regional Brands	3	**321**	–
GSK Anaesthetics Portfolio product	4	**264**	–
ELIZ product	5	**248**	–
GSK Classic Brands distributed in Australia	6	**180**	191
Development costs in South Africa	7	**162**	124
MSD Brands	8	**158**	44
Novartis Brands		**98**	190
Other		**105**	201
		3 131	750

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) This impairment primarily relates to the oncology products within this portfolio and has arisen due to increasing generic entry and pricing pressures in Europe.
2) This relates to an adjusted post-balance sheet event as detailed in the Directors' Report. Zantac is predominantly sold as an OTC product in Australia and is also available as a prescription product. Zantac contains the active pharmaceutical ingredient ranitidine, that provides relief from stomach acid build-up, and is used in the treatment of heartburn, gastric reflux and ulcers. Ranitidine contains traces of a by-product compound called NMDA which may pose a low carcinogenic risk from long-term exposure. The TGA and other international regulatory agencies are in the process of investigating the issue. As a consequence Zantac was recalled in Australia with effect from 1 October 2019. Aspen has reassessed the outlook for Zantac (included primarily in the GSK OTC Brands but with a small balance within GSK Classic Brands) and has raised a full impairment of the brand based on the assumption that even if an alternative API supplier is identified, the time to reformulate, validate and re-launch the products, coupled with the damage to brand equity as a result of the recall would see the brand only generating very modest levels of sales.
3) This impairment relates primarily to a portfolio of laxative products where competitive pressures have had a material negative impact on both volumes and prices.
4) This impairment represents the reversal of the final milestone payment of GBP15 million (R264 million) that was capitalised to the products and is matched by the release of an equivalent amount from deferred consideration payable. The release of deferred consideration is due to milestone targets not being achieved, and accordingly the deferred consideration is no longer payable owing to the economic performance of the product.
5) The profit outlook for the ELIZ product, Lanoxin, has declined due to heightened competitive pressures in certain of its key markets. As a result of the revised outlook for Lanoxin this product has been reclassified as a finite life intangible asset.
6) As a result of a deterioration in their commercial outlook, three products included within this portfolio were impaired, two of which were classified as indefinite life and which have now been reclassified as finite life intangible assets.
7) The impairment relates to product development projects which were no longer technically or commercially feasible and therefore were fully written-off.
8) As a result of a deterioration in their commercial outlook, two products included within this portfolio were impaired. Having regard to its longer term outlook, one of the products has been reclassified as a finite life intangible asset.

2. **Intangible assets** continued

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

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

	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Specialist Global Brands	**(7)**	**68**	**(2)**	**11**
South African Regional Brands	**5**	**46**	**3**	**19**
ELIZ product	**(1)**	**55**	**(1)**	**10**
GSK Classic Brands distributed in Australia	**(0)**	**61**	**(1)**	**9**
MSD Brands	**8**	**53**	**0**	**10**
Novartis Brands	**1**	**61**	**0**	**17**

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

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

The reversal of impairment losses of intangible assets can be split as follows:

	2019 R'million	2018 R'million
(1) GSK Classic Brands in Aspen Global (Aspen Global Inc.) – Australia	**–**	96
(2) Specialist Global Brands in Aspen Global	**–**	15
(3) GSK OTC Brands in Aspen Global	**–**	16
	–	127

The same circumstances that caused the original impairment resulted in the reversal of the impairments.

(1) This related to certain GSK Classic Brands owned by Aspen Global and distributed in Australia in terms of which the outlook on revenue evolution and profitability has improved. The carrying amount of intangible assets was determined based on value-in-use calculations.

The following assumptions were used:
- period covered by the forecasts and budgets of five years;
- growth in revenue per annum of 0%;
- average gross profit percentage per annum of 71%;
- 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 9,6%.

(2) The reversal in the prior year related to Kemadrin for which the outlook on profitability and revenue evolution had improved.

(3) The reversal in the prior year related to certain GSK OTC products (Cofal & Valda) for which the outlook on profitability and revenue evolution had improved.

	2019 R'million	2018 R'million
Commitments		
Capital commitments, include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following:		
Authorised and contracted for	**210**	26
Authorised but not yet contracted for	**691**	355
	901	381

Other disclosures

No intangible assets have been pledged as security for borrowings.

3. Property, plant and equipment

Accounting policy

Recognition and measurement

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

Cost

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

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

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

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

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments.

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. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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

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 amount exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

Operating leases

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

3. 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 2019 was as follows:

Buildings (including leasehold improvements)	Up to 50 years
Plant and equipment	Up to 24 years
Computer equipment	Up to 10 years
Office equipment and furniture	Up to 10 years

3. Property, plant and equipment continued

Reconciliation of balance

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

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

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 8,0% (2018: 8,7%).*

[#] *Included in the total are leased assets amounting to R42 million (2018: R46 million).*

3. **Property, plant and equipment** continued

2018	Land and buildings R'million	Plant and equipment R'million	Other tangible assets[@] R'million	Capital work-in-progress R'million	Total[#] R'million
Carrying amount					
Cost	4 756	5 911	1 077	4 583	16 327
Accumulated depreciation	(1 144)	(2 743)	(653)	–	(4 540)
Accumulated impairment losses	(46)	(86)	(12)	(275)	(419)
	3 566	3 082	412	4 308	11 368
Movement in property, plant and equipment					
Carrying amount at the beginning of the year	3 554	2 827	387	2 981	9 749
Acquisition of subsidiaries and businesses	–	–	–	85	85
Additions	57	279	123	1 686	2 145
Borrowing costs capitalised*	–	–	–	177	177
Disposals	(2)	(11)	(4)	–	(17)
Depreciation	(181)	(417)	(142)	–	(740)
Reclassification between categories	60	454	41	(555)	–
Impairment losses	–	(48)	(1)	(22)	(71)
Impairment losses reversed	–	3	–	–	3
Currency translation movements	78	(5)	8	(44)	37
	3 566	3 082	412	4 308	11 368

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

* *Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 8,0% (2018: 8,7%).*

[#] *Included in the total are leased assets amounting to R42 million (2018: R46 million).*

3. Property, plant and equipment continued

Impairments

	2019 R'million	2018 R'million
Impairments of property, plant and equipment can be split as follows:		
European factories	**393**	–
South African factories	**142**	71
Other	**6**	–
	541	71

European factories

In Aspen Oss B.V ("Oss") there were two major impairments

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

South African factories

In SA operations the impairment relates to various strategic projects which have been discontinued as they are no longer commercially viable.

Commitments

Capital commitments

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

	2019 R'million	2018 R'million
Authorised and contracted for	**1 258**	1 786
Authorised but not yet contracted for	**3 191**	3 829
	4 449	5 615

Operating lease commitments

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

The future minimum operating lease payments are as follows:

	2019 R'million	2018 R'million
Less than 1 year	**166**	132
Between 1 and 5 years	**442**	164
Later than 5 years	**34**	19
	642	315

Operating leases comprises of a number of individually insignificant leases. These leasing arrangements do not impose any significant restrictions on the Group.

Other disclosure

Summary of land and buildings

	2019 R'million	2018 R'million
Land	**631**	747
Buildings	**3 076**	2 819
	3 707	3 566

3. Property, plant and equipment continued

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

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Cost of sales	**624**	**44**	**668**	547	63	610
Selling and distribution expenses	**27**	**3**	**30**	22	3	25
Administrative expenses	**86**	**–**	**86**	105	–	105
	737	**47**	**784**	674	66	740

No property, plant and equipment 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.

Cost

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

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

Impairment

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

Value-in-use

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

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

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

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

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

4. **Goodwill** continued

Reconciliation of balance

	2019 R'million	2018 R'million
Carrying amount at the beginning of the year	**6 126**	5 940
Acquisition of subsidiaries and businesses	**–**	78
Transfer to held-for-sale	**(1 319)**	–
Impairment loss	**(111)**	–
Currency translation movements	**(47)**	108
	4 649	6 126
Split of balance		
Sigma business – Australasia	**3 132**	4 116
AstraZeneca Anaesthetics portfolio	**324**	325
MSD business	**271**	382
Other	**922**	1 303
	4 649	6 126

Impairment of goodwill

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

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

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

Based on the calculations, the goodwill relating to the MSD business was impaired by R36 million. In addition, goodwill of R75 million relating to the GSK anaesthetics portfolio (included in other) was impaired due to the reversal of the final milestone payment as set out in the notes to the impairment of intangible assets. The residual value remaining after the impairment is R80 million.

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

Key assumptions on the impairment tests for goodwill were as follows in 2018:

	Carrying amounts of goodwill (R'million)	Period covered by forecasts and budgets	Growth in revenue (% per annum)#	Average gross profit (% per annum)	Capital expenditure (per annum)	Terminal growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Sigma business	4 116	5 years	0	53	AUD3 million	3	11
AstraZeneca Anaesthetics portfolio	325	5 years	2	59	–	0	12
MSD business	382	5 years	3	69	–	1	10

Average compound annual growth rate during the period covered by abovementioned budgets and forecasts.
* *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 amount of amounts reflected in the consolidated financial statements. Deferred tax is, however, not provided for temporary differences that arise from the initial recognition of an asset or liability where that transaction does not affect accounting and tax profits or losses. The only exception to this being when that asset or liability arises in terms of a business combination. Deferred tax is determined at tax rates that are enacted or substantively enacted at year-end and are expected to apply when that temporary difference reverses.

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

Significant judgements and estimates

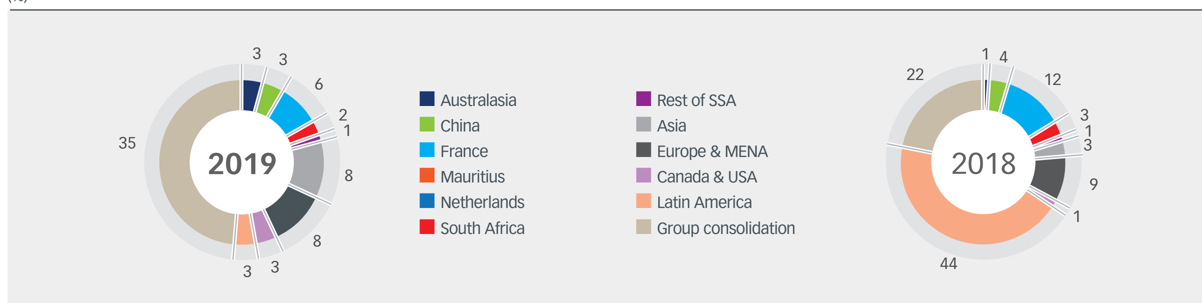
A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that taxable profits will arise in future against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date to ensure that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

Reconciliation of balance

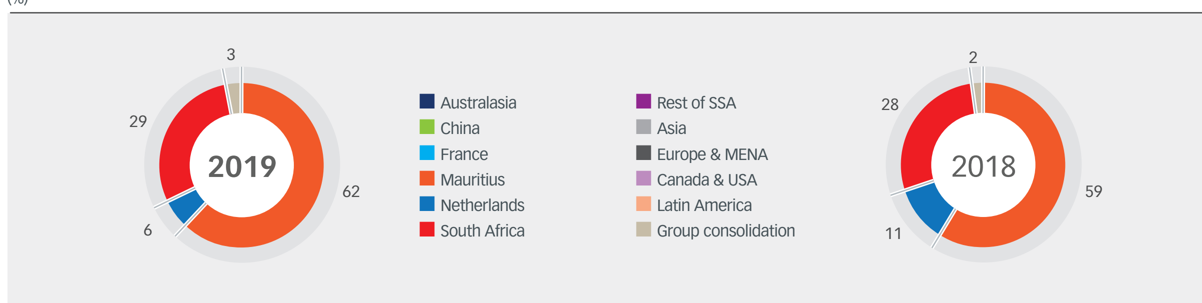
	2019 R'million	2018 R'million
Deferred tax liabilities – opening balance	**2 213**	2 085
Deferred tax assets – opening balance	**(966)**	(987)
Net deferred tax liabilities – opening balance	**1 247**	1 098
Statement of comprehensive income (credit)/debit	**(312)**	21
Charge to equity	**(5)**	(1)
Transfer to classified assets held-for-sale	**(31)**	3
Currency translation movements	**(13)**	126
	886	1 247
Split of balance		
Deferred tax liabilities	**2 049**	2 213
Deferred tax assets	**(1 163)**	(966)
	886	1 247
Deferred tax balance comprises		
Intangible assets	**1 958**	1 999
Property, plant and equipment	**396**	488
Non-current liabilities	**212**	280
Provisions	**(696)**	(586)
Onerous contract	**(241)**	(378)
Tax losses	**(525)**	(357)
Retirement benefit obligations	**(134)**	(121)
Other receivables and payables	**(47)**	(76)
Other	**(37)**	(2)
	886	1 247

5. **Deferred tax** continued

Deferred tax asset
(%)



Deferred tax liability
(%)



The statement of comprehensive income (credit)/debit comprises

	2019 R'million	2018 R'million
Intangible assets	**(41)**	15
Property, plant and equipment	**(92)**	(44)
Non-current liabilities	**(68)**	(37)
Provisions	**(110)**	(35)
Onerous contract	**137**	76
Tax losses	**(168)**	65
Retirement benefit obligations	**(8)**	4
Other receivables and payables	**29**	(20)
Other	**9**	(3)
	(312)	21

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

During the current year, the Group raised additional deferred tax assets in relation to our Argentinean and South African business' relating to assessed losses that are projected to arise for these business'. The Group is confident that these deferred tax assets will materialise in the foreseeable future. The Group also released deferred tax assets in relation to our Mexican operations as a consequence of the disposal of the Nutritionals business.

5. Deferred tax continued

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, France and the Netherlands and adjustments to the deferred tax balances have been incorporated in the balances that have been disclosed for the respective Group companies.

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

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

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

Reconciliation of balance

	2019 R'million	2018 R'million
Carrying amount at the beginning of the year	**802**	747
Currency translation movements	**(1)**	55
	801	802

7. Other non-current assets

Accounting policy

Recognition and measurement

Other non-current receivables

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

The enterprise development loan has an expected credit loss of 0% as there is no history of write-offs and the full amount is guaranteed.

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

Investments in joint ventures

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

7. **Other non-current assets** continued

Split of balance

	Notes	2019 R'million	2018 R'million
Other non-current receivables	7.1	**1 018**	940
Investments in joint ventures	7.2	**–**	194
Other		**–**	55
		1 018	1 189

7.1 Other non-current receivables

	2019 R'million	2018 R'million
Reconciliation of balance		
Carrying amount at the beginning of the year	**940**	603
Proceeds received	**(42)**	(50)
Outstanding proceeds Asia Pacific non-core pharmaceutical portfolio	**518**	–
Transfer to assets classified as held-for-sale	**(308)**	–
Deferred performance rebate	**–**	330
Alphamed	**–**	1
Currency translation movements	**(90)**	56
	1 018	940
Summary of balance		
Employee benefits – reimbursive rights	**245**	231
Exports advance to API supplier	**269**	303
Deferred performance rebate	**–**	345
Enterprise development loans	**54**	62
Outstanding proceeds Asia Pacific non-core pharmaceutical portfolio	**882**	–
Alphamed acquisition	**–**	1
Current portion included in trade and other receivables	**(432)**	(2)
	1 018	940
Split of balance		
Financial instruments	**773**	709
Non-financial instruments	**245**	231
	1 018	940

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

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

Deferred performance rebate
The Busulfan performance related payments in the prior year referred to in note 16.1 were capitalised and were amortised on a straight-line basis over five years, being the term of the relevant distribution agreement. The asset was disposed of as part of the Asia Pacific non-core portfolio disposed of in the current year.

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% (2018: 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. Management considers the credit risk associated with these non-current receivables to be low.

7. Other non-current assets continued

7.1 Other non-current receivables continued

Outstanding proceeds Asia Pacific non-core pharmaceutical portfolio

As part of the disposal of the Asia Pacific non-core pharmaceutical portfolio in the current year deferred consideration of AUD30 million is receivable from Mylan in January 2020. In September 2020 a final deferred consideration estimated at AUD49 million is receivable based upon management's conservative view of not achieving certain contractual obligations. In the event that some or/all of these contractual obligations are met this would result in an increase in the deferred consideration to a potential maximum of AUD65 million in nominal terms.

In a separate transaction also related to the disposal of non-core pharmaceutical products in Asia Pacific deferred consideration of AUD12 million is receivable in December 2019.

Exposure to credit risk

All of the Group's non-current financial assets at amortised cost are considered to have a reduced credit risk as there is 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.

7.2 Investments in joint ventures

Reconciliation of balance

	2019 R'million	2018 R'million
Carrying amount at the beginning of the year	**194**	143
Acquisition of remaining shares in joint ventures	**1 016**	–
Transfers to assets classified as held-for-sale	**(1 983)**	–
Fair value gain on revaluation	**756**	–
Other	**(45)**	–
Share of after tax net profit of joint ventures	**62**	51
	–	194
Summary of balance		
NZNM	**–**	130
Aspen Nutritionals Hong Kong Limited	**–**	64
	–	194

NZ New Milk

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

Aspen Nutritionals Hong Kong Limited

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

Current assets

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 amounts 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

Determination of net realisable value of inventories

Management is required to exercise considerable judgement in the determination of net realisable value, specifically relating to the forecasting of demand.

All inventories are at cost, except for raw materials of R182 million (2018: Rnil) which were carried at net realisable value.

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

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

	2019 R'million	2018 R'million
Summary of balance		
Raw materials	**3 460**	3 810
Work-in-progress	**5 627**	5 465
Finished goods	**5 124**	5 307
Consumables	**437**	377
	14 648	14 959
Impairment of inventories		
The impairment charge (included in cost of sales) is made up as follows		
Impairment of inventories recognised as an expense*	**477**	835
Movement in the provision for impairment	**106**	(69)
	583	766

** 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.*

	2019 R'million	2018 R'million
Reconciliation of provision for impairment		
Balance at the beginning of the year	**832**	878
Raised during the year	**590**	929
Utilised during the year	**(484)**	(998)
Currency translation movements	**29**	23
	967	832

Other disclosures

Inventories to the value of R2,3 billion (2018: R2,1 billion) have been pledged as security for the 10-year interest-free loan from MSD. Refer to note 16.1.

9. Receivables and other current assets

Accounting policy

Recognition and measurement

Receivables and other current assets (expect 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 effort of time value of money where receivables have a short-term profile. Financial assets and liabilities are in the Group Statement of Financial Position when the Group becomes a party to the instruments. Financial assets are recognised on the date the Group commits to purchase the instruments (trade date accounting).

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

The Group applies the IFRS 9: *Financial Instruments* simplified approach to measuring expected credit losses which uses an expected credit loss allowance/provision for all trade receivables.

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

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

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

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.

For corporate customers management have made the assumption that a customer is in default when the debt is 180 days past due. This is on the basis of billing disputes taking time to resolve resulting in a high cure rate.

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

9. Receivables and other current assets continued

	Notes	2019 R'million	2018 R'million
Split of balance			
Trade and other receivables	9.1	**12 194**	12 880
Derivatives	9.2	**36**	26
Current tax assets		**281**	323
		12 511	13 229

9.1 Trade and other receivables

	2019 R'million	2018 R'million
Summary of balance		
Trade receivables	**9 446**	9 906
Allowance account for losses	**(460)**	(261)
Net trade receivables	**8 986**	9 645
Current portion of other non-current receivables	**432**	2
Indirect taxes	**1 032**	1 567
Prepayments	**380**	359
Other	**1 364**	1 307
	12 194	12 880
Split of balance		
Financial assets	**9 877**	10 022
Non-financial assets	**2 317**	2 858
	12 194	12 880
Impairment of trade and other receivables		
The impairment charge (included in administrative expenses) is made up as follows		
Bad debts written-off	**–**	4
Movement in the allowance account for losses	**201**	15
	201	19
Reconciliation of allowance account for losses		
Balance at the beginning of the year	**261**	164
Implementation of IFRS 9	**–**	80
Restated opening balance	**261**	244
Raised during the year	**277**	22
Utilised during the year	**(76)**	(7)
Currency translation movements	**(2)**	2
Balance at the end of the year	**460**	261

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 R739 million (2018: R1,2 billion) were covered by credit guarantee insurance. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. None of the debtors balances in June 2018 or June 2019 constitutes a significant concentration of credit risk. There are no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2019 and 2018.

The Group has made allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Amounts past their due dates which are not provided for are considered to be recoverable. More than 95% of the trade receivables balance relates to customers that have a longstanding insurable history with the Group and there has been no default on payments.

Impairment losses are recorded in the allowance account for losses until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset. Refer to note 1 for details of the implications of the IFRS 9: *Financial Instruments* adoption.

9. Receivables and other current assets continued

9.1 Trade and other receivables continued

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery	Asset is written off.

Age analysis of trade receivables (financial instruments only)

2019	Fully performing# R'million	Past due by 1 to 30 days R'million	Past due by 31 to 90 days R'million	Past due by 91 to 180 days R'million	Past due by more than 180 days R'million	Total R'million
Expected credit loss ("ECL") %	**<1%**	**1%**	**1%**	**<1%**	**13%**	
Gross trade receivables	**7 628**	**633**	**488**	**306**	**391**	**9 446**
Specific provisions – 100% considered unrecoverable	**(89)**	**(25)**	**(13)**	**(3)**	**(250)**	**(380)**
Gross trade receivables net of specific provision	**7 539**	**608**	**475**	**303**	**141**	**9 066**
ECL provision	**(19)**	**(5)**	**(3)**	**(1)**	**(52)**	**(80)**
Net carrying amount	**7 520**	**603**	**472**	**302**	**89**	**8 986**
2018						
ECL %	<1%	<1%	0%	<1%	10%	
Gross trade receivables	8 148	805	157	137	659	9 906
Specific provisions – 100% considered unrecoverable	(28)	(1)	–	(1)	(151)	(181)
Gross trade receivables net of specific provision	8 120	804	157	136	508	9 725
ECL provision	(13)	(1)	–	(1)	(65)	(80)
Net carrying amount	8 107	803	157	135	443	9 645

The increase in allowance account for losses relates to discontinued operations

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

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

The expected loss rates are based on the payment profiles over a period of three years before 30 June 2018 or 30 June 2019 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 macro-economics' factors affecting the ability of the customers to settle the receivables.

The impact of forward-looking information has been considered and is immaterial.

9. Receivables and other current assets continued

9.1 Trade and other receivables continued

	2019 R'million	2018 R'million
Currency analysis of trade and other receivables (financial instruments only)		
Australian Dollar	**1 115**	691
Brazilian Real	**362**	273
Euro	**2 128**	1 935
Mexican Peso	**323**	317
Pound Sterling	**208**	353
South African Rand	**1 814**	2 047
Russian Ruble	**223**	283
US Dollar	**1 974**	2 360
Other currencies	**1 730**	1 763
	9 877	10 022

General

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

Trade and other receivables are predominantly non-interest bearing.

9.2 Derivative financial instruments – asset

	2019 R'million	2018 R'million
Balance at the beginning of the year	**26**	2
Fair value gains recognised in the statement of comprehensive income	**(35)**	(133)
Fair value losses recognised in equity	**71**	96
Transfer (to)/from liabilities	**(26)**	63
Translation of foreign operations	**–**	(2)
	36	26
The balance can be split as follows:		
Forward exchange contracts	**34**	26
Interest rate swaps	**2**	–
	36	26

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

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

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

The forward exchange contracts and interest rate swaps were classified as "level 2" assets in the fair value measurement hierarchy.

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.

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.

	2019 R'million	2018 R'million
Summary of balance		
Bank balances	**8 677**	9 688
Short-term bank deposits	**234**	1 450
Cash-in-transit and cash-on-hand	**66**	32
	8 977	11 170

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. As at 30 June 2019, more than 97% (2018: 69%) 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	2019 R'million	2018 R'million
Australian Dollar	**827**	1 064
Euro	**2 338**	4 303
South African Rand	**3 066**	3 386
US Dollar	**795**	1 015
Other currencies	**1 951**	1 402
	8 977	11 170

General

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

The average effective interest rate on interest-bearing cash and cash equivalents is 4,5% (2018: 3,7%).

11. Assets classified as held-for-sale

Accounting policy

Recognition and measurement

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

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

	2019 R'million	2018 R'million
Reconciliation of balance		
Balance at the beginning of the year	**135**	200
Disposals	**(9 677)**	(37)
Nutritionals Business	**(7 145)**	–
Asia Pacific non-core pharmaceutical portfolio	**(2 491)**	–
Other	**(41)**	(37)
Reclassification from assets	**9 558**	23
Impairments	**–**	(51)
	16	135
Split of balance		
Property, plant and equipment	**16**	118
Current assets	**–**	17
	16	135
Carrying amount		
Cost	**16**	455
Accumulated impairment losses	**–**	(320)
	16	135

In the prior year certain property, plant and equipment was impaired in the Steriles manufacturing facility in South Africa due to the strategic repurposing of that facility for alternative product manufacture which required different manufacturing equipment. The impaired property, plant and equipment has been valued at an estimated net realisable value and reclassified to assets held-for-sale.

Disposals

Asia Pacific non-core pharmaceutical portfolio

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. In Aspen's interim results for the six months ended 31 December 2018 these prospective discontinuations and divestments were classified as discontinued operations with all related assets and liabilities transferred to assets-held-for-sale in terms of IFRS 5. As at 30 June 2019 these divestments and discontinuations were complete and the results of the divestments are included as part of discontinued operations.

Nutritionals Business

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. In Aspen's interim results for the six months ended 31 December 2018 the Nutritionals business was classified as a discontinued operation with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

For details of assets disposed as well as proceeds received refer to note F on the statement of Cash flows.

Shareholders equity

12. Share capital (including treasury shares)

Accounting policy

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

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

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

	Notes	2019 R'million	2018 R'million
Split of balance			
Share capital	12.1	**2 089**	2 089
Treasury shares	12.2	**(178)**	(184)
		1 911	1 905

12.1 Share capital

	2019 R'million	2018 R'million
Authorised		
717 600 000 (2018: 717 600 000) ordinary shares of no par value	**–**	–
Issued		
456 451 541 (2018: 456 451 541) ordinary shares of no par value	**2 089**	2 089

Reconciliation of shares

	Million	Million
Shares in issue at the beginning of the year	**456,5**	456,4
Shares issued – share schemes	**–**	0,1
Shares in issue at the end of the year	**456,5**	456,5

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

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

12.2 Treasury shares

	2019 R'million	2018 R'million
Treasury shares held		
651 070 (2018: 410 208) ordinary shares of no par value	**178**	184
Reconciliation of balance		
At the beginning of the year	**184**	160
Shares purchased	**29**	44
Deferred incentive bonus shares exercised	**(35)**	(20)
Balance at the end of the year	**178**	184

Reconciliation of shares

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

13. Non-controlling Interests

	2019 R'million	2018 R'million
Balance at the beginning of the year	**28**	27
Share of profits	**1**	1
Acquisition of subsidiary	**(27)**	–
Balance at the end of the year	**2**	28

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

Fair value is determined using the binomial pricing model where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services to the reporting date.

Cash-settled schemes

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

Compound financial instrument share scheme

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

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

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

14. **Share-based compensation reserve** continued

Summary of schemes

The Group currently operates the following share-based payment schemes

Legacy share schemes

The following share schemes are still operational in terms of awards which were previously made. No new awards are being made under the schemes.

Aspen Share Appreciation Plan

The plan was adopted by shareholders in October 2005. In terms of the plan, share appreciation rights were awarded to key management. Participants were awarded rights to receive shares in the Company equivalent to an amount calculated by reference to the increase in value of the rights between the date of the grant and the date of exercise of the rights. The rights vested on the third anniversary of the award date and expire on the fifth anniversary of that date. To the extent that outstanding share appreciation rights are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant. A single employee still holds share appreciation rights and no new rights have been issued in terms of this scheme since the end of the 2013 financial year. The single employee that held share appreciation rights exercised these rights in the prior financial year. The scheme has therefore been terminated.

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. Alignment between shareholder and employee interests has been successful as most eligible employees have historically elected to receive the value of the award in Aspen shares (2019: 90%, 2018: 93% and 2017: 96%).	The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives.
Determination of value of awards	The award value varies according to the level of seniority of the executive or manager and is determined according to the achievement of the same performance targets which apply to the annual cash incentive. The maximum award does not exceed 33% of the total remuneration cost in any instance, except for executive directors' awards which are capped at a maximum of 41,25% of their total remuneration cost. To encourage the holding of shares within the company, an enhancement of 10% is given to employees who elect to receive the award in shares.	The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and at the discretion of the Committee.

14. Share-based compensation reserve continued

The Aspen South African Management Deferred Incentive Bonus Scheme continued

	Medium-term component of the scheme	Long-term component of the scheme
Vesting	Awards are deferred for three years, and eligible employees are given the choice at the date of the award to receive the deferred bonus in cash or Aspen shares. To the extent that an employee elects to receive shares pursuant to the award, share awards are acquired and held by the Aspen Share Incentive Trust (in respect of awards made up until 2015) and an unrelated intermediary (in respect of awards made from 2016 onwards) to enable Aspen to settle its future obligation to participating employees upon vesting. No shares are issued in terms of this scheme and it has no dilutive effect. Should the employee retire within the three-year period, the vesting of the awards will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	These awards vest after a period of 10 years and may only be settled in shares. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the five-, seven- or 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration.

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 is determined at the discretion of the Committee.
Vesting	The phantom shares entitle eligible employees to receive a cash amount which is linked to the Aspen share price. Awards vest after a period of three years and are paid out in cash to the employee by the Aspen business employing him or her. Should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement. Employees who resign or who are dismissed for any reason other than retirement, retrenchment or medical incapacity forfeit unvested awards.	These awards vest after a period of five, seven or 10 years, and are settled in cash. Awards made in terms of this component of the scheme will not be accelerated in the event that a recipient retires within the 10-year period and before the age of 65, unless the express approval of the Committee has been obtained for such acceleration.

14. **Share-based compensation reserve** continued

Reconciliation of schemes

Aspen South African Management Deferred Incentive Bonus Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2018 '000#	Awarded during the year^ '000	Released during the year '000	Lapsed/ cancelled during the year '000*	**Shares outstanding on 30 June 2019 '000#**	**Fair value at award date (R)**	**Share price at award date (R)**
300,62	Oct 2018	83	–	83	–	**–**	**365,00**	**286,51**
326,70	May 2026	214	–	–	–	**214**	**365,00**	**317,50**
305,86	Oct 2019	90	–	3	1	**86**	**373,26**	**310,00**
305,18	Oct 2020	130	–	15	4	**111**	**297,84**	**319,45**
164,96	Oct 2021	–	190	2	7	**181**	**254,77**	**174,64**
		517	190	103	12	**592**		

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

 # The total number of shares were not vested at 30 June 2019 and 30 June 2018.

** Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are re-allocated to future grants.*

^ During the year the Group bought 189 774 shares (2018: 135 953 shares) that will be held in the respective Aspen Group employee company until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.

Aspen International Phantom Share Scheme

Award price (R)	Expiry date	Shares outstanding on 30 June 2018 '000#	Awarded during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Shares outstanding on 30 June 2019 '000#**
299,44	Oct 2018	87	–	85	2	**–**
326,70	May 2026	48	–	–	–	**48**
316,00	Oct 2019	90	–	2	–	**88**
286,55	Oct 2020	111	–	3	2	**106**
160,18	Oct 2021	–	255	–	–	**255**
		336	255	90	4	**497**

 # The total number of shares were not vested at 30 June 2019 or 30 June 2018.

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R100,45 (2018: R258,22).

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R28 million (2018: R46 million).

15. Borrowings

Accounting policy

Recognition and measurement

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

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.

15. **Borrowings** continued

Currency analysis and maturity profile of total borrowings

	2019			2018		
	Within 1 year R'million	**Between 1 – 5 years R'million**	**Total R'million**	Within 1 year R'million	Between 1 – 5 years R'million	Total R'million
Finance lease and instalment credit liabilities						
Rand	**14**	**6**	**20**	7	8	15
	14	**6**	**20**	7	8	15
Bank overdrafts						
Rand	**2 829**	**–**	**2 829**	3 056	–	3 056
	2 829	**–**	**2 829**	3 056	–	3 056
Unsecured loans						
(1) Euro syndicated term loan	**–**	**31 454**	**31 454**	–	36 690	36 690
(2) Australian Dollar syndicated revolving loan	**–**	**2 572**	**2 572**	–	3 554	3 554
Australian Dollar – capital raising fees	**–**	**(9)**	**(9)**	(3)	(9)	(12)
(3) Rand syndicated term loan	**–**	**5 800**	**5 800**	–	6 600	6 600
(4) Rand – other	**2 074**	**–**	**2 074**	3 645	3	3 648
Rand – capital raising fees	**(7)**	**(12)**	**(19)**	(7)	(23)	(30)
(5) Euro – other	**3 051**	**–**	**3 051**	4 583	–	4 583
Euro – capital raising fees	**–**	**(98)**	**(98)**	(56)	(98)	(154)
(6) Japanese Yen – other	**287**	**–**	**287**	–	–	–
	5 405	**39 707**	**45 112**	8 162	46 717	54 879
Total borrowings	**8 248**	**39 713**	**47 961**	11 225	46 725	57 950

(1) Euro syndicated term and revolving loans

The loan comprises	**Amount EUR'million**	**Date obtained**	**Term**	**Interest terms***
Facility A loan^	560	May 2018	Two years repayable July 2020	EURIBOR + margin of 2,61%
Facility B loan	500	May 2018	Four years repayable July 2022	EURIBOR + margin of 2,20%
Facility C loan	904	May 2018	Four years repayable July 2022	EURIBOR + margin of 2,25%

The repayment profile is set out below

	Facility A loan^ EUR'million	**Facility B loan EUR'million**	**Facility C loan EUR'million**	**Total EUR'million**
Year ending 30 June 2021	560	–	–	560
Year ending 30 June 2023	–	500	904	1 404
	560	500	904	1 964

(2) Australian Dollar syndicated revolving loan

The loan comprises	**Amount AUD'million**	**Date obtained**	**Term**	**Interest terms***
Facility G loan	260	May 2018	Four years repayable July 2022	BBSY + margin of 1,95%

^ Facility A loan's margin increases every six months over its term. Interest terms presented in this table are based on a weighted average margin over the remaining term of the loan, assuming a leverage ratio of between 3,50 and 3,75.

** To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 3,50 and 3,75.*

15. Borrowings continued

(3) Rand syndicated term and revolving loans

The loan comprises	Amount R'million	Date obtained	Term	Interest terms*
Facility D loan	4 800	May 2018	Four years repayable July 2022	JIBAR + margin of 1,90%
Facility E loan	1 000	May 2018	Four years repayable July 2022	JIBAR + margin of 1,95%

The repayment profile is set out below

	Facility D loan – Pharmacare R'million	Facility E loan – Pharmacare R'million	Total R'million
Year ending 30 June 2023	4 800	1 000	5 800
	4 800	1 000	5 800

(4) Rand – other

The loan comprises	Amount R'million	Term	Interest terms
Various short-term loans	785	On demand	Ranging between 7,90% and 8,50%
Trade finance	34	Less than three months	JIBAR + margin 0,75%
Various short-term loans	805	Ranging between three and six months	SAFEX + margin ranging between 1,50% and 1,60%
Various short-term loans	450	Ranging between six months and three years	JIBAR + margin ranging between + 1,34% and + 1,60% repayable quarterly

(5) Euro – other

The loan comprises	Amount EUR'million	Term	Interest terms
Various short-term loans	191	Less than three months	EURIBOR + margin of between 1,00% and 1,75%

(6) Japanese Yen – other

The loan comprises	Amount JPY'million	Term	Interest terms
Various short-term loans	2 200	On demand	TIBOR + 0,3%

* *To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 3,50 and 3,75.*

15. **Borrowings** continued

Interest rate profile of total borrowings

	2019			2018		
	Total R'million	**Interest rate %**	**Average effective interest rate at 30 June %**	Total R'million	Interest rate %	Average effective interest rate at 30 June %
Bank overdrafts – floating rate (linked to South African prime overdraft rate)	**2 829**	**Rates ranging between prime and prime less 3,0%**	**7,2**	3 056	Rates ranging between prime and prime less 3,0%	7,2
Unsecured loans – floating rate	**45 132**			54 894		
Linked to BBSY	**2 572**	**+ margin of 1,95%**	**3,2**	3 554	+ margin of 1,95%	4,1
Linked to SAFEX	**805**	**+ margin ranging between 1,5% and 1,6%**	**8,1**	1 033	+ margin ranging between 1,40% and 1,55%	7,8
Linked to JIBAR	**6 284**	**+ margin ranging between 0,75% and 1,6%**	**8,9**	7 926	+ margins ranging between 0,75% and 1,95%	8,8
Linked to overnight call rate	**785**	**Overnight call rates ranging between 7,9% and 8,5%**	**7,9**	1 302	Overnight call rates ranging between 7,45% and 8,5%	7,6
Linked to EURIBOR	**34 505**	**+ margin ranging between 1% and 2,61%**	**2,2**	41 273	+ margins ranging between 1,00% and 2,25%	1,7
Linked to TIBOR	**287**	**+ margin of 0,3%**	**0,4**	–	–	–
Other	**20**	**Various**	**–**	2	Various	–
Capital raising fees#	**(126)**	**–**	**–**	(196)	–	–
Total borrowings	**47 961**			57 950		

Margin quoted for Facility C loan includes utilisation fees of 0,40%. To the extent that the Group's ratio of net borrowings to earnings before interest, tax and depreciation and amortisation (the "leverage ratio") increases or decreases, so the margin applicable to these loans will increase or decrease. The margin presented in this table is based on a leverage ratio of between 3,50 and 3,75. To the extent that EURIBOR is negative, EURIBOR is set at nil.

15. Borrowings continued

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

2019		2018	
>4,50 but <4,75	+0,75%	>3,75 but <4,00	+ 0,15%
>4,25 but <4,50	+0,525%	>3,50 but <3,75	0%
>4,00 but <4,25	+0,325%	>3,00 but <3,50	-0,15%
>3,75 but <4,00	+0,15%	>2,50 but <3,00	-0,25%
>3,50 but <3,75	0%	>2,00 but <2,50	-0,35%
>3,00 but <3,50	-0,15%	<2,00	-0,45%
>2,50 but <3,00	-0,25%		
>2,00 but <2,50	-0,35%		
<2,00	-0,45%		

Definitions

- JIBAR – Johannesburg Inter-bank Average Rate
- SAFEX – South African futures exchange call rate
- EURIBOR – Euro Inter-bank Offered Rate
- BBSY – Bank Bill Swap Yield
- TIBOR – Tokyo Interbank Offered Rate

Other disclosures

Movement in borrowings

	2019 R'million	2018 R'million
Opening balance	**57 950**	47 838
Repayment of borrowings	**(33 124)**	(11 496)
Proceeds from borrowings	**23 365**	19 186
Capital raising fees released	**70**	209
Bank overdraft decrease	**(228)**	(463)
Foreign exchange (gains)/losses	**(72)**	2 676
Closing balance	**47 961**	57 950
The balance is split as follows:		
Non-current liabilities	**39 713**	46 725
Current liabilities	**8 248**	11 225
	47 961	57 950

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

- South African Rand denominated facilities of R3 875 million;
- Euro denominated facilities of EUR415 million;
- Japanese Yen denominated facilities of JPY4 300 million; and
- Australian Dollar denominated facility of AUD90 million.

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

16. Other non-current liabilities

Accounting policy

Recognition and measurement

Other non-current financial liabilities

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

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

Deferred revenue

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

Environmental liabilities

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

Financial liabilities

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

Summary of balance

	Notes	**2019 R'million**	2018 R'million
Other non-current financial liabilities	16.1	**3 570**	2 524
Deferred revenue	16.2	**124**	163
Environmental liabilities	17	**8**	88
		3 702	2 775

16. **Other non-current liabilities** continued

16.1 Other non-current financial liabilities

	2019 R'million	2018 R'million
Reconciliation of balance		
Balance at the beginning of the year	**8 081**	8 721
Consideration payable to AstraZeneca – other	**233**	–
Reversal of deferred consideration no longer payable to GSK	**(264)**	–
Nutritionals contractual obligations	**851**	–
Asia Pacific non-core pharmaceutical portfolio contractual obligations	**167**	–
Deferred performance payment on Busalfan	**–**	381
Deferred – consideration payable to AstraZeneca – Anaesthetics	**–**	8 102
Conditional payments related to China set up costs	**295**	–
Repayments	**(5 644)**	(10 005)
Notional interest	**274**	408
Currency translation movements	**44**	585
Other#	**147**	(111)
	4 184	8 081
Split of balance		
Non-current	**3 570**	2 524
Current	**614**	5 557
	4 184	8 081
Split of balance		
10-year interest free loan	**2 308**	2 147
Deferred consideration payable to AstraZeneca – Anaesthetics	**–**	4 357
Deferred consideration payable to GSK	**–**	999
Deferred consideration payable to MSD	**–**	183
Deferred performance payment on Busulfan	**–**	203
Nutritionals contractual obligations	**852**	–
Conditional payments related China set up costs	**294**	–
Asia Pacific non-core pharmaceutical portfolio contractual obligations	**161**	–
Deferred consideration payable to AstraZeneca – other	**229**	–
Other#	**340**	192
	4 184	8 081

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

16. Other non-current liabilities continued

16.1 Other non-current financial liabilities continued

10-year interest free loan

As part of a historical business combination, Aspen acquired inventories to the value of R3,3 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 a security for this loan (refer to note 8), the Group provided a further guarantee to the value of EUR190 million (R3 043 million) to MSD.

Deferred consideration payable to AstraZeneca

The AstraZeneca deal is made up of two components:

Business combination AZ Anaesthetics portfolio prior year:

With effect from 1 September 2016, Aspen Global acquired the exclusive rights to commercialise the Anaesthetics portfolio of AstraZeneca globally (excluding the USA). The remaining outstanding amount of USD100 million was paid in the current financial year.

The repayment profile is set out below:

	2019 USD'million	2018 USD'million
Year ended 30 June 2019	**–**	100
	–	100

Acquisition of residual rights relating to AZ Anaesthetics portfolio:

On 1 September 2016 Aspen Global acquired the exclusive rights to commercialise the anaesthetics portfolio of AstraZeneca globally (excluding the USA). With effect from 1 November 2017, AGI acquired the remaining rights to the intellectual property and manufacturing know-how related to the AZ Anaesthetics ("the residual rights"). The transaction has been classified as an intangible asset acquisition and not a business combination. The balance of USD222 million comprising the present value of future deferred fixed and performance related milestone payments, was paid in the current financial year.

The discount rate used in present valuing the deferred consideration was 3,5%.

The repayment profile is set out below:

	2019 USD'million	2018 USD'million
Year ended 30 June 2019	**–**	222
	–	222

Deferred consideration payable to GSK

In the 2017 financial year Aspen Global concluded a transaction with GSK in terms of which they paid GBP180 million with further potential milestone payments of up to GBP100 million based on the gross profitability of the acquired portfolio in the 36 months following completion. Based on the expected performance of the acquired portfolio in the previous year, Aspen recognised 100% of the total possible consideration. The current gross profit run-rate of the acquired portfolio indicates that it is highly likely that Aspen will not meet the expected performance milestones and as a result GBP15 million of the deferred consideration was released to the statement of comprehensive income in the current year.

The discount rate used in present valuing the deferred consideration was 3,5%.

In the current year GBP43 million (2018: GBP42 million) has been repaid.

The repayment profile is set out below:

	2019 GBP'million	2018 GBP'million
Year ended 30 June 2019	**–**	43
Year ending 30 June 2020	**–**	15
	–	58

16. Other non-current liabilities continued

16.1 Other non-current financial liabilities continued

Deferred performance payment on Busulfan

In the prior financial year, the Group entered into an agreement with US-based distributor for the exclusive supply and distribution of Busulfan in the United States. As part of the agreement, the Company will pay a volume-based incentive payment of USD30 million over three calendar years. In the prior year, the Company paid USD15 million and contingent on future sales performance a further USD15 million would have been payable by 30 June 2019, however, due to the disposal of Busulfan as part of the Asia Pacific non-core pharmaceutical portfolio the outstanding amount was paid in the current financial year.

The discount rate used in present valuing the deferred consideration was 3%.

Conditional payments related to China set up costs

Transaction related set up costs for China are conditional upon the achievement of defined performance-related milestones and are payable in December 2021. The liability has been determined based upon management's judgement relating to the expected achievement levels of the performance related milestones. The expense has been classified as a transaction cost in terms of the Group's accounting policy and has been excluded from normalised headline earnings. The first measurement period was the two years to December 2018 and accordingly a provision has been estimated for the June 2019 financial year, with an estimated liability payable in December 2021 of USD21 million (R294 million).

Deferred consideration payable to AstraZeneca – other

During the current financial year the Group entered into two transactions with AstraZeneca:

Zuvamor

On 1 January 2019, Pharmacare acquired the exclusive rights from AstraZeneca to promote and distribute Zuvamor in South Africa for a period of four years. In terms of the transaction, Pharmacare has an obligation linked to sales performance milestones estimated at R106 million (nominal value, including an option payment for outright ownership at the end of the four-year term). Zuvamor is a statin medication, used to prevent cardiovascular disease in those at high risk and treat 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, Pharmacare has been granted the option to purchase the brand after the four years for a consideration of USD1 million.

The transaction has been classified as a finite intangible asset acquisition and not a business combination. It is expected that Pharmacare will exercise its option to acquire the brand post the agreement. The capitalised value of the brand has been estimated as the net present value of the sales related payments under the agreement and the net present value of the option consideration equating to a total of R87 million (included in estimated payment above).

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

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

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

	2019 R'million	2018 R'million
Year ending 30 June 2020	**24**	–
Year ending 30 June 2021	**26**	–
Year ending 30 June 2022	**28**	–
Year ending 30 June 2023	**28**	–
	106	–

16. Other non-current liabilities continued

16.1 Other non-current financial liabilities continued

The repayment profile for the option is set out below:

	2019 USD'million	2018 USD'million
Year ending 30 June 2023	1	–
	1	–

Trustan

On 30 December 2018, the Company acquired the exclusive rights to commercialise Trustan in South Africa from AstraZeneca for a period of 10 years for a consideration of USD30 million, USD20 million of which has been paid in the current year, and USD10 million which was paid on 1 October 2019. Trustan is a proton pump inhibitor. It is used for treatment of gastrointestinal reflux disease; for duodenal and gastric ulcers; and for conditions associated with hypersecretion of gastric acid, including Zollinger-Ellisor syndrome.

The transaction has been classified as a finite intangible asset acquisition and not a business combination.

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

	2019 USD'million	2018 USD'million
Year ending 30 June 2020	10	–
	10	–

Asia Pacific non-core pharmaceutical portfolio

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

The provision profile is set out below:

	2019 AUD'million	2018 AUD'million
Year ending 30 June 2020	9	–
Year ending 30 June 2021 to 2024	8	–
	17	–

16. Other non-current liabilities continued

16.1 Other non-current financial liabilities continued

Nutritionals Business

In September 2018 the Group concluded an agreement (subject to conditions precedent) to divest of its Nutritionals Business predominantly carried on in Latin America, Sub-Saharan Africa and Asia Pacific under the S-26, Alula and Infacare brands ("Nutritionals Business") to the Lactalis Group, a leading multinational dairy corporation based in Laval, France. In Aspen's interim results for the six months ended 31 December 2018 the Nutritionals Business was classified as a discontinued operation with all related assets and liabilities transferred to assets held-for-sale in terms of IFRS 5. The transaction was concluded effective 31 May 2019 and the results of the disposals are included as part of discontinued operations.

The amount of Aspen's remaining obligations under this transaction have been estimated as follows:

	2019 R'million	2018 R'million
Working capital – true up adjustments	**233**	–
As part of the disposal of the Nutritionals business certain working capital true-up adjustments associated with the assets disposed will be payable to Lactalis in October 2019. The amount in the statement of financial position represents management's best estimate of the expected payment.		
Performance warranty	**618**	–
The performance warranty is based on the expected profit performance of the disposed portfolio in Asia over three years. The liability recognised is NZD65 million based on management's best estimate of the expected performance. The amount will be payable by no later than 31 December 2021.		
Total	**851**	–

16.2 Deferred revenue

Reconciliation of balance

	2019 R'million	2018 R'million
Balance at the beginning of the year	**201**	312
Recognised in the statement of comprehensive income[#]	**(38)**	(127)
Currency translation movements	**–**	16
	163	201

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

	2019 R'million	2018 R'million
Split of balance		
Non-current	**124**	163
Current	**39**	38
	163	201
Split of balance		
Capital expenditure projects – Aspen Oss	**163**	201
	163	201

17. Contingent environmental liabilities

Reconciliation of balance

	2019 R'million	2018 R'million
Balance at the beginning of the year	**88**	82
Release to statement of comprehensive income	**(81)**	–
Currency translation movements	**1**	6
Balance at the end of the year	**8**	88

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

18. Unfavourable and onerous contracts

Accounting policy

Recognition and measurement

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

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

Certain supply contracts for the third party manufacture of products in Aspen Oss and in Aspen NDB (prior year) 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*.

	2019 R'million	2018 R'million
Reconciliation of balance		
Balance at the beginning of the year	**1 756**	1 983
Release to the statement of comprehensive income	**(377)**	(357)
Currency translation movements	**1**	130
	1 380	1 756
Split of balance		
Non-current	**1 055**	1 382
Current	**325**	374
Total	**1 380**	1 756

Aspen Oss has a contract for the supply of APIs to a third party that has been classified partly as onerous and partly as unfavourable in terms of the policy set out above. This contract is due to terminate in October 2023.

19. Retirement and other employee benefit obligations

Accounting policy

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

Defined contribution plans
A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to note 26 of the Group Annual Financial Statements.

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

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

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

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

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

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

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

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

19. Retirement and other employee benefit obligations continued

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

Defined contribution plans

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

Total contributions paid to the various funds by the Group amounted to R388 million for the current financial year (2018: R383 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 2019	Full	Projected unit credit	1,0% (2018: 1,7%)	N/A	2,3% (2018: 2,3%)
Germany	June 2019	Full	Projected unit credit	1,3% (2018: 1,6%)	N/A	2,0% (2018: 2,5%)
Kenya	June 2019	Full	Projected unit credit	9,7% (2018: 11,2%)	N/A	12,0% (2018: 12,0%)
Mexico	December 2018	Full	Projected unit credit	9,0% (2018: 7,9%)	N/A	5,5% (2018: 5,0%)
The Philippines	June 2019	Full	Projected unit credit	5,2% (2018: 8,1%)	N/A	6,0% (2018: 6,5%)
South Africa	June 2019	Full	Projected unit credit	10,1% (2018: 9,8%)	8,0% (2018: 8,5%)	N/A
Tanzania	June 2019	Full	Projected unit credit	14,3% (2018: 11,1%)	N/A	8,0% (2018: 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.

19. Retirement and other employee benefit obligations continued

	2019 R'million	2018 R'million
Amounts recognised in the statement of financial position		
Present value of retirement and other employee benefit obligations	**744***	635*
Deferred tax	**(134)**	(121)
	610	514
** Included in this amount is an obligation of R242 million (2018: R231 million) for which the Group has a reimbursive right. Refer to note 7.1 for more detail.*		
Retirement and other employee benefit obligations comprise		
Unfunded present value of retirement and other employee benefit obligations	**883**	766
Fair value of plan assets	**(139)**	(131)
	744	635
The movement in the liability recognised in the statement of financial position is as follows		
At the beginning of the year	**766**	698
Current service costs (included in staff costs – cost of sales)	**50**	39
Benefits paid	**(15)**	(8)
Contributions paid to the plan by employer	**4**	3
Net interest expense	**19**	13
Remeasurements recognised in other comprehensive income – actuarial losses/(gains) from changes in financial assumptions	**52**	(3)
– Actuarial losses/(gains) from changes in demographic assumptions	**9**	(15)
– Actuarial losses from changes in financial assumptions	**43**	12
Currency translation movements	**7**	24
	883	766
The movement in the fair value of plan assets recognised in the statement of financial position is as follows		
At the beginning of the year	**131**	127
Benefits paid	**(1)**	(1)
Net interest income	**1**	–
Remeasurements – actual return on plan assets	**(2)**	(3)
Currency translation movements	**10**	8
	139	131
Fair value of plan assets		
The assets of the pension funds are invested as follows		
European government bonds	**131**	128
Other	**8**	3
	139	131

19. **Retirement and other employee benefit obligations** continued

Sensitivity analysis

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

Five-year summary

At 30 June	**2019 R'million**	2018 R'million	2017 R'million	2016 R'million	2015 R'million
Present value of retirement and other employee benefit obligations	**883**	766	698	800	488
Fair value of plan assets	**(139)**	(131)	(128)	(141)	(118)
Deficit to be funded	**744**	635	570	659	370

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.

CURRENT LIABILITIES

20. Trade and other payables

Accounting policy

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

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

	2019 R'million	2018 R'million
Trade payables	**3 928**	4 487
Accrued expenses	**2 016**	1 993
Indirect taxes	**425**	1 078
Leave pay	**486**	435
Bonuses	**359**	337
Other	**2 341**	2 084
	9 555	10 414
Split of balance		
Financial liabilities	**6 614**	7 222
Non-financial liabilities	**2 941**	3 192
	9 555	10 414
Other disclosures		
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	**694**	750
Euro	**1 826**	2 448
Kenyan Shilling	**80**	48
Mexican Peso	**342**	295
Philippine Peso	**39**	31
Pound Sterling	**297**	154
South African Rand	**1 469**	1 808
Tanzanian Shilling	**6**	28
US Dollar	**1 276**	1 243
Japanese Yen	**323**	272
Other currencies	**262**	145
	6 614	7 222

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

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

21. Other current liabilities

Accounting policy

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

	Notes	2019 R'million	2018 R'million
Split of balance			
Current tax liabilities		**999**	517
Deferred revenue	16.2	**39**	38
Derivative financial instruments	21.1	**259**	75
Other current financial liabilities	16.1	**614**	5 557
		1 911	6 187

21.1 Derivative financial instruments – liability

	2019 R'million	2018 R'million
Balance at the beginning of the year	**75**	43
Fair value losses/(gains) recognised in the statement of comprehensive income	**180**	(29)
Fair value losses recognised in equity	**32**	–
Transfer (to)/from assets	**(26)**	63
Translation of foreign operations	**(2)**	(2)
	259	75
The balance is split as follows:		
Forward exchange contracts	**232**	66
Interest rate swaps	**27**	9
	259	75

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

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

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

Interest rate swaps and forward exchange contracts are classified as "level 2" liabilities in the fair value measurement hierarchy.

Statement of Comprehensive Income

22. Revenue

Accounting policy

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

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

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

22. **Revenue** continued

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 contract and unfavourable contract related to the supply agreement at the acquisition date.

The principles in IFRS 3: *Business Combinations* remain unchanged by IFRS 15: *Revenue from Contracts with Customers* and therefore the initial IFRS 3: *Business Combinations* accounting applied to the 10-year supply contract would not change or need to be revisited on transition to IFRS 15: *Revenue from Contracts with Customers*. However, as IFRS 3: *Business Combinations* does not provide guidance on the subsequent accounting of the onerous contract or unfavourable contract, consideration may need to be given to these elements.

The subsequent accounting is therefore 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.

The accounting policy for revenue has changed due to the full retrospective adoption of IFRS 15: *Revenue from Contracts with Customers*. For the detailed analysis of the effect of the change refer to note 1.

Summary of balance

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Sale of goods	**38 241**	**3 469**	**41 710**	37 813	4 239	42 052
Co-marketing fees	**254**	**–**	**254**	144	–	144
Unfavourable and onerous contracts release	**377**	**–**	**377**	357	–	357
	38 872	**3 469**	**42 341**	38 314	4 239	42 553

23. Operating profit

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Operating profit has been arrived at after charging/(crediting):						
Loss on the sale of tangible and intangible assets	**80**	**–**	**80**	4	–	4
Loss on the sale of property, plant and equipment	**24**	**–**	**24**	–	–	–
Loss on the sale of assets classified as held-for-sale	**16**	**–**	**16**	–	–	–
Loss on the sale of intangible assets	**40**	**–**	**40**	4	–	4
Auditors' remuneration	**43**	**8**	**51**	48	–	48
– Audit fees	**39**	**–**	**39**	39	–	39
Current year	**38**	**–**	**38**	33	–	33
Prior year under provision	**1**	**–**	**1**	6	–	6
– Other services – tax consulting	**1**	**–**	**1**	2	–	2
– Other services – due diligence	**2**	**8**	**10**	5	–	5
– Other services	**2**	**–**	**2**	2	–	2
Net impairment charges	**4 459**	**137**	**4 596**	1 527	–	1 527
Impairment of intangible assets (included in other operating expenses)	**3 131**	**–**	**3 131**	750	–	750
Reversal of impairment of intangible assets (included in other operating income)	**–**	**–**	**–**	(127)	–	(127)
Impairment charge – inventories (included in cost of sales)	**583**	**–**	**583**	766	–	766
Impairment of property, plant and equipment (included in other operating expenses)	**541**	**–**	**541**	71	–	71
Reversal of impairment of property, plant and equipment (included in other operating income)	**(26)**	**–**	**(26)**	(3)	–	(3)
Impairment of assets held-for-sale (included in other operating expenses)	**–**	**–**	**–**	51	–	51
Impairment of goodwill	**111**	**–**	**111**	–	–	–
Impairment of available-for-sale financial assets	**55**	**–**	**55**	–	–	–
Trade receivables – impairment charge for bad and doubtful debts (included in administrative expenses)	**64**	**137**	**201**	19	–	19
Repairs and maintenance expenditure on property, plant and equipment	**707**	**–**	**707**	590	–	590
Research and development costs	**–**	**–**	**–**	3	–	3
Operating lease rentals	**123**	**–**	**123**	116	–	116
– Land and buildings	**72**	**–**	**72**	68	–	68
– Plant and equipment	**27**	**–**	**27**	25	–	25
– Office equipment, computer equipment and furniture	**24**	**–**	**24**	23	–	23
Restructuring costs	**131**	**22**	**153**	199	–	199
Transaction costs	**540**	**238**	**778**	154	5	159
Product litigation costs	**524**	**–**	**524**	317	–	317
Reversal of deferred consideration no longer payable	**(264)**	**–**	**(264)**	–	–	–
Profit on sale of discontinued operations	**–**	**(5 398)**	**(5 398)**	–	–	–
Fair value gain on revaluation of joint ventures	**–**	**(756)**	**(756)**	–	–	–
Profit on sale	**–**	**(4 642)**	**(4 642)**	–	–	–

24. Expenses by nature – continuing operations

Continued

	2019 R'million				
	Cost of sales	**Selling and distribution expenses**	**Admini-strative expenses**	**Other operating expenses**	**Total**
Cost of material and production related variances	**11 657**	**–**	**–**	**–**	**11 657**
Personnel costs and other staff related costs	**4 039**	**2 932**	**1 645**	**–**	**8 616**
Depreciation and amortisation	**624**	**27**	**86**	**455**	**1 192**
Advertising and marketing expenses	**–**	**1 081**	**–**	**–**	**1 081**
Transport and warehousing costs	**455**	**1 186**	**–**	**–**	**1 641**
Impairment charges	**583**	**–**	**64**	**3 838**	**4 485**
Legal and consulting fees	**394**	**367**	**384**	**–**	**1 145**
Property costs	**388**	**2**	**40**	**–**	**430**
Repairs and maintenance expenditure on property, plant and equipment	**627**	**–**	**18**	**–**	**645**
Transaction costs	**–**	**–**	**–**	**540**	**540**
Restructuring costs	**–**	**–**	**–**	**131**	**131**
Regulatory expenses	**–**	**307**	**–**	**–**	**307**
Product litigation costs	**–**	**–**	**–**	**524**	**524**
Other	**407**	**944**	**860**	**116**	**2 327**
	19 174	**6 846**	**3 097**	**5 604**	**34 721**

	2018 R'million				
	Cost of sales	Selling and distribution expenses	Admini-strative expenses	Other operating expenses	Total
Cost of material and production related variances	11 651	–	–	–	11 651
Personnel costs and other staff related costs	3 733	2 719	1 594	–	8 046
Depreciation and amortisation	520	49	105	435	1 109
Advertising and marketing expenses	–	999	–	–	999
Transport and warehousing costs	238	1 337	–	–	1 575
Impairment charges	766	–	90	872	1 657
Legal and consulting fees	382	359	387	–	1 128
Property costs	411	2	33	–	446
Repairs and maintenance expenditure on property, plant and equipment	520	–	6	–	526
Transaction costs	–	–	–	154	154
Restructuring costs	–	–	–	199	199
Regulatory expenses	–	253	–	–	253
Product litigation costs	–	–	–	317	317
Other	407	878	836	94	2 215
	18 628	6 596	2 980	2 071	30 275

25. Discontinued operations

Asia Pacific non-core pharmaceutical portfolio

Consistent with the Group strategy of divesting or discontinuing non-core pharmaceutical products, during the year the Group identified a portfolio of non-core pharmaceutical products in the Asia Pacific region for divestment and discontinuation. In Aspen's interim results for the six months ended 31 December 2018 these prospective discontinuations and divestments were classified as discontinued operations 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*. As at 30 June 2019 these divestments and discontinuations were complete and the results of the divestments are included as part of discontinued operations.

Nutritionals Business

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

Summarised discontinued operations statement of comprehensive income

The financial performance are for the 11 months ended 31 May 2019 and the year ended 30 June 2018:

	2019		
	Nutritionals Business R'million	**Asia Pacific non-core pharma-ceutical portfolio R'million**	**30 June 2019 R'million**
Revenue	2 730	739	3 469
Gross profit	1 175	349	1 524
Operating expenses	(1 015)	(56)	(1 071)
Selling and distribution expenses	(936)	(54)	(990)
Administrative expenses	(79)	(2)	(81)
Net other operating income	97	–	97
Normalised EBITA	257	293	550
Depreciation	47	–	47
Normalised EBITDA	304	293	597
Adjusted for:			
Depreciation	(47)	–	(47)
Amortisation	(35)	–	(35)
Transaction costs	(238)	–	(238)
Restructuring costs	(22)	–	(22)
Operating (loss)/profit	(38)	293	255
Net financing costs	(128)	–	(128)
Foreign exchange gains on disposals	159	–	159
Operating (loss)/profit after investment income and financing costs	(7)	293	286
Share of after-tax net profit of joint ventures	62	–	62
Profit before tax	55	293	348
Tax	(122)	(105)	(227)
(Loss)/profit after tax from discontinued operations	(67)	188	121
Profit/(loss) on the sale of discontinued operations (after tax)	4 863	(517)	4 346
Profit/(loss) from discontinued operations	4 796	(329)	4 467
Basic earnings per share – cents			978,6
Headline earnings per share – cents			26,4
Normalised headline earnings per share – cents			52,1

25. Discontinued operations continued

	2018		
	Nutritionals Business R'million	Asia Pacific non-core pharma-ceutical portfolio R'million	30 June 2018 R'million
Revenue	3 102	1 137	4 239
Gross profit	1 394	543	1 937
Operating expenses	(933)	(54)	(987)
Selling and distribution expenses	(811)	(53)	(864)
Administrative expenses	(122)	(1)	(123)
Net other operating income	2	–	2
Normalised EBITA	463	489	952
Depreciation	66	–	66
Normalised EBITDA	529	489	1 018
Adjusted for:			
Depreciation	(66)	–	(66)
Amortisation	(197)	–	(197)
Transaction costs	(5)	–	(5)
Operating profit	261	489	750
Net financing costs	(130)	–	(130)
Operating profit after investment income and financing costs	131	489	620
Share of after-tax net profit of joint ventures	51	–	51
Profit before tax	182	489	671
Tax	(97)	(158)	(255)
Profit after tax from discontinued operations	85	331	416
Basic earnings per share – cents			91,2
Headline earnings per share – cents			91,2
Normalised headline earnings per share – cents			92,4

26. Directors and employees

Accounting policy

Directors' and prescribed officers' remuneration
The directors' and prescribed officers' remuneration represent the remuneration paid to, or receivable by, directors and prescribed officers in their capacity as director, prescribed officer or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Group Annual Financial Statements. This disclosure is provided in terms of the JSE Listings Requirements. A legal opinion obtained by the Company has confirmed that there are no individuals who can be considered as prescribed officers of the Company. Refer to note 33 for further details of related parties.

	2019 R'thousand	2018 R'thousand
Directors' and prescribed officers' remuneration		
Non-executive directors – fees		
Roy Andersen	623	664
John Buchanan	34	759
Linda de Beer	607	45
Kuseni Dlamini	1 164	1 098
Ben Kruger	88	–
Maureen Manyama	–	267
Themba Mkhwanazi	56	–
Chris Mortimer	308	345
Babalwa Ngonyama	761	622
David Redfern	267	284
Sindi Zilwa	701	701
Total (A)	4 611	4 785
Executive directors		
Gus Attridge	11 472	14 108
Remuneration	6 260	5 947
Retirement and medical aid benefits	1 068	1 005
Performance bonus	2 414	4 693
Share-based payment expense	1 730	2 463
Stephen Saad	13 894	17 154
Remuneration	7 594	7 227
Retirement and medical aid benefits	1 258	1 186
Performance bonus	2 921	5 677
Share-based payment expense	2 121	3 064
Total (B)	25 366	31 262
Total emoluments paid by the Company (A+B)	29 977	36 047

26. **Directors and employees** continued

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Staff costs						
Wages and salaries	**7 197**	**362**	**7 559**	6 560	351	6 911
Defined contribution plan expenses	**389**	**32**	**421**	354	29	383
Defined benefit plan expenses	**68**	**–**	**68**	52	–	52
Share-based payment expense – deferred incentive bonus	**30**	**–**	**30**	27	–	27
Share-based payment expense – phantom share scheme	**7**	**–**	**7**	16	–	16
Other company contributions	**502**	**30**	**532**	511	25	536
	8 193	**424**	**8 617**	7 520	405	7 925
Amount included in cost of sales	**4 019**	**182**	**4 201**	3 697	173	3 870
Wages and salaries	**3 613**	**153**	**3 766**	3 265	146	3 411
Benefits	**406**	**29**	**435**	432	27	459
Amount included in selling and distribution expenses	**2 604**	**231**	**2 835**	2 345	232	2 577
Wages and salaries	**2 234**	**199**	**2 433**	2 031	205	2 236
Benefits	**370**	**32**	**402**	314	27	341
Amount included in administrative expenses	**1 570**	**11**	**1 581**	1 478	–	1 478
Wages and salaries	**1 350**	**10**	**1 360**	1 264	–	1 264
Benefits	**220**	**1**	**221**	214	–	214
Total number of employees at year-end	**10 001**	**–**	**10 001**	9 786	890	10 676
Full-time employees	**9 289**	**–**	**9 289**	9 128	837	9 965
Part-time employees	**712**	**–**	**712**	658	53	711

27. Investment income

Accounting policy

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

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Interest on bank balances and short-term deposits	**213**	**–**	**213**	182	–	182
Other	**226**	**–**	**226**	161	–	161
	439	**–**	**439**	343	–	343

28. Financing costs

Accounting policy

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

	2019 R'million			2018 R'million		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
Interest paid – bank overdraft and borrowings	**2 058**	**128**	**2 186**	1 754	130	1 884
Bank overdrafts and borrowings	**1 888**	**128**	**2 016**	1 610	130	1 740
Other	**170**	**–**	**170**	144	–	144
Capital raising fees released – transactions	**70**	**–**	**70**	209	–	209
Notional interest on financial instruments	**274**	**–**	**274**	408	–	408
Net foreign exchange (gains)/losses	**–**	**(159)**	**(159)**	16	–	16
Fair value losses/(gains) on derivative financial instruments	**66**	**–**	**66**	(104)	–	(104)
Foreign exchange losses/(gains) on acquisitions	**9**	**–**	**9**	(178)	–	(178)
	2 477	**(31)**	**2 446**	2 105	130	2 235

Financing costs above exclude financing costs of R234 million which have been capitalised during 2019 to capital work-in-progress (2018: R177 million). Refer to note 3 for detail.

29. Income tax

Accounting policy

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

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.

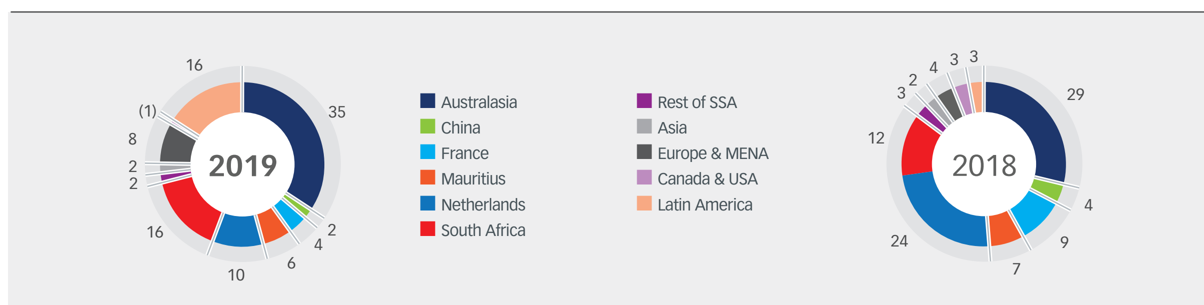
Capital and wealth taxes
Capital and wealth tax is payable at varying rates by companies in the Aspen Group. These taxes generally arise in Latin America and Asia.

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.

Summary of balance

	2019 R'million			2018 R'million		
	Con-tinuing	**Discon-tinued**	**Total**	Con-tinuing	Discon-tinued	Total
Current tax						
Current year	**1 108**	**1 278**	**2 386**	1 234	255	1 489
Prior year	**(63)**	**–**	**(63)**	(164)	–	(164)
Deferred tax						
Current year	**(271)**	**–**	**(271)**	(43)	–	(43)
Prior year	**(41)**	**–**	**(41)**	64	–	64
Capital and wealth taxes	**9**	**–**	**9**	8	–	8
Withholding taxes	**32**	**–**	**32**	23	–	23
	774	**1 278**	**2 052**	1 122	255	1 377

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



29. Income tax continued

Group's effective tax rate

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

	2019 %	2018 %
Group's effective tax rate		
South African tax rate	**28,0**	28,0
Differences in foreign tax rates		
Mauritius[1]	**(8,7)**	(7,0)
Other[2]	**2,0**	(0,7)
Aggregate statutory base tax rate	**21,3**	20,3
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income arising from underlying tax credits[3]	**(6,1)**	(1,4)
Other non-taxable income[4]	**(1,6)**	–
Disallowed interest	**–**	0,3
Withholding and other taxes	**1,2**	0,3
Capital and wealth taxes	**0,3**	0,1
Disallowed holding company expenses	**0,3**	–
Prior year adjustments	**(3,2)**	(2,4)
Government incentives	**(1,8)**	–
Travel, entertainment, gifts and staff welfare	**1,5**	–
Provision for uncertain tax positions[5]	**1,9**	(2,3)
Other disallowed expenses[6]	**2,1**	0,5
Normalised effective tax rate	**15,9**	15,4
Movement in rate due to transactions excluded from normalised headline earnings:		
Disallowed impairments	**5,7**	0,3
Non-taxable capital losses	**1,5**	–
Disallowed restructuring, transaction costs and finance costs	**3,6**	0,9
Disallowed product litigation costs	**1,2**	–
Group's effective rate of tax	**27,9**	16,6

[1] *The statutory rate of tax in Mauritius is 15%. This rate is, however, subject to various credits that are available, which do fluctuate from year to year. The Aspen Group's Mauritius-based operations (namely Aspen Global) contributes -8,7% (2018: -7,0%) 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 2,0% (2018: -0,7%) to the differences in foreign rates of tax. The movement from one year to the next arises from a change in the contribution of each Group entity's profits to the overall profits (refer to footnote 1 above).*

[3] *Under Mauritius tax law, a portion of the income earned by Aspen Global is not subject to tax in Mauritius due to the fact that it is shielded by corporate tax that has been paid to other tax authorities which relates to dividends that are received by Aspen Global from its subsidiaries.*

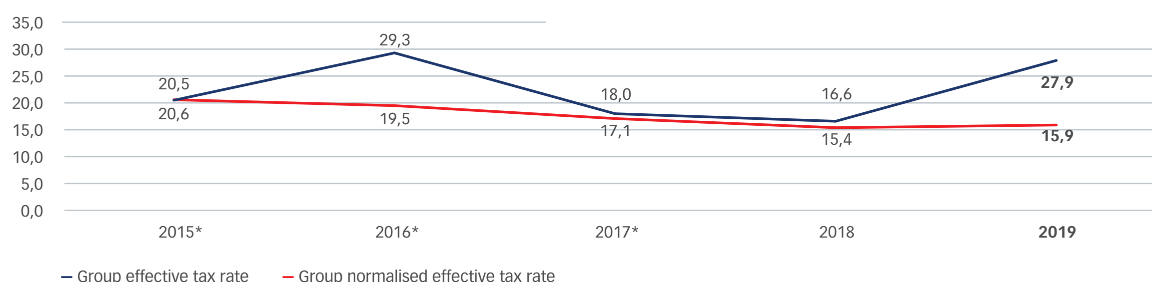
[4] *This includes amounts that are subject to withholding and other taxes which are, consequently, not taxable at the corporate tax level.*

[5] *This includes various potentially disallowable costs.*

[6] *This includes consulting fees, contributions to share schemes, donations, fines and penalties and other costs that are non-deductible. These items are immaterial on an individual basis.*

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

Five-year Group effective tax rate
(%)



** Includes discontinued operations.*

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

30. Earnings per share

Accounting policy

Basic earnings per share

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

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

Diluted earnings per share

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

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

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 4 of 2018.

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 re-measurement of the fair value of liabilities for future milestone payments relating to intangible asset acquisitions accounted for under the cost accumulation method), restructuring costs, settlement of product related litigation costs, net monetary adjustments and currency devaluations relating to hyperinflationary economies and significant once-off tax provision charges or credits arising from the resolution of prior year tax matters.

30. Earnings per share continued

Reconciliation of earnings

	2019 R'million			2018 R'million		
	Con-tinuing	**Discon-tinued**	**Total**	Con-tinuing	Discon-tinued	Total
Profit attributable to equity holders of the parent	**1 996**	**4 467**	**6 463**	5 621	416	6 037
Impairment of property, plant and equipment	**422**	**–**	**422**	50	–	50
– Gross amount	**541**	**–**	**541**	71	–	71
– Tax effect	**(119)**	**–**	**(119)**	(21)	–	(21)
Reversal of impairment of property, plant and equipment	**(17)**	**–**	**(17)**	(2)	–	(2)
– Gross amount	**(26)**	**–**	**(26)**	(3)	–	(3)
– Tax effect	**9**	**–**	**9**	1	–	1
Impairment of intangible assets	**2 993**	**–**	**2 993**	733	–	733
– Gross amount	**3 131**	**–**	**3 131**	750	–	750
– Tax effect	**(138)**	**–**	**(138)**	(17)	–	(17)
Reversal of impairment of intangible assets	**–**	**–**	**–**	(127)	–	(127)
– Gross amount	**–**	**–**	**–**	(127)	–	(127)
– Tax effect	**–**	**–**	**–**	–	–	–
Impairment of available-for-sale financial assets	**55**	**–**	**55**	–	–	–
– Gross amount	**55**	**–**	**55**	–	–	–
– Tax effect	**–**	**–**	**–**	–	–	–
Loss on the sale of intangible assets	**40**	**–**	**40**	3	–	3
– Gross amount	**40**	**–**	**40**	4	–	4
– Tax effect	**–**	**–**	**–**	(1)	–	(1)
Loss on the sale of property, plant and equipment	**16**	**–**	**16**	–	–	–
– Gross amount	**24**	**–**	**24**	–	–	–
– Tax effect	**(8)**	**–**	**(8)**	–	–	–
(Profit)/loss on the sale of assets held-for-sale	**(9)**	**–**	**(9)**	37	–	37
– Gross amount	**16**	**–**	**16**	51	–	51
– Tax effect	**(25)**	**–**	**(25)**	(14)	–	(14)
Impairment of goodwill	**107**	**–**	**107**	–	–	–
– Gross amount	**111**	**–**	**111**	–	–	–
– Tax effect	**(4)**	**–**	**(4)**	–	–	–
Profit on sale of discontinued operations**	**–**	**(4 346)**	**(4 346)**	–	–	–
– Gross amount	**–**	**(5 398)**	**(5 398)**	–	–	–
– Tax effect	**–**	**1 052**	**1 052**	–	–	–
Headline earnings	**5 603**	**121**	**5 724**	6 315	416	6 731
Restructuring costs	**100**	**16**	**116**	144	–	144
– Gross amount	**131**	**22**	**153**	199	–	199
– Tax effect	**(31)**	**(6)**	**(37)**	(55)	–	(55)
Transaction costs	**547**	**216**	**763**	358	5	363
– Gross amount	**610**	**238**	**848**	363	5	368
– Tax effect	**(63)**	**(22)**	**(85)**	(5)	–	(5)
Foreign exchange gain on acquisitions	**9**	**(114)**	**(105)**	(178)	–	(178)
– Gross amount	**9**	**(159)**	**(150)**	(178)	–	(178)
– Tax effect	**–**	**45**	**45**	–	–	–
Product litigation costs	**459**	**–**	**459**	293	–	293
– Gross amount	**524**	**–**	**524**	317	–	317
– Tax effect	**(65)**	**–**	**(65)**	(24)	–	(24)
Reversal of deferred consideration no longer payable	**(264)**	**–**	**(264)**	–	–	–
– Gross amount	**(264)**	**–**	**(264)**	–	–	–
– Tax effect	**–**	**–**	**–**	–	–	–
Normalised headline earnings*	**6 454**	**239**	**6 693**	6 932	421	7 353

* *All adjustments to profit attributable to equity holders of the parent have been disclosed net of tax.*
** *Includes fair value gain on revaluation of joint ventures totalling R756 million.*

30. Earnings per share continued

	2019 million	2018 million
Shares		
Weighted average number of shares in issue	**456,5**	456,4
Weighted average number of shares for diluted earnings per share	**456,5**	456,4

Performance per share

	2019 cents			2018 cents		
	Con-tinuing	**Discon-tinued**	**Total**	Con-tinuing	Discon-tinued	Total
Basic earnings per share	**437,3**	**978,6**	**1 415,9**	1 231,3	91,2	1 322,5
Headline earnings per share	**1 227,6**	**26,4**	**1 254,0**	1 383,5	91,2	1 474,7
Normalised headline earnings per share	**1 414,3**	**52,1**	**1 466,4**	1 518,4	92,4	1 610,8
Diluted earnings per share	**437,3**	**978,6**	**1 415,9**	1 231,3	91,2	1 322,5
Diluted headline earnings per share	**1 227,6**	**26,4**	**1 254,0**	1 383,5	91,2	1 474,7
Diluted normalised headline earnings per share	**1 414,3**	**52,1**	**1 466,4**	1 518,4	92,4	1 610,8

31. Cash dividend

Accounting policy

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

The dividend of 315 cents per share was accounted for in the statement of changes in equity for the year ended 30 June 2019 (2018: 287 cents per share), in accordance with IAS 10: *Events after Balance Sheet Date*.

32. Financial risk management

32.1 Introduction

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

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

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

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

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 2019	At fair value through other comprehensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Other non-current receivables	**–**	**773**	**773**
Trade and other receivables	**–**	**9 877**	**9 877**
Forward exchange contracts (gross settled)	**34**	**–**	**34**
Interest rate swaps (net settled)	**2**	**–**	**2**
Cash and cash equivalents	**–**	**8 977**	**8 977**
Total financial assets	**36**	**19 627**	**19 663**
Financial liabilities			
Unsecured loans	**–**	**45 112**	**45 112**
Finance lease and instalment credit liabilities	**–**	**20**	**20**
Bank overdrafts	**–**	**2 829**	**2 829**
Other financial liabilities	**–**	**4 184**	**4 184**
Trade and other payables	**–**	**6 614**	**6 614**
Forward exchange contracts (gross settled)	**232**	**–**	**232**
Interest rate swaps (net settled)	**27**	**–**	**27**
Total financial liabilities	**259**	**58 759**	**59 018**

June 2018 (Restated)	At fair value through other comprehensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Other non-current receivables	–	709	709
Trade and other receivables	–	10 022	10 022
Forward exchange contracts (gross settled)	26	–	26
Cash and cash equivalents	–	11 170	11 170
Total financial assets	26	21 901	21 927
Financial liabilities			
Unsecured loans	–	54 879	54 879
Finance lease and instalment credit liabilities	–	15	15
Bank overdrafts	–	3 056	3 056
Other financial liabilities	–	8 081	8 081
Trade and other payables	–	7 222	7 222
Forward exchange contracts (gross settled)	66	–	66
Interest rate swaps (net settled)	9	–	9
Total financial liabilities	75	73 253	73 328

32. Financial risk management continued

32.3 Market risk management

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

32.4 Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the individual operations. However, the Group's operations utilise various foreign currencies (currencies other than the operations' functional currencies) in respect of sales, purchases and borrowings and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currency. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, is not taken into account when considering foreign currency risk. 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 2019 and 2018 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments and no hedge accounting was applied other than in respect of the Nutritionals disposal (June 2018: Aspen Global acquisitions of residual rights relating to AZ Anaesthetics Portfolio) Ineffectiveness that arises from cash flow hedges is recognised in the statement of financial income. There were no material ineffectiveness in 2019 and 2018.

32. **Financial risk management** continued

32.4 **Foreign currency risk** continued

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

June 2019	Foreign amount R'million	Forward cover value R'million	Marked to market value R'million	Cumulative (liability)/ asset R'million
Imports*				
Euro	**(60)**	**(988)**	**(954)**	**(34)**
Swiss Franc	**–#**	**4**	**4**	**–**
		(984)	**(950)**	**(34)**
Exports*				
Australian Dollar	**51**	**440**	**1 578**	**(1 138)**
Euro	**22**	**365**	**352**	**13**
Pound Sterling	**25**	**4 818**	**3 684**	**1 134**
Russian Ruble	**505**	**113**	**112**	**1**
US Dollar	**98**	**34 968**	**34 746**	**222**
		40 704	**40 472**	**232**
June 2018				
Imports*				
Euro	–#	660	681	(21)
Pound Sterling	–#	3	2	1
Swiss Franc	–#	60	65	(5)
US Dollar	–#	12	13	(1)
		735	761	(26)
Exports*				
Australian Dollar	41	(417)	(418)	1
Pound Sterling	87	(1 495)	(1 461)	(34)
Mexican Peso	445	(305)	(310)	5
Russian Ruble	668	(144)	(146)	2
US Dollar	405	(5 405)	(5 497)	92
		(7 766)	(7 832)	66

** Includes forward exchange contracts that represent imports and exports being managed on a net basis.*
 # Foreign amounts are less than 100 million.

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.

32. **Financial risk management** continued

32.4 **Foreign currency risk** continued

The maturity profiles of the forward exchange contracts at year-end (including those contracts for which the underlying transactions were recorded but payment 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 Yuan Renminbi, Pound Sterling, Australian Dollar, Polish Zloty and Russian Ruble. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding currency translation movements resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to a direct debit to other comprehensive income of R18 million at 30 June 2019 (2018: credit of R2 372 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 2018.

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** **2019 R'million**	2018 R'million
Denominated: Functional currency			
Rand:US Dollar	10	**132**	(725)
Rand:Euro	10	**(18)**	(68)
Rand:Pound Sterling	10	**44**	(79)
US Dollar:Euro	10	**22**	203
Other exposures	10	**113**	171
		293	(498)

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**	
	2019	2018	**2019**	2018
Euro	**16,02**	16,04	**16,19**	15,33
Australian Dollar	**9,89**	10,16	**10,15**	9,96
US Dollar	**14,09**	13,72	**14,19**	12,86
Japanese Yen	**0,13**	0,12	**0,13**	0,12
Chinese Yuan Renminbi	**2,05**	2,07	**2,08**	1,97
Mexican Peso	**0,73**	0,70	**0,74**	0,69
Brazilian Real	**3,66**	3,56	**3,68**	3,87
Pound Sterling	**17,89**	18,12	**18,37**	17,29
Russian Ruble	**0,22**	0,22	**0,22**	0,22
Polish Zloty	**3,77**	3,67	**3,77**	3,62

32. **Financial risk management** continued

32.5 Interest rate risk

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

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

	Carrying amount	
	2019 R'million	2018 R'million
Variable rate instruments		
Other non-current receivables	**(1 018)**	(940)
Cash and cash equivalents	**(4 202)**	(5 344)
Borrowings	**41 501**	55 647
Variable rate exposure	**36 281**	49 363
Fixed rate instruments		
Borrowings	**6 586**	2 000
Fixed rate exposure	**6 586**	2 000

Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contracts ("IRS") were in place as at 30 June 2019:

	Outstanding contract amount R'million	Fixed interest rate %	Expiry date
Euro syndicated term loan– Facility B loan – Aspen Finance	2 403	0,09% (three-month EURIBOR floored at nil)	31 March 2022
AUD revolving credit facility – Facility G loan – Aspen Asia Pacific	594	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 2019 will be continuously released to the statement of comprehensive income as interest (finance costs) on the loans is recognised in the statement of comprehensive income.

The maturity profile of the gross contract amounts at 30 June 2019 is between one and five years (30 June 2018: less than one year).

32. **Financial risk management** continued

32.5 **Interest rate risk** continued

Sensitivity analysis

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

	2019 R'million	2018 R'million
Three-month EURIBOR	**229**	225
Three-month BBSY	**23**	30
Three-month JIBAR, SAFEX and South African prime overdraft rate	**78**	80
	330	335

A decrease of 100 basis points will have an equal and opposite effect on profit before tax.

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.

	2019 R'million	2018 R'million
Three-month EURIBOR	**(19)**	(21)
Three-month BBSY	**23**	30
Three-month JIBAR, SAFEX and South African prime overdraft rate	**78**	80
	82	89

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

An increase of 1% in the EURIBOR yield curve at 30 June 2019 would result in a decrease of R72 million (2018: Rnil) in the fair value of the derivative liabilities in the statement of financial position. A decrease of 1% in the EURIBOR yield curve at 30 June 2019 would result in an increase of R0,2 million (2018: Rnil) in the fair value of the derivative liabilities in the statement of financial position.

An increase of 1% in the BBSY yield curve at 30 June 2019 would result in a decrease of R46 million (2018: Rnil) in the fair value of the derivative liabilities in the statement of financial position. A decrease of 1% in the BBSY yield curve at 30 June 2019 would result in an increase of R49 million (2018: Rnil) in the fair value of the derivative liabilities in the statement of financial position.

An increase of 1% in the JIBAR yield curve at 30 June 2019 would result in a decrease of Rnil (2018: R14 million) in the fair value of the derivative liabilities in the statement of financial position. A decrease of 1% in the JIBAR yield curve at 30 June 2019 would result in an increase of Rnil (2018: R14 million) in the fair value of the derivative liabilities in the statement of financial position.

32. Financial risk management continued

32.6 Liquidity risk

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

	Undiscounted cash flows				
2019	On demand R'million	< 1 year R'million	1 – 5 years R'million	> 5 years R'million	Total R'million
Financial assets					
Other non-current financial receivables	–	527	245	26	798
Trade and other receivables (financial instruments only)	–	9 877	–	–	9 877
Forward exchange contracts (gross settled)*	–	34	–	–	34
Gross cash inflows	–	(950)	–	–	(950)
Gross cash outflows	–	984	–	–	984
Cash and cash equivalents	8 743	234	–	–	8 977
Interest rate swaps (net settled)	–	2	–	–	2
Total financial assets	8 743	10 674	245	26	19 688
Financial liabilities					
Unsecured loans	–	(6 811)	(41 935)	–	(48 746)
Bank overdrafts	(2 829)	–	–	–	(2 829)
Finance lease liabilities	–	(14)	(6)	–	(20)
Trade and other payables (financial instruments only)	–	(6 614)	–	–	(6 614)
Other non-current and current liabilities	–	(1 330)	(652)	(3 438)	(5 420)
Forward exchange contracts (gross settled)*	–	(232)	–	–	(232)
Gross cash inflows	–	(40 704)	–	–	(40 704)
Gross cash outflows	–	40 472	–	–	40 472
Interest rate swaps (net settled)	–	(27)	–	–	(27)
Total financial liabilities	(2 829)	(15 028)	(42 593)	(3 438)	(63 888)
Net exposure	5 914	(4 354)	(42 348)	(3 412)	(44 200)

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

32. **Financial risk management** continued

32.6 **Liquidity risk** continued

2018	Undiscounted cash flows On demand R'million	< 1 year R'million	1 – 5 years R'million	> 5 years R'million	Total R'million
Financial assets					
Other non-current financial receivables	–	155	511	58	724
Trade and other receivables (financial instruments only)	–	11 214	–	–	11 214
Forward exchange contracts (gross settled)*	–	26	–	–	26
Gross cash inflows	–	761	–	–	761
Gross cash outflows	–	(735)	–	–	(735)
Cash and cash equivalents	9 720	1 450	–	–	11 170
Total financial assets	9 720	12 845	511	58	23 134
Financial liabilities					
Unsecured loans	(1 428)	(6 915)	(45 404)	–	(53 747)
Bank overdrafts	(3 056)	–	–	–	(3 056)
Derivative financial instruments	–	(75)	–	–	(75)
Trade and other payables (financial instruments only)	–	(7 222)	–	–	(7 222)
Other non-current and current liabilities	–	(5 638)	(601)	(3 407)	(9 646)
Forward exchange contracts (gross settled)*	–	(66)	–	–	(66)
Gross cash inflows	–	7 766	–	–	7 766
Gross cash outflows	–	(7 832)	–	–	(7 832)
Interest rate swaps (net settled)	–	(9)	–	–	(9)
Total financial liabilities	(4 484)	(19 925)	(46 005)	(3 407)	(73 821)
Net exposure	5 236	(7 080)	(45 494)	(3 349)	(50 687)

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

32.7 **Credit risk**

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

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

32.8 **Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide sustainable returns for shareholders, 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, deferred payables and equity attributable to holders 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 cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Group may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

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

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

32. **Financial risk management** continued

	30 June 2019	31 December 2018
Debt (net of cash and cash equivalents) may not exceed this multiple of earnings before interest, tax, depreciation, non-recurring items and amortisation ("EBITDA")	**4,00**	4,75
EBITDA must not be below this multiple of net finance charges	**3,50**	3,50

As at and for the period/year ended 31 December 2018 and 30 June 2019, 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 26.

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 25 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 R13 million (2018: R9 million). There was Rnil outstanding at year-end (2018: Rnil).

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

Transactions with Group directors and prescribed officers

The personnel compensation consists of:

	2019 R'million	2018 R'million
Short-term employee benefits	**123**	115
Post-employment benefits	**8**	10
Share-based payment expense	**11**	20
Total key management remuneration paid	**142**	145
Number of employees included above	**26**	21

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

34. **Contingent liabilities**

Guarantees to financial institutions

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt or derivative instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

- the expected credit loss ("ECL") in accordance with IFRS 9; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15: *Financial Instruments*.
  The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, debtor or any other party.

A guarantee fee is either charged or received by each Group company related to this guarantee. The guarantee fee is determined applying transfer pricing principles. The net invoice that is raised by the Company to its subsidiaries is included in the amounts reflected in the related parties note. The guarantees relate mainly to the Group's syndicated term loans as well as cross-guarantees provided between Group companies for each other's debt and derivative instrument facilities.

34. Contingent liabilities continued

Guarantees to financial institutions continued

	2019 R'million	2018 R'million
Total guarantees	**70 984**	70 545
Guarantees utilised	**48 326**	53 741
Guarantees available not utilised	**22 658**	16 804

These guarantees are cross guarantees within the Group and there are no external guarantees.

Other contingent liabilities

The Group has a number of individually insignificant contingent liabilities amounting to R78 million (2018: R63 million).

Potential disputed matter – European Commission

In May 2017 the European Commission ("EC") opened an investigation in terms of Article 102 of the Treaty on the Functioning of the European Union ("TFEU") in respect of Aspen's pricing practices for its products containing the active pharmaceutical ingredients chlorambucil, melphalan, mercaptopurine, tioguanine and bulsulfan. The investigation covers all of the European economic areas, excluding Italy.

The EC's investigation is continuing and Aspen, supported by its economic and legal advisers are engaging and co-operating fully with the EC in its investigation.

This matter is complex. At this stage its outcome is unknown and accordingly no reliable estimate can be made of Aspen's liability (if any) and no liability has been raised in the statement of financial position.

Potential disputed matter – UK Competition And Markets Authority

In October 2017, the UK Competition and Markets Authority ("CMA") opened an investigation against Aspen in terms of Article 101 and Article 102 of the TFEU into alleged anti-competitive conduct and pricing practices in relation to Fludrocortisone Acetate 0,1mg tablets and Dexamethasone 2mg tablets in the UK. The CMA has advised that it will not be proceeding with its investigation in relation to Dexamethasone 2mg tablets.

Aspen has offered commitments ("commitments") to the CMA for the purposes of addressing the competition concerns arising from certain aspects of the CMA's investigation. The CMA has given notice that it accepted the commitments.

In terms of the commitments:

1. Aspen will dispose of its rights to the ambient Fludrocortisone in the UK to an independent third party in accordance with a prescribed process, overseen by the CMA;
2. Aspen will reintroduce the cold storage Fludrocortisone into the UK market in accordance with a prescribed process, overseen by the CMA; and
3. Aspen will make an *ex-gratia* payment in the aggregate amount of GBP8 million by 31 October 2019 to:
   - 3.1 the Secretary of State for Health and Social Care in the amount of GBP7 million;
   - 3.2 the Scottish Ministers in the amount of GBP0,8 million;
   - 3.3 the Welsh Ministers in the amount of GBP0,5 million; and
   - 3.4 the Department of Health, Social Services and Public Safety for Northern Ireland in the amount of GBP0,3 million

The giving of the commitments does not constitute an admission of any wrongdoing by Aspen with respect to the alleged anti-competitive conduct under Article 102 of the TFEU.

The CMA and Aspen have entered into settlement discussions in respect of Aspen's alleged anti-competitive conduct under Article 101 of the TFEU. Within the context that historically Aspen had the only Fludrocortisone in the UK, Aspen has admitted liability for entering into an agreement to acquire a potential competitor Fludrocortisone with the consequence that the conclusion of this agreement resulted in anti-competitive behaviour. Pursuant to Aspen's aforesaid admission, the CMA will impose a penalty on Aspen for an infringement under Article 101 of the TFEU which shall not exceed GBP2 million. This penalty together with the agreed *ex-gratia* payment have been provided for as current liabilities in the statement of financial position.

Aspen and its advisers continue to fully co-operate with the CMA in its investigation.

35. Subsequent event

The reviewed provisional Group financial results for the year ended 30 June 2019 which was released on SENS on 11 September 2019 have been restated as a consequence of the recall of Zantac, a product predominantly sold by our Australian commercial business as an over-the-counter ("OTC") product, but which is also available as a prescription product. The product is indicated for relief from stomach acid build-up and used in the treatment of heartburn, gastric reflux and ulcers. The recall was effected on 1 October 2019, after our 2019 financial year-end and followed an instruction issued by the Australian regulatory authority ("TGA") for the recall of all pharmaceutical products containing the active pharmaceutical ingredient ranitidine. Ranitidine contains traces of a by-product compound called N-nitrosodimethylamine ("NMDA") which may pose a low carcinogenic risk from long-term exposure. The TGA and other international regulatory agencies are in the process of investigating the issue.

As a consequence of the recall Aspen has revised the assumptions supporting the value of the Zantac brand and raised an impairment of R719 million, on a worst-case basis, assuming that the brand will not recover from the negative impact of the recall. Aspen is, however, actively working on plans to relaunch the brand containing an alternative API formulation, which would comply with the new pharmaceutical regulations. The cost related to the recall and return of stock from the market is not material and has not been accrued as a liability in the statement of financial position. The total revenue for Zantac in Australasia for the financial year ended 30 June 2019 was R119 million and the impact of the loss of Zantac on future earnings is not considered material.

Residual accounting policies

for the year ended 30 June 2019

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 25 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 resale 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 resale and meets the definition of a discontinued operation in accordance with IFRS 5: *Non-current assets held-for-sale and discontinued operations*.

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

Inter-company transactions and balances

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a 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 amount 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 amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions (except for hyperinflationary economies)

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

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

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

Foreign operations (except for hyperinflationary economies)

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

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

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

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

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

Financial instruments

Accounting for derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income as financing costs, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount 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 amounts of the following financial assets and financial liabilities approximate their fair values:

- trade and other financial receivables;
- cash and cash equivalents;
- other non-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.

Residual accounting policies continued

for the year ended 30 June 2019

Comparative figures

Comparative figures are reclassified as necessary to afford a proper and more meaningful comparison of results and restated as a result of the adoption of new standards.

Reclassifications and presentation

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 which is included in revenue.

Amounts due by Group companies

Amounts due by Group companies are classified as "amortised cost" in terms of IFRS 9: *Financial Instruments*. 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: *Financial Instruments.*

Amounts due to Group companies

Amounts due to Group companies 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.

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 145.

New standards, amendments and interpretations

The following standards, amendments and interpretations were effective for the first time in the year ended 30 June 2019:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IFRS 2: *Share-based payments* Clarifying how to account for certain types of share-based payment transactions	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ending 30 June 2019. No material impact for the Group.
Amendment to IFRS 4: *Insurance contracts* Regarding the implementation of IFRS 9: *Financial instruments*	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: • Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and • Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ending 30 June 2019. No material impact for the Group.
Amendment to IAS 40: *Investment property* Transfers of investment property	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ending 30 June 2019. No material impact for the Group.
IFRIC 22: *Foreign currency transactions and advance consideration*	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ending 30 June 2019. No material impact for the Group.
IFRS 9: *Financial Instruments* (2009 and 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ended 30 June 2019. Refer to note 1 where the detailed impact is disclosed.

Residual accounting policies continued

for the year ended 30 June 2019

Standards, amendments and interpretations	**Description**	**Effective date**	**Effect on the Group**
Amendment to IFRS 9: *Financial instruments* • on general hedge accounting	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: • The own credit risk requirements for financial liabilities. • Classification and measurement ("C&M") requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ended 30 June 2019. Refer to note 1 where the detailed impact is disclosed.
IFRS 15: *Revenue from Contracts with Customers*	The FASB and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfer to a customer.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ended 30 June 2019. Refer to note 1 where the detailed impact is disclosed.
Amendment to IFRS 15: *Revenue from Contracts with Customers*	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.	Financial years beginning on or after 1 January 2018.	The Group applied this amendment from the financial year ended 30 June 2019. Refer to note 1 where the detailed impact is disclosed.

The following standards, amendments and interpretations were not yet effective for the year ended 30 June 2019:

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

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to IAS 19: *Employee benefits* on plan amendment, curtailment or settlement	These amendments require an entity to: • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from financial year ending 30 June 2020. No material impact expected to the Group.
Amendment to IFRS 3: *Business Combinations* Definition of a "business"	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	Financial years beginning on or after 1 January 2020.	The Group will apply this amendment from financial year ending 30 June 2021. No material impact expected to the Group.
Amendments to IFRS 9: *Financial instruments* on prepayment features with negative compensation and modification of financial liabilities	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from financial year ending 30 June 2020. No material impact expected to the Group.

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 16: *Leases*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* As at the reporting date, the Group has non-cancellable operating lease commitments of R642 million, see note 3. Of these commitments, approximately between the range of R130 million to R150 million relate to short-term leases and or low value leases which will both be recognised on a straight-line basis as an expense in the statement of comprehensive income. From the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately between the range of R400 million to R600 million on 1 July 2019, lease liabilities of between R400 million to R600 million (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019). The finance leases currently recognised in property, plant and equipment of R46 million as at 30 June 2019 will be transferred to right-of-use assets.	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from financial year ending 30 June 2020.

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 17: *Insurance Contracts*	The IASB issued IFRS 17: *Insurance contracts*, and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	Financial years beginning on or after 1 January 2021.	The Group will apply this amendment from financial year ending 30 June 2022. No material impact expected to the Group.
Amendments to IAS 28: *Investments in associates and joint ventures* – long-term interests in associates and joint ventures.	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from financial year ending 30 June 2020. No material impact expected to the Group.
IFRIC 23: *Uncertainty over Income Tax Treatments*	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from financial year ending 30 June 2020. 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 IFRSs.

The following improvements were issued in December 2016 and were effective for the financial year ended 30 June 2019:
- IFRS 1: *First-time adoption of IFRS;* and
- IAS 28: *Investments in associates and joint ventures*

The following improvements were issued and are not effective for financial years ending on 30 June 2019:
- IFRS 3: *Business combinations;*
- IFRS 11: *Joint arrangements;*
- IAS 12: *Income taxes;* and
- IAS 23: *Borrowing cost.*

Company Annual Financial Statements

for the year ended 30 June 2019

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Company statement of financial position
at 30 June 2019

	Notes	2019 R'million	2018 R'million
Assets			
Non-current assets			
Investments in subsidiaries	1	**18 633**	17 590
Intangible assets	2	**857**	568
Property, plant and equipment	3	**171**	183
Investment in joint venture	4	**–**	61
Deferred tax assets	5	**25**	25
Other non-current financial assets	6	**27**	41
Total non-current assets		**19 713**	18 468
Current assets			
Amounts due by Group companies	1	**637**	378
Cash and cash equivalents	7	**934**	42
Receivables and prepayments	8	**132**	16
Current tax assets		**21**	42
Total current assets		**1 724**	478
Total assets		**21 437**	18 946
Shareholders' equity			
Retained income		**16 608**	14 980
Share capital	10	**3 225**	3 225
Non-distributable reserve		**105**	132
Share-based compensation reserve		**98**	94
Total shareholders' equity		**20 036**	18 431
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	13	**619**	–
Total non-current liabilities		**619**	–
Current liabilities			
Borrowings	11	**–**	68
Amounts due to Group companies	1	**388**	356
Other payables	12	**175**	91
Other financial liabilities	13	**219**	–
Total current liabilities		**782**	515
Total liabilities		**1 401**	515
Total equity and liabilities		**21 437**	18 946

Company statement of comprehensive income

for the year ended 30 June 2019

	Notes	**2019 R'million**	2018 R'million
Revenue	14	**3 530**	2 518
Administrative expenses		**(589)**	(567)
Other operating income		**834**	1
Other operating expenses		**(483)**	(98)
Operating profit	15	**3 292**	1 854
Investment income	18	**107**	38
Financing costs	19	**2**	30
Profit before tax		**3 401**	1 922
Tax	20	**(336)**	7
Profit for the year		**3 065**	1 929
Other comprehensive income, net of tax*			
Cash flow hedges realised		**–**	(1)
Total comprehensive income		**3 065**	1 928

** All items in other comprehensive income may be reclassified to profit and loss.*

Company statement of changes in equity

for the year ended 30 June 2019

	Share capital R'million	Non-distributable reserves		Share-based compensation reserve R'million	Retained income R'million	Total R'million
		Hedging reserve R'million	FVOCI reserve R'million			
Balance at 1 July 2017	3 225	144	(2)	80	14 362	17 809
Total comprehensive income	–	(1)	–	–	1 929	1 928
Profit for the year	–	–	–	–	1 929	1 929
Other comprehensive losses	–	(1)	–	–	–	(1)
Dividends paid	–	–	–	–	(1 311)	(1 311)
Share-based payment expenses	–	–	–	27	–	27
Revaluation on other non-current financial assets	–	–	(9)	–	–	(9)
Deferred incentive bonus shares exercised	–	–	–	(13)	–	(13)
Balance at 30 June 2018	**3 225**	**143**	**(11)**	**94**	**14 980**	**18 431**
Total comprehensive income	**–**	**–**	**–**	**–**	**3 065**	**3 065**
Profit for the year	**–**	**–**	**–**	**–**	**3 065**	**3 065**
Dividends paid	**–**	**–**	**–**	**–**	**(1 437)**	**(1 437)**
Share-based payment expenses	**–**	**–**	**–**	**29**	**–**	**29**
Revaluation on other non-current financial assets	**–**	**–**	**(27)**	**–**	**–**	**(27)**
Deferred incentive bonus shares exercised	**–**	**–**	**–**	**(25)**	**–**	**(25)**
Balance at 30 June 2019	**3 225**	**143**	**(38)**	**98**	**16 608**	**20 036**

Company statement of cash flows

for the year ended 30 June 2019

	Notes	**2019 R'million**	2018 R'million
Cash flows from operating activities			
Cash generated from operations	A	**2 697**	1 887
Financing costs paid	B	**2**	31
Interest received	C	**107**	38
Tax paid	D	**(309)**	(68)
Cash generated from operating activities		**2 497**	1 888
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(6)**	(13)
Capital expenditure – intangible assets	E	**(329)**	(66)
Proceeds on sale of intangible assets		**83**	–
Proceeds on the sale of assets classified as held-for-sale	G	**2 401**	–
Acquisition of subsidiaries		**(1 124)**	(154)
Acquisition of joint venture		**(808)**	–
Acquisition of other non-current financial assets		**(18)**	(27)
Cash (outflow)/inflow – amounts due by Group companies		**(331)**	53
Capital reduction in subsidiary		**–**	157
Proceeds on sale of intangible assets		**–**	1
Cash used in investing activities		**(132)**	(49)
Cash flows from financing activities			
Repayment of borrowings		**–**	(275)
Dividends paid		**(1 437)**	(1 311)
Cash inflows/(outflows) – amounts due from Group companies		**32**	(59)
Cash used in financing activities		**(1 405)**	(1 645)
Cash and cash equivalents			
Movement in cash and cash equivalents		**960**	194
Cash and cash equivalents at the beginning of the year		**(26)**	(220)
Cash and cash equivalents at the end of the year	F	**934**	(26)

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

Notes to the Company statements of cash flows

for the year ended 30 June 2019

			2019 R'million	2018 R'million
A.	**Cash generated from operations**			
	Operating profit		**3 292**	1 854
	Amortisation of intangible assets		**40**	28
	Depreciation of property, plant and equipment		**18**	20
	Impairment – intangible assets		**56**	39
	Impairment – amounts due by Group Companies		**72**	–
	Impairment – investment in subsidiaries		**92**	–
	Profit on the sale of assets classified as held-for-sale	G	**(833)**	–
	Deferred incentive bonus shares exercised		**(25)**	(13)
	Share-based payment expense – employees		**17**	16
	Other non-cash items		**6**	–
	Withholding taxes		**(6)**	(6)
	Cash operating profit		**2 729**	1 938
	Working capital movements		**(32)**	(51)
	(Increase)/ decrease in receivables and prepayments		**(116)**	8
	Increase/(decrease) in other payables		**84**	(59)
			2 697	1 887
B.	**Financing costs paid**			
	Interest expense		**–**	(49)
	Net foreign exchange gains		**2**	80
			2	31
C.	**Investment income received**			
	Interest received		**107**	38
			107	38
D.	**Tax paid**			
	Amounts (payable)/receivable at the beginning of the year		**42**	(20)
	Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)		**(330)**	(6)
	Amounts receivable at the end of the year		**(21)**	(42)
			(309)	(68)
E.	**Capital expenditure – intangible assets**			
	Additions to intangible assets		**(474)**	(66)
	Consideration outstanding		**145**	–
			(329)	(66)
F.	**Cash and cash equivalents**			
	Cash and cash equivalents per the statement of financial position		**934**	42
	Less: bank overdrafts*		**–**	(68)
	Cash and cash equivalents per the statement of cash flows		**934**	(26)

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

G. Proceeds received from sale of assets classified as held-for-sale

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

	Nutritionals Business R'million
Proceeds	
Proceeds received	2 401
Cash inflow per cash flow statement	2 401
Assets disposed	
Non-current assets	
Intangible assets	6
Investments in joint ventures	869
Total non-current assets	875
Net assets disposed	875
Liabilities raised as part of disposals*:	
Non-current liabilities	
Financial liabilities	619
Current liabilities	
Financial liabilities	74
Net liabilities raised	693
Profit on sale of assets classified as held-for-sale	833
Profit	219
Fair value gain on revaluation of joint venture	614

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

Notes to the Company annual financial statements
for the year ended 30 June 2019

1. Investments in subsidiaries

	2019 R'million	2018 R'million
Summary of balance		
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**18 633**	17 590
Reflected as current assets		
Amounts due by Group companies#	**637**	378
Reflected as current liabilities		
Amounts due to Group companies#	**(388)**	(356)
	18 882	17 612

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

For further details of interests in material operating subsidiaries please refer to note 24.

Other disclosures

Credit risk

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

	2019 R'million	2018 R'million
Amounts due by Group companies	**637**	378
	637	378
Ageing of financial assets		
Fully performing	**637**	378

Impairment losses are recorded in the allowance account for losses until the Company is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset. Refer below for details of the implications of the IFRS 9 adoption.

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses (stage 2)
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery	Asset is written off

Based on the above application current year assessment resulted in an impairment loss of R21 million (2018: Rnil) recognised in the statement of comprehensive income.

2. Intangible assets

Reconciliation of balance

2019	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
Carrying amount				
Cost	**1 575**	**43**	**227**	**1 845**
Accumulated amortisation	**(753)**	**(43)**	**(81)**	**(877)**
Accumulated impairment losses	**(76)**	**–**	**(35)**	**(111)**
	746	**–**	**111**	**857**
Movement in intangible assets				
Carrying amount at the beginning of the year	**382**	**–**	**186**	**568**
Additions	**435**	**–**	**39**	**474**
Disposals	**–**	**–**	**(83)**	**(83)**
Amortisation	**(9)**	**–**	**(31)**	**(40)**
Impairment losses	**(56)**	**–**	**–**	**(56)**
Transfer to assets classified as held-for-sale	**(6)**	**–**	**–**	**(6)**
	746	**–**	**111**	**857**
2018				
Carrying amount				
Cost	1 149	43	236	1 428
Accumulated amortisation	(746)	(43)	(50)	(839)
Accumulated impairment losses	(21)	–	–	(21)
	382	–	186	568
Movement in intangible assets				
Carrying amount at the beginning of the year	393	–	199	592
Additions	1	–	65	66
Disposals	–	–	(1)	(1)
Amortisation	(8)	–	(20)	(28)
Impairment losses	(4)	–	(35)	(39)
Reclassification to property, plant and equipment	–	–	(22)	(22)
	382	–	186	568

2. Intangible assets continued

Indefinite useful life intangible assets

Split of balance	2019 R'million	2018 R'million
GSK OTC brands#	232	255
Other	108	126
	340	381

Key assumptions on impairment tests for the GSK OTC brands were as follows:
- *period covered by the forecasts and budgets of five years (2018: five years);*
- *average growth in revenue per annum of 9% (2018: 10%);*
- *average gross profit percentage per annum of 56% (2018: 61%);*
- *growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 3% (2018: 3%); and*
- *average annual pre-tax discount rate applied to cash flows of 19% (2018: 21%).*

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

Commitments

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

	2019 R'million	2018 R'million
Authorised and contracted for	–	1
Authorised but not yet contracted for	174	78
	174	79

Other disclosure

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

3. Property, plant and equipment

Reconciliation of balance

2019	Buildings R'million	Other tangible assets^ R'million	Total R'million
Carrying amount			
Cost	**157**	**74**	**231**
Accumulated depreciation	**(13)**	**(47)**	**(60)**
	144	**27**	**171**
Movement in property, plant and equipment			
Carrying amount at the beginning of the year	**144**	**39**	**183**
Additions	**3**	**3**	**6**
Depreciation	**(5)**	**(13)**	**(18)#**
Reclassification between categories	**2**	**(2)**	**–**
	144	**27**	**171***
2018			
Carrying amount			
Cost	154	78	232
Accumulated depreciation	(10)	(39)	(49)
	144	39	183
Movement in property, plant and equipment			
Carrying amount at the beginning of the year	146	22	168
Additions	1	12	13
Depreciation	(3)	(17)	(20)#
Reclassification from intangible assets	–	22	22
	144	39	183*

^ *Other tangible assets comprise computer equipment, office equipment and furniture.*
# *Depreciation charge is included in administrative expenses on the statement of comprehensive income.*
* *Included in the total are leased assets amounting R6 million (2018: R7 million).*

3. Property, plant and equipment continued

Commitments

Capital commitments

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

	2019 R'million	2018 R'million
Authorised but not yet contracted for	**37**	34
	37	34

Operating lease commitments

The Company rents buildings under non-cancellable operating leases and also rents office equipment and furniture under operating leases that are cancellable at various short-term notice periods by either party.

	2019 R'million	2018 R'million
Minimum future lease payments – operating leases		
Land and buildings	**1**	1
Office equipment and furniture	**1**	3
Operating lease commitments	**2**	4
The future minimum operating lease payments are as follows:		
Less than one year	**1**	2
Between one and five years	**1**	2
	2	4

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

Other disclosure

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

4. Investment in joint venture

Reconciliation of balance

	2019 R'million	2018 R'million
Carrying amount at the beginning of the year	**61**	61
Acquisition of remaining share in joint venture	**808**	–
Transfer to assets classified as held-for-sale	**(869)**	–
Carrying amount at the end of the year	**–**	61

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

5. Deferred tax assets

	2019 R'million	2018 R'million
Reconciliation of balance		
Opening balance	**25**	6
Statement of comprehensive income charge – included in tax	**1**	14
Statement of comprehensive income (credit)/charge – prior year adjustment	**(1)**	5
	25	25
Deferred tax balance comprises		
Property, plant and equipment	**(4)**	(6)
Intangible assets	**15**	17
Receivables and prepayments	**–**	(2)
Other payables	**14**	16
	25	25
The statement of comprehensive income charge comprises:		
Property, plant and equipment	**(2)**	2
Intangible assets	**2**	5
Receivables and prepayments	**(2)**	–
Other payables	**2**	11
Other	**–**	1
	–	19

6. Other non-current financial assets

	2019 R'million	2018 R'million
At the beginning of the year	**41**	22
Acquisition of shares in Aspen Pharmacare Holdings Limited*	**18**	28
Disposal of shares in Aspen Pharmacare Holdings Limited^	**(5)**	–
Revaluation to fair value – charged to equity	**(27)**	(9)
At the end of the year	**27**	41

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

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

7. Cash and cash equivalents

	2019 R'million	2018 R'million
Summary of balance		
Bank balances	**934**	42

Other disclosure

The average effective interest rate on cash and cash equivalents is 7,2% (2018: 7,0%).

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

All cash and cash equivalents are denominated in Rand.

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

8. Receivables and prepayments

	2019 R'million	2018 R'million
Summary of balance		
Prepayments	**17**	14
Interest accrued	**10**	–
Indirect taxes	**8**	–
Other	**97**	2
	132	16
Split of balance		
Financial assets	**97**	2
Non-financial assets	**35**	14
	132	16

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. Derivative financial instruments

	2019 R'million	2018 R'million
Reconciliation of balance		
Balance at the beginning of the year	**–**	1
Fair value losses on interest rate swaps (included in other comprehensive income)	**–**	(1)
	–	–

Derivatives in the prior year consist of interest rate swaps.

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

The interest rate swaps were classified as "level 2" assets in the fair value measurement hierarchy.

10. Share capital

	2019 R'million	2018 R'million
Summary of balance		
Authorised		
717 600 000 (2018: 717 600 000) ordinary shares with no par value	**–**	–
Issued		
456 451 541 (2018: 456 451 541) ordinary shares with no par value	**3 225**	3 225

	2019 '000	2018 '000
Shares in issue at the beginning of the year	**456,5**	456,4
Shares issued – share schemes	**–**	0,1
Shares in issue at the end of the year	**456,5**	456,5

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

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

11. Borrowings

Currency analysis and maturity profile of total borrowings

	2019			2018		
	Within 1 year R'million	**Between 1 – 5 years R'million**	**Total R'million**	Within 1 year R'million	Between 1 – 5 years R'million	Total R'million
Bank overdrafts						
Rand	**–**	**–**	**–**	68	–	68
Total borrowings	**–**	**–**	**–**	68	–	68

Interest rate profile of total borrowings

	2019			2018		
	Total R'million	**Interest rate %**	**Average effective interest rate %**	Total R'million	Interest rate %	Average effective interest rate %
Bank overdrafts – linked to South African prime overdraft rate	**–**	**–**	**–**	68	Rates ranging between prime and prime less 3%	7,2
Total borrowings	**–**			68		

Other disclosures

There were no undrawn borrowing facilities available at year-end.

12. Other payables

	2019 R'million	2018 R'million
Summary of balance		
Accrued expenses	**10**	17
Leave pay	**15**	12
Bonuses	**49**	48
Other	**101**	14
	175	91
Split of balance		
Financial liabilities	**101**	27
Non-financial liabilities	**74**	64
	175	91

Other disclosures

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

13. Other financial liabilities

	2019 R'million	2018 R'million
Reconciliation of balance		
Nutritionals Business working capital – true-up adjustments	**74**	–
Nutritionals Business performance warranty	**619**	–
Consideration payable to AstraZeneca – Trustan	**145**	–
	838	–
Split of balance		
Financial liabilities	**219**	–
Non-financial liabilities	**619**	–
	838	–

Nutritionals Business

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

The amount can be split as follows:

	2019 R'million	2018 R'million
Working capital – true-up adjustments As part of the disposal of the Nutritionals Business certain working capital adjustments and other clawback mechanisms associated with the assets disposed will be payable to Lactalis in October 2019. The amount in the statement of financial position represents management's best estimate of the expected payment.	**74**	–
Performance warranty The performance warranty is based on the expected profit performance of the disposed portfolio in Asia over three years. The liability recognised is NZD65 million based on management's best estimate of the expected performance. The amount will be payable by latest 31 December 2021.	**619**	–
	693	–

13. **Other financial liabilities** continued

Consideration payable to AstraZeneca – Trustan

In December 2018, the Company acquired the exclusive rights to commercialise Trustan in South Africa for a period of 10 years for a consideration of USD30 million, USD20 million of which has been paid in the current year, and USD10 million payable on or before 1 October 2019. Trustan is a proton pump inhibitor. It is used for the treatment of gastrointestinal reflux disease; for duodenal and gastric ulcers; and for conditions associated with hypersecretion of gastric acid, including Zollinger-Ellison syndrome. The transaction has been classified as a finite intangible asset acquisition and not a business combination.

The repayment profile for the sales-related payments is set out below:	**2019 USD'million**	2018 USD'million
Year ending 30 June 2020	**10**	–
	10	–

14. Revenue

	2019 R'million	2018 R'million
Summary of balance		
Royalties	**309**	288
Administrative fees received from subsidiaries	**597**	365
Dividends received from subsidiaries and joint ventures	**2 624**	1 865
	3 530	2 518

15. Operating profit

Operating profit has been arrived at after charging:		
Audit fees	**23**	16
Current year	**12**	10
Prior year under provision	**1**	6
Other services – due diligence for transactions	**10**	–
Impairment – intangible assets (included in other operating expenses)	**56**	39
Impairment – investment in subsidiaries (included in other operating expenses)	**92**	–
Impairment – amounts due by Group companies	**72**	–
Transaction costs	**217**	5
Operating lease rentals – office equipment and furniture	**1**	1

16. Expenses by nature

	2019 R'million	2018 R'million
Depreciation of property, plant and equipment	**18**	20
Amortisation of intangible assets	**40**	28
Impairment – intangible assets	**56**	39
Impairment – investment in subsidiaries	**92**	–
Impairment – amounts due by Group companies	**72**	–
Personnel costs and other staff-related costs	**382**	331
Property costs	**4**	4
Transaction costs	**217**	5
Legal and consulting fees	**19**	28
Insurance	**30**	22
Information Technology costs	**99**	88
Other	**43**	100
	1 072	665
Classified as		
Administrative expenses	**589**	567
Other operating expenses	**483**	98
	1 072	665

17. Directors and employees

Staff costs	2019 R'million	2018 R'million
Wages and salaries	**268**	232
Defined contribution plans	**33**	26
Share-based payment expense – deferred incentive bonus (equity portion)	**17**	16
Other employee contributions	**8**	5
	326	279

18. Investment income

	2019 R'million	2018 R'million
Summary of balance		
Interest received on bank balances	**40**	38
Interest received – other	**67**	–
	107	38

19. Financing costs

	2019 R'million	2018 R'million
Summary of balance		
Interest paid on borrowings	**–**	(49)
Capital raising fees released	**–**	(1)
Net foreign exchange gains	**2**	80
	2	30

20. Tax

	2019 R'million	2018 R'million
Summary of balance		
Current tax	**330**	6
Deferred tax	**–**	(19)
Withholding tax	**6**	6
Total tax charge	**336**	(7)

Reconciliation of effective tax rate	2019 %	2018 %
South African current tax rate	**28,0**	28,0
Movement in rate due to transactions included in normalised headline earnings:		
Non-taxable income	**(21,2)**	(27,2)
Withholding and other taxes	**0,2**	0,3
Disallowed holding expenses	**0,3**	1,6
Prior year adjustments	**0,4**	(3,5)
Other disallowed including provisions for uncertain tax positions	**0,1**	0,2
Normalised effective tax	**7,8**	(0,6)
Movement in rate due to transactions excluded from normalised headline earnings:		
Disallowed impairments	**1,6**	0,1
Disallowed restructuring, transaction costs and financing costs	**0,4**	0,1
Effective tax rate	**9,8**	(0,4)

21. Related party transactions

Transactions with shareholders

The Company did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 26 of the Group's Annual Financial Statements.

Intra-Group transactions and balances

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

Refer to note 25 for a list of the material operating subsidiaries and structured entities.

None of the balances are secured.

	2019 R'million	2018 R'million
The following intra-group transactions took place between Aspen Pharmacare Holdings Limited and Group companies during the current year		
Royalties received	309	288
Pharmacare Limited	304	284
Other subsidiaries	5	4
Administration fees received	597	365
Aspen Global Incorporated	226	76
Aspen Healthcare FZ LLC	19	22
Aspen Notre Dame de Bondeville SAS	19	15
Aspen Oss B.V.	33	33
Aspen Pharma Ireland Limited	15	16
Pharmacare Limited	88	68
Other subsidiaries	197	135
Dividends received (and paid to the Company)	2 624	1 865
Aspen Global Incorporated	2 306	528
New Zealand New Milk	44	15
Aspen Pharmacare Nigeria Limited	–	3
Pharmacare Limited	–	1 260
Aspen Oss	234	–
Other subsidiaries	40	59
The following intra-Group balances were outstanding between Aspen Pharmacare Holdings Limited and Group companies at year-end		
Amounts reflected as current assets	637	378
Aspen Global Incorporated	172	11
The Aspen Share Incentive Scheme Trust	46	81
Shelys Pharmaceuticals International Limited	146	142
Pharmacare Limited	62	–
Aspen Labs S.A. de C.V.	43	–
Other subsidiaries	168	144
Amounts reflected as current liabilities	388	356
Pharmacare Limited	320	324
Aspen Port Elizabeth (Pty) Limited	27	27
Other subsidiaries	41	5

21. **Related party transactions** continued

Transactions and balances with directors

All directors have given general declarations of interest in terms of Section 75 of the Companies Act of 2008.

These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Company in terms of a customer/supplier relationship.

These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions, and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time 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 R9 million (2018: R0,4 million) and no balance was outstanding at year end (2018: nil).

Transactions with Group directors and prescribed officers

Key personnel compensation consists of:

	2019 R'million	2018 R'million
Short-term employee benefits	**53**	51
Post-employment benefits	**5**	4
Share-based payment expense	**9**	16
Total key management remuneration paid	**67**	71
Number of employees included above	**15**	14

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

22. Changes in accounting policies/new standards adopted by the company

The implementation of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* became effective for Aspen in the 2019 financial year. Aspen has assessed and applied the new standards and the June 2019 results have been reported in line with the new requirements. The June 2018 comparative period has not been restated due to the fact that the adoption of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers* was considered to be immaterial. This note explains the impact of the adoption of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*.

IFRS 15

The new standard, IFRS 15: *Revenue from Contacts with Customers,* was adopted by the Company and applied on a full retrospective basis in the financial year ended 30 June 2019. Following a detailed review of the impact of implementing the revised standard, the Company identified no requirement for a restatement in terms of IFRS 15: *Revenue from Contacts with Customers*.

The revenue streams of the Company include royalties, administrative fees received from subsidiaries and dividends received from subsidiaries and joint ventures. Due to dividend income not being considered as revenue from contracts with customers, the revenue streams affected by the IFRS 15: *Revenue from Contracts with Customers* relates to royalties, administrative fees received from subsidiaries. In accordance with the transition provisions in IFRS 15: *Revenue from Contracts with Customers*, the Company has adopted the new rules retrospectively and has not restated comparatives as a result as the adoption of IFRS 15 did not have a material impact on the company.

Transition to IFRS 15

IFRS 15: *Revenue from Contracts with Customers* replaces the existing requirements governing revenue recognition under all existing revenue standards and related interpretations. The new standard establishes a comprehensive framework for determining and reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. In applying the new standard the Company recognises revenue upon the transfer of control over products to the customer and the amount of revenue can be measured reliably and its is probable that future economic benefits will flow to the entity.

IFRS 9

IFRS 9: *Financial Instruments* replaces the provisions of IAS 39: *Financial Instruments* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company applied IFRS 9: *Financial Instruments* retrospectively resulting in changes to accounting policies and no adjustments were recognised in the financial statements.

Applying the incurred loss model, the Company assessed whether there was any objective evidence of impairment at the end of each reporting period. The Company has applied IFRS 9: *Financial Instruments* retrospectively with the date of initial application of 1 July 2017.

22. **Changes in accounting policies/new standards adopted by the company** continued

Classification and measurement

The following table shows the original classification and carrying amount under IAS 39: *Financial Instruments*, and the new carrying amount under IFRS 9: *Financial Instruments* for each class of the Company's financial assets and liabilities at 1 July 2017.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Receivables and prepayments	Loans and receivables	Amortised cost	2	2
Cash and cash equivalents	Loans and receivables	Amortised cost	42	42
Amounts due by Company companies	Loans and receivables	Amortised cost	378	378
Other non-current financial assets	Available-for-sale	Fair value through other comprehensive income	41	41
Total financial assets			463	463
Financial liabilities				
Bank overdrafts	Amortised cost	Amortised cost	68	68
Other payables	Amortised cost	Amortised cost	27	27
Amounts due to Company companies	Amortised cost	Amortised cost	356	356
Total financial liabilities			451	451

The Company has the following financial assets subject to the expected credit loss ("ECL") model:

- other non-current financial assets;
- amounts due by Company companies;
- cash and cash equivalents; and
- receivables.

The Company was required to revise its impairment methodology under IFRS 9: *Financial Instruments* for each of these classes of assets. The change had no impact on the Company's financial statements.

We considered the ECLs on the abovementioned financial assets under the general impairment model.

Based on the application of the above, the Company considered the financial performance and future cash flows of the related parties and concluded that the credit risk relating to amounts due by Group companies is limited and consequently the probability of default relating to these balances is low. The Company also considered the probability of default relating to receivables to be low. The impact of forward looking information has been deemed to be immaterial for amounts due by Group companies and for receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9: *Financial Instruments*, no impairment losses were identified.

Equity investments previously classified as available-for-sale

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as medium-term investments that are not expected to be sold in the short term. As a result, assets with a fair value of R41 million were reclassified from available-for-sale financial assets to financial assets to other non-current financial assets at fair value through other comprehensive income ("FVOCI") and fair value losses of R11 million were reclassified from revaluation surplus reserve to FVOCI reserve on 1 July 2017.

23. Financial risk management

23.1 Introduction

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

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

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

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

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

23.2 Financial instruments by category

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

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

June 2018 (Restated)	At fair value through other comprehensive income R'million	At amortised cost R'million	Total R'million
Financial assets			
Receivables and prepayments	–	2	2
Cash and cash equivalents	–	42	42
Amounts due by Group companies	–	378	378
Other non-current financial assets	41	–	41
Total financial assets	41	422	463
Financial liabilities			
Bank overdrafts	–	68	68
Other payables	–	27	27
Amounts due to Group companies	–	356	356
Total financial liabilities	–	451	451

23. Financial risk management continued

23.3 Market risk management

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

23.4 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 2019 and 30 June 2018 the Company had no outstanding forward exchange contracts.

Sensitivity analysis

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

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

The analysis had been performed on the basis of the change occurring at the start of the reporting period and assumed that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2018.

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 R15 million (2018: Rnil).

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.

23.5 Interest rate risk

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

	Carrying amount	
	2019 R'million	2018 R'million
Variable rate instruments		
Receivables and prepayments	**(10)**	–
Cash and cash equivalents	**(934)**	(42)
Borrowings	**–**	68
Variable rate exposure	**(944)**	26

Sensitivity analysis

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

An increase of 1% in interest rates for the year ended 30 June would have increased profit before tax by R9 million and (decreased profit before tax by R1 million in 2018). A decrease of 1% will have an equal and opposite effect on profit before tax.

23. Financial risk management continued

23.6 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 2019	**On demand R'million**	**< 1 year R'million**	**1 – 5 years R'million**	**Total R'million**
Financial assets				
Receivables and prepayments (financial instruments only)	**–**	**97**	**–**	**97**
Cash and cash equivalents	**–**	**934**	**–**	**934**
Other non-current financial assets	**–**	**9**	**18**	**27**
Amounts due by Group companies	**637**	**–**	**–**	**637**
Total financial assets	**637**	**1 040**	**18**	**1 695**
Financial liabilities				
Other payables (financial instruments only)	**–**	**(101)**	**–**	**(101)**
Non-current financial liabilities	**–**	**(145)**	**–**	**(145)**
Amounts due to Group companies	**(388)**	**–**	**–**	**(388)**
Total financial liabilities	**(388)**	**(246)**	**–**	**(634)**
Net exposure	**249**	**794**	**18**	**1 061**

	Undiscounted cash flows			
June 2018 (Restated)	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
Financial assets				
Receivables and prepayments (financial instruments only)	–	2	–	2
Cash and cash equivalents	–	42	–	42
Other non-current financial assets	–	14	27	41
Amounts due by Group companies	378	–	–	378
Total financial assets	378	58	27	463
Financial liabilities				
Bank overdrafts	(68)	–	–	(68)
Other payables (financial instruments only)	–	(27)	–	(27)
Amounts due to Group companies	(356)	–	–	(356)
Total financial liabilities	(424)	(27)	–	(451)
Net exposure	(46)	31	27	12

23. Financial risk management continued

23.7 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.

23.8 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 borrowings and equity attributable to holders of the parent comprising share capital, non-distributable reserves and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews this capital structure on at least a semi-annual basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Company may seek to adjust the composition of its capital structure depending on circumstances existing at the time of each review.

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

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

24. 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 2019, collectively guaranteed by the Company (and in most cases, along with the Guarantors):

	2019 million	2018 million
AUD denominated facilities	**350**	350
EUR denominated facilities	**2 884**	2 922
USD denominated facilities	**100**	45
ZAR denominated facilities	**18 765**	18 745

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.

Notes to the Company annual financial statements continued

for the year ended 30 June 2019

25. Material operating subsidiaries and structured entities

Country of incorporation	Company	Currency	Issued capital '000	Effective Group holding 2019 %	Effective Group holding 2018 %	Investment 2019 R'million	Investment 2018 R'million
Subsidiaries							
Direct							
India	Alphamed Formulations Pvt Limited	INR	–#	**100**	100	**214**	154
Germany	Aspen Bad Oldesloe GmbH	EUR	50	**100**	100	**685**	685
Mauritius	Aspen Global Incorporated	EUR	908 529	**100**	100	**8 654**	8 654
France	Aspen Notre Dame de Bondeville SAS	EUR	266 311	**100**	100	**3 780**	3 780
The Netherlands	Aspen Oss B.V.	EUR	53 000	**100**	100	**1 389**	1 389
Kenya	Beta Healthcare International Limited	KES	30 000	**100**	100	**7**	7
South Africa	Fine Chemicals Corporation (Pty) Limited	ZAR	–#	**100**	100	**1 330**	330
South Africa	Pharmacare Limited	ZAR	1 395	**100**	100	**2 092**	2 080
South Africa	Aspen Finance (Pty) Limited	EUR	12 000	**100**	100	**213**	213
Various	Various	Δ	Δ	**Δ**	Δ	**269**	298
Indirect							
France	Aspen France SAS	EUR	–	**100**	100	**–**	–
Germany	Aspen Europe GmbH	EUR	–	**100**	100	**–**	–
United Arab Emirates	Aspen Healthcare FZ LLC	USD	82	**100**	100	**–**	–
Russia	Aspen Health LLC	RUB	615 400	**100**	100	**–**	–
Japan	Aspen Japan K.K.	JPY	–	**100**	–	**–**	–
Brazil	Aspen Pharma – Indústria Farmacêutica Limitada	BRL	385 066	**100**	100	**–**	–
Ireland	Aspen Pharma Ireland Limited	EUR	42 001	**100**	100	**–**	–
Australia	Aspen Pharma (Pty) Limited	AUD	11 862	**100**	100	**–**	–
Australia	Aspen Pharmacare Australia (Pty) Limited	AUD	167 373	**100**	100	**–**	–
Tanzania	Shelys Pharmaceuticals Limited	TZS	6 723 843	**100**	100	**–**	–
Mexico	Wyeth, S de R. L. de C.V.	MXN	2 196 046	**100**	100	**–**	–
Various	Various	Δ	Δ	**100**	100	**–**	–
Trusts (structured entities)^							
South Africa	Aspen Share Appreciation Plan	ZAR	N/A	**100**	100	**–**	–
South Africa	Aspen Share Incentive Scheme	ZAR	N/A	**100**	100	**–**	–
Total investments in subsidiaries						**18 633**	17 590

Less than 1 000.

^ *These trusts are structured entities which are consolidated into the Group Annual Financial Statements and are not subject to any other risk exposure.*

Δ *These direct and indirect holdings are made up of various subsidiaries incorporated in multiple territories.*

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

Definitions

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

Illustrative constant exchange rate report – Annexure 1

Illustrative constant exchange rate report on selected financial data

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

The *pro forma* constant exchange rate information is presented to demonstrate the impact of fluctuations in currency exchange rates on the Group's reported results. The constant exchange rate report is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The *pro forma* information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 30 June 2019. The illustrative constant exchange rate report on selected financial data has been derived from the audited financial information and has been reported on by Aspen's auditors in an assurance report, which is available for inspection at the Company's registered office.

The Group's financial performance is impacted by numerous currencies which underlie the reported trading results, where even within geographic segments, the Group trades in multiple currencies ("source currencies"). The constant exchange rate restatement has been calculated by adjusting the prior period's reported results at the current period's reported average exchange rates. Restating 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 2019 average rates	June 2018 average rates
EUR – Euro	**16,193**	15,326
AUD – Australian Dollar	**10,149**	9,965
USD – US Dollar	**14,194**	12,856
CNY – Chinese Yuan Renminbi	**2,080**	1,975
JPY – Japanese Yen	**0,128**	0,116
MXN – Mexican Peso	**0,735**	0,686
BRL – Brazilian Real	**3,647**	3,867
GBP – British Pound	**18,367**	17,291
CAD – Canadian Dollar	**10,723**	10,126
RUB – Russian Ruble	**0,216**	0,218
PLN – Polish Zloty	**3,770**	3,620

Revenue, other income, cost of sales and expenses

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

Tax

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

Illustrative constant exchange rate report – Annexure 1 continued

Illustrative constant exchange rate report on selected financial data continued

Key constant exchange rate indicators	**Reported June 2019 (June 2019 at June 2019 average rates) R'million**	Restated reported June 2018 (June 2018 at June 2018 average rates) R'million	Change at reported exchange rates %	Illustrative constant exchange rates (June 2018 at June 2019 average rates) R'million	Change at constant exchange rates %
Continuing operations					
Revenue	**38 872**	38 314	1	39 856	(2)
Gross profit	**19 698**	19 686	–	20 195	(2)
Normalised EBITDA	**10 824**	11 031	(2)	11 219	(4)
Operating profit	**4 809**	8 506	(43)	8 606	(44)
Normalised headline earnings	**6 454**	6 932	(7)	7 014	(8)
Earnings per share (cents)	**437,3**	1 231,3	(64)	1 238,6	(65)
Headline earnings per share (cents)	**1 227,6**	1 383,5	(11)	1 396,2	(12)
Normalised headline earnings per share (cents)	**1 414,3**	1 518,4	(7)	1 536,6	(8)

	Reported June 2019 (June 2019 at June 2019 average rates) %	Restated reported June 2018 (June 2018 at June 2018 average rates) %
Revenue currency mix		
EUR – Euro	**29**	30
ZAR – South African Rand	**19**	19
AUD – Australian Dollar	**11**	10
USD – US Dollar	**6**	8
CNY – Chinese Yuan Renminbi	**7**	6
JPY – Japanese Yen	**5**	5
MXN – Mexican Peso	**3**	2
BRL – Brazilian Real	**4**	3
GBP – British Pound	**2**	2
CAD – Canadian Dollar	**1**	1
RUB – Russian Ruble	**1**	1
PLN – Polish Zloty	**1**	1
Other currencies	**11**	12
Total	**100**	100

Group segmental analysis

	Year ended June 2019 (June 2019 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	15 267	17 817	33 084	5 788	38 872
Cost of sales	(6 902)	(8 032)	(14 934)	(4 240)	(19 174)
Gross profit	8 365	9 785	18 150	1 548	19 698
Selling and distribution expenses					(6 846)
Contribution profit					12 852
Administrative expenses					(3 097)
Net other operating income					332
Depreciation					737
Normalised EBITDA*					10 824
Adjusted for:					
Depreciation					(737)
Amortisation					(455)
Loss on sale of assets					(80)
Net impairment of assets					(3 812)
Restructuring costs					(131)
Transaction costs					(540)
Reversal of deferred consideration no longer payable					264
Product litigation costs					(524)
Operating profit					4 809
Gross profit (%)	54,8	54,9	54,9	26,7	50,7
Selling and distribution expenses (%)					17,6
Contribution profit (%)					33,1
Administrative expenses (%)					8,0
Normalised EBITDA (%)					27,8

Illustrative constant exchange rate report – Annexure 1 continued

Group segmental analysis continued

	Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates)				
	Sterile Focus Brands R'million	Regional Brands R'million	Total Commercial Pharma R'million	Manufacturing R'million	Total R'million
Revenue	15 618	17 736	33 354	6 502	39 856
Cost of sales	(7 495)	(7 774)	(15 269)	(4 392)	(19 661)
Gross profit	8 123	9 962	18 085	2 110	20 195
Selling and distribution expenses					(6 866)
Contribution profit					13 329
Administrative expenses					(3 069)
Net other operating income					265
Depreciation					694
Normalised EBITDA*					11 219
Adjusted for:					
Depreciation					(694)
Amortisation					(450)
Loss on sale of assets					(55)
Net impairment of assets					(715)
Restructuring costs					(207)
Transaction costs					(162)
Product litigation costs					(330)
Operating profit					8 606
Gross profit (%)	52,0	56,2	54,2	32,5	50,7
Selling and distribution expenses (%)					17,2
Contribution profit (%)					33,4
Administrative expenses (%)					7,7
Normalised EBITDA (%)					28,1

	Change				
	Sterile Focus Brands %	Regional Brands %	Total Commercial Pharma %	Manufacturing %	Total %
Revenue	(2)	–	(1)	(11)	(2)
Cost of sales	(8)	3	(2)	(3)	(2)
Gross profit	3)	(2)	–	(27)	(2)
Selling and distribution expenses					–
Contribution profit					(4)
Administrative expenses					1
Net other operating income					25
Depreciation					6
Normalised EBITDA*					(4)

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

Group revenue segmental analysis

	Year ended June 2019 (June 2019 at 2019 average rates) R'million	Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates) R'million	Change in constant exchange rates %
Commercial Pharmaceuticals by customer geography	**33 084**	33 354	(1)
Sub-Saharan Africa	**7 986**	8 036	(1)
Developed Europe	**7 381**	7 829	(6)
Australasia	**4 048**	3 968	2
Latin America	**3 083**	2 910	6
Developing Europe & CIS	**2 516**	2 810	(10)
China	**2 872**	2 544	13
Japan	**2 124**	2 119	–
Other Asia	**1 343**	1 413	(5)
MENA	**1 056**	1 032	2
USA & Canada	**675**	693	(3)
Manufacturing revenue by geography of manufacture			
Manufacturing revenue – finished dose form	**1 235**	1 621	(24)
Australasia	**372**	367	1
Developed Europe	**627**	666	(6)
Sub-Saharan Africa	**236**	588	(60)
Manufacturing revenue – active pharmaceutical ingredients	**4 553**	4 881	(7)
Developed Europe	**4 087**	4 527	(10)
Sub-Saharan Africa	**353**	354	–
Other Asia	**113**	–	100
Total manufacturing revenue	**5 788**	6 502	(11)
Total revenue	**38 872**	39 856	(2)
Summary of regions			
Developed Europe	**12 095**	13 022	(7)
Sub-Saharan Africa	**8 575**	8 978	(4)
Australasia	**4 420**	4 335	2
Latin America	**3 083**	2 910	6
Developing Europe & CIS	**2 516**	2 810	(10)
China	**2 872**	2 544	13
Japan	**2 124**	2 119	–
Other Asia	**1 456**	1 413	3
MENA	**1 056**	1 032	2
USA & Canada	**675**	693	(3)
Total revenue	**38 872**	39 856	(2)

Illustrative constant exchange rate report – Annexure 1 continued

Commercial Pharmaceuticals therapeutic area analysis

	Year ended June 2019 (June 2019 at 2019 average rates)				
	Anaesthetics Brands R'million	**Thrombosis Brands R'million**	**Sterile Focus Brands R'million**	**Regional Brands R'million**	**Total R'million**
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	**111**	**8**	**119**	**7 867**	**7 986**
Developed Europe	**2 191**	**3 411**	**5 602**	**1 779**	**7 381**
Australasia	**663**	**22**	**685**	**3 363**	**4 048**
Latin America	**894**	**75**	**969**	**2 114**	**3 083**
Developing Europe & CIS	**283**	**1 868**	**2 151**	**365**	**2 516**
China	**1 976**	**869**	**2 845**	**27**	**2 872**
Japan	**1 332**	**32**	**1 364**	**760**	**2 124**
Other Asia	**675**	**167**	**842**	**501**	**1 343**
MENA	**237**	**118**	**355**	**701**	**1 056**
USA & Canada	**321**	**14**	**335**	**340**	**675**
Total Commercial Pharmaceuticals	**8 683**	**6 584**	**15 267**	**17 817**	**33 084**

	Illustrative constant exchange rate June 2018 (June 2018 at 2019 average rates)				
	Anaesthetics Brands R'million	Thrombosis Brands R'million	Sterile Focus Brands R'million	Regional Brands R'million	Total R'million
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	144	9	153	7 883	8 036
Developed Europe	2 267	3 668	5 935	1 894	7 829
Australasia	729	21	750	3 218	3 968
Latin America	835	74	909	2 001	2 910
Developing Europe & CIS	411	1 961	2 372	438	2 810
China	1 874	649	2 523	21	2 544
Japan	1 331	53	1 384	735	2 119
Other Asia	717	165	882	531	1 413
MENA	211	170	381	651	1 032
USA & Canada	321	8	329	364	693
Total Commercial Pharmaceuticals	8 840	6 778	15 618	17 736	33 354

	Change in constant exchange rates				
	Anaesthetics Brands %	Thrombosis Brands %	Sterile Focus Brands %	Regional Brands %	Total %
By customer geography					
Commercial Pharmaceuticals					
Sub-Saharan Africa	(23)	(11)	(22)	–	(1)
Developed Europe	(3)	(7)	(6)	(6)	(6)
Australasia	(9)	5	(9)	5	2
Latin America	7	1	7	6	6
Developing Europe & CIS	(31)	(5)	(9)	(17)	(10)
China	5	34	13	29	13
Japan	–	(40)	(1)	3	–
Other Asia	(6)	1	(5)	(6)	(5)
MENA	12	(31)	(7)	8	2
USA & Canada	–	75	2	(7)	(3)
Total Commercial Pharmaceuticals	(2)	(3)	(2)	–	(1)

Unaudited share statistics

Analysis of shareholders at 30 June 2019

	Number of shareholders	% of shareholders	Number of shares	% of total shareholding
Ordinary shares				
Size of holding				
1 – 2 500	36 494	91,0%	14 435 252	3,2%
2 501 – 12 500	2 328	5,8%	12 229 897	2,7%
12 501 – 25 000	420	1,1%	7 483 789	1,6%
25 001 – 50 000	294	0,7%	10 503 985	2,3%
50 001 and over	559	1,4%	411 798 618	90,2%
	40 095	100,0%	456 451 541	100,0%

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2019, the following are the top 10 registered institutional shareholders:

	Number of shares	% of total shareholding
Institutional shareholder		
Public Investment Corporation	49 961 331	10,9%
Coronation Asset Management (Pty) Ltd	40 032 655	8,8%
Foord Asset Management	22 576 559	4,9%
Allan Gray Ltd	17 146 715	3,8%
BlackRock Inc	17 032 790	3,7%
Sanlam Investment Management	15 217 911	3,3%
The Vanguard Group Inc	14 745 731	3,2%
Old Mutual Ltd	10 767 630	2,4%
Investec Securities (Pty) Limited	9 827 433	2,2%
Colonial First State Global Asset Management	9 322 034	2,0%
	206 630 789	45,2%

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2019, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 111 of the Remuneration Report in the integrated annual report.

	Number of shares	% of total shareholding
Shareholder		
Government Employees Pension Fund	62 484 775	13,7%
Saad, SB	55 976 112	12,3%
Attridge, MG	19 008 919	4,2%
Alexander Forbes Investments	10 740 164	2,4%
Ceppwawu Investments (Pty) Ltd	10 053 368	2,2%
GIC Asset Management Pte Ltd	7 782 018	1,7%
Stewart Investors Global EM Leaders Fund	7 631 091	1,7%
Vanguard Emerging Markets Stock Index Fund	6 500 603	1,4%
Coronation Top 20 Fund	6 475 716	1,4%
Foord Balanced Fund	6 178 287	1,4%
	192 831 053	42,4%

Shareholder Statistics (unaudited) continued

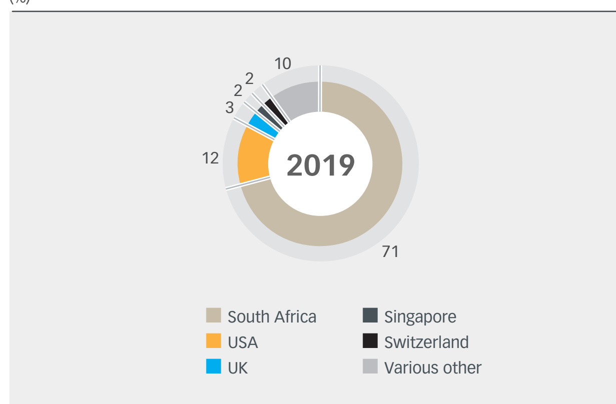
Shareholders' spread

As required by paragraph 8.63 and in terms of paragraph of 4.25 of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2019 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	14	138 291 518	30,3%
Directors of the Company and directors of material subsidiaries	12	75 154 499	16,5%
Government Employees Pension Fund	1	62 484 775	13,7%
Employee share trusts – treasury shares	1	652 244	0,1%
Public shareholders	40 081	318 160 023	69,7%
Total shareholding	40 095	456 451 541	100,0%

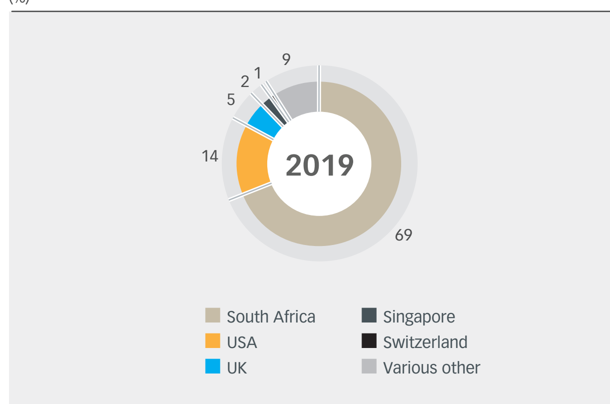
Beneficial shareholders – country

(%)



Institutional shareholders – country

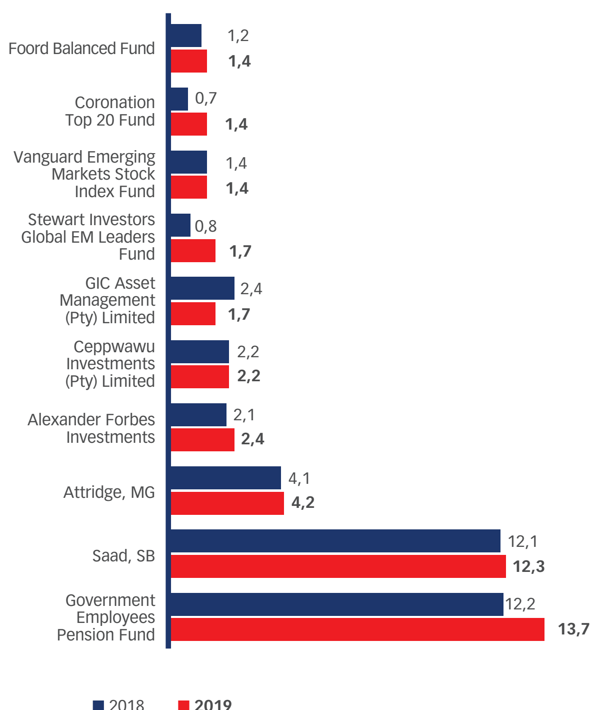
(%)



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

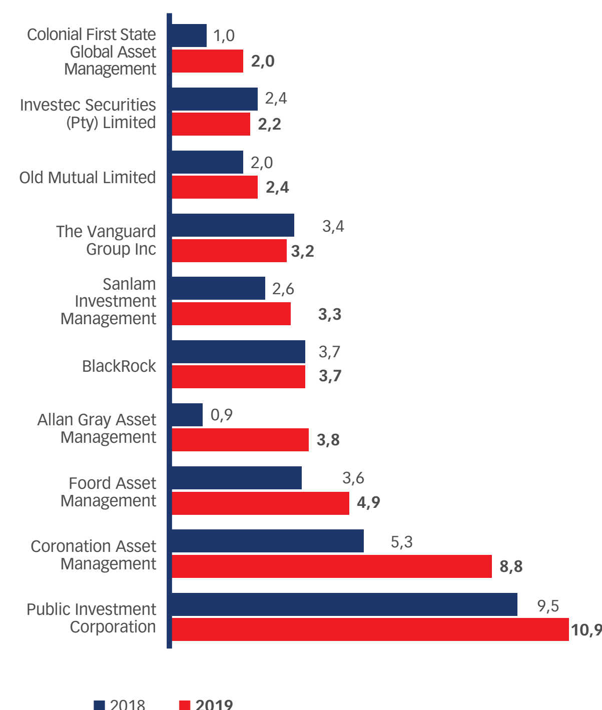
Top 10 beneficial shareholders

(% shareholding)



Top 10 institutional shareholders

(% shareholding)



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

Share code
APN ISIN: ZAE 000066692
APN Legal Entity Identifier ("LEI"): 635400ZYSN1IRD5QWQ94

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Sponsors
Investec Bank Limited

Transfer secretaries
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Abbreviations of pharmaceutical regulatory authorities and acronyms (manufacturing capabilities)

ANDA	Abbreviated new drug application
ANSM	French National Agency for Medicinal and Health Product Safety
ANVISA	Brazilian National Health Surveillance Agency
ASN	Nuclear Safety Authority for E-beam
COFEPRIS	Mexican Federal Commission for Protection against Health Risk
DCA	Drug Control Administration – India
DQS	Deutsche Gesellschaft zur Zertifizierung von Management Systemen
DPML-CI	Directorate of Pharmacy, Medicines and Laboratories – Ivory Coast
EDQM	European Directorate for the Quality of Medicines
EFDA	Ethiopian Food and Drug Administration
EMA	European Medicines Agency
FMHACA	Ethiopian Food, Medicine and Healthcare Administration Control Authority
FSSC	Food Safety System Certification
GCC	Middle East and North African Gulf Cooperation Council
GFDA	Ghanian Food and Drugs Authority
GMP	Good Manufacturing Practice
GRA	German Regulatory Authority
HPB	Health Protection Branch (Canada)
ICHA	Ivory Coast Health Authority
INVIMA	Colombia National Food and Drug Surveillance Institute
IRA	Israeli Regulatory Authorities
ISO	International Organisation for Standardisation
KFDA	Korean Food and Drug Administration
Kℓ	Kilolitre
KvH	Kilo vessel hours
LAsD	Local vs Federal Agencies
LRA	Libyan Regulatory Authorities
MCAZ	Medicines Control Agency of Zimbabwe
MHRA	United Kingdom Medicines and Health Products Regulatory Agency
MOH – DRC	Ministry of Health – Democratic Republic of Congo
NAFDAC	Nigerian National Agency for Food and Drug Administration and Control
NDA	Ugandan National Drug Authority
OHSAS	Occupational Health and Safety Management Systems
PMDA	Japanese Pharmaceutical and Medical Device Agency
PMPB	Malawian Pharmacy, Medicines and Poisons Board
PPB	Kenyan Pharmacy and Poisons Board
Russian MoIT	Ministry of Industry and Trade of the Russian Federation
SAHPRA	South African Health Products Regulatory Authority
TFDA	Tanzania Food and Drug Authority
TGA	Australian Therapeutic Goods Administration
TMDA	Tanzania Medicines and Medical Devices Authority
TRA	Turkish Regulatory Authority
UHT	Ultra-high temperature
UNDA	Ugandan National Drug Authority
US FDA	United States Food and Drug Administration
WHO	World Health Organisation
ZAMRA	Zambia Medicine Regulatory Authority

Disclaimer

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "prospects", "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "indicate", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements are discussed in each year's Annual Report. Forward looking statements apply only as of the date on which they are made, and we do not undertake other than in terms of the Listings Requirements of the JSE Limited, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Bastion

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