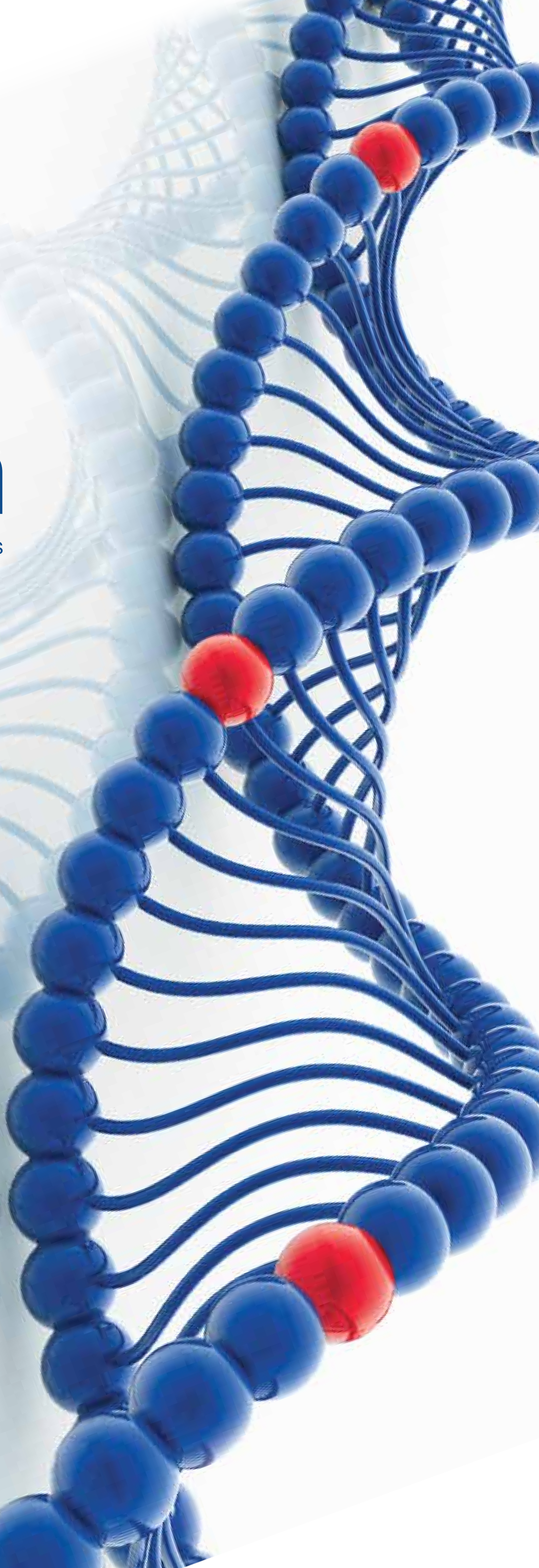

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HOLDINGS

ANNUAL FINANCIAL STATEMENTS 2017

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All company names have been abbreviated throughout the Annual Financial Statements and appear on pages 127 and 128.

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 2017, 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
30 October 2017

Audit & Risk Committee report

Activities, mandate, composition and attendance of the Audit & Risk Committee ("A&R Co")

The table below reflects a summary of the activities undertaken by the A&R Co 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 A&R Co, 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, 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; ➔ 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 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; ➔ received an external and independent assessment of the internal audit function in line with Aspen's requirement for an external review every five years, noting the positive results of this assessment and the function's general conformance with the Institute of Internal Auditors Standards; and ➔ ensured that a comprehensive combined assurance model was applied 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 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.
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 A&R Co 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.

Committee members and attendance at meetings

The A&R Co 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 A&R Co consists of five 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 A&R Co.

The Deputy Group Chief Executive, Group Finance Officer, Chief Audit 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 A&R Co 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 eight times. 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.

The Chairman of the Committee represents the A&R Co at the annual general meeting each year.

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

The Remuneration & Nomination Committee ("R&N Co"), 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 A&R Co meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

A&R Co	7 September 2016	13 September 2016	19 October 2016	24 October 2016	2 December 2016	28 February 2017	7 March 2017	19 June 2017
Roy Andersen	✓	✓	✓	✓	✓	✓	✓	✓
John Buchanan (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Maureen Manyama	✓	✓	✓	✓	✓	✓	✓	✓
Babalwa Ngonyama	Apology	✓	✓	✓	✓	✓	✓	✓
Sindi Zilwa	✓	✓	✓	✓	✓	✓	✓	✓

The overall average attendance for the A&R Co meetings held during the year was 97,5%.

Roles and responsibilities

The A&R Co 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.

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 A&R Co has also satisfied itself with the quality of the external audit work being performed by PricewaterhouseCoopers Inc. 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 line with changes to the JSE Listings Requirements the Committee will, in recommending the appointment of a proposed external auditor, call for and request:

- 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. Tanya Rae was appointed as the Company's designated auditor for the June 2013 financial year and is set to step down after completion of the audit of the financial year ended 30 June 2017 in terms of the five-year designated auditor rotation provisions contained in the Companies Act. The A&R Co has agreed to recommend to shareholders the appointment of Craig West of PricewaterhouseCoopers Inc. as the designated auditor, responsible for performing the functions of auditor, for the 2018 financial year to replace Tanya Rae. SizweNtsalubaGobodo Inc. has again been appointed to share in the auditing of the Company's South African subsidiaries in the forthcoming year.

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 2017.

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 R2 167 189 was paid to PricewaterhouseCoopers Inc. in respect of non-audit services, which is approximately 9% of the external audit fee paid for the year.

The external auditors are invited to and attend all A&R Co meetings and are required to meet independently with the A&R Co at least annually. Findings by the external auditors arising from their annual statutory audit are tabled and presented at an A&R Co 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 2017.

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 2017 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.

Expertise and experience of the Financial Director and the finance function

The A&R Co 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.

Audit & Risk Committee report continued

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 A&R Co 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 A&R Co has reviewed the Annual Financial Statements of the Company and the Group and is satisfied that they comply with International Financial Reporting Standards.

The following significant matters were considered by the A&R Co in relation to these annual financial statements:

Matter	Outcomes
Carrying value of goodwill and intangible assets and the indefinite useful life assumption	→ Management's assertions in respect of the indefinite useful life assumption and impairment assessments of certain key brands and intangible assets, individual brand plans, market performance and peer comparatives were considered → The A&R Co was satisfied that there were no material inconsistencies or concerns in this respect
Group tax positions	→ The Group operates in a complex multinational tax environment and there are open tax and transfer pricing matters with tax authorities. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions → The A&R Co considered the level of tax provisioning to be acceptable in the context of the Group financial statements taken as a whole
Accounting for new business combinations and acquisition related-contingent liabilities	→ A number of significant transactions were concluded by the Group during the year and judgement is required in determining the appropriate accounting treatment, valuation of intangible assets and disclosures in respect of business combinations → The accounting treatment, valuation of intangible assets and disclosure of the business combinations in the Annual Financial Statements were deemed to be appropriate

Going concern

The A&R Co reviewed a documented assessment by management of the going concern premise of the Group before concluding to the Board that the Group is a going concern and will remain so for the foreseeable future.

Duties assigned by the Board

The duties and responsibilities of the members of the Committee are set out in the A&R Co Terms of Reference included in the Board Charter, which is approved by the Board.

The A&R Co 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 A&R Co oversees cooperation between the internal and external auditors.

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 Committee also receives regular feedback from our Group Tax Committee which is charged with ensuring all Group companies implement the Group's tax philosophy and policies. The Group Tax Committee comprises the Deputy Group CEO, Group Finance Officer, the Head of Treasury and Group Tax Executive, who meet on a regular basis to discuss the status of the Group's tax affairs. Significant matters are immediately brought to the attention of the A&R Co.

The Committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. No significant areas of overlap or assurance gaps have been identified and the levels of assurance are considered appropriate.

The A&R Co is satisfied that it has complied with its legal, regulatory and other responsibilities.

Internal audit

The A&R Co 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 A&R Co 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 A&R Co at each Committee meeting. Copies of the detailed reports are also provided to the A&R Co together with an overall summary of the audit result for each audit.

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

The A&R Co 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 A&R Co 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 year under review 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 validate the effectiveness of controls related to key 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.

Whistle-blowing

Our whistle-blowing arrangements are approved and monitored by the A&R Co and the Social & Ethics Committee ("S&E Co"). 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 S&E Co meeting. Financial-related tip-offs are then also tabled at the A&R Co meetings.

Both committees are satisfied that instances of whistle-blowing were appropriately dealt with.

Integrated and sustainability reporting

The A&R Co considered 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. The A&R Co has reviewed the sustainability information.

During the 2017 financial year, the A&R Co 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 2017 Integrated Report online, is reliable, consistent and fairly presented.

Audit & Risk Committee report continued

Risk management

Oversight of the Group's risk management function has been assigned to the A&R Co.

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 A&R Co.

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 A&R Co. Following a comprehensive review of risks and mitigating controls at the A&R Co 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 A&R Co 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.

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

At its meeting held on 25 October 2017, the A&R Co reviewed and recommended the Integrated Report and related sustainability information, as well as the Annual Financial Statements for approval by the Board of Directors.

John Buchanan
A&R Co Chairman

Statement of responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 30 June 2017 ("Annual Financial Statements") of Aspen Pharmacare Holdings Limited and its subsidiaries.

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

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

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

The going concern basis has been adopted in preparing the Annual Financial Statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts, 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 auditors, PricewaterhouseCoopers Incorporated, audited the Annual Financial Statements, and their report is presented on page 12.

The Annual Financial Statements were prepared under the supervision of Deputy Group Chief Executive, Gus Attridge CA(SA) and approved by the Board of Directors on 25 October 2017 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
30 October 2017

Directors' Report

The directors have pleasure in presenting their report of the Group and the Company for the year ended 30 June 2017.

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 increase the number of lives benefiting from its products, reaching more than 150 countries.

Financial results and review of operations

The financial results of the Group are set out on pages 18 to 94 and of the Company on pages 95 to 117 of the Annual Financial Statements. The segmental analysis is included on pages 25 to 29.

The consolidated earnings attributable to equity holders of the Company amounted to R5,1 billion for the year, compared with R4,3 billion for the previous year, an increase of 18%. Headline earnings per share ("HEPS") increased by 46% from 889,0 cents to 1 299,5 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. The following changes to the issued share capital were effected during the year:

	Number of shares (Million)	Share capital (Billion)
Ordinary shares		
Opening balance	**456,4**	**2,1**
Capital distribution	–	–
Shares issued – share schemes	–	–
	456,4	**2,1**

Further details of the authorised and issued share capital of the Company are given in note 11 of the Group Annual Financial Statements and note 12 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

No changes took place in the directorate during the year. Maureen Manyama was appointed as a member of the S&E Co with effect from 11 August 2016.

The names of the directors in office at the date of this report are set out on pages 96 to 99 of the Integrated Report. The Company Secretary & Group Governance Officer is Riaan Verster. His business and postal addresses appear on page 126 of this report.

In terms of the Company's Memorandum of Incorporation, Roy Andersen, John Buchanan, Kuseni Dlamini, Chris Mortimer and Maureen Manyama 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 114 of the Integrated Report and directors' remuneration details are set out in note 22 of the Group Annual Financial Statements.

No changes have taken place in the interests of the directors in the shares of the Company since 30 June 2017 and the date of this report.

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 2017 financial year:

Acquisition of rights to commercialise AstraZeneca's Global Anaesthetics Portfolio
In August 2016, Aspen Global Incorporated Inc ("AGI") signed an agreement with AstraZeneca AB and AstraZeneca UK ("AstraZeneca") whereby AGI agreed to acquire the exclusive rights to commercialise AstraZeneca's Global (excluding the USA) Anaesthetics Portfolio ("the AZ Transaction"). AstraZeneca's Anaesthetics Portfolio comprises seven established medicines, namely Diprivan (general anaesthesia), EMLA (topical anaesthetic) and five local anaesthetics (Xylocaine/Xylocard/Xyloproct, Marcaine, Naropin, Carbocaine and Citanest) ("the AZ Portfolio"). The products in the AZ Portfolio are sold in more than 100 countries worldwide including China, Japan, Australia and Brazil. These products generated revenue of USD592 million in the year ended 31 December 2015. In terms of the concluded agreement, the consideration payable by AGI for the commercialisation rights was USD520 million and double-digit percentage royalties on sales of the AZ Portfolio.

Additionally, AGI will make sales-related payments of up to USD250 million based on sales in the 24 months after 1 September 2016. AGI and AstraZeneca also signed a supply agreement whereby AstraZeneca will supply the AZ Portfolio to AGI. This supply agreement has an initial period of 10 years. This transaction became effective on 1 September 2016.

Transactions with GlaxoSmithKline
On 12 September 2016 Aspen announced that various Group subsidiaries had concluded three separate transactions with GlaxoSmithKline ("GSK") companies as follows:

Acquisitions of a portfolio of anaesthetic products
AGI signed an agreement with GSK whereby AGI will acquire a portfolio of anaesthetic products globally (with the exception of certain territories, primarily North America) ("the Anaesthetics Transaction"). GSK's Anaesthetics Portfolio comprises five established medicines, namely Ultiva (general anaesthesia) and four muscle relaxants (Nimbex, Mivacron, Tracrium and Anectine) ("the GSK Portfolio"). The products in the GSK Portfolio are sold in more than 100 countries worldwide including Japan, Brazil, Korea, Germany and Italy. In terms of the concluded agreement, as consideration for the GSK Portfolio, AGI will pay an initial amount of GBP180 million and milestone payments of up to GBP100 million based on the results of the portfolio in the 36 months after 1 March 2017. AGI and GSK have also signed a supply agreement whereby GSK will supply the products to AGI for four years. The GSK Portfolio is expected to generate revenue of approximately GBP70 million in the year ended 31 December 2016. This transaction closed on 28 February 2017.

Exercise of option to acquire Fraxiparine and Arixtra in countries retained by GSK
As part of its acquisition of the thrombosis products Fraxiparine and Arixtra from GSK in 2014, AGI also acquired an option to acquire the same products in certain countries to which GSK retained the rights, most notably China. AGI has exercised its option to acquire Fraxiparine and Arixtra in these countries for a consideration of GBP45 million. This transaction closed on 31 December 2016.

Cancellation of the collaboration with GSK in sub-Saharan Africa
Pharmacare and GSK agreed to cancel the rights of Pharmacare to collaborate in the sub-Saharan Africa ("SSA") business of GSK ("the SSA Collaboration"). These rights were acquired as part of a basket of transactions with GSK in 2009. GSK paid Pharmacare GBP45 million as consideration for the cancellation. The SSA Collaboration generated approximately R2,6 billion of gross revenue in the 2016 financial year. This transaction closed on 31 December 2016.

Amendment to Memorandum of Incorporation
At a general meeting of the Company held on 15 August 2016 shareholders approved a resolution to amend clauses 17 (Fraction of Shares) and 24 (Proxy Representation) of the Company's Memorandum of Incorporation – further details regarding these changes can be obtained from the Company Secretary & Group Governance Officer at rverster@aspenpharma.com.

Directors' Report continued

Dividend to shareholders

Taking into account the earnings and cash flow performance for the year ended 30 June 2017, existing debt service commitments, future proposed investments and funding options, notice was given that the Board declared a dividend of 287 cents per ordinary share to shareholders recorded in the share register of the Company at the close of business on 6 October 2017 (2016: capital distribution of 248 cents per share).

A dividend withholding tax of 20% is applicable to shareholders who are not exempt. The Company income tax number is 9325178714. The issued share capital of the Company is 456 435 185 ordinary shares. The dividend was paid from income reserves. Shareholders were advised to seek their own tax advice on the consequences associated with the dividend.

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

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

In compliance with *IAS 10 – Events After Balance Sheet Date*, the dividend will only be accounted for in the financial statements for the year ending 30 June 2018.

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

Last day to trade *cum* dividend	Tuesday, 3 October 2017
Shares commence trading *ex* dividend	Wednesday, 4 October 2017
Record date	Friday, 6 October 2017
Payment date	Monday, 9 October 2017

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 2018, 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 7 December 2016, the following special resolutions were passed by the Company:

- approval of remuneration for non-executive directors for the year ended 30 June 2017 and for the period 1 July 2017 to the date of the 2017 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 Fine Chemicals Corporation (Pty) Limited ("FCC") 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 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 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 was approved.

Auditors

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

The directors further confirm that the 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 25 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 29 of the Group Annual Financial Statements and note 22 of the Company Annual Financial Statements.

Borrowings

Borrowings at year end (net of cash and cash equivalents) amounted to R37,1 billion (2016: R32,7 billion) are made up as follows:

	2017 R'billion	2016 R'billion
Non-current borrowings	**28,9**	32,7
Current borrowings	**18,9**	10,9
Cash and cash equivalents	**(10,7)**	(10,9)
	37,1	32,7

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 13 of the Group Annual Financial Statements and note 13 of the Company Annual Financial Statements.

Subsequent events

In September 2017, AGI concluded an agreement with AstraZeneca AB and AstraZeneca UK ("AstraZeneca") in terms of which AGI is to acquire the residual rights to the AZ anaesthetics ("the Transaction") for which it acquired the commercialisation rights via an agreement entered into in June 2016, as announced to shareholders on 9 June 2016. The terms of the concluded agreement provide that AGI will pay USD555 million as consideration for the remaining rights to the intellectual property and manufacturing know-how related to the AZ Anaesthetics. Additionally, AGI will make performance-related payments of up to USD211 million based on sales and gross profit in the period to 30 November 2019. The Transaction was subject to customary closing conditions and the completion of subsidiary agreements to the satisfaction of all parties. It is anticipated that the Transaction will complete during the final quarter of 2017.

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

Report on the audit of the consolidated and separate financial statements

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 2017, 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 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 18 to 117, comprise:
- the Group and Company statements of financial position as at 30 June 2017;
- 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 (“ISA”). 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 *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (“IRBA Code”)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview

Overall Group materiality
- Overall Group materiality: R310 million, which represents 5% of consolidated profit before tax.

Group audit scope

Our audit included a full scope audit of Aspen’s significant South African operations together with full scope audits of Aspen’s significant international operations. Review and analytical procedures were performed over the remaining components.

Key audit matters
- Carrying value of goodwill and indefinite lived intangible assets and the indefinite useful life assumption
- Uncertain tax positions
- Accounting for new business combinations and acquisition related contingent consideration liabilities

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.

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:	R310 million
How we determined it:	5% of consolidated profit before tax
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. 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 operations, based on the indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax. Based on this assessment, we identified 14 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 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 appropriate audit evidence had been obtained as a basis for our opinion on the consolidated 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 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.

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and indefinite lived intangible assets and the indefinite useful life assumption	
This key audit matter relates to the audit of the consolidated financial statements. Refer to note 1: Intangible assets and note 3: Goodwill. Management has determined that R52,4 billion of the carrying value of intangible assets as at 30 June 2017 relates to intangible assets with indefinite useful lives, which require annual impairment assessments. We determined this area to be a matter of most significance to the audit due to the size of the goodwill (R5,9 billion) and intangible assets balance (R60,0 billion) as at 30 June 2017, and the risk of impairment of the goodwill and intangible assets included in the cash generating units ("CGUs") of the Group. Management's assessment of the value-in-use of the Group's CGUs is determined using estimated future cash flows. The impairment reviews performed by the Group contain a number of significant judgements and estimates including revenue growth, profit margins, cash conversion, terminal values and discount rates. Changes in these assumptions could lead to an impairment to the carrying value of goodwill and intangible assets. A significant portion of the goodwill balance is made up of goodwill that relates to the Sigma business – Australasia (R4,1 billion). Although management determined that there is sufficient headroom between the value-in-use of the CGUs and their carrying value, it remains an area of significant judgement. During the current year, impairment charges of R0,3 billion were recognised in relation to the GSK classic brands distributed in Australia and R0,1 billion was recognised in relation to the South African commercial business. The indefinite life assumption of intangible assets is subjective and is based on a number of judgements made by management. Changes in circumstances may necessitate management to reassess the indefinite life assumption. Management base their assumptions in this regard on industry practice, detailed assessments of individual intangible assets and past history. The factors taken into account by management when making this classification is set out in note 1: Intangible assets – Significant judgements and estimates.	We obtained the Group's impairment analyses and tested the reasonableness of key assumptions, including revenue growth, profit margins, cash conversion, terminal values and discount rates. Our audit procedures included comparing key assumptions to industry and economic forecasts. We found management's key assumptions to be in line with industry and economic forecasts. We utilised our valuation expertise to assess the reasonability of the discount rates used by testing the assumptions against market data and widely applied foreign risk premias. In addition, we independently performed sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions needed to change in order to trigger an additional impairment charge. We considered whether management had identified the relevant CGUs with reference to individual intangible assets, and found that this is the lowest level at which management monitors goodwill and intangible assets with indefinite useful lives for internal purposes. We compared the future cash flow forecasts to the Board approved budgets and found them to be consistent. We compared the current year actual results with the forecasts utilised in the prior year impairment calculations and did not identify significant variances. We focused our audit effort on the indefinite lived intangible assets relating to the ELIZ Products CGU, GSK Thrombosis Business CGU, GSK OTC brands CGU, Specialist Global Brands CGU and the MSD Business CGU, as these amount to more than 58% or R30,5 billion of the total indefinite lived intangible assets and pose the highest risk of material impairment charges and the indefinite live assumption being incorrectly applied in the Group. We challenged management's assertion on the indefinite useful life assumption of the intangible assets by considering the individual brand plans, comparing key assumptions to market performance and comparing key assumptions to the industry and its peers. We found the indefinite useful life assumption as used by management to be in line with industry practices, as well as with the individual brand plans.

Key audit matter	How our audit addressed the key audit matter
Uncertain tax positions This key audit matter relates to the audit of the consolidated and separate financial statements. Refer to note 25: – Tax. The Group operates in a complex multinational tax environment and there were open tax and transfer pricing matters with South African and other international tax authorities during the year. Management judgement is required in assessing the carrying amount of provisions required in respect of uncertain tax positions, and we therefore determined this to be a matter of most significance to the audit. A transfer pricing assessment was raised against Aspen Pharmacare Holdings Limited in respect of the 2011 fiscal year in November 2015. The South African Revenue Service had included all the profits generated by Aspen Global Incorporated during that fiscal year in Aspen Holdings' taxable income, which resulted in additional taxes, interest and penalties being levied. Aspen Pharmacare Holdings Limited filed an objection to the assessment with the South African Revenue Service. Subsequent to the assessment being received and the objection filed, management had continuously engaged with the South African Revenue Service in order to negotiate a resolution to this matter. On 16 October 2017, management received notification that the South African Revenue Service had withdrawn this assessment.	Using our specialist international tax and transfer pricing knowledge, we evaluated and challenged management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. This included obtaining and evaluating third party tax opinions that the Group used to assess the appropriateness of any assumptions made and the legal basis of the claims. In understanding and evaluating management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgemental positions taken in tax returns and current year estimates and developments in the tax environment. In addition, we inspected the South African Revenue Service's notification of withdrawal of the transfer pricing assessment and assessed the accounting treatment and disclosure relating to this matter in the consolidated and separate financial statements in context thereof.

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

Key audit matter	How our audit addressed the key audit matter
Accounting for new business combinations and acquisition related contingent consideration liabilities	
This key audit matter relates to the audit of the consolidated and separate financial statements. Refer to note E to the Group Statement of Cash Flows: Acquisition of subsidiaries and businesses and note 14.1: Other non-current financial liabilities. In the current financial year, the Group completed the following significant transactions: ➜ Acquisition of GlaxoSmithKline's thrombosis portfolio (Arixtra and Fraxiparine) in certain territories; ➜ Acquisition of GlaxoSmithKline's anaesthetics portfolio in certain territories; and ➜ Acquisition of the commercialisation rights of AstraZeneca's anaesthetics portfolio in certain territories. In the AstraZeneca transaction, the Group acquired the commercialisation rights without also obtaining the full rights to the intellectual property. Management judgement was required in determining whether the transactions were acquisitions of businesses or assets – this determination could have a significant effect on the accounting treatment of the transactions. Management determined all three transactions to be acquisitions of businesses as defined in International Financial Reporting Standard 3 Business Combinations ("IFRS 3"). In an acquisition of a business, IFRS 3 requires the recognition of identifiable assets, liabilities and contingent liabilities in a business combination at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. In an acquisition of assets, assets are recognised at the fair value of the consideration paid. The identification and measurement of identifiable assets in these transactions required a significant amount of management estimation, particularly in relation to the identification and measurement of intangible assets. The acquisition of the anaesthetics portfolio from GlaxoSmithKline and AstraZeneca resulted in the recognition and measurement of material acquisition-related contingent consideration liabilities (GlaxoSmithKline GBP99,5 million and AstraZeneca $250 million), which necessitate management judgement and estimates at each year end date in order to assess the fair value of the remaining consideration payable. Such management judgement and estimates include projections of future sales of products, the potential impact of competitor products and the delivery of anticipated synergies. We determined the accounting for these new business combinations and the related contingent consideration liabilities to be a matter of most significance to the audit due to the size of the recognised assets and liabilities and due to the significant management judgement that was required in the classification of the transactions as acquisitions of businesses or assets, the identification and measurement of the identifiable intangible assets and the measurement of the contingent consideration liabilities. Note E to the Group Statement of Cash Flows: Acquisition of subsidiaries and businesses and note 14.1: Other non-current financial liabilities set out the key management assumptions with regard to the transactions.	We evaluated the underlying acquisition agreements for these transactions and engaged with our accounting specialists, and found that these transactions resulted in inputs, processes and outputs that qualify them to be accounted for as the acquisition of businesses as defined in IFRS 3. We focused our testing of the identifiable assets and the contingent consideration liabilities on the key assumptions made by management. Our audit procedures included the following: ➜ we engaged with our valuation experts to assist with: – critically evaluating whether the model used by management to calculate the fair value of the assets acquired, contingent consideration and goodwill raised complies with the requirements of IFRS 3; and – evaluating the reasonability of the discount rates used by testing the assumptions against market data and widely applied foreign risk premias. ➜ we obtained management's calculations and subjected the key assumptions to our own independently calculated sensitivity analyses; ➜ we compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, to historical performance; and ➜ we compared the projections for the Group's acquired products to third party expectations of growth and considered the potential upside and downside impact of products launched and expected to be launched by the Group's competitors. We found the assumptions to be comparable to historical performance and the Group's expected future outlook.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Integrated Report 2017 and the Annual Financial Statements 2017, which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, Illustrative constant exchange report – Annexure 1, Shareholder Statistics, Administration, Abbreviations, the Unabridged Corporate Governance Report for the 2017 financial year and the Social and Ethics Committee Report for the 2017 financial year. Other information does not include the consolidated and 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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the 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 or 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- ➜ identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ➜ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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's 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 20 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: T. Rae
Registered Auditor
2 Eglin Road, Sunninghill
30 October 2017

Group statement of financial position

at 30 June 2017

	Notes	2017 R'billion	2016 R'billion
Assets			
Non-current assets			
Intangible assets	1	**60,0**	49,1
Property, plant and equipment	2	**9,7**	9,7
Goodwill	3	**5,9**	6,0
Deferred tax assets	4	**1,0**	1,1
Contingent environmental indemnification assets	5	**0,7**	0,8
Other non-current assets	6	**0,9**	0,4
Total non-current assets		**78,2**	67,1
Current assets			
Inventories	7	**13,6**	14,4
Receivables and other current assets	8	**13,6**	11,8
Cash and cash equivalents	9	**10,7**	10,9
Total operating current assets		**37,9**	37,1
Assets classified as held-for-sale	10	**0,2**	0,1
Total current assets		**38,1**	37,2
Total assets		**116,3**	104,3
Shareholders' equity			
Retained income		**32,3**	28,4
Non-distributable reserves		**8,8**	12,1
Share capital (net of treasury shares)	11	**1,9**	1,9
Share-based compensation reserve	12	**0,1**	0,1
Total shareholders' equity		**43,1**	42,5
Liabilities			
Non-current liabilities			
Borrowings	13	**28,9**	32,7
Other non-current liabilities	14	**4,5**	2,5
Unfavourable and onerous contracts	15	**1,6**	2,2
Deferred tax liabilities	4	**2,1**	1,8
Contingent environmental liabilities	5	**0,7**	0,8
Retirement and other employee benefit obligations	16	**0,6**	0,7
Total non-current liabilities		**38,4**	40,7
Current liabilities			
Borrowings	13	**18,9**	10,9
Trade and other payables	17	**10,3**	8,3
Other current liabilities	18	**5,3**	1,5
Unfavourable and onerous contracts	15	**0,3**	0,4
Total current liabilities		**34,8**	21,1
Total liabilities		**73,2**	61,8
Total equity and liabilities		**116,3**	104,3

Group statement of comprehensive income

for the year ended 30 June 2017

	Notes	2017 R'billion	2016 R'billion
Revenue	19	**41,2**	35,6
Cost of sales		**(21,3)**	(17,7)
Gross profit		**19,9**	17,9
Selling and distribution expenses		**(6,7)**	(6,0)
Administrative expenses		**(2,8)**	(2,6)
Other operating income		**0,3**	1,9
Other operating expenses		**(2,4)**	(2,2)
Operating profit	20	**8,3**	9,0
Investment income	23	**0,3**	0,3
Financing costs	24	**(2,4)**	(3,2)
Profit before tax		**6,2**	6,1
Tax	25	**(1,1)**	(1,8)
Profit for the year		**5,1**	4,3
Other comprehensive income, net of tax*			
Net gains from cash flow hedging in respect of business acquisitions		**0,2**	–
Currency translation (losses)/gains		**(3,5)**	5,2
Remeasurement of retirement and other employee benefit obligations		**–**	(0,1)
Total comprehensive income#		**1,8**	9,4
Earnings per share			
Basic earnings per share (cents)	26	**1 123,4**	945,4
Diluted earnings per share (cents)	26	**1 123,4**	945,2

** 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.*

 # Total comprehensive income is disclosed net of profit attributable to non-controlling interests which are not material.

Group statement of changes in equity

for the year ended 30 June 2017

	Share capital (net of treasury shares) shares R'billion	Non-distributable reserves		Share-based compensation reserve R'billion	Retained income R'billion	Total* R'billion
		Hedging reserve R'billion	Foreign currency translation reserve R'billion			
Balance at 30 June 2015	3,0	0,3	6,3	–	24,5	34,1
Total comprehensive income	–	–	5,5	–	3,9	9,4
Profit for the year	–	–	–	–	4,3	4,3
Other comprehensive income	–	–	5,5	–	(0,4)	5,1
Capital distribution paid	(1,0)	–	–	–	–	(1,0)
Treasury shares purchased	(0,1)	–	–	–	–	(0,1)
Share-based payment expenses	–	–	–	0,1	–	0,1
Balance at 30 June 2016	**1,9**	**0,3**	**11,8**	**0,1**	**28,4**	**42,5**
Total comprehensive income	**–**	**0,2**	**(3,5)**	**–**	**5,1**	**1,8**
Profit for the year	**–**	**–**	**–**	**–**	**5,1**	**5,1**
Other comprehensive income	**–**	**0,2**	**(3,5)**	**–**	**–**	**(3,3)**
Dividends paid	**–**	**–**	**–**	**–**	**(1,2)**	**(1,2)**
Balance at 30 June 2017	**1,9**	**0,5**	**8,3**	**0,1**	**32,3**	**43,1**

** Total shareholders' equity is disclosed net of profit attributable to non-controlling interests which are not material.*

Group statement of cash flows

for the year ended 30 June 2017

	Notes	2017 R'billion	2016 R'billion
Cash flows from operating activities			
Cash generated from operations	A	**9,9**	6,4
Financing costs paid	B	**(2,2)**	(2,0)
Investment income received	C	**0,3**	0,3
Tax paid	D	**(1,5)**	(1,5)
Cash generated from operating activities		**6,5**	3,2
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(1,5)**	(1,7)
Capital expenditure – intangible assets		**(1,1)**	(1,1)
Proceeds on the sale of intangible assets		**0,8**	0,2
Acquisition of subsidiaries and businesses	E	**(9,5)**	(0,7)
Payment of deferred consideration relating to prior year business acquisitions		**(0,2)**	(0,7)
Increase in other non-current assets		**(0,3)**	–
Proceeds on the sale of assets classified as held-for-sale		**0,1**	5,1
Cash (used in)/generated from investing activities		**(11,7)**	1,1
Cash flows from financing activities			
Proceeds from borrowings		**25,2**	46,7
Repayment of borrowings		**(19,0)**	(48,7)
Capital distribution and dividends paid		**(1,2)**	(1,0)
Treasury shares purchased		**–**	(0,1)
Cash generated from/(used in) financing activities		**5,0**	(3,1)
Movement in cash and cash equivalents before currency translation movements		**(0,2)**	1,2
Currency translation movements		**(0,5)**	(0,2)
Movement in cash and cash equivalents		**(0,7)**	1,0
Cash and cash equivalents at the beginning of the year		**7,9**	6,9
Cash and cash equivalents at the end of the year	F	**7,2**	7,9

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 2017

		2017 R'billion	2016 R'billion
A.	**Cash generated from operations**		
	Operating profit	**8,3**	9,0
	Amortisation of intangible assets	**0,6**	0,6
	Depreciation of property, plant and equipment	**0,7**	0,6
	Net impairment charges	**1,5**	1,6
	Loss on the sale of intangible assets	**0,1**	–
	Profit on sale of assets classified as held-for-sale	**–**	(1,6)
	Share-based payment expense – employees	**–**	0,1
	Deferred revenue	**(0,1)**	–
	Withholding taxes	**–**	(0,1)
	Loss on the sale of subsidiary	**0,1**	–
	Unfavourable and onerous contracts	**(0,3)**	(0,4)
	Other non-cash items	**(0,1)**	–
	Cash operating profit	**10,8**	9,8
	Working capital movements	**(0,9)**	(3,4)
	Increase in inventories	**(1,1)**	(3,6)
	Increase in trade and other receivables	**(2,7)**	–
	Increase in trade and other payables	**2,9**	0,2
		9,9	6,4
B.	**Financing costs paid**		
	Interest expense	**(1,8)**	(1,8)
	Net foreign exchange losses	**(0,2)**	–
	Borrowing costs capitalised to property, plant and equipment	**(0,2)**	(0,2)
		(2,2)	(2,0)
C.	**Investment income received**		
	Interest received	**0,3**	0,3
		0,3	0,3
D.	**Tax paid**		
	Amounts payable at the beginning of the year	**(0,7)**	(0,6)
	Tax charged to the statement of comprehensive income	**(1,2)**	(1,8)
	Currency translation movements	**–**	0,2
	Amounts owing at the end of the year	**0,6**	0,9
	Amounts receivable at the end of the year	**(0,2)**	(0,2)
		(1,5)	(1,5)

E. Acquisition of subsidiaries and businesses

June 2017

Set out below is the provisional accounting for the following business combinations (final accounting for AstraZeneca Anaesthetics Portfolio):

AstraZeneca Anaesthetics Portfolio

With effect from 1 September 2016, AGI acquired the exclusive rights to commercialise the Anaesthetics Portfolio of AstraZeneca globally (excluding the USA). As consideration for the commercialisation rights, AGI paid USD410 million with a further payment of USD110 million due on 1 July 2017. Additionally, AGI will make sales-related payments of up to USD250 million based on sales in the 24 months after 1 September 2016.

Post-acquisition revenue included in the statement of comprehensive income was R6,5 billion. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

Fraxiparine and Arixtra in China, Pakistan and India

As part of its acquisition of the thrombosis products, Fraxiparine and Arixtra, from GSK in 2014, AGI also acquired an option to purchase the same products in certain countries to which GSK retained the rights, most notably China. AGI has exercised its option and, with effect from 1 January 2017, acquired Fraxiparine and Arixtra in these countries for a consideration of GBP45 million.

Post-acquisition revenue included in the statement of comprehensive income was R0,3 billion. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

The accounting for this business combination is provisional as the final model for the valuation is still being finalised. This is expected to be concluded by the time the 2018 interim results are released.

GSK Anaesthetics Portfolio

With effect from 1 March 2017, AGI acquired a portfolio of anaesthetics globally (excluding the USA) from GSK. As consideration for the commercialisation rights, AGI paid GBP180 million with further potential milestone payments of up to GBP100 million, based on the results of the acquired portfolio in the 36 months after 1 March 2017.

Post-acquisition revenue included in the statement of comprehensive income was R0,6 billion. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

The accounting for this business combination is provisional as the final model for the valuation is still being finalised. This is expected to be concluded by the time the 2018 interim results are released.

	AstraZeneca Anaesthetics Portfolio R'billion	Fraxiparine and Arixtra in China, Pakistan and India R'billion	GSK Anaesthetics Portfolio R'billion	Total R'billion
Fair value of assets and liabilities acquired				
Intangible assets	11,1	0,7	4,4	16,2
Deferred tax liabilities	(0,3)	–	(0,1)	(0,4)
Fair value of net assets acquired	10,8	0,7	4,3	15,8
Goodwill acquired	0,3	–	0,1	0,4
Net gains from cash flow hedging in respect of business acquisition	–	–	(0,2)	(0,2)
Deferred and contingent consideration	(5,0)	–	(1,5)	(6,5)
Cash outflow on acquisition	6,1	0,7	2,7	9,5

Notes to the Group statements of cash flows continued

for the year ended 30 June 2017

2016

Set out below is the provisional accounting for the following June 2016 business combinations:

Norgine SA

On 21 May 2015, Pharmacare Limited reached an agreement to acquire 100% of the issued share capital of Norgine (Pty) Limited in South Africa ("Norgine SA") for a consideration of EUR29 million. Norgine SA commercialises a portfolio of branded gastro-intestinal products in South Africa and surrounding territories. The approval of this transaction by the South African Competition Authorities was obtained on 25 August 2015. This transaction was completed on 30 September 2015.

Post-acquisition revenue included in the statement of comprehensive income was R0,1 billion. The estimation of post-acquisition operating profits is impracticable and not reasonably determinable due to the immediate integration of the business into the existing operations of the Group.

HPC business

AGI entered into an agreement with McGuff Pharmaceuticals Inc. ("McGuff") for the exclusive supply of the finished dose form of Hydroxyprogesterone Caproate ("HPC") in the United States. AGI acquired the related intellectual property and the approved Abbreviated New Drug Application for an upfront consideration of USD15 million. Milestone payments of between USD21 million and USD28 million are payable over the five-year supply term and are partially contingent on future sales performance.

	Norgine SA R'billion	HPC business R'billion	Total R'billion
Fair value of assets and liabilities acquired			
Intangible assets	0,5	0,6	1,1
Trade and other receivables	0,1	–	0,1
Trade and other payables	(0,1)	–	(0,1)
Purchase consideration paid	0,5	0,6	1,1
Deferred consideration	–	(0,4)	(0,4)
Cash outflow on acquisition	0,5	0,2	0,7

	2017 R'billion	2016 R'billion
F. Cash and cash equivalents		
Bank balances	10,0	7,9
Short-term bank deposits	0,6	3,0
Cash-in-transit	0,1	–
Cash and cash equivalents per the statement of financial position	10,7	10,9
Less: bank overdrafts^	(3,5)	(3,0)
Cash and cash equivalents per the statement of cash flows	7,2	7,9

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

Group segmental analysis

for the year ended 30 June 2017

	June 2017				
	Therapeutic Focused Brands R'billion	Other Pharmaceuticals R'billion	Total Pharmaceuticals R'billion	Nutritionals R'billion	Total R'billion
Revenue	**17,4**	**20,6**	**38,0**	**3,2**	**41,2**
Cost of sales	**(8,4)**	**(11,1)**	**(19,5)**	**(1,8)**	**(21,3)**
Gross profit	**9,0**	**9,5**	**18,5**	**1,4**	**19,9**
Selling and distribution expenses			**(5,9)**	**(0,8)**	**(6,7)**
Contribution profit			**12,6**	**0,6**	**13,2**
Administrative expenses					**(2,8)**
Net other operating income					**0,3**
Depreciation					**0,7**
Normalised EBITDA*					**11,4**
Adjusted for:					
Depreciation					**(0,7)**
Amortisation					**(0,6)**
Loss on sale of assets					**(0,2)**
Net impairment of assets					**(0,7)**
Restructuring costs					**(0,4)**
Transaction costs					**(0,3)**
Product litigation costs					**(0,2)**
Operating profit					**8,3**
Gross profit (%)	**51,6**	**46,3**	**48,7**	**43,2**	**48,3**
Selling and distribution expenses (%)			**15,5**	**26,1**	**16,3**
Contribution profit (%)			**33,2**	**17,1**	**32,0**
Administrative expenses (%)					**6,7**
Normalised EBITDA (%)					**27,7**

	Restated June 2016				
	Therapeutic Focused Brands R'billion	Other Pharmaceuticals R'billion	Total Pharmaceuticals R'billion	Nutritionals R'billion	Total R'billion
Revenue	11,6	20,5	32,1	3,5	35,6
Cost of sales	(4,6)	(11,3)	(15,9)	(1,8)	(17,7)
Gross profit	7,0	9,2	16,2	1,7	17,9
Selling and distribution expenses			(5,1)	(0,9)	(6,0)
Contribution profit			11,1	0,8	11,9
Administrative expenses					(2,6)
Net other operating income					0,2
Depreciation					0,6
Normalised EBITDA*					10,1
Adjusted for:					
Depreciation					(0,6)
Amortisation					(0,6)
Profit on sale of assets					1,6
Net impairment of assets					(0,9)
Restructuring costs					(0,3)
Transaction costs					(0,3)
Operating profit					9,0
Gross profit (%)	60,7	44,6	50,4	49,3	50,3
Selling and distribution expenses (%)			15,9	24,8	16,7
Contribution profit (%)			34,6	24,6	33,6
Administrative expenses (%)					7,4
Normalised EBITDA (%)					28,4

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

Group segmental analysis continued

for the year ended 30 June 2017

	% change				
	Therapeutic Focused Brands %	**Other Pharmaceuticals %**	**Total Pharmaceuticals %**	**Nutritionals %**	**Total %**
Revenue	50	1	19	(8)	16
Cost of sales	85	(2)	23	3	21
Gross profit	28	4	14	(20)	11
Selling and distribution expenses			16	(4)	13
Contribution profit			14	(36)	10
Administrative expenses					6
Net other operating income					>100
Depreciation					8
Normalised EBITDA*					13

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

Segmental reporting

Following recent acquisitions the Group has revised the reportable segments to reflect its current operating model and achieve alignment with the change in the way in which the business is managed and reported on by the chief operating decision-maker ("CODM"). The regional business reportable segments of International, South Africa, Asia Pacific and sub-Saharan Africa have been replaced by the Pharmaceutical and Nutritional business segments.

The Pharmaceutical business segment has been further split into the Therapeutic Focused Brands and Other Pharmaceuticals reportable segments.

Therapeutic Focused Brands consist of focused brands in the portfolios comprising Aspen's three major pharmaceutical therapeutic areas, being Anaesthetics, Thrombosis and High Potency & Cytotoxic. Other Pharmaceuticals comprises revenue from the balance of the Commercial Pharmaceutical Brands as well as manufacturing revenue relating to both APIs and finished dose form products.

The entity-wide revenue disclosure has therefore been revised to reflect the three therapeutic areas which constitute the Therapeutic Focused Brands with the balance of the Commercial Pharmaceutical Brands being recorded as Other Commercial Pharmaceutical Brands. The regions have been further refined to split Europe CIS into Developed Europe and Developing Europe & CIS segments. The Asia Pacific region has been split into the following segments:

➜ Australasia;
➜ China;
➜ Japan; and
➜ Other Asia.

The hyperinflationary economy is no longer separately reported due to immateriality.

The GSK Aspen Healthcare for Africa Collaboration which was a material component of the sub-Saharan Africa region was terminated with effect from 31 December 2016 and as a consequence, the sub-Saharan Africa region is no longer a material region. On this basis the South African and sub-Saharan African regions have been consolidated into a single sub-Saharan Africa region.

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

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

Group revenue segmental analysis

for the year ended 30 June 2017

	June 2017 R'billion	Restated June 2016 R'billion	% change
Commercial Pharmaceuticals by customer geography	**31,4**	25,4	24
Sub-Saharan Africa	**7,4**	7,1	4
Developed Europe	**6,8**	6,1	11
Australasia	**4,8**	4,7	3
Latin America	**2,7**	2,0	35
Developing Europe & CIS	**2,6**	2,3	10
Japan	**1,9**	0,7	>100
China	**1,8**	–	>100
Other Asia	**1,2**	0,9	41
MENA	**1,1**	0,9	27
USA & Canada	**1,1**	0,7	58
Manufacturing revenue by geography of manufacture			
Manufacturing revenue – finished dose form	**2,2**	2,3	(6)
Australasia	**0,5**	0,5	(2)
Developed Europe	**0,7**	0,9	(31)
Sub-Saharan Africa	**1,0**	0,9	19
Manufacturing revenue – active pharmaceutical ingredients	**4,4**	4,4	1
Developed Europe	**4,0**	4,0	0
Sub-Saharan Africa	**0,4**	0,4	9
Total manufacturing revenue	**6,6**	6,7	(1)
Total Pharmaceuticals	**38,0**	32,1	19
Nutritionals by customer geography	**3,2**	3,5	(8)
Australasia	**0,8**	1,0	(23)
Sub-Saharan Africa	**1,0**	1,0	3
Latin America	**1,4**	1,5	(5)
Total revenue	**41,2**	35,6	16
Summary of regions			
Sub-Saharan Africa	**9,8**	9,4	6
Developed Europe	**11,5**	11,0	4
Australasia	**6,1**	6,2	(2)
Latin America	**4,1**	3,4	18
Developing Europe & CIS	**2,6**	2,4	10
Japan	**1,9**	0,7	>100
China	**1,8**	–	>100
Other Asia	**1,2**	0,9	41
MENA	**1,1**	0,9	27
USA & Canada	**1,1**	0,7	58
Total revenue	**41,2**	35,6	16

Group revenue segmental analysis continued

for the year ended 30 June 2017

Commercial Pharmaceuticals therapeutic area analysis

	June 2017					
	Anaesthetic Brands R'billion	Thrombosis Brands R'billion	High Potency & Cytotoxic Brands R'billion	Therapeutic Focused Brands R'billion	Other Commercial Pharmaceutical Brands R'billion	Total R'billion
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	**0,1**	**–**	**0,1**	**0,2**	**7,2**	**7,4**
Developed Europe	**1,7**	**3,2**	**1,5**	**6,4**	**0,4**	**6,8**
Australasia	**0,6**	**–**	**0,5**	**1,1**	**3,7**	**4,8**
Latin America	**0,6**	**0,1**	**0,8**	**1,5**	**1,2**	**2,7**
Developing Europe & CIS	**0,3**	**1,7**	**0,5**	**2,5**	**0,1**	**2,6**
Japan	**1,3**	**–**	**0,4**	**1,7**	**0,2**	**1,9**
China	**1,5**	**0,3**	**–**	**1,8**	**–**	**1,8**
Other Asia	**0,4**	**0,2**	**0,3**	**0,9**	**0,3**	**1,2**
MENA	**0,2**	**0,2**	**0,3**	**0,7**	**0,4**	**1,1**
USA & Canada	**0,3**	**–**	**0,3**	**0,6**	**0,5**	**1,1**
Total Commercial Pharmaceuticals	**7,0**	**5,7**	**4,7**	**17,4**	**14,0**	**31,4**

	Restated June 2016					
	Anaesthetic Brands R'billion	Thrombosis Brands R'billion	High Potency & Cytotoxic Brands R'billion	Therapeutic Focused Brands R'billion	Other Commercial Pharmaceutical Brands R'billion	Total R'billion
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	0,1	–	0,1	0,2	6,9	7,1
Developed Europe	–	4,0	1,8	5,8	0,4	6,2
Australasia	–	–	0,5	0,5	4,2	4,7
Latin America	–	0,1	0,7	0,8	1,1	1,9
Developing Europe & CIS	–	1,9	0,4	2,3	–	2,3
Japan	–	0,1	0,5	0,6	0,1	0,7
Other Asia	–	0,2	0,3	0,5	0,4	0,9
MENA	–	0,1	0,3	0,4	0,5	0,9
USA & Canada	–	0,1	0,4	0,5	0,2	0,7
Total Commercial Pharmaceuticals	0,1	6,5	5,0	11,6	13,8	25,4

	Variance					
	Anaesthetic Brands %	Thrombosis Brands %	High Potency & Cytotoxic Brands %	Therapeutic Focused Brands %	Other Commercial Pharmaceutical Brands %	Total %
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	35	38	29	33	3	4
Developed Europe	>100	(21)	(19)	9	20	10
Australasia	>100	5	(2)	>100	(12)	3
Latin America	>100	36	16	94	4	40
Developing Europe & CIS	>100	(8)	17	11	3	10
Japan	>100	(34)	(17)	>100	66	>100
China	>100	>100	30	>100	–	>100
Other Asia	>100	(3)	(8)	87	(13)	41
MENA	>100	17	(3)	57	(2)	27
USA & Canada	>100	(84)	(25)	14	>100	58
Total Commercial Pharmaceuticals	>100	(12)	(7)	50	2	24

Notes to the Group Annual Financial Statements

for the year ended 30 June 2017

1. Intangible assets

Accounting policy

Recognition and measurement

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

Cost

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.

Rights acquired to co-market or manufacture certain third-party products are capitalised to intangible assets.

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.

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.

Accumulated amortisation

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 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 other contractual rights are amortised on a straight-line basis over the terms of the relevant agreements.

1. Intangible assets continued

Accounting policy continued

Impairment

An impairment assessment is performed on indefinite useful life intangible assets annually, or more frequently if there are indicators that the balance might be impaired. Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are indicators that the balance might be impaired. Impairment testing is performed by comparing the recoverable amount to the carrying value 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 10 years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on 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 successes 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 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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

1. Intangible assets continued

Significant judgements and estimates

Indefinite useful life intangible assets

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

- historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity;
- the strategy (2018 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.

Indefinite useful life intangible assets constitutes 87% of total intangible assets (2016: 82% of total intangible assets).

Amortisation rates and residual values

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

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

The estimated remaining useful life information for 2017 was as follows:

Intellectual property	Up to 12 years
Product participation and other contractual rights	Up to 42 years
Computer software	Up to 9 years

1. Intangible assets continued

Reconciliation of balance

	Intellectual property R'billion	Development costs R'billion	Product participation and other contractual rights R'billion	Computer software R'billion	Total R'billion
2017					
Carrying value					
Cost	**60,6**	**1,5**	**1,7**	**1,4**	**65,2**
Accumulated amortisation	**(2,8)**	**(0,2)**	**(0,3)**	**(0,5)**	**(3,8)**
Accumulated impairment losses	**(1,3)**	**(0,1)**	**–**	**–**	**(1,4)**
	56,5	**1,2**	**1,4**	**0,9**	**60,0**
Movement in intangible assets					
Carrying value at the beginning of the year	**44,9**	**1,1**	**2,3**	**0,8**	**49,1**
Acquisition of subsidiaries and businesses	**16,2**	**–**	**–**	**–**	**16,2**
Additions	**0,4**	**0,3**	**–**	**0,4**	**1,1**
Disposals	**–**	**(0,1)**	**(0,8)**	**–**	**(0,9)**
Amortisation	**(0,4)**	**–**	**(0,1)**	**(0,1)**	**(0,6)**
Impairment losses	**(0,3)**	**(0,1)**	**–**	**–**	**(0,4)**
Currency translation movements	**(4,3)**	**–**	**–**	**(0,2)**	**(4,5)**
	56,5	**1,2**	**1,4**	**0,9**	**60,0**
2016					
Carrying value					
Cost	48,9	1,3	2,6	1,2	54,0
Accumulated amortisation	(2,7)	(0,2)	(0,3)	(0,4)	(3,6)
Accumulated impairment losses	(1,3)	–	–	–	(1,3)
	44,9	1,1	2,3	0,8	49,1
Movement in intangible assets					
Carrying value at the beginning of the year	36,6	1,0	2,4	0,5	40,5
Acquisition of subsidiaries and businesses	1,1	–	–	–	1,1
Additions	0,2	0,4	0,2	0,3	1,1
Disposals	(0,1)	(0,1)	–	–	(0,2)
Amortisation	(0,4)	(0,1)	–	(0,1)	(0,6)
Reclassification between categories	0,5	(0,1)	(0,4)	–	–
Impairment losses	(0,8)	(0,1)	–	–	(0,9)
Currency translation movements	7,8	0,1	0,1	0,1	8,1
	44,9	1,1	2,3	0,8	49,1

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

1. Intangible assets continued

Indefinite useful life intangible assets

	2017 R'billion	2016 R'billion
Split of balance		
(1) ELIZ Products	**4,8**	5,3
(2) Specialist Global Brands	**4,0**	4,5
(3) GSK OTC Brands	**3,3**	3,6
(4) GSK Classic Brands	**2,1**	2,5
(5) Mono-Embolex Business	**1,9**	2,1
(6) MSD Business	**8,0**	8,8
(7) GSK Thrombosis Business	**10,4**	10,6
(8) AstraZeneca Anaesthetic Portfolio	**10,1**	–
(9) GSK Anaesthetic Portfolio	**4,8**	–
(10) Other Brands	**2,9**	2,9
	52,4	40,3

The key brands for the above mentioned 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, Dexmathasone, 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 on impairment tests for significant indefinite useful life intangible assets were as follows

	Carrying value of intangible assets (R'billion)	Period covered by forecasts and budgets	Growth in revenue (% per annum)	Gross profit (% per annum)	Growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
ELIZ Products	4,8	10 years	Ranging between (3) and 3	Average of 73	0	Ranging between 9 and 11
Specialist Global Brands	4,0	10 years	Ranging between 1 and 7	Average of 84	0	Ranging between 8 and 10
GSK OTC Brands	3,3	5 – 10 years	Ranging between 0 and 14	Average of 71	Ranging between 1 and 5	Ranging between 9 and 24
GSK Classic Brands	2,1	5 – 10 years	(2) and 6	Average of 68	0	10
Mono-Embolex Business	1,9	10 years	Ranging between 1 and 3	Average of 41	0	7
MSD Business	8,0	5 years	Ranging between (13) and 62	Average of 75	1	Ranging between 8 and 15
GSK Thrombosis Business	10,4	5 years	Ranging between (0) and 2	Average of 46	0	11
AstraZeneca Anaesthetic Portfolio	10,1	8 years	Ranging between (6) and 14	Average of 37	(1)	16
GSK Anaesthetic Portfolio	4,8	9 years	Ranging between 1 and 3	Average of 62	Ranging between (5) and 0	13

** Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts.*

1. Intangible assets continued

Impairment of intangible assets continued

Here management has used a forecast period greater than five years to better reflect the impact of a gradual slowing in growth over the medium term. Based on the calculations the appropriate impairments were recognised for these indefinite useful life intangible assets. There are no reasonable possible changes in any key assumption which would cause the carrying value of the remaining indefinite useful life intangible assets to exceed its value-in-use.

Key assumptions on impairment tests for significant indefinite useful life intangible assets were as follows in 2016:

	Carrying value of intangible assets (R'billion)	Period covered by forecasts and budgets	Growth in revenue (% per annum)	Gross profit (% per annum)	Growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
ELIZ Products	5,3	10 years	Ranging between (3) and 3	Average of 73	0	Ranging between 9 and 11
Specialist Global Brands	4,5	10 years	Ranging between 1 and 7	Average of 84	0	Ranging between 8 and 10
GSK OTC Brands	3,6	10 years	Ranging between 2 and 10	Average of 72	1	Ranging between 9 and 24
GSK Classic Brands	2,5	10 years	Ranging between 0 and 8	Average of 68	Ranging between (5) and 1	9
Mono-Embolex Business	2,1	10 years	Ranging between 1 and 3	Average of 41	0	7
MSD Business	8,8	10 years	Ranging between (13) and 14	Average of 67	1	12
GSK Thrombosis Business	10,6	10 years	Ranging between (1) and 10	Average of 47	1	12

** Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts.*

	2017 R'billion	2016 R'billion
Impairment of intangible assets (included in other operating expenses)		
Impairment of intangible assets can be split as follows:		
(1) Brands in AGI	**0,3**	0,5
(2) Brands in Brazil	**–**	0,4
(3) Development costs in South Africa	**0,1**	–
	0,4	0,9

(1) This related mainly to certain GSK Classic Brands owned by AGI and distributed in Australia in terms of which the outlook on revenue evolution and profitability has declined (2016: certain brands in the Specialist Global Brands, OTC Brands and GSK Classic Brands categories). The carrying value of intangible assets was determined based on value-in-use calculations. The key assumptions detailed above were used.

(2) The impairment in the prior year related primarily to certain OTC products for which the outlook on profitability and revenue evolution had declined.

(3) The impairment relates to product development projects which were no longer technically or commercially feasible and were fully written off.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

1. Intangible assets continued

	2017 R'billion	2016 R'billion
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 have not yet been obtained are excluded from the following:		
Authorised and contracted for	**0,1**	0,4
Authorised but not yet contracted for	**0,4**	0,5
	0,5	0,9

Other disclosures

No intangible assets have been pledged as security for borrowings

2. Property, plant and equipment

Accounting policy

Recognition and measurement

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

Cost

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

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

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

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

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

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.

2. Property, plant and equipment continued

Significant judgements and estimates

Depreciation and residual values

The Group depreciates its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles 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. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the asset. 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 2017 was as follows:

Buildings (including leasehold improvements)	Up to 50 years
Plant and equipment	Up to 25 years
Computer equipment	Up to 10 years
Office equipment and furniture	Up to 10 years

Reconciliation of balance

	Land and buildings R'billion	Plant and equipment R'billion	Other tangible assets[@] R'billion	Capital work-in-progress R'billion	Total R'billion
2017					
Carrying value					
Cost	4,5	5,1	0,9	3,3	13,7
Accumulated depreciation	(0,9)	(2,3)	(0,5)	–	(3,7)
Accumulated impairment losses	–	–	–	(0,3)	(0,3)
	3,5	2,8	0,4	3,0	9,7
Movement in property, plant and equipment					
Carrying value at the beginning of the year	3,2	2,8	0,4	3,3	9,7
Additions	0,1	0,3	0,1	1,0	1,5
Borrowing costs capitalised	–	–	–	0,2	0,2*
Depreciation	(0,2)	(0,4)	(0,1)	–	(0,7)
Reclassification between categories	0,6	0,3	–	(0,9)	–
Reclassification to assets classified as held-for-sale	–	–	–	(0,2)	(0,2)
Impairment losses	–	–	–	(0,3)	(0,3)
Currency translation movements	(0,2)	(0,2)	–	(0,1)	(0,5)
	3,5	2,8	0,4	3,0	9,7[#]

[@] *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 8,5% (2016: 7,7%).*

[#] *Included in the total are leased assets amounting to R52,7 million (2016: R52,2 million).*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

2. Property, plant and equipment continued

Reconciliation of balance continued

	Land and buildings R'billion	Plant and equipment R'billion	Other tangible assets[@] R'billion	Capital work-in-progress R'billion	Total R'billion
2016					
Cost	4,1	4,8	0,9	3,3	13,1
Accumulated depreciation	(0,8)	(2,0)	(0,5)	–	(3,3)
Accumulated impairment losses	(0,1)	–	–	–	(0,1)
	3,2	2,8	0,4	3,3	9,7
Movement in property, plant and equipment					
Carrying value at the beginning of the year	3,0	2,0	0,4	2,5	7,9
Additions	0,1	0,6	0,1	0,9	1,7
Borrowing costs capitalised	–	–	–	0,2	0,2*
Depreciation	(0,2)	(0,3)	(0,1)	–	(0,6)
Reclassification between categories	–	0,3	–	(0,3)	–
Currency translation movements	0,3	0,2	–	–	0,5
	3,2	2,8	0,4	3,3	9,7[#]

[@] *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 8,5% (2016: 7,7%).*

[#] *Included in the total are leased assets amounting R52,7 million (2016: R52,2 million).*

2. Property, plant and equipment continued

Commitments

	2017 R'billion	2016 R'billion
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:		
Authorised and contracted for	**0,7**	0,8
Authorised but not yet contracted for	**5,6**	2,1
	6,3	2,9
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:		
Less than 1 year	**0,1**	0,1
Between 1 and 5 years	**0,2**	0,2
Later than 5 years	**0,1**	–
	0,4	0,3

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

Other disclosure

	2017 R'billion	2016 R'billion
Summary of land and buildings		
Land	**0,7**	0,8
Buildings	**2,8**	2,4
	3,5	3,2
The depreciation charge was classified as follows in the statement of comprehensive income		
Cost of sales	**0,5**	0,5
Selling and distribution expenses	**0,1**	–
Administrative expenses	**0,1**	0,1
	0,7	0,6

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

3. 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 value 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 value. Impairment testing is only performed on cash generating units that are considered to be significant in comparison to the total carrying value 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 periods between five and eight years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are 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 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.

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.

Reconciliation of balance

	2017 R'billion	2016 R'billion
Carrying value at the beginning of the year	6,0	5,0
Acquisition of subsidiaries and businesses	0,4	–
Disposal of subsidiary	(0,1)	–
Currency translation movements	(0,4)	1,0
	5,9	6,0
Split of balance		
Sigma business – Australasia	4,1	4,5
AstraZeneca Anaesthetics Portfolio	0,3	–
MSD business	0,4	0,3
Other	1,1	1,3
	5,9	6,0

3. Goodwill continued

Impairment of goodwill

Key assumptions on the impairment tests for goodwill were as follows in 2017:

	Carrying value of goodwill (R'billion)	Period covered by forecasts and budgets	Growth in turnover (% per annum)	Gross profit (% per annum)	Capital expenditure (per annum)	Growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Sigma Business	4,1	5 years	Ranging between (3) and 2	57	Ranging between AUD3 million and AUD12 million	3	10
AstraZeneca Anaesthetic Portfolio	0,3	8 years	Ranging between (6) and 14	Average of 37	Nil	Ranging between (5) and 0	16
MSD Business	0,4	5 years	Ranging between (13) and 62	Average of 75	Nil	Ranging between 0 and 1	Ranging between 8 and 15

Key assumptions on the impairment tests for goodwill were as follows in 2016:

	Carrying value of goodwill (R'billion)	Period covered by forecasts and budgets	Growth in turnover (% per annum)	Gross profit (% per annum)	Capital expenditure (per annum)	Growth (% per annum)*	Pre-tax discount rate applied to cash flows (% per annum)
Sigma business	4,5	5 years	Ranging between (2) and 5	54	Ranging between AUD3 million and AUD12 million	3	10
MSD business	0,3	10 years	Ranging between (13) and 14	Average of 67	Nil	1	12

** Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts.*

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

Based on the calculations no impairments were recognised. There are no reasonable possible changes in any key assumption which would cause the carrying value of goodwill to exceed its value-in-use.

4. Deferred tax

Accounting policy

Recognition and measurement

Deferred tax is provided in full, using the liability method, at currently enacted or substantively enacted tax rates in operation at year end, that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Full provision is made for all temporary differences between the tax base of an asset or liability and its statement of financial position carrying value. No deferred tax asset or liability is recognised in those circumstances, other than a business combination, where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

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

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

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

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

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2016: 28%).

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

4. Deferred tax continued

Reconciliation of balance

	2017 R'billion	2016 R'billion
Deferred tax liabilities – opening balance	**1,8**	1,7
Deferred tax assets – opening balance	**(1,1)**	(1,1)
Net deferred tax liabilities – opening balance	**0,7**	0,6
Statement of comprehensive income debit – included in tax	**(0,1)**	–
Acquisition of subsidiaries and businesses	**0,4**	–
Currency translation movements	**0,1**	0,1
	1,1	0,7
Split of balance		
Deferred tax liabilities	**2,1**	1,8
Deferred tax assets	**(1,0)**	(1,1)
	1,1	0,7
Deferred tax balance comprises		
Property, plant and equipment	**0,2**	0,4
Intangible assets	**0,5**	0,7
Investments in joint venture and subsidiaries	**1,3**	0,8
Inventories	**(0,1)**	(0,2)
Trade and other receivables	**–**	(0,1)
Net deferred tax assets not able to be recognised	**–**	0,2
Unfavourable and onerous contracts	**(0,4)**	(0,5)
Retirement and other employee benefit obligations	**(0,1)**	(0,1)
Trade and other payables	**(0,2)**	(0,4)
Tax losses	**(0,3)**	(0,4)
Other	**0,2**	0,3
	1,1	0,7
The statement of comprehensive income debit comprises		
Property, plant and equipment	**–**	0,1
Intangible assets	**–**	0,1
Trade and other receivables	**(0,2)**	(0,1)
Net deferred tax assets not able to be recognised	**(0,1)**	0,2
Unfavourable and onerous contracts	**0,2**	–
Retirement and other employee benefit obligations	**–**	0,1
Tax losses	**–**	(0,1)
Other	**–**	(0,3)
	(0,1)	–

5. Contingent environmental liabilities and indemnification assets

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

	2017 R'billion	2016 R'billion
Carrying value at the beginning of the year	**0,8**	0,7
Currency translation movements	**(0,1)**	0,1
	0,7	0,8

6. 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.

A provision for impairment of other non-current receivables is established when there is objective evidence that the Group will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition (a "loss event") and that loss event has an impact on the estimated future cash flows of the assets that can be reliably estimated.

Investment in joint venture

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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the statement of financial position date. Available-for-sale financial assets are carried at fair value and changes in the fair value are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

6. Other non-current assets continued

Accounting policy continued

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

Financial assets

Enterprise development loans and export advance to API supplier are classified as "Loans and receivables" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in non-current assets as they all have maturities more than 12 months from year end. The Group determines the classification of its financial assets at initial recognition when the Group becomes party to the contractual provisions of the instrument.

Split of balance

	Notes	2017 R'billion	2016 R'billion
Other non-current receivables	6.1	**0,6**	0,2
Investments in joint ventures	6.2	**0,2**	0,1
Available-for-sale financial assets	6.3	**0,1**	0,1
		0,9	0,4

6.1 Other non-current receivables

Summary of balance

		2017 R'billion	2016 R'billion
Employee benefits – reimbursive rights		**0,2**	0,2
Exports advance to API supplier		**0,3**	–
Enterprise development loans		**0,1**	–
		0,6	0,2

Split of balance

		2017 R'billion	2016 R'billion
Financial instruments		**0,4**	–
Non-financial instruments		**0,2**	0,2
		0,6	0,2

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

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 are scheduled for repayment 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% (2016: 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.

6. Other non-current assets continued

6.2 Investments in joint ventures

Reconciliation of balance

	2017 R'billion	2016 R'billion
Carrying value at the beginning of the year	**0,1**	0,1
Acquisition of joint venture	**0,1**	–
	0,2	0,1

Summary of balance

	2017 R'billion	2016 R'billion
NZ New milk	**0,1**	0,1
Aspen Nutritionals Hong Kong Limited	**0,1**	–
	0,2	0,1

NZ New Milk

On 31 October 2014, the Company acquired a 50% shareholding in NZ New Milk, 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. In terms of a supply agreement concluded between AGI and NZ New Milk, long-term supply of infant nutritionals for distribution by Aspen in Australia is secured.

Equity-accounted earnings have been recognised in the statement of comprehensive income.

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 distributor has expertise and experience in the marketing and promotion of infant milk products and will establish business through its China-based subsidiary to commercialise the products in the territory. The company is a private company and no quoted market price is available for its shares.

No equity-accounted earnings have been recognised in the statement of comprehensive income in the current year.

6.3 Available-for-sale financial assets

Summary of balance

	2017 R'billion	2016 R'billion
Unlisted equity securities	**0,1**	0,1

Unlisted equity securities

AGI entered into a licence agreement with TesoRx, a specialty pharmaceutical company, in terms whereof TesoRx licensed the rights to TSX-002, an innovative unmodified oral-testosterone replacement therapy in selected international territories for a staggered consideration based on the achievement of future milestones. Aspen USA (now Aspen Pharmacare Investments Inc.) acquired a minor shareholding in TesoRx. This asset is carried at fair value. This available-for-sale financial asset is classified as a "level 3" asset in the fair value measurement hierarchy.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

7. Inventories

Accounting policy

Recognition and measurement

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

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

Significant judgements and estimates

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 R0,5 billion (2016: R0,6 billion) 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.

	2017 R'billion	2016 R'billion
Summary of balance		
Raw materials	**3,8**	3,3
Work-in-progress	**4,7**	5,3
Finished goods	**4,8**	5,5
Consumables	**0,3**	0,3
	13,6	14,4
Impairment of inventories		
The impairment charge (included in cost of sales) is made up as follows:		
Write down of inventories recognised as an expense*	**0,7**	0,6
Movement in the provision for impairment	**0,1**	0,1
	0,8	0,7

** 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 inventories write-offs as a result of production-related inefficiencies.*

	2017 R'billion	2016 R'billion
Reconciliation of provision for impairment		
Balance at the beginning of the year	**0,8**	0,7
Raised during the year	**0,8**	0,7
Utilised during the year	**(0,7)**	(0,6)
	0,9	0,8

Other disclosures

Inventories to the value of R1,8 billion (2016: R1,9 billion) have been pledged as security for the 10-year interest-free loan from MSD. Refer to note 14.1.

8. Receivables and other current assets

Accounting policy

Recognition and measurement

Receivables and other current assets 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.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired.

The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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.

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.

Financial assets

Financial instruments related to trade and other receivables are classified as "Loans and receivables" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets 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.

	Notes	2017 R'billion	2016 R'billion
Split of balance			
Trade and other receivables	8.1	**13,4**	11,6
Current tax assets		**0,2**	0,2
		13,6	11,8

8.1 Trade and other receivables

	2017 R'billion	2016 R'billion
Summary of balance		
Trade receivables	**10,9**	9,0
Allowance account for losses	**(0,2)**	(0,2)
Net trade receivables	**10,7**	8,8
Indirect taxes	**0,9**	0,8
Prepayments	**0,4**	0,5
Other	**1,4**	1,5
	13,4	11,6
Split of balance		
Financial assets	**11,1**	9,2
Non-financial assets	**2,3**	2,4
	13,4	11,6
Impairment of trade and other receivables		
Reconciliation of allowance account for losses		
Balance at the beginning and end of the year	**0,2**	0,2

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

8. Receivables and other current assets continued

Other disclosures

Age analysis of trade and other receivables (financial instruments only)

	2017 Gross R'billion	2017 Allowance account for losses R'billion	2016 Gross R'billion	2016 Allowance account for losses R'billion
Fully performing	**9,9**	**–**	6,9	–
Past due by 1 to 60 days	**0,8**	**–**	1,6	–
Past due by 61 to 90 days	**0,2**	**–**	0,2	–
Past due by 91 to 120 days	**0,1**	**–**	0,3	–
Past due by more than 120 days	**0,3**	**(0,2)**	0,4	(0,2)
	11,3	**(0,2)**	9,4	(0,2)

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 R2,0 billion (2016: R1,6 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. One debtors balance (2016: one debtors balance) constitutes a significant concentration of credit risk to an amount of R1,5 billion (2016: R1,6 billion). This balance constitutes 13,5% (2016: 17,3%) of the total gross trade receivables, relates to a customer with a longstanding relationship with the Group and there have been no defaults on payments. There are no other single customers representing more than 10% of total gross trade receivables for the years ended 30 June 2017 and 2016.

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 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.

	2017 R'billion	2016 R'billion
Currency analysis of trade and other receivables (financial instruments only)		
Australian Dollar	**0,7**	0,8
Brazilian Real	**0,3**	0,2
Canadian Dollar	**–**	0,2
Euro	**1,8**	2,4
Mexican Peso	**0,3**	0,3
Pound Sterling	**0,6**	0,3
South African Rand	**2,5**	2,3
Russian Ruble	**0,3**	0,3
US Dollar	**3,4**	1,4
Other currencies	**1,2**	1,0
	11,1	9,2

General

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

Trade and other receivables are predominantly non-interest bearing.

9. Cash and cash equivalents

Accounting policy

Recognition and measurement

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

Financial assets

Cash and cash equivalents are classified as "Loans and receivables" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets as they all have maturities less than 12 months from year end. The Group determines the classification of its financial assets at initial recognition when the Group becomes party to the contractual provisions of the instrument.

	2017 R'billion	2016 R'billion
Summary of balance		
Bank balances	**10,2**	7,9
Short-term bank deposits	**0,5**	3,0
	10,7	10,9

Other disclosures

Credit risk

Treasury counterparties consist of a diversified group of prime 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 2017, more than 94% of the Group's cash and cash equivalents were held with institutions with an international credit rating of BB+ or better.

Currency analysis of cash and cash equivalents	**2017 R'billion**	2016 R'billion
Australian Dollar	**1,2**	1,3
Euro	**3,2**	2,2
South African Rand	**4,0**	3,1
US Dollar	**1,2**	3,5
Other currencies	**1,1**	0,8
	10,7	10,9

General

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

The average effective interest rate on interest-bearing cash and cash equivalents is 3,2% (2016: 2,9%).

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

10. 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 value 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.

	2017 R'billion	2016 R'billion
Reconciliation of balance		
Balance at the beginning of the year	**0,1**	2,9
Disposals	**(0,1)**	(3,6)
Reclassification from assets	**0,2**	0,4
Property, plant and equipment	**0,2**	–
Inventories	**–**	0,3
Trade and other receivables	**–**	0,1
Currency translation movements	**–**	0,4
	0,2	0,1
Split of balance		
Property, plant and equipment – Steriles manufacture facility South Africa*	**0,2**	–
Divestment of a portfolio of products in South Africa to Litha	**–**	0,1
	0,2	0,1

* *In the current 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 requires 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.*

No gains or losses on remeasurement were recognised in the statement of comprehensive income in the current financial year.

11. Share capital (net of treasury shares)

Accounting policy

Share capital

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

Treasury shares

Shares in the Company held by Group subsidiaries and unvested restricted shares held for employee participants in the Group's share plan are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity. The issued and weighted average number of shares is reduced by the treasury shares for the purposes of the basic, 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 basic, headline earnings and normalised headline earnings per share calculations.

Split of balance

	Notes	2017 R'billion	2016 R'billion
Share capital	11.1	**2,1**	2,1
Treasury shares	11.2	**(0,2)**	(0,2)
		1,9	1,9

11.1 Share capital

	2017 R'billion	2016 R'billion
Authorised		
717 600 000 (2016: 717 600 000) ordinary shares of no par value	**–**	–
Issued		
456 435 185 (2016: 456 351 337) ordinary shares of no par value	**2,1**	2,1

Reconciliation of shares

	Million	Million
Shares in issue at the beginning of the year	**456,4**	456,3
Shares issued – share schemes	**–**	0,1
Shares in issue at the end of the year	**456,4**	456,4

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.

11.2 Treasury shares

	2017 R'billion	2016 R'billion
Treasury shares held		
410 239 (2016: 499 746) ordinary shares of no par value	**(0,2)**	(0,2)

Reconciliation of shares

	Million	Million
Number of shares at the beginning of the year	**0,5**	0,3
Shares purchased	**–**	0,3
Deferred incentive bonus shares exercised	**(0,1)**	(0,1)
Number of shares at the end of the year	**0,4**	0,5

Notes to the Group Annual Financial Statements

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12. Share-based compensation reserve

Accounting policy

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

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

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

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

Equity-settled schemes

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

Summary of schemes

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

Legacy share schemes

The following share scheme was still operational during the year, in terms of awards previously made.

Aspen Share Appreciation Plan

The plan was adopted by shareholders in October 2005, and the last awards were made in 2013. In terms of the plan, share appreciation rights were awarded to key management 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. Rights vested on the third anniversary of the award date and expired on the fifth anniversary of that date. Upon exercise, the appropriate number of shares would be listed and awarded to the participant. A single employee held share appreciation rights and has recently exercised these rights. This scheme has therefore terminated.

12. Share-based compensation reserve continued

Summary of schemes continued

The Aspen South African Management Deferred Incentive Bonus Scheme

	Nature and purpose of the scheme	Determination of value of awards	Vesting
Medium-term component 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 (2017: 96%, 2016: 97% and 2015: 99%).	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.	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.
Long-term component of the scheme	The Aspen South African Management Deferred Incentive Bonus Scheme is aimed at the retention of a limited number of key senior executives.	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 R&N Co.	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 10-year period and before the age of 65, unless the express approval of the R&N Co has been obtained for such acceleration.

Notes to the Group Annual Financial Statements continued

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12. Share-based compensation reserve continued

Summary of schemes continued

The Aspen International Phantom Share Scheme

	Nature and purpose of the scheme	Determination of value of awards	Vesting
Medium-term component 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 as ownership of shares.	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 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.
Long-term component of the scheme	The Aspen International Phantom Share Scheme is aimed at ensuring the retention of a limited number of key offshore senior executives.	The value of the awards granted to employees in terms of this component of the scheme is on an *ad hoc* basis and are determined at the discretion of the R&N Co.	These awards vest after a period of 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 R&N Co has been obtained for such acceleration.

12. 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 2016 '000#	Awarded during the year '000	Released during the year '000	Lapsed/cancelled during the year '000*	**Shares outstanding on 30 June 2017 '000#**	Fair value at award date R	Share price at award date R
264,13	Oct 2016	88	–	88	–	**–**	224,50	262,50
338,44	Oct 2017	72	–	2	5	**65**	290,90	336,50
300,62	Oct 2018	114	–	2	8	**104**	365,00	286,51
326,70	May 2026	214	–	–	–	**214**	365,00	317,50
305,86	Oct 2019	–	105	1	–	**104**	373,26	310,00
		488	105^	93	13	**487**		

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 2017 and 30 June 2016.

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

^ During the year the Group bought 105 927 shares (2016: 331 348 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	Phantom shares outstanding on 30 June 2016 '000#	Awarded during the year '000	Exercised during the year '000	Lapsed/cancelled during the year '000	**Phantom shares outstanding on 30 June 2017 '000#**
236,67	Oct 2016	45	–	45	–	**–**
326,84	Oct 2017	65	–	5	–	**60**
299,44	Oct 2018	96	–	4	–	**92**
326,70	May 2026	48	–	–	–	**48**
316,00	Oct 2019	–	95	–	–	**95**
		254	95	54	–	**295**

 # The total number of shares were not vested at 30 June 2017 or 30 June 2016.

The fair value was determined by reference to the share price on the grant date. The closing share price on measurement date was R287,10 (2016: R362,28).

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R65,7 million (2016: R79,6 million).

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13. 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 *IAS 39 – Financial Instruments: Recognition and Measurement*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Currency analysis and maturity profile of total borrowings

	2017			2016		
	Within 1 year R'billion	**Between 1 – 5 years R'billion**	**Total R'billion**	Within 1 year R'billion	Between 1 – 5 years R'billion	Total R'billion
Bank overdrafts						
Rand	**3,5**	**–**	**3,5**	3,0	–	3,0
	3,5	**–**	**3,5**	3,0	–	3,0
Unsecured loans						
(1) Euro syndicated term loan	**11,6**	**19,4**	**31,0**	–	23,5	23,5
Euro – other	**0,3**	**–**	**0,3**	0,2	–	0,2
Euro – capital raising fees	**(0,1)**	**(0,1)**	**(0,2)**	–	(0,3)	(0,3)
US Dollar – other	**–**	**–**	**–**	2,6	–	2,6
(2) Australian Dollar syndicated revolving loan	**–**	**4,0**	**4,0**	–	4,5	4,5
(3) Rand syndicated term loan	**–**	**5,6**	**5,6**	–	5,0	5,0
(4) Rand – other	**3,6**	**–**	**3,6**	5,1	–	5,1
	15,4	**28,9**	**44,3**	7,9	32,7	40,6
Total borrowings	**18,9**	**28,9**	**47,8**	10,9	32,7	43,6

13. Borrowings continued

Currency analysis and maturity profile of total borrowings continued

(1) Euro syndicated term loan

The loan comprises	Amount EUR'billion	Date obtained	Term	Interest terms
Facility A1 loan	0,8	June 2016	Two years repayable June 2018	Three-month EURIBOR + margin of 2,0% repayable quarterly
Facility A2 loan	0,3	June 2016	Two years repayable August 2018	Three-month EURIBOR + margin of 2,0% repayable quarterly
Facility B1 loan	0,3	June 2016	Three years repayable June 2019	Three-month EURIBOR + margin of 2,2% repayable quarterly
Facility B2 loan	0,1	June 2016	Three years repayable August 2019	Three-month EURIBOR + margin of 2,2% repayable quarterly
Facility C1 loan	0,4	June 2016	Four years repayable June 2020	Three-month EURIBOR + margin of 2,4% repayable quarterly
Facility C2 loan	0,2	June 2016	Four years repayable June 2020	Three-month EURIBOR + margin of 2,4% repayable quarterly

The repayment profile is set out below:

	Facility A1 loan EUR'billion	Facility A2 loan EUR'billion	Facility B1 loan EUR'billion	Facility B2 loan EUR'billion	Facility C1 loan EUR'billion	Facility C2 loan EUR'billion	Total EUR'billion
Year ending 30 June 2018	0,8	–	–	–	–	–	0,8
Year ending 30 June 2019	–	0,3	0,3	–	–	–	0,6
Year ending 30 June 2020	–	–	–	0,1	0,4	0,2	0,7
	0,8	0,3	0,3	0,1	0,4	0,2	2,1

(2) Australian Dollar syndicated revolving loan

The loan comprises	Amount AUD'billion	Date obtained	Term	Interest terms
Facility G loan	0,4	June 2016	Four years repayable June 2020	Three-month BBSY + margin of 2,0% repayable quarterly

(3) Rand syndicated term loan

The loan comprises	Amount R'billion	Date obtained	Term	Interest terms
Facility D loan Pharmacare	3,0	June 2016	Three years repayable June 2019	Three-month JIBAR + margin of 1,9% repayable quarterly
Revolving facility E loan – Pharmacare	0,6	June 2016	Four years repayable June 2020	Three-month JIBAR + margin of 1,9%
Facility F loan – Pharmacare	1,7	June 2016	Five years repayable June 2021	Three-month JIBAR + margin of 2,2% repayable quarterly
Facility F loan – Aspen Holdings	0,3	June 2016	Five years repayable June 2021	Three-month JIBAR + margin of 2,2% repayable quarterly

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

13. Borrowings continued

Currency analysis and maturity profile of total borrowings continued

(3) Rand syndicated term loan continued

The repayment profile is set out below:

	Facility D loan – Pharmacare R'billion	Facility E loan – Pharmacare R'billion	Facility F loan – Pharmacare R'billion	Facility F loan – Aspen Holdings R'billion	Total R'billion
Year ending 30 June 2019	3,0	–	–	–	3,0
Year ending 30 June 2020	–	0,6	–	–	0,6
Year ending 30 June 2021	–	–	1,7	0,3	2,0
	3,0	0,6	1,7	0,3	5,6

(4) Rand – other

The loan comprises	Amount R'billion	Date obtained	Term	Interest terms
Various term loans	1,4	Various	Ranging between three and six months	SAFEX + margin of 1,4%
Various term loans	1,2	Various	Ranging between three and six months	Three-month JIBAR + margins ranging between 1,4% and 1,5% repayable quarterly
Various overnight loans	0,4	Various	On demand	Overnight call rates ranging between 8,0% and 8,3%
Various overnight loans	0,6	Various	On demand	South African prime overdraft rate less rates ranging between 1,0% and 2,7%

13. Borrowings continued

(4) Rand – other continued

Interest rate profile of total borrowings

	2017			2016		
	Total R'billion	Interest rate %	Average effective interest rate %	Total R'billion	Interest rate %	Average effective interest rate %
Bank overdrafts – floating rate (linked to South African prime overdraft rate)	**3,5**	**Rates ranging between prime and prime less 3,0**	**7,5**	3,0	Rates ranging between prime and prime less 3,0	6,9
Unsecured loans – floating rate	**44,3**			40,8		
Linked to three-month LIBOR	**–**	**–**	**–**	2,6	+ margins ranging between +1,0 and 1,7	2,1
Linked to three-month BBSY	**4,0**	**+ margin of 2,0**	**3,8**	4,5	+ margin of 2,0	4,8
Linked to SAFEX	**1,4**	**+ margin of 1,4**	**8,2**	1,4	+ margins ranging between 1,1 and 1,4	7,6
Linked to three-month JIBAR	**6,8**	**+ margins ranging between 1,9 and 2,2**	**8,5**	6,7	+ margins ranging between 1,0 and 2,2	8,4
Linked to South African prime overdraft rate	**0,6**	**Less margins ranging between 1,0 and 2,7**	**7,9**	0,5	Less margins ranging between 1,0 and 2,7	7,0
Linked to overnight call rate	**0,4**	**Overnight call rates ranging between 8,0 and 8,3**	**8,0**	1,5	Overnight call rates ranging between 7,7 and 9,0	7,4
Linked to three-month EURIBOR	**31,3**	**+ margins ranging between 1,0 and 2,4**	**2,1**	23,7	+ margins ranging between 1,0 and 2,4	2,1
Capital raising fees#	**(0,2)**	**–**	**–**	(0,3)	–	–
Total borrowings	**47,8**			43,6		

Capital raising fees relate to the unsecured loans above but have been shown separately as they are non-interest bearing.

Definitions

- JIBAR – Johannesburg Inter-bank Acceptance Rate
- SAFEX – South African Futures Exchange
- EURIBOR – Euro Inter-bank Offer Rate
- LIBOR – London Inter-bank Offer Rate
- BBSY – Bank Bill Swap Yield

Other disclosures

Default and breaches

There were no defaults or breaches of the contractual terms of the borrowings during the year.

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

- South African facilities of R4,1 billion;
- a Euro denominated facility of EUR0,4 billion; and
- an Australian Dollar denominated facility of AUD45,0 million.

These facilities may only be drawn to the extent that any banking covenants are not likely to be breached for the ensuing 12-month period.

All facilities negotiated are reviewed annually.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

14. 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 as well as the rights for the commercialisation of selected Aspen products to GSK. 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 commercialisation rights will be released to the statement of comprehensive income over the term of the contract. 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 *IAS 39 – Financial Instruments: Recognition and Measurement*. Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Summary of balance

	Notes	2017 R'billion	2016 R'billion
Other non-current financial liabilities	14.1	**4,4**	2,3
Deferred revenue	14.2	**–**	0,1
Environmental liabilities	14.3	**0,1**	0,1
		4,5	2,5

14. Other non-current liabilities continued

14.1 Other non-current financial liabilities

	2017 R'billion	2016 R'billion
Reconciliation of balance		
Balance at the beginning of the year	**2,5**	2,1
HPC business	**–**	0,2
AstraZeneca Anaesthetics Portfolio	**5,0**	–
GSK Anaesthetics Portfolio	**1,5**	–
Repayments	**(0,2)**	(0,2)
Notional interest	**0,3**	0,2
Currency translation movements	**(0,3)**	0,2
	8,8	2,5
Split of balance		
Non-current	**4,4**	2,3
Current	**4,4**	0,2
	8,8	2,5
Split of balance		
10-year interest-free loan	**1,8**	1,8
Deferred consideration payable to AstraZeneca	**4,7**	–
Deferred consideration payable to GSK	**1,7**	–
Deferred consideration payable to MSD	**0,4**	0,6
Deferred consideration payable to McGuff	**0,2**	0,2
	8,8	2,7

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.

Deferred consideration payable to AstraZeneca

As part of the anaesthetics business combination in the current year, Aspen Global concluded a transaction with AstraZeneca in terms of which they paid USD410 million with a further payment of USD110 million due on 1 July 2017. Additionally, AGI will make sales -related payments of up to USD250 million based on sales in the 24 months following completion.

In order for these amounts to not be payable, sales would need to be 15% lower than expected at the time of the acquisition.

After year end USD150 million became payable as sales targets for the first 12 months were reached.

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

The repayment profile is set out below:

	2017 USD'million	2016 USD'million
Year ending 30 June 2018	**260,0**	–
Year ending 30 June 2019	**100,0**	–
	360,0	–

Deferred consideration payable to GSK

As part of the anaesthetics business combination in the current 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 over the 36 month period, the deferred consideration recognised is 100% of the total possible consideration. Should the gross profit of the acquired portfolio be 10% below that expected, the deferred consideration payable would reduce to GBP77,2.

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

14. Other non-current liabilities continued

14.1 Other non-current financial liabilities continued

The repayment profile is set out below:

	2017 GBP'million	2016 GBP'million
Year ending 30 June 2018	**42,3**	–
Year ending 30 June 2019	**42,3**	–
Year ending 30 June 2020	**15,0**	–
	99,5	–

Deferred consideration payable to MSD

The total purchase consideration for the MSD business was USD600 million. In total, USD533 million of the consideration was paid on 2 January 2014. In the current year R0,2 billion (2016: R0,2 billion) has been repaid.

The repayment profile is set out below:

	2017 USD'million	2016 USD'million
Year ended 30 June 2017	**–**	13,5
Year ending 30 June 2018	**13,5**	13,5
Year ending 30 June 2019	**13,5**	13,5
	27,0	40,5

Deferred consideration payable to McGuff

As part of the HPC business combination in the prior year, Aspen Global concluded a transaction with McGuff in terms of which it agreed to pay milestone payments for the HPC business. The amount is partially dependent on future sales performance.

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

The repayment profile is set out below:

	2017 USD'million	2016 USD'million
Year ending 30 June 2018	**4,0**	4,0
Year ending 30 June 2019	**5,0**	5,0
Year ending 30 June 2020	**3,0**	3,0
Year ending 30 June 2022	**3,0**	3,0
Year ending 30 June 2023	**1,0**	1,0
	16,0	16,0

14. Other non-current liabilities continued

14.2 Deferred revenue

	2017 R'billion	2016 R'billion
Reconciliation of balance		
Balance at the beginning of the year	**0,5**	0,4
Recognised in the statement of comprehensive income	**(0,1)**	–
Currency translation movements	**(0,1)**	0,1
	0,3	0,5
Split of balance		
Non-current	**–**	0,1
Current	**0,3**	0,4
	0,3	0,5
Split of balance		
Capital expenditure projects	**0,3**	0,4
Rights for the commercialisation of selected Aspen products payable to GSK	**–**	0,1
	0,3	0,5

14.3 Environmental liabilities

	2017 R'billion	2016 R'billion
Reconciliation of balance		
Balance at the beginning and end of the year	**0,1**	0,1

The environmental liabilities relate to the estimated cost of remediating soil contamination at the Boxtel site in the Netherlands. The remediation at Boxtel will be managed and funded by the Group and the amount of EUR5,5 million is based on an estimate by an independent expert.

Notes to the Group Annual Financial Statements continued

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15. 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 have been classified as either unfavourable or onerous. These liabilities will be released to revenue over the term of the contracts in terms of *IAS 18 – Revenue*.

Reconciliation of balance

	2017 R'billion	2016 R'billion
Balance at the beginning of the year	**2,6**	2,4
Release to the statement of comprehensive income	**(0,3)**	(0,4)
Currency translation movements	**(0,4)**	0,6
	1,9	2,6
Split of balance		
Non-current	**1,6**	2,2
Current	**0,3**	0,4
	1,9	2,6

16. 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 – pension

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 22 and 18 of the Group Annual Financial Statements.

Defined benefit plans – pension

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

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

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

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

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

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.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

16. 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 R0,4 billion for the current financial year (2016: R0,3 billion). 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 2017	Full	Projected unit credit	2,0% (2016: 1,4%)	N/A	2,0% (2016: 2,0%)
Germany	June 2017	Full	Projected unit credit	1,8% (2016: 1,8%)	N/A	2,5% (2016: 3,0%)
Kenya	June 2017	Full	Projected unit credit	12,5% (2016: 14,3%)	N/A	12,0% (2016: 12,0%)
Mexico	June 2017	Full	Projected unit credit	7,4% (2016: 6,6%)	N/A	5,0% (2016: 5,0%)
The Philippines	June 2017	Full	Projected unit credit	5,3% (2016: 4,8%)	N/A	6,0% (2016: 7,0%)
South Africa	June 2017	Full	Projected unit credit	9,8% (2016: 9,9%)	8,5% (2016: 8,8%)	N/A
Tanzania	June 2017	Full	Projected unit credit	18,9% (2016: 18,9%)	N/A	9,0% (2016: 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.

16. Retirement and other employee benefit obligations continued

	2017 R'billion	2016 R'billion
Amounts recognised in the statement of financial position		
Present value of retirement and other employee benefit obligations	**0,6***	0,7*
Deferred tax	**(0,1)**	(0,1)
	0,5	0,6

* *Included in this amount is an obligation of R0,2 billion (2016: R0,2 billion) for which the Group has a reimbursive right. Refer to note 6.1 for more detail.*

	2017 R'billion	2016 R'billion
Retirement and other employee benefit obligations comprise		
Unfunded present value of retirement and other employee benefit obligations	**0,7**	0,8
Fair value of plan assets	**(0,1)**	(0,1)
	0,6	0,7
The movement in the liability recognised in the statement of financial position is as follows:		
At the beginning of the year	**0,8**	0,4
Current service costs (included in staff costs – cost of sales)	**–**	0,1
Remeasurements recognised in other comprehensive income – actuarial losses from changes in financial assumptions	**–**	0,1
Currency translation movements	**(0,1)**	0,2
	0,7	0,8

Fair value of plan assets

The fair value of plan assets of R0,1 billion (2016: R0,1 billion) are invested in European government bonds.

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

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	2017 R'billion	2016 R'billion	2015 R'billion	2014 R'billion	2013 R'billion
Present value of retirement and other employee benefit obligations	**0,7**	0,8	0,5	0,6	0,2
Fair value of plan assets	**(0,1)**	(0,1)	(0,1)	(0,1)	(0,1)
Deficit	**0,6**	0,7	0,4	0,5	0,1

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.

Notes to the Group Annual Financial Statements continued

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17. 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 "Liabilities at amortised cost" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Financial liabilities are recognised on the transaction date when the Group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Summary of balance

	2017 R'billion	2016 R'billion
Trade payables	**5,2**	3,5
Accrued expenses	**1,7**	1,7
Indirect taxes	**0,6**	0,3
Leave pay	**0,4**	0,4
Bonuses	**0,2**	0,2
HPC business	**–**	0,2
Other	**2,2**	2,0
	10,3	8,3
Split of balance		
Financial liabilities	**7,8**	6,2
Non-financial liabilities	**2,5**	2,1
	10,3	8,3

Other disclosures

	2017 R'billion	2016 R'billion
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	**0,7**	0,6
Euro	**3,0**	2,1
Mexican Peso	**0,2**	0,1
Pound Sterling	**0,3**	0,2
South African Rand	**1,3**	1,4
US Dollar	**1,7**	1,4
Other currencies	**0,6**	0,4
	7,8	6,2

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

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

18. 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	2017 R'billion	2016 R'billion
Split of balance			
Current tax liabilities		**0,6**	0,9
Deferred revenue	14.2	**0,3**	0,4
Other current financial liabilities	14.1	**4,4**	0,2
Deferred payables	18.1	**–**	–
		5,3	1,5

18.1 Deferred payables

Reconciliation of balance

	2017 R'billion	2016 R'billion
Balance at the beginning of the year	**–**	0,4
Repayments	**–**	(0,5)
Currency translation movements	**–**	0,1
	–	–

As part the GSK Thrombosis business combination, AGI concluded a transaction with MSD by which they agreed to pay a deferred consideration for Arixtra. The total amount was repaid in the prior year.

Notes to the Group Annual Financial Statements continued

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19. Revenue

Accounting policy

Recognition and measurement

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

Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the buyer based on the date goods are delivered to customers, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. Revenue arising from co-marketing and royalty agreements is recognised on the accrual basis in accordance with the substance of the relevant agreements.

Summary of balance

	2017 R'billion	2016 R'billion
Sale of goods	**40,8**	35,0
Co-marketing fees	**0,1**	0,2
Unfavourable and onerous contracts release (refer to note 15)	**0,3**	0,4
	41,2	35,6

20. Operating profit

	2017 R'billion	2016 R'billion
Operating profit has been arrived at after crediting		
Profit on the sale of assets classified as held-for-sale	**–**	1,6
After charging		
Auditors' remuneration	**0,1**	0,1
Net impairment charges	**1,5**	1,6
Impairment of intangible assets (included in other operating expenses)	**0,4**	0,9
Impairment charge – inventories (included in cost of sales)	**0,8**	0,7
Impairment of property, plant and equipment (included in other operating expenses)	**0,3**	–
Loss on the sale of subsidiary	**0,1**	–
Loss on the sale of intangible assets	**0,1**	–
Repairs and maintenance expenditure on property, plant and equipment	**0,5**	0,5
Operating lease rentals – land and buildings	**0,1**	0,1
Restructuring costs	**0,4**	0,3
Transaction costs	**0,3**	0,3
Product litigation costs	**0,2**	–

21. Expenses by nature

	Cost of sales R'billion	Selling and distribution expenses R'billion	Administrative expenses R'billion	Other operating expenses R'billion	Total R'billion
2017					
Cost of material and production-related variances	**14,7**	**–**	**–**	**–**	**14,7**
Personnel costs and other staff-related costs	**3,7**	**2,3**	**1,5**	**–**	**7,5**
Depreciation and amortisation	**0,5**	**0,1**	**0,1**	**0,6**	**1,3**
Advertising and marketing expenses	**–**	**1,2**	**–**	**–**	**1,2**
Transport and warehousing costs	**0,1**	**1,0**	**–**	**–**	**1,1**
Impairment charges	**0,8**	**–**	**–**	**0,7**	**1,5**
Legal and consulting fees	**0,4**	**0,2**	**0,3**	**–**	**0,9**
Property costs	**0,5**	**–**	**–**	**–**	**0,5**
Repairs and maintenance expenditure on property, plant and equipment	**0,5**	**–**	**–**	**–**	**0,5**
Transaction costs	**–**	**–**	**–**	**0,3**	**0,3**
Restructuring costs	**–**	**–**	**–**	**0,4**	**0,4**
Product litigation costs	**–**	**–**	**–**	**0,3**	**0,2**
Other	**0,1**	**1,9**	**0,9**	**0,4**	**3,1**
	21,3	**6,7**	**2,8**	**2,4**	**33,2**
2016					
Cost of material and production-related variances	10,4	–	–	–	10,4
Personnel costs and other staff-related costs	4,0	2,3	1,3	–	7,6
Depreciation and amortisation	0,5	0,1	0,1	0,6	1,3
Advertising and marketing expenses	–	1,2	–	–	1,2
Transport and warehousing costs	0,1	1,0	–	–	1,1
Impairment charges	0,7	–	–	0,9	1,6
Legal and consulting fees	0,4	0,2	0,3	–	0,9
Property costs	0,5	–	–	–	0,5
Repairs and maintenance expenditure on property, plant and equipment	0,5	–	–	–	0,5
Transaction costs	–	–	–	0,3	0,3
Restructuring costs	–	–	–	0,3	0,3
Other	0,6	1,2	0,9	0,1	2,8
	17,7	6,0	2,6	2,2	28,5

Notes to the Group Annual Financial Statements continued

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22. Directors and employees

Accounting policy

Directors and prescribed officers' emoluments

The directors and prescribed officers' emoluments represent the emoluments paid to, or receivable by, directors and prescribed officers in their capacity as director, prescribed officer or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the 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.

	2017 R'million	2016 R'million
Directors' emoluments		
Non-executive directors – fees		
Roy Andersen	0,6	0,6
John Buchanan	0,8	0,8
Judy Dlamini	–	0,4
Kuseni Dlamini	1,0	0,7
Maureen Manyama	0,6	0,5
Chris Mortimer	0,4	0,3
Babalwa Ngonyama	0,5	0,1
David Redfern	0,3	0,3
Sindi Zilwa	0,7	0,5
Total (A)	4,9	4,2
Executive directors		
Gus Attridge	13,5	14,1
Remuneration	5,6	5,2
Retirement and medical aid benefits	0,9	0,9
Performance bonus	4,7	5,8
Share-based payment expense	2,3	2,2
Stephen Saad	16,5	17,5
Remuneration	6,8	6,4
Retirement and medical aid benefits	1,1	1,1
Performance bonus	5,7	7,4
Share-based payment expense	2,9	2,6
Total (B)	30,0	31,6
Total emoluments paid by the Company (A+B)	34,9	35,8

	2017 R'billion	2016 R'billion
Staff costs		
Wages and salaries	6,1	6,3
Defined contribution plan expenses	0,4	0,3
Defined benefit plan expenses	–	0,1
Share-based payment expense	–	0,1
Other Company contributions	0,5	0,5
	7,0	7,3
Amount included in cost of sales	3,7	4,0
Wages and salaries	3,1	3,5
Benefits	0,6	0,5
Amount included in selling and distribution expenses	2,0	2,1
Wages and salaries	1,8	1,8
Benefits	0,2	0,3
Amount included in administrative expenses	1,3	1,2
Wages and salaries	1,2	1,0
Benefits	0,1	0,2
Total number of employees at year end	10 204	10 513
Full-time employees	9 454	9 184
Part-time employees	750	1 329

23. 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.

	2017 R'billion	2016 R'billion
Interest on bank balances and short-term deposits	0,3	0,3

24. 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 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.

	2017 R'billion	2016 R'billion
Interest paid – bank overdraft and borrowings	1,9	1,8
Non-current borrowings	0,2	0,8
Bank overdrafts and current borrowings	1,6	1,0
Other	0,1	–
Capital raising fees released – transactions	0,1	0,3
Notional interest on financial instruments	0,3	0,2
Net foreign exchange losses	0,2	–
Foreign exchange gains on acquisitions	(0,1)	–
Net monetary adjustments and currency devaluations relating to hyperinflationary economies	–	0,9
	2,4	3,2

Financing costs above exclude financing costs of R0,2 billion which have been capitalised during 2017 to capital work-in-progress (2016: R0,2 billion). Refer to note 2 for detail.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

25. Tax

Accounting policy

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

Current tax

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

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

Dividend and withholding taxes

Dividend withholding tax is payable by Aspen Pharmacare Holdings Limited's shareholders on any dividend that is paid by the Company, at the applicable rate. The amount is not attributable to the Company and is therefore not reflected in taxes paid by the Company. If a withholding tax is payable by any Company in the Group, the withholding tax is recognised as part of the tax charge in the statement of comprehensive income.

Significant judgements and estimates

Recognition of deferred tax assets in respect of assessed losses

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group's operations where, among other things, tax losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward. In determining whether a business will have future taxable profits to utilise against assessed losses, management will take into account budgets as well as updated forecasts for future periods. Deferred tax assets are not recognised for carry forward of unused tax losses when it cannot be demonstrated that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Summary of balance

	2017 R'billion	2016 R'billion
South African tax	**0,1**	0,9
Foreign tax	**1,1**	0,9
Deferred tax	**(0,1)**	–
Total tax charge	**1,1**	1,8

The Group submits its tax returns and advance payments as they fall due and, other than a few returns that only become due for submission in December 2017, all of the 2016 tax returns have been submitted by the relevant Group company.

Disputed income tax matter

The Aspen Group was subject to an international tax and transfer pricing audit by the South African Revenue Service ("SARS") and Aspen Pharmacare Holdings Limited received a revised assessment in relation to its 2011 fiscal year as a consequence of this audit. Aspen, with the assistance of its legal and tax advisers, entered into discussions with SARS, which has resulted in the assessment being reversed by SARS on 16 October 2017.

25. Tax continued

Reconciliation of effective tax rate

	2017 %	2016 %
South African current tax rate	**28,0**	28,0
Increase in rate due to:		
Disallowed expenditure	**5,6**	9,7
Tax losses not recognised	**1,4**	2,6
Withholding and other taxes	**0,5**	1,5
Other	**–**	0,4
Decrease in rate due to:		
Prior year adjustments	**0,1**	(0,5)
Different rates of tax	**(16,0)**	(10,2)
Exempt income	**(1,6)**	(2,2)
Effective tax rate	**18,0**	29,3

The Group has tax losses which mainly arose in Argentina, Brazil, Canada, Costa Rica and Mexico of R1,1 billion (2016: R0,6 billion) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the relevant businesses have been in a break-even or loss-making position and it is not anticipated that this situation will reverse in the foreseeable future.

26. 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 2 of 2013.

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, restructuring costs, settlement of product related litigation costs, net monetary adjustments and currency devaluations relating to hyperinflationary economies and significant once-off tax provision charges or credits arising from the resolution of prior year tax matters.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

26. Earnings per share continued

Reconciliation of earnings

	2017 R'billion	2016 R'billion
Profit attributable to equity holders of the parent	**5,1**	4,3
Impairment of property, plant and equipment	**0,2**	–
Gross amount	**0,3**	–
Tax effect	**(0,1)**	–
Impairment of intangible assets	**0,4**	0,9
Loss on the sale of intangible assets	**0,1**	–
Profit on sale of assets classified as held-for-sale	**–**	(1,2)
Loss on the sale of subsidiary	**0,1**	–
Headline earnings	**5,9**	4,0
Restructuring costs	**0,4**	0,3
Transaction costs	**0,3**	0,6
Foreign exchange gain on acquisitions	**(0,1)**	–
Product litigation costs	**0,2**	–
Net monetary adjustments and currency devaluations relating to hyperinflationary economies	**–**	0,9
Normalised headline earnings*	**6,7**	5,8

**All adjustments to profit attributable to equity holders of the parent have been disclosed net of tax.*

	2017 million	2016 million
Shares		
Weighted average number of shares in issue	**456,4**	456,4
Adjustment for share options and share appreciation rights	**–**	0,1
Weighted average number of shares for diluted earnings per share	**456,4**	456,5

Performance per share

	2017 cents	2016 cents
Basic earnings per share	**1 123,4**	945,4
Headline earnings per share	**1 299,5**	889,0
Normalised headline earnings per share	**1 463,2**	1 263,7
Diluted earnings per share	**1 123,4**	945,2
Diluted headline earnings per share	**1 299,5**	888,8
Diluted normalised headline earnings per share	**1 463,2**	1 263,4

27. Cash dividend and capital distribution

Accounting policy

Ordinary dividends are only accounted for in the Annual Financial Statements in the year in which the dividends are approved by the Board of Directors.

A dividend of 287 cents per share was declared after year end (2016: dividend of 248 cents per share).

The dividend of 287 cents per share will be accounted for in the statement of changes in equity for the year ending 30 June 2018, in accordance with *IAS 10 – Events after Balance Sheet Date*. The dividend of 248,0 cents per share was declared after the year ended 30 June 2016. This dividend has been accounted for in the statement of changes in equity for the year ended 30 June 2017, in accordance with *IAS 10 – Events after Balance Sheet Date*.

28. Financial risk management

28.1 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.

28.2 Financial instruments by category

The carrying value of financial instruments by category is as follows

	Loans and receivables R'billion	At fair value through other comprehensive income R'billion	At amortised cost R'billion	Total R'billion
June 2017				
Financial assets				
Other non-current receivables	**0,4**	**–**	**–**	**0,4**
Available-for-sale financial assets	**–**	**0,1**	**–**	**0,1**
Trade and other receivables	**11,1**	**–**	**–**	**11,1**
Cash and cash equivalents	**10,7**	**–**	**–**	**10,7**
Total financial assets	**22,2**	**0,1**	**–**	**22,3**
Financial liabilities				
Unsecured loans	**–**	**–**	**44,3**	**44,3**
Bank overdrafts	**–**	**–**	**3,5**	**3,5**
Other financial liabilities	**–**	**–**	**8,8**	**8,8**
Trade and other payables	**–**	**–**	**7,8**	**7,8**
Total financial liabilities	**–**	**–**	**64,4**	**64,4**
June 2016				
Financial assets				
Available-for-sale financial assets	–	0,1	–	0,1
Trade and other receivables	9,2	–	–	9,2
Cash and cash equivalents	10,9	–	–	10,9
Total financial assets	20,1	0,1	–	20,2
Financial liabilities				
Unsecured loans	–	–	40,6	40,6
Bank overdrafts	–	–	3,0	3,0
Deferred payables	–	–	2,5	2,5
Other financial liabilities	–	–	2,5	2,5
Trade and other payables	–	–	6,2	6,2
Total financial liabilities	–	–	52,3	52,3

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

28. Financial risk management continued

28.3 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.

28.4 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 2017 and 2016 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments and no hedge accounting was applied.

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

	Foreign amount billion	Forward cover value R'billion	Marked to market value R'billion
June 2017			
Imports*			
Euro	**–#**	**0,4**	**0,4**
US Dollar	**–#**	**0,1**	**0,1**
		0,5	**0,5**
Exports*			
Australian Dollar	**–#**	**(0,3)**	**(0,3)**
Pound Sterling	**–#**	**(0,2)**	**(0,2)**
Canadian Dollar	**(0,1)**	**(0,6)**	**(0,6)**
US Dollar	**(0,1)**	**(1,7)**	**(1,7)**
Russian Ruble	**(0,8)**	**(0,2)**	**(0,2)**
Mexican Peso	**(0,3)**	**(0,2)**	**(0,2)**
		(3,2)	**(3,2)**
June 2016			
Imports*			
Australian Dollar	–#	0,4	0,4
Euro	–#	0,6	0,6
US Dollar	0,1	1,8	1,8
		2,8	2,8
Exports*			
Pound Sterling	–#	(0,2)	(0,2)
Russian Ruble	(0,6)	(0,1)	(0,1)
		(0,3)	(0,3)

** Includes forward exchange contracts that represent imports and exports being managed on a net basis.*
 # Foreign amounts are less than 0,1 billion.

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.

28. Financial risk management continued

28.4 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) are summarised as follows

	Marked to market value 2017 R'billion	2016 R'billion
Within 3 months	**(2,9)**	1,7
Between 3 and 6 months	**–**	0,7
Between 6 and 12 months	**0,2**	0,1
	2,7	2,5

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, Polish Zloty, Japanese Yen, Russian Ruble, Pound Sterling and Australian Dollar. 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 R3,5 billion at 30 June 2017 (2016: credit of R5,2 billion).

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 2016.

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 2017 R'billion	2016 R'billion
Denominated:Functional currency			
Rand:US Dollar	10	**(0,2)**	0,2
Rand:Euro	10	**–**	0,1
US Dollar:Euro	10	**0,2**	0,1
Other exposures	10	**0,1**	(0,2)
		0,1	0,2

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 2017	Spot rate 2016	Average rate 2017	Average rate 2016
Euro	**14,945**	16,364	**14,840**	16,115
Australian Dollar	**10,053**	10,998	**10,261**	10,607
US Dollar	**13,096**	14,774	**13,612**	14,575
Japanese Yen	**0,117**	0,144	**0,125**	0,126
Chinese Yuan Renminbi	**1,931**	2,222	**1,999**	2,258
Mexican Peso	**0,732**	0,796	**0,700**	0,837
Brazilian Real	**3,974**	4,603	**4,198**	3,950
Pound Sterling	**17,018**	19,580	**17,271**	21,381
Russian Ruble	**0,221**	0,230	**0,224**	0,216
Polish Zloty	**3,533**	3,722	**3,440**	3,747

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

28. Financial risk management continued

28.5 Interest rate risk

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

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

	Carrying value	
	2017 R'billion	2016 R'billion
Variable rate instruments		
Other non-current receivables	**(0,1)**	(0,1)
Cash and cash equivalents	**(6,5)**	(5,8)
Borrowings	**45,6**	23,8
Variable rate exposure	**39,0**	17,9
Fixed rate instruments		
Cash and cash equivalents	**–**	(0,4)
Borrowings	**2,4**	15,2
Fixed rate exposure	**2,4**	14,8

Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contracts ("IRS") were in place as at 30 June 2017:

	Outstanding contract amount R'billion	Fixed interest rate %	Expiry date
Rand syndicated term loan – Facility C loan – Pharmacare	0,8	6,3 (three-month JIBAR)	29 September 2017
Rand syndicated term loan – Facility B loan – Aspen Holdings	0,3	6,3 (three-month JIBAR)	29 September 2017
Rand syndicated term loan – Facility D loan – Pharmacare	1,0	7,7 (three-month JIBAR)	31 December 2018
Rand syndicated term loan – Facility F loan – Aspen Holdings	0,3	7,8 (three-month JIBAR)	28 June 2017

With respect to the IRS related to the Facility B and C syndicated term loan, the interest rate swaps were designated in a cash flow hedge relationship up to 30 June 2017, on which date the hedged items were refinanced. The nature of the risks that were hedged (interest rate risk) was the variability of the quarterly interest payments on the hedged items, attributable to movements in the three-month JIBAR rate. Gains and losses recognised in the hedging reserve in equity at 30 June 2017 were released to the statement of comprehensive income as interest (finance costs) as the hedged items were no longer in existence. All remeasurements for the remaining term of the swaps will be recognised directly in the statement of comprehensive income.

With respect to the IRS related to the Facility D and F syndicated term loan, the interest rate swaps were designated in a cash flow hedge relationship. The nature of the risks that were hedged (interest rate risk) was the variability of the quarterly interest payments on the hedged items, attributable to movements in the three-month JIBAR rate. Gains and losses recognised in the hedging reserve in equity at 30 June 2017 will be continuously released to the statement of comprehensive income as interest (finance costs) on the loans are recognised in the statement of comprehensive income.

The maturity profile of the gross contract amounts at 30 June 2017 are between one and five years.

28. Financial risk management continued

28.5 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:

	2017 R'billion	2016 R'billion
Three-month EURIBOR	0,3	–
Three-month LIBOR	–	0,2
Three-month JIBAR, BBSY, SAFEX and South African prime overdraft rate	0,1	0,1
	0,4	0,3

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.

An increase of 1% in the JIBAR yield curve at 30 June 2017 would result in a decrease of R29,0 million (2016: R10,8 million) in the fair value of the derivative liabilities in the statement of comprehensive income. A decrease of 1% in the yield curve will have an equal and opposite effect on the derivative liabilities in the statement of comprehensive income.

28.6 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 13 for detail.

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

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

	Undiscounted cash flows				
	On demand R'billion	< 1 year R'billion	1 – 5 years R'billion	> 5 years R'billion	Total R'billion
2017					
Financial assets					
Available for sale financial assets	–	–	–	0,1	0,1
Other non-current financial receivables	–	–	0,3	0,1	0,4
Trade and other receivables (financial instruments only)	–	11,1	–	–	11,1
Forward exchange contracts (gross settled)*	–	–	–	–	–
Gross cash inflows	–	0,5	–	–	0,5
Gross cash outflows	–	(0,5)	–	–	(0,5)
Cash and cash equivalents	10,2	0,5	–	–	10,7
Total financial assets	10,2	11,6	0,3	0,2	22,3
Financial liabilities					
Unsecured loans	(1,2)	(14,8)	(30,9)	–	(46,9)
Bank overdrafts	(3,5)	–	–	–	(3,5)
Trade and other pay (financial instruments only)	–	(7,8)	–	–	(7,8)
Other non-current and current liabilities	–	(4,6)	(4,0)	(0,3)	(8,9)
Forward exchange contracts (gross settled) *	–	–	–	–	–
Gross cash inflows	–	(3,2)	–	–	(3,2)
Gross cash outflows	–	3,2	–	–	3,2
Interest rate swaps (net settled)	–	–	–	–	–
Total financial liabilities	(4,7)	(27,2)	(34,9)	(0,3)	(67,1)
Net exposure	5,5	(15,6)	(34,6)	(0,1)	(44,8)

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

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

28. Financial risk management continued

28.6 Liquidity risk continued

	Undiscounted cash flows On demand R'billion	< 1 year R'billion	1 – 5 years R'billion	> 5 years R'billion	Total R'billion
June 2016					
Financial assets					
Available-for-sale financial assets	–	–	–	0,1	0,1
Trade and other receivables (financial instruments only)	–	9,2	–	–	9,2
Forward exchange contracts (gross settled)*	–	–	–	–	–
Gross cash inflows	–	2,8	–	–	2,8
Gross cash outflows	–	(2,8)	–	–	(2,8)
Cash and cash equivalents	7,9	3,0	–	–	10,9
Total financial assets	7,9	12,2	–	0,1	20,2
Financial liabilities					
Unsecured loans	(2,2)	(7,0)	(35,7)	–	(44,9)
Bank overdrafts	(3,0)	–	–	–	(3,0)
Other non-current and current liabilities	–	(0,2)	(0,4)	–	(0,6)
Trade and other payables (financial instruments only)	–	(6,2)	–	–	(6,2)
Forward exchange contracts (gross settled)*	–	–	–	–	–
Gross cash inflows	–	(0,3)	–	–	(0,3)
Gross cash outflows	–	0,3	–	–	0,3
Total financial liabilities	(5,2)	(13,4)	(36,1)	–	(54,7)
Net exposure	2,7	(1,2)	(36,1)	0,1	(34,5)

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

28. Financial risk management continued

28.7 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.

28.8 Capital risk

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

The capital structure of the Group consists of borrowings, 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 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. The gearing ratio has increased since the prior year from 43% to 47%.

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

- ➜ the capacity to increase debt (net of cash and cash equivalents) is restricted to 3,5 times Group earnings before interest, tax, depreciation, non-recurring items and amortisation. This restriction may be increased to 4,0 times under certain circumstances at the option of the Group; and
- ➜ the Group's net finance charges must be covered by the Group's earnings before interest, tax, depreciation, non-recurring items and amortisation by at least 3,5 times.

As at 30 June 2017, all the above covenants were complied with.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2017

29. 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 22.

Intra-group transactions and balances

During the year, various companies in the Group entered into service, lending, financial guarantee, and transactions relating to 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 expensed in the statement of comprehensive income was R6,9 million (2016: R4,2 million). There was R1,3 million outstanding at year end (2016: R1,3 million).

Directors and prescribed officers' remuneration are disclosed in note 22.

Transactions with key management personnel

Key management personnel consist of directors of key Group companies.

The key management personnel compensation consists of:

	2017 R'billion	2016 R'billion
Short-term employee benefits	**132,0**	113,3
Post-employment benefits	**8,0**	7,4
Share-based payment expense	**23,3**	16,4
Total key management remuneration paid	**163,3**	137,1
Number of employees included above	**25**	32

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

30. Contingent liabilities

Guarantees to financial institutions

The Group has several guarantees for indebtedness of subsidiaries to financial institutions which amount to R55,1 billion (2016: R40,6 billion). The guarantees are entered into on an arm's length basis. The guarantees relate mainly to the syndicated term loans as well as cross-guarantees provided between Group companies for each other's indebtedness.

Potential disputed matter – European commission

The European Commission ("the Commission") has instituted an investigation of Aspen Pharmacare Holdings Limited and certain of its indirect wholly-owned subsidiaries under Article 102 of the Treaty on the Functioning of the European Union ("Article 102") in respect of the molecules (i) Chlorambucil; (ii) Melphalan; (iii) Mercaptopurine; (iv) Thioguanine; and (v) Busulfan, for (a) alleged setting of unfair and excessive pricing in the form of significant price increases; (b) alleged unfair/abusive negotiating practices; (c) alleged stock allocation strategies designed to reduce supply; and (d) alleged practices hindering parallel trade in the European Economic Area (excluding Italy).

The Commission has confirmed that at this stage it has "no firm conclusions" on whether Aspen Pharmacare Holdings Limited and/or its indirect wholly owned subsidiaries have undertaken any infringement of Article 102 as it requires to complete its investigation. The Commission's decision whether to formally open a case is likely only to be made during the first quarter of 2019 after conclusion of its investigation.

The outcome of the Commission matter is unknown and uncertain at this stage and therefore no liability has been raised in the statement of financial position.

Other contingent liabilities

The Group has a number of individually insignificant contingent liabilities amounting to R0,1 billion (2016: R0,1 billion).

Residual accounting policies

for the year ended 30 June 2017

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.

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.

Residual accounting policies continued

for the year ended 30 June 2017

Changes in ownership in subsidiaries

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

Disposal of subsidiaries

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

Business combinations and goodwill

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

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

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

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

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

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

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

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.

Hyperinflationary economies
The results and financial position of a subsidiary of the Group which is accounted for as an entity operating in a hyperinflationary economy and has a functional currency different from the presentation currency of the Group are translated into the presentation currency at rates ruling at the reporting date. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts have not been adjusted for changes in the price level or exchange rates in the current year.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy is adjusted in terms of the measuring unit current at the end of the reporting period.

Items in the statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. The restated amount of a non-monetary item is reduced when it exceeds its recoverable amount.

Corresponding figures for the previous reporting period are restated by applying a general price index and the current closing rate so that financial statements are presented in terms of the measuring unit current at the end of the reporting period. This hyperinflation foreign currency translation adjustment is recognised directly in other comprehensive income as a currency translation movement.

All items recognised in the statement of comprehensive income are restated by applying the change in the general price from the dates when the items of income and expenses were initially recognised. Gains or losses on the net monetary position are recognised in the statement of comprehensive income as a monetary adjustment.

Residual accounting policies continued

for the year ended 30 June 2017

Financial instruments

Accounting for derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

Net investment hedge

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

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

Fair value estimation

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

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

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

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

The carrying values of the following financial assets and financial liabilities approximate their fair values:
- trade and other financial receivables;
- cash and cash equivalents;
- other non-current 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 2017

Comparative figures

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

Reclassifications and presentation

The Annual Financial Statements have been rounded and disclosed in R'billion to assist financial analysis. 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.

All percentage change variances have been calculated using unrounded numbers to record accurate variance trends.

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 "Loans and receivables" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets 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.

Amounts due to Group companies

Amounts due to Group companies are classified as "Liabilities at amortised cost" in terms of *IAS 39 – Financial Instruments: Recognition and Measurement*. Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

Constant exchange rate report

The presentation currency of the Group is Rand.

In addition to that the Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in a supplementary unaudited annexure. Refer to page 118.

New standards, amendments and interpretations

The following standards, amendments and interpretations were effective for the first time in the year ended 30 June 2017:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendments to *IFRS 10 – Consolidated Financial Statements* and *IAS 28 – Investments in Associates and Joint Ventures* on applying the consolidation exemption	The amendments clarify the application of the consolidation exemption for investment entities and their subsidiaries.	Financial years beginning on or after 1 January 2016.	The Group applied this amendment from the financial year ended 30 June 2017. No material impact on the Group.
Amendment to *IFRS 11 – Joint Arrangements* on acquisition of an interest in a joint operation	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.	Financial years beginning on or after 1 January 2016.	The Group applied this amendment from the financial year ended 30 June 2017. No material impact on the Group.
Amendments to *IAS 1 – Presentation of Financial Statements* disclosure initiative	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.	Financial years beginning on or after 1 January 2016.	The Group applied this amendment from the financial year ended 30 June 2017. No material impact to the Group.
Amendment to *IAS 16 – Property, Plant and Equipment* and *IAS 38 – Intangible Assets*, on depreciation and amortisation.	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.	Financial years beginning on or after 1 January 2016.	Not applicable to the Group's Annual Financial Statements.
IFRS 14 – Regulatory Deferral Accounts	The IASB has issued IFRS 14, an interim standard on the accounting for certain balances that arise from rate-regulated activities. Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.	Financial years beginning on or after 1 January 2016.	Not applicable to the Group's Annual Financial Statements.
Amendments to *IAS 16 – Property, Plant and Equipment* and *IAS 41 – Agriculture* on bearer plants	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.	Financial years beginning on or after 1 January 2016.	Not applicable to the Group's Annual Financial Statements.
Amendments to *IAS 27 – Separate Financial Statements* on equity accounting	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	Financial years beginning on or after 1 January 2016.	The Group applied this amendment from the financial year ended 30 June 2017. No material impact to the Group.

Residual accounting policies continued

for the year ended 30 June 2017

New standards, amendments and interpretations continued

The following accounting standards, amendments and interpretations are not mandatory for the year ended 30 June 2017 and have been published prior to the date of signature of this report:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 9 – Financial Instruments (2009 and 2010) ➜ Financial liabilities; ➜ Derecognition of financial instruments; ➜ Financial assets; and ➜ 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 will apply this amendment from the financial year ending 30 June 2019. No material impact expected to the Group.
Amendments to *IFRS 10 – Consolidated Financial Statements* and *IAS 28 – Investments in associates and Joint Ventures* on sale or contribution of assets	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to *IFRS 10 – Consolidated Financial Statements* and *IAS 28 – Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.	Financial years beginning on or after 1 January 2017 (postponed).	The Group will apply this amendment when it becomes effective. No material impact expected to the Group.
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 good or service transfers to a customer.	Financial years beginning on or after 1 January 2018.	The Group will apply this standard from the financial year ending 30 June 2019. No material impact expected to 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; and ➜ The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.	Financial years beginning on or after 1 January 2018.	The Group will apply this amendment from the financial year ending 30 June 2019. No material impact expected to the Group.

New standards, amendments and interpretations continued

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to *IAS 12 – Income Taxes* Recognition of deferred tax assets for unrealised losses.	The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.	Financial years beginning on or after 1 January 2017.	The Group will apply this amendment from the financial year ending 30 June 2018. No material impact expected to the Group.
Amendment to *IAS 7 – Cash Flow Statements*	In January 2017, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.	Financial years beginning on or after 1 January 2017.	The Group will apply this amendment from the financial year ending 30 June 2018. No material impact expected to 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 statement of financial position) and an operating lease (off statement of financial position). 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.*	Financial years beginning on or after 1 January 2019.	The Group will apply this amendment from the financial year ending 30 June 2020. No material impact expected to the Group.

Residual accounting policies continued

for the year ended 30 June 2017

New standards, amendments and interpretations continued

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 will apply this amendment from the financial year ending 30 June 2019. No material impact expected to the Group.
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 will apply this amendment from the financial year ending 30 June 2019. No material impact expected to the Group.
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 will apply this amendment from the financial year ending 30 June 2019. Not applicable to the Group.
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 will apply this amendment from the financial year ending 30 June 2019. Not applicable to 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 will apply this amendment from the financial year ending 30 June 2019. Not applicable to the Group.

Improvements to IFRS

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

The following improvements were issued in September 2014 and were effective for the financial year ended 30 June 2017:
- ➜ *IFRS 5 – Non-current Assets Held-for-Sale and Discontinued Operations;*
- ➜ *IFRS 7 – Financial Instruments: Disclosures;*
- ➜ *IAS 19 – Employee Benefits;* and
- ➜ *IAS 34 – Interim Financial Reporting.*

The following improvements were issued in December 2016 and are effective for financial years beginning on or after 1 January 2017:
- ➜ *IFRS 1 – First Time Adoption of IFRS;*
- ➜ *IFRS 12 – Disclosure of Interests in Other Entities;* and
- ➜ *IAS 28 – Investments in Associates and Joint Ventures.*

Company Annual Financial Statements

at 30 June 2017

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Company statement of financial position

at 30 June 2017

	Notes	2017 R'million	2016 R'million
Assets			
Non-current assets			
Investments in subsidiaries	1	**17 582,1**	17 569,2
Intangible assets	2	**591,6**	437,8
Property, plant and equipment	3	**167,6**	177,8
Investment in joint venture	4	**61,5**	61,5
Deferred tax assets	6	**5,8**	–
Available-for-sale financial assets (non-current)	7	**22,1**	–
Total non-current assets		**18 430,7**	18 246,3
Current assets			
Amounts due by Group companies	1	**431,5**	383,3
Cash and cash equivalents	8	**957,0**	320,3
Receivables and prepayments	9	**24,4**	43,7
Derivative financial instruments	10	**0,6**	3,5
Total current assets		**1 413,5**	750,8
Total assets		**19 844,2**	18 997,1
Shareholders' equity			
Retained income		**14 361,9**	13 834,7
Share capital	12	**3 224,7**	3 205,1
Non-distributable reserves		**141,9**	146,5
Share-based compensation reserve		**80,0**	69,1
Total shareholders' equity		**17 808,5**	17 255,4
Liabilities			
Non-current liabilities			
Borrowings	13	**249,2**	249,1
Deferred tax liabilities	6	**–**	0,3
Total non-current liabilities		**249,2**	249,4
Current liabilities			
Borrowings	14	**1 201,9**	1 046,7
Amounts due to Group companies	1	**414,8**	357,0
Other payables	14	**149,4**	82,4
Current tax liabilities		**20,4**	6,2
Total current liabilities		**1 786,5**	1 492,3
Total liabilities		**2 035,7**	1 741,7
Total equity and liabilities		**19 844,2**	18 997,1

Company statement of comprehensive income

for the year ended 30 June 2017

	Notes	2017 R'million	2016 R'million
Revenue	15	**2 391,9**	2 470,8
Administrative expenses		**(502,8)**	(451,7)
Other operating income		**1,0**	11,5
Other operating expenses		**(104,9)**	(31,4)
Operating profit	16	**1 785,2**	1 999,2
Investment income	19	**25,3**	54,7
Financing costs	20	**(72,4)**	(105,1)
Profit before tax		**1 738,1**	1 948,8
Tax	21	**(79,0)**	(75,3)
Profit for the year		**1 659,1**	1 873,5
Other comprehensive income, net of tax*			
Cash flow hedges realised	10	**(3,1)**	(4,2)
Total comprehensive income		**1 656,0**	1 869,3

** 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 2017

	Share capital R'million	Non-distributable reserve Hedging reserve R'million	Revaluation reserve R'million	Share-based compensation reserve R'million	Retained income R'million	Total R'million
Balance at 30 June 2015	4 190,5	150,7	–	48,2	11 961,2	16 350,6
Total comprehensive income	–	(4,2)	–	–	1 873,5	1 869,3
Profit for the year	–	–	–	–	1 873,5	1 873,5
Other comprehensive income	–	(4,2)	–	–	–	(4,2)
Issue of ordinary share capital – share schemes	0,9	–	–	–	–	0,9
Capital distribution	(986,3)	–	–	–	–	(986,3)
Share-based payment expenses	–	–	–	31,1	–	31,1
Deferred incentive bonus shares exercised	–	–	–	(10,2)	–	(10,2)
Balance at 30 June 2016	**3 205,1**	**146,5**	**–**	**69,1**	**13 834,7**	**17 255,4**
Total comprehensive income	**–**	**(3,1)**	**–**	**–**	**1 659,1**	**1 656,0**
Profit for the year	**–**	**–**	**–**	**–**	**1 659,1**	**1 659,1**
Other comprehensive income	**–**	**(3,1)**	**–**	**–**	**–**	**(3,1)**
Issue of ordinary share capital – share schemes	**19,6**	**–**	**–**	**–**	**–**	**19,6**
Capital distribution	**–**	**–**	**–**	**–**	**(1 131,9)**	**(1 131,9)**
Share-based payment expenses	**–**	**–**	**–**	**25,2**	**–**	**25,2**
Revaluation on available-for-sale financial assets	**–**	**–**	**(1,5)**	**–**	**–**	**(1,5)**
Deferred incentive bonus shares exercised	**–**	**–**	**–**	**(14,3)**	**–**	**(14,3)**
Balance at 30 June 2017	**3 224,7**	**143,4**	**(1,5)**	**80,0**	**14 361,9**	**17 808,5**

Company statement of cash flows

for the year ended 30 June 2017

	Notes	2017 R'million	2016 R'million
Cash flows from operating activities			
Cash generated from operations	A	**1 945,6**	1 883,2
Financing costs paid	B	**(72,5)**	(107,4)
Interest received		**25,3**	54,7
Tax paid	C	**(67,1)**	(135,1)
Cash generated from operating activities		**1 831,3**	1 695,4
Cash flows from investing activities			
Capital expenditure – property, plant and equipment		**(5,3)**	(53,0)
Proceeds from the sale of property, plant and equipment		**–**	1,0
Capital expenditure – intangible assets		**(215,9)**	(7,8)
Proceeds on the sale of assets classified as held-for-sale		**–**	33,9
Acquisition of subsidiaries and businesses		**(2,3)**	(371,4)
Acquisition of available-for-sale financial assets		**(23,6)**	–
Net cash outflows – amounts due by Group companies		**(48,2)**	(86,0)
Cash used in investing activities		**(295,3)**	(483,3)
Cash flows from financing activities			
Proceeds from borrowings		**–**	250,0
Repayment of borrowings		**(15,0)**	(250,9)
Proceeds from issue of ordinary share capital		**19,6**	0,9
Capital distribution paid		**(1 131,9)**	(986,3)
Net cash inflows/(outflows) – amounts due from Group companies		**57,8**	(437,6)
Cash used in financing activities		**(1 069,5)**	(1 423,9)
Cash and cash equivalents			
Movement in cash and cash equivalents		**466,5**	(211,8)
Cash and cash equivalents at the beginning of the year		**(686,4)**	(474,6)
Cash and cash equivalents at the end of the year	D	**(219,9)**	(686,4)

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 2017

		2017 R'million	2016 R'million
A.	**Cash generated from operations**		
	Operating profit	**1 785,2**	1 999,2
	Amortisation of intangible assets	**18,3**	18,2
	Depreciation of property, plant and equipment	**15,5**	11,7
	Impairment of intangible assets	**43,8**	5,9
	Profit on the sale of assets classified as held-for-sale	**–**	(11,4)
	Loss on sale of property, plant and equipment	**–**	0,6
	Deferred incentive bonus shares exercised	**(14,3)**	(10,2)
	Share-based payment expense – employees	**14,8**	23,1
	Withholding taxes	**(3,8)**	(6,1)
	Cash operating profit	**1 859,5**	2 031,0
	Working capital movements	**86,1**	(147,8)
	Decrease/(increase) in receivables and prepayments	**19,3**	(9,3)
	Increase/(decrease) in other payables	**66,8**	(138,5)
		1 945,6	1 883,2
B.	**Financing costs paid**		
	Interest paid expense	**(106,8)**	(108,1)
	Net foreign exchange gains/(losses)	**34,3**	0,7
		(72,5)	(107,4)
C.	**Tax paid**		
	Amounts payable at the beginning of the year	**(6,2)**	(121,0)
	Tax charged to the statement of comprehensive income (excluding deferred and withholding taxes)	**(81,3)**	(20,3)
	Amounts owing at the end of the year	**20,4**	6,2
		(67,1)	(135,1)
D.	**Cash and cash equivalents**		
	Bank balances	**957,0**	320,3
	Less: bank overdrafts*	**(1 176,9)**	(1 006,7)
	Cash and cash equivalents per the statement of cash flows	**(219,9)**	(686,4)

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

Notes to the Company Annual Financial Statements

for the year ended 30 June 2017

1. Investments in subsidiaries

	2017 R'million	2016 R'million
Summary of balance		
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**17 582,1**	17 569,2
Reflected as current assets		
Amounts due by Group companies#	**431,5**	383,3
Reflected as current liabilities		
Amounts due to Group companies#	**(414,8)**	(357,0)
	17 598,8	17 595,5

 # 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 25.

2. Intangible assets

Reconciliation of balance

	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
2017				
Carrying value				
Cost	**1 148,2**	**42,8**	**228,8**	**1 419,8**
Accumulated amortisation	**(738,7)**	**(42,8)**	**(30,1)**	**(811,6)**
Accumulated impairment losses	**(16,6)**	**–**	**–**	**(16,6)**
	392,9	**–**	**198,7**	**591,6**
Movement in intangible assets				
Carrying value at the beginning of the year	**399,5**	**–**	**38,3**	**437,8**
Additions	**45,1**	**–**	**170,8**	**215,9**
Amortisation	**(7,9)**	**–**	**(10,4)**	**(18,3)**
Impairment losses	**(43,8)**	**–**	**–**	**(43,8)**
	392,9	**–**	**198,7**	**591,6**
2016				
Carrying value				
Cost	1 146,6	57,8	58,0	1 262,4
Accumulated amortisation	(730,7)	(57,8)	(19,7)	(808,2)
Accumulated impairment losses	(16,4)	–	–	(16,4)
	399,5	–	38,3	437,9
Movement in intangible assets				
Carrying value at the beginning of the year	430,7	–	45,9	476,6
Additions	1,4	–	6,4	7,8
Amortisation	(8,9)	–	(9,3)	(18,2)
Impairment losses	(1,2)	–	(4,7)	(5,9)
Reclassification to assets classified as held-for-sale	(22,5)	–	–	(22,5)
	399,5	–	38,3	437,8

All intangible assets were acquired from third parties.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

2. Intangible assets continued

Indefinite useful life intangible assets

	2017 R'million	2016 R'million
Split of balance		
GSK OTC Brands	**269,2**	269,2
Other	**110,5**	109,5
	379,7	378,7

Impairment of intangible assets

Key assumptions on impairment tests for the GSK OTC Brands were as follows:

- period covered by the forecasts and budgets of 10 years (2016: 10 years);
- growth in revenue per annum of between 0% and 14% (2016: 2% and 10%);
- gross profit percentage per annum of 71% (2016: 72%);
- growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 1% and 5% (2016: 1%); and
- annual pre-tax discount rate applied to cash flows of between 9% and 24% (2016: 9% and 24%).

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

Based on the above calculations no impairments were recognised for the indefinite useful life intangible assets. There are no reasonable possible change in any key assumptions which would cause the carrying value of indefinite useful life intangible assets to exceed its value-in-use.

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

	2017 R'million	2016 R'million
Authorised and contracted for	**–**	33,4
Authorised but not yet contracted for	**46,5**	10,6
	46,5	44,0

Other disclosure

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

3. Property, plant and equipment

Reconciliation of balance

	Buildings R'million	Plant and equipment R'million	Other tangible assets@ R'million	Total R'million
2017				
Carrying value				
Cost	**152,2**	**0,3**	**44,3**	**196,8**
Accumulated depreciation	**(6,3)**	**(0,3)**	**(22,6)**	**(29,2)**
	145,9	**–**	**21,7**	**167,6**
Movement in property, plant and equipment				
Carrying value at the beginning of the year	**148,0**	**0,1**	**29,7**	**177,8**
Additions	**1,3**	**–**	**4,0**	**5,3**
Depreciation	**(3,4)**	**(0,1)**	**(12,0)**	**(15,5)#**
	145,9	**–**	**21,7**	**167,6***
2016				
Carrying value				
Cost	151,0	0,3	39,0	190,3
Accumulated depreciation	(3,0)	(0,2)	(9,3)	(12,5)
	148,0	0,1	29,7	177,8
Movement in property, plant and equipment				
Carrying value at the beginning of the year	126,9	0,1	11,1	138,1
Additions	24,1	–	28,9	53,0
Disposals	–	–	(1,6)	(1,6)
Depreciation	(3,0)	–	(8,7)	(11,7)#
	148,0	0,1	29,7	177,8*

@ *Other tangible assets comprise computer equipment, office equipment and furniture.*
* *Included in the total are leased assets amounting R10,2 million (2016: R14,7 million).*
# *Depreciation charge is included in administrative expenses on the statement of comprehensive income.*

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

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

	2017 R'million	2016 R'million
Authorised and contracted for	**–**	10,9
Authorised but not yet contracted for	**19,9**	7,4
	19,9	18,3

Operating lease commitments

The Company rents buildings under non-current, 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.

Minimum future lease payments – operating leases

	2017 R'million	2016 R'million
Land and buildings	**0,8**	2,3
Office equipment and furniture	**1,2**	0,1
Operating lease commitments	**2,0**	2,4
The future minimum operating lease payments are as follows		
Less than one year	**1,7**	0,8
Between one and five years	**0,2**	1,6
	2,0	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

	2017 R'million	2016 R'million
Carrying value at the beginning and end of the year	**61,5**	61,5

This investment represents 50% shareholding New Zealand New Milk, a producer of infant nutritionals incorporated in Auckland, New Zealand. New Zealand New Milk is a private company and no quoted market price is available for its shares.

5. Other non-current receivables

Reconciliation of balance

	2017 R'million	2016 R'million
Carrying value at the beginning and end of the year	**–**	25,0
Current portion moved to other receivables	**–**	(25,0)
	–	–

In the previous year, agreements were entered into with two BBBEE beneficiaries whereby enterprise development loans have been advanced by the Company. The outstanding loans bore interest at the South African prime rate plus margin of 1%.

These loans are due to be repaid at the end of the previous year, were repaid in the current year.

These loans were secured by a second bond over specified movable assets to a value of R10,0 million as well as a cession of specified book debts. Management considers the credit risk associated with these receivables to be low. These balances were denominated in Rand.

6. Deferred tax

Reconciliation of balance

	2017 R'million	2016 R'million
Deferred tax liabilities/(assets) – opening balance	**0,3**	(48,6)
Statement of comprehensive income charge/(credit) – included in tax	**2,3**	30,1
Statement of comprehensive income charge/(credit) – prior year adjustment	**(8,4)**	18,8
	(5,8)	0,3
Split of balance		
Deferred tax liabilities	**–**	0,3
Deferred tax assets	**(5,8)**	–
	(5,8)	0,3
Deferred tax balance comprises		
Property, plant and equipment	**6,1**	6,8
Intangible assets	**2,4**	6,4
Receivables and prepayments	**2,0**	1,8
Other payables	**(16,3)**	(14,7)
	(5,8)	0,3
The statement of comprehensive income charge/(credit) comprises		
Property, plant and equipment	**(0,7)**	6,7
Intangible assets	**(3,6)**	9,3
Receivables and prepayments	**0,2**	1,7
Tax claims in respect of share schemes	**–**	–
Other payables	**(2,0)**	31,2
Other	**–**	–
	(6,1)	48,9

7. Available-for-sale financial assets

	2017 R'million	2016 R'million
Acquisition of shares in Aspen Pharmacare Holdings Limited*	**23,6**	–
Revaluation to fair value – charged to equity	**(1,5)**	
At the end of the year	**22,1**	–

The Aspen Pharmacare Holdings Limited shares are fair valued by reference to the stock exchange quoted bid prices. 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.*

8. Cash and cash equivalents

Summary of balance

	2017 R'million	2016 R'million
Bank balances	**957,0**	320,3

Other disclosure

The average effective interest rate on cash and cash equivalents is 7,5% (2016: 6,9%).

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 one month.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

9. Receivables and prepayments

Summary of balance

	2017 R'million	2016 R'million
Enterprise development loans	–	25,0
Prepayments	16,6	15,9
Other	7,8	2,8
	24,4	43,7
Split of balance		
Financial assets	7,8	27,8
Non-financial assets	16,6	15,9
	24,4	43,7

Other disclosure

The Company holds no collateral over any receivables and prepayments.

Receivables and prepayments are non-interest bearing, except for enterprise development loans which bore interest at the South African prime overdraft rate plus a margin of 1% in the prior year.

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.

10. Derivative financial instruments

Reconciliation of balance

	2017 R'million	2016 R'million
Balance at the beginning of the year	3,5	4,2
Fair value gains on interest rates swaps (included in finance costs)	0,2	3,5
Fair value losses on interest rate swaps (included in other comprehensive income)	(3,1)	(4,2)
	0,6	3,5

Derivatives consist of interest rate swaps.

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

11. Assets classified as held-for-sale

Reconciliation of balance

	2017 R'million	2016 R'million
Reclassification from intangible assets	–	22,5
Disposals	–	(22,5)
	–	–

In the previous, Pharmacare and Brimpharm (Pty) Limited concluded a set of agreements with Litha in terms of which these companies divested the portfolio products for a consideration of a R1,7 billion. The portfolio of products comprise injectables and established brands. The approval of this transaction by the South African competition authorities on 4 August 2015. This transaction completed on 1 October 2015.

12. Share capital

Summary of balance

	2017 R'million	2016 R'million
Authorised		
717 600 000 (2016: 717 600 000) ordinary shares with no par value	–	–
Issued		
456 435 185 (2016: 456 351 337) ordinary shares with no par value	3 224,7	3 205,1

	2017 million	2016 million
Shares in issue at the beginning of the year	456,4	456,3
Shares issued – share schemes	–	0,1
Shares in issue at the end of the year	456,4	456,4

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.

13. Borrowings

Currency analysis and maturity profile of total borrowings

	2017 Within 1 year R'million	2017 Between 1 – 5 years R'million	2017 Total R'million	2016 Within 1 year R'million	2016 Between 1 – 5 years R'million	2016 Total R'million
Bank overdrafts						
Rand	**1 176,9**	**–**	**1 176,9**	1 006,7	–	1 006,7
Unsecured loans						
Rand syndicated term loan – Facility F	**–**	**250,0**	**250,0**	–	250,0	250,0
Rand other	**25,0**	**–**	**25,0**	40,0	–	40,0
Capital raising fees	**–**	**(0,8)**	**(0,8)**	–	(0,9)	(0,9)
Total borrowings	**1 201,9**	**249,2**	**1 451,1**	1 046,7	249,1	1 295,8

Interest rate profile of total borrowings

	2017 Total R'million	2017 Interest rate %	2017 Average effective interest rate %	2016 Total R'million	2016 Interest rate %	2016 Average effective interest rate %
Bank overdrafts – linked to South African prime overdraft rate	**1 176,9**	**less margin of 3,0%**	**6,9**	1 006,7	less margin of 3,0%	6,9
Unsecured loans – linked to three-month JIBAR	**250,0**	**+ margin of 2,2%**	**9,3**	250,0	+ margin of 2,2%	9,5
Unsecured loans – linked to overnight call rate	**25,0**	**Overnight call**	**8.0**	40,0	Overnight call	7,8
Capital raising fee#	**(0,8)**			(0,9)		
Total borrowings	**1 451,1**			1 295,8		

Capital raising fees relate to the unsecured loans above but have been shown separately as they are non-interest bearing.

Other disclosures

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

There were no defaults or breaches of the contractual terms of the borrowings during the year.

14. Other payables

	2017 R'million	2016 R'million
Summary of balance		
Accrued expenses	**23,2**	10,6
Leave pay	**9,5**	7,9
Bonuses	**45,7**	39,7
Other	**71,0**	24,2
	149,4	82,4
Split of balance		
Financial liabilities	**106,7**	30,4
Non-financial liabilities	**42,7**	52,0
	149,4	82,4
Other disclosures		
Currency analysis of trade and other payables (financial instruments only)		
Euro	**–**	0,7
South African Rand	**106,7**	29,7
	106,7	30,4

All other payables (financial instruments only) are predominantly non-interest bearing.

Notes to the Company Annual Financial Statements

for the year ended 30 June 2017

	2017 R'million	2016 R'million
15. Revenue		
Summary of balance		
Royalties	**220,4**	278,0
Administrative fees received from subsidiaries	**432,7**	331,4
Dividends received from subsidiaries	**1 738,8**	1 861,4
	2 391,9	2 470,8
16. Operating profit		
Operating profit has been arrived at after crediting		
Profit on the sale of assets classified as held-for-sale	**–**	(11,4)
After charging		
Auditors' remuneration	**7,8**	7,1
Audit fees	**7,8**	6,9
Current year	**4,9**	4,9
Prior year under provision	**2,9**	2,0
Other services	**–**	0,2
Impairment of intangible assets (included in other operating expenses)	**43,8**	5,9
Transaction costs	**1,5**	1,4
Operating lease rentals – land and buildings	**0,7**	0,7
Operating lease rentals – office equipment and furniture	**0,1**	0,1
Loss on the sale of property, plant and equipment	**–**	0,6
17. Expenses by nature		
Depreciation of property, plant and equipment	**15,5**	11,7
Amortisation of intangible assets	**18,3**	18,2
Impairment of intangible assets	**43,8**	5,9
Personnel costs and other staff-related costs	**293,4**	274,4
Property costs	**3,9**	3,7
Transaction costs	**1,5**	1,4
Legal and consulting fees	**21,7**	24,1
Insurance local policy	**22,7**	16,6
Information technology costs	**92,9**	74,5
Other	**94,0**	52,6
	607,7	483,1
Classified as		
Administrative expenses	**502,8**	451,7
Other operating expenses	**104,9**	31,4
	607,7	483,1
18. Directors and employees		
Staff costs		
Wages and salaries	**203,5**	201,4
Defined contribution plans	**22,0**	19,7
Share-based payment expense – deferred incentive bonus	**14,8**	23,1
Cash portion	**0,2**	1,1
Equity portion	**14,6**	22,0
Other employee contributions	**4,2**	4,4
	244,5	248,6

		2017 R'million	2016 R'million
19.	**Investment income**		
	Summary of balance		
	Interest received on bank balances	**20,1**	48,6
	Interest received from Group companies	**2,6**	2,7
	Interest received – Other	**2,6**	3,4
		25,3	54,7
20.	**Financing costs**		
	Summary of balance		
	Interest paid on borrowings	**106,8**	108,1
	Capital raising fees released	**0,2**	1,2
	Net foreign exchange gains	**(34,3)**	(0,7)
	Fair value gain on derivative financial instruments	**(0,2)**	(3,5)
		72,4	105,1
21.	**Tax**		
	Summary of balance		
	South African tax	**81,3**	20,2
	Foreign tax	**3,8**	6,1
	Deferred tax	**(6,1)**	48,9
	Total tax charge	**79,0**	75,3

The Company submits its tax returns and advance payments as they fall due and the 2016 tax returns have been submitted by the Company.

Disputed income tax matter

The Aspen Group was subject to an international tax and transfer pricing audit by the South African Revenue Service ("SARS") and Aspen Pharmacare Holdings Limited received a revised assessment in relation to its 2011 fiscal year as a consequence of this audit. Aspen, with the assistance of its legal and tax advisers, entered into discussions with SARS, which has resulted in the assessment being reversed by SARS on 16 October 2017.

Reconciliation of effective tax rate	2017 %	2016 %
South African current tax rate	**28,0**	28,0
Increase in rate due to		
Disallowed expenditure	**2,4**	1,6
Withholding and other taxes	**0,2**	0,3
Prior year adjustments	**1,2**	1,0
Other	**0,7**	–
Decrease in rate due to		
Exempt income	**(28,0)**	(27,0)
Effective tax rate	**4,5**	3,9

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

22. 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 22 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.

	2017 R'million	2016 R'million
The following intra-group transactions took place between Aspen Holdings and Group companies during the current year		
Royalties received	**220,4**	278,0
Pharmacare Limited	**217,6**	277,5
Other subsidiaries	**2,8**	0,5
Administration fees received	**432,7**	331,4
Aspen Global Incorporated	**93,0**	81,2
Aspen Europe GmbH	**12,0**	10,2
Aspen Healthcare FZ LLC	**21,3**	15,9
Aspen Notre Dame de Bondeville SAS	**20,4**	18,5
Aspen Oss B.V.	**34,2**	26,5
Aspen Pharma Ireland Limited	**14,5**	7,5
Pharmacare Limited	**90,8**	71,9
Other subsidiaries	**146,5**	99,7
Interest received on shareholders' loans – Beta Healthcare International Limited	**2,6**	2,7
Dividends received (and paid to the Company)	**1 738,8**	1 861,4
Aspen Global Incorporated	**1 735,8**	818,1
Brimpharm SA (Pty) Limited	**–**	131,0
Aspen Pharmacare Nigeria Limited	**3,0**	4,9
Pharmacare Limited	**–**	900,0
Other subsidiaries	**–**	7,4
The following intra-group balances were outstanding between Aspen Holdings and Group companies at year end		
Amounts reflected as current assets	**431,5**	383,3
Aspen Global Incorporated	**30,0**	48,5
The Aspen Share Incentive Scheme Trust	**87,3**	101,5
Shelys Pharmaceuticals International Limited	**112,0**	112,0
Other subsidiaries	**202,2**	121,3
Amounts reflected as current liabilities	**414,8**	357,0
Pharmacare Limited	**318,6**	280,6
Aspen Port Elizabeth (Pty) Limited	**27,1**	27,1
Aspen International Distribution (Pty) Limited	**29,1**	29,1
Other subsidiaries	**40,0**	20,2

22. 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 for services provided by Chris Mortimer & Associates was Rnil (2016: R0,4 million), and no balance was outstanding at year end (2016: Rnil).

Transactions with key management personnel

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

Key management personnel compensation consists of

	2017 R'million	2016 R'million
Short-term employee benefits	**49,3**	45,8
Post-employment benefits	**4,5**	4,0
Share-based payment expense	**15,5**	14,6
Total key management remuneration paid	**69,3**	64,4
Number of employees included above	**14**	14

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

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 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 value of financial instruments by category is as follows

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2017				
Financial assets				
Receivables and prepayments	**7,8**	**–**	**–**	**7,8**
Cash and cash equivalents	**957,0**	**–**	**–**	**957,0**
Amounts due by Group companies	**431,5**	**–**	**–**	**431,5**
Interest rate swaps (net settled)	**–**	**0,6**	**–**	**0,6**
Total financial assets	**1 396,3**	**0,6**	**–**	**1 396,9**
Financial liabilities				
Unsecured loans	**–**	**–**	**274,2**	**274,2**
Bank overdrafts	**–**	**–**	**1 176,9**	**1,176,9**
Other payables	**–**	**–**	**106,7**	**106,7**
Amounts due to Group companies	**–**	**–**	**414,8**	**414,8**
Total financial liabilities	**–**	**–**	**1 972,6**	**1 972,6**
June 2016				
Financial assets				
Receivables and prepayments	27,8	–	–	27,8
Cash and cash equivalents	320,3	–	–	320,3
Amounts due by Group companies	383,3	–	–	383,3
Interest rate swaps (net settled)	–	3,5	–	3,5
Total financial assets	731,4	3,5	–	734,9
Financial liabilities				
Unsecured loans	–	–	289,1	289,1
Bank overdrafts	–	–	1 006,7	1 006,7
Other payables	–	–	30,4	30,4
Amounts due to Group companies	–	–	357,0	357,0
Total financial liabilities	–	–	1 368,2	1 368,2

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

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 2017 and 30 June 2016, 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 Euro. 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 2016.

A 10% weakening in the Rand against the foreign exchange rates to which the Company is exposed at the reporting date, would have increased profit before tax by R7,6 million (2016: R0,1 million).

A 10% strengthening in the Rand against the foreign exchange rates would have the equal and opposite effect on profit before tax, on the basis that all other variables remain constant.

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 value	
	2017 R'million	2016 R'million
Variable rate instruments		
Trade and other receivables	**(4,0)**	(25,0)
Cash and cash equivalents	**(957,0)**	(320,3)
Borrowings	**1 201,9**	1 296,7
Variable rate exposure	**240,9**	951,4

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

23. Financial risk management continued

23.5 Interest rate risk continued

Interest rate swaps

The following pay fixed rate, receive floating rate interest rate derivative contract was in place:

	Outstanding contract amount R'million	Fixed interest rate %	Expiry date
Rand syndicated term loan Facility F	250,0	7,1% (three-month JIBAR)	30 June 2021

The interest rate swap is designated in a cash flow hedging relationship. The nature of the risks that are hedged (interest rate risk) is the variability of the quarterly interest payments on the hedged items, attributable to movements in the three-month JIBAR rate. All remeasurements for the remaining term of the swap will be recognised directly in the statement of comprehensive income.

The maturity profile of the gross contract amount at 30 June 2017 is four years.

Sensitivity analysis

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

An increase of 1% in interest rates at 30 June would have decreased profit before tax by R8,1 million and R3,8 million in 2017 and 2016 respectively. A decrease of 1% will have an equal and opposite effect on profit before tax.

An increase of 1% in the yield curve at 30 June 2017 would result in a decrease of Rnil (2016: R2,7 million) in the fair value of the derivative liabilities in the statement of comprehensive income. A decrease of 1% in the yield curve will have an equal and opposite effect on the derivative liabilities in the statement of comprehensive income.

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.

23. Financial risk management continued

23.6 Liquidity risk continued

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

	Undiscounted cash flows			
	On demand R'million	< One year R'million	One to five years R'million	Total R'million
June 2017				
Financial assets				
Receivables and prepayments (financial instruments only)	**–**	**7,8**	**–**	**7,8**
Cash and cash equivalents	**957,0**	**–**	**–**	**957,0**
Amounts due by Group companies	**431,5**	**–**	**–**	**431,5**
Interest rate swaps (net settled)	**–**	**0,6**	**–**	**0,6**
Total financial assets	**1 388,5**	**8,4**	**–**	**1 396,9**
Financial liabilities				
Unsecured loans	**–**	**(49,0)**	**(343,0)**	**(390,2)**
Bank overdrafts	**(1 176,9)**	**–**	**–**	**(1 176,9)**
Other payables (financial instruments only)	**–**	**(106,9)**	**–**	**(106,9)**
Amounts due to Group companies	**(414,8)**	**–**	**–**	**(414,8)**
Total financial liabilities	**(1 591,7)**	**(155,7)**	**(343,0)**	**(2 090,4)**
Net exposure	**(203,2)**	**(147,3)**	**(343,0)**	**(693,5)**
June 2016				
Financial assets				
Receivables and prepayments (financial instruments only)	–	27,8	–	27,8
Cash and cash equivalents	320,3	–	–	320,3
Amounts due by Group companies	383,3	–		383,3
Interest rate swaps (net settled)	–	3,5	–	3,5
Total financial assets	703,6	31,3	–	734,9
Financial liabilities				
Unsecured loans	–	61,7	(345,0)	(406,7)
Bank overdrafts	(1 006,7)	–	–	(1 006,7)
Other payables (financial instruments only)	–	(30,4)	–	(30,4)
Amounts due to Group companies	(357,0)	–	–	(357,0)
Total financial liabilities	(357,0)	(290,1)	(345,0)	(1 800,8)
Net exposure	26,3	(60,8)	(345,0)	(1 065,9)

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2017

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, other non-current receivables, derivative financial instruments and cash and cash equivalents. The Company's maximum exposure to credit risk is represented by the carrying values 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 the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company will balance overall capital structure through payments of dividends (including capital distributions), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

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

24. Contingent liabilities

Guarantees to financial institutions

The Company has several guarantees for indebtedness of subsidiaries to financial institutions which amount to R55,6 billion (2016: R40,6 billion). The guarantees relate mainly to the syndicated term loans as well as cross guarantees provided between Group companies for each other's indebtedness. The guarantees are entered into on an arm's length basis. The primary reason for the increase in the value of the guarantees provided is the change in the guarantor structure in respect of the syndicated term loan, whereby all obligators have a joint and several liability for all outstanding commitments from the obligators to lenders under the syndicated term loan agreement. The obligators referred to above comprise:

- Aspen Pharmacare Holdings Limited;
- Pharmacare Limited;
- Aspen Finance (Pty) Limited;
- Aspen Global Incorporated; and
- Aspen Asia Pacific (Pty) Limited

25. Material operating subsidiaries and structured entities

Country of incorporation	Company	Currency	Issued capital '000	Effective Group holding 2017 %	Effective Group holding 2016 %	Investment 2017 R'million	Investment 2016 R'million
Subsidiaries							
Direct							
Germany	Aspen Bad Oldesloe GmbH	EUR	50	**100**	100	**685,1**	685,1
Mauritius	Aspen Global Incorporated	EUR	908 529	**100**	100	**8 654,3**	8 654,3
France	Aspen Notre Dame de Bondeville SAS	EUR	266 311	**100**	100	**3 780,1**	3 780,1
The Netherlands	Aspen Oss B.V.	EUR	53 000	**100**	100	**1 389,4**	1 389,4
Kenya	Beta Healthcare International Limited	KES	30 000	**100**	100	**7,1**	4,8
South Africa	Fine Chemicals Corporation (Pty) Limited	ZAR	–#	**100**	100	**329,7**	329,7
South Africa	Pharmacare Limited	ZAR	1 395	**100**	100	**2 068,4**	2 057,8
South Africa	Aspen Finance (Pty) Limited	EUR	22 000	**100**	100	**370,0**	370,0
Various	Various	Δ	Δ	**Δ**	Δ	**298,0**	298,0
Indirect							
United Arab Emirates	Aspen Healthcare FZ LLC	USD	82	**100**	100	**–**	–
Russia	Aspen Health LLC	RUB	615 400	**100**	100	**–**	–
Australia	Aspen Nutritionals Australia Pty Limited	AUD	–#	**100**	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	1 944 870	**100**	100	**–**	–
Various	Various	Δ	Δ	**Δ**	Δ	**–**	–
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						**17 582,1**	17 569,2

 # 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 Holdings.

Definitions

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

Illustrative constant exchange rate report – Annexure 1

Illustrative constant exchange rate report on selected financial data

The Group has presented selected line items from the consolidated statement of comprehensive income and certain trading profit metrics on a constant exchange rate basis in the tables 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 2017. 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 year's reported results at the current year's reported average exchange rates. Restating the prior year's numbers provides illustrative comparability with the current year'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:

	2017 average rates	2016 average rates
EUR – Euro	**14,840**	16,115
USD – US Dollar	**13,612**	14,575
AUD – Australia Dollar	**10,261**	10,607
JPY – Japanese Yen	**0,125**	0,126
CNY – Chinese Yuan Renminbi	**1,999**	2,258
MXN – Mexican Peso	**0,700**	0,837
BRL – Brazilian Real	**4,198**	3,950
GBP – British Pound	**17,271**	21,381
RUB – Russian Ruble	**0,224**	0,216
PLN – Polish Zloty	**3,440**	3,747

Revenue, other income, cost of sales and expenses

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

Net interest paid

Net interest paid is directly linked to the source currency of the borrowing on which it is levied and is restated from the prior year's relevant reported average exchange rate to the current year'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 for the relevant legal entity.

	Reported June 2017 (At 2017 average rates) R'billion	Reported June 2016 (At 2016 average rates) R'billion	Change at reported exchange rates	Illustrative constant exchange rates (June 2016 at 2017 average rates) R'billion	Change at constant exchange rates
Revenue	**41,2**	35,6	16%	33,8	22%
Gross profit	**19,9**	17,9	11%	17,2	16%
Normalised EBITDA	**11,4**	10,1	13%	9,7	18%
Operating profit	**8,3**	9,0	(7%)	8,6	(4%)
Normalised headline earnings	**6,7**	5,8	16%	5,5	21%
Earnings per share (cents)	**1 123,4**	*945,4*	*19%*	*904,1*	*24%*
Headline earnings per share (cents)	**1 299,5**	*889,0*	*46%*	*847,6*	*53%*
Normalised headline earnings per share (cents)	**1 463,2**	*1 263,7*	*16%*	*1 210,9*	*21%*

	Reported June 2017 (At 2017 average rates) %	Reported June 2016 (At 2016 average rates) %
Currency mix		
Revenue		
EUR – Euro	**26**	30
ZAR – South African Rand	**20**	21
AUD – Australia Dollar	**14**	17
USD – US Dollar	**11**	10
JPY – Japanese Yen	**5**	2
CNY – Chinese Yuan Renminbi	**4**	–
MXN – Mexican Peso	**3**	4
BRL – Brazilian Real	**3**	2
GBP – British Pound	**2**	2
RUB – Russian Ruble	**2**	2
PLN – Polish Zloty	**1**	1
Other currencies	**9**	9
Total	**100**	100
Gross profit		
EUR – Euro	**28**	26
ZAR – South African Rand	**22**	27
AUD – Australia Dollar	**18**	22
USD – US Dollar	**(11)**	(3)
JPY – Japanese Yen	**8**	3
CNY – Chinese Yuan Renminbi	**7**	–
MXN – Mexican Peso	**2**	4
BRL – Brazilian Real	**4**	3
GBP – British Pound	**2**	–
RUB – Russian Ruble	**3**	3
PLN – Polish Zloty	**2**	3
Other currencies	**15**	12
Total	**100**	100

Illustrative constant exchange rate report – Annexure 1 continued

	Reported June 2017 (At 2017 average rates) %	Reported June 2016 (At 2016 average rates) %
Normalised EBITDA		
EUR – Euro	**36**	26
ZAR – South African Rand	**23**	30
AUD – Australia Dollar	**20**	26
USD – US Dollar	**(26)**	(12)
JPY – Japanese Yen	**11**	3
CNY – Chinese Yuan Renminbi	**9**	–
MXN – Mexican Peso	**–**	2
BRL – Brazilian Real	**4**	2
GBP – British Pound	**–**	1
RUB – Russian Ruble	**4**	4
PLN – Polish Zloty	**3**	4
Other currencies	**16**	14
Total	**100**	100

	Reported June 2017 (At 2017 average rates) R'billion	Reported June 2016 (At 2016 average rates) R'billion	Illustrative constant exchange rate June 2016 (June 2016 at 2017 average rates) R'billion	Change at constant exchange rates
Commercial pharmaceuticals by customer geography	**31,4**	25,4	24,2	30%
Sub-Saharan Africa	**7,4**	7,1	7,0	6%
Developed Europe	**6,8**	6,1	5,7	21%
Australasia	**4,8**	4,7	4,5	7%
Latin America	**2,7**	2,0	1,9	46%
Developing Europe & CIS	**2,6**	2,3	2,3	16%
Japan	**1,9**	0,7	0,6	>100%
China	**1,8**	–	–	>100%
Other Asia	**1,2**	0,9	0,9	50%
MENA	**1,1**	0,9	0,7	36%
USA & Canada	**1,1**	0,7	0,6	69%
Manufacturing revenue by geography of manufacture				
Manufacturing revenue – finished dose form	**2,2**	2,3	2,2	–
Sub-Saharan Africa	**1,0**	0,5	0,8	27%
Developed Europe	**0,7**	0,9	0,9	(25%)
Australasia	**0,5**	0,9	0,5	–
Manufacturing revenue – active pharmaceutical ingredients	**4,4**	4,4	4,1	9%
Developed Europe	**4,0**	4,0	3,7	9%
Sub-Saharan Africa	**0,4**	0,4	0,4	12%
Total manufacturing revenue	**6,6**	6,7	6,3	6%
Total pharmaceuticals	**38,0**	32,1	30,5	25%
Nutritionals by customer geography	**3,2**	3,5	3,3	(3%)
Latin America	**1,4**	1,5	1,4	5%
Sub-Saharan Africa	**1,0**	1,0	0,9	4%
Australasia	**0,8**	1,0	1,0	(21%)
Total revenue	**41,2**	35,6	33,8	22%
Summary of regions				
Sub-Saharan Africa	**9,8**	9,4	9,1	8%
Developed Europe	**11,5**	11,0	10,3	13%
Australasia	**6,1**	6,2	6,0	1%
Latin America	**4,1**	3,4	3,3	29%
Developing Europe & CIS	**2,6**	2,4	2,3	16%
Japan	**1,9**	0,7	0,6	>100%
China	**1,8**	–	–	>100%
Other Asia	**1,2**	0,9	0,9	50%
MENA	**1,1**	0,9	0,7	36%
USA & Canada	**1,1**	0,7	0,6	69%
Total revenue	**41,2**	35,6	33,8	22%

Illustrative constant exchange rate report – Annexure 1 continued

Commercial pharmaceuticals therapeutic area analysis

	Reported June 2017 (At 2017 average rates)					
	Anaesthetic Brands R'billion	Thrombosis Brands R'billion	High Potency & Cytotoxic Brands R'billion	Therapeutic Focused Brands R'billion	Other Commercial Pharmaceutical Brands R'billion	Total R'billion
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	**0,1**	**–**	**0,1**	**0,2**	**7,2**	**7,4**
Developed Europe	**1,7**	**3,2**	**1,5**	**6,4**	**0,4**	**6,8**
Australasia	**0,6**	**–**	**0,5**	**1,1**	**3,7**	**4,8**
Latin America	**0,6**	**0,1**	**0,8**	**1,5**	**1,2**	**2,7**
Developing Europe & CIS	**0,3**	**1,7**	**0,5**	**2,5**	**0,1**	**2,6**
Japan	**1,3**	**–**	**0,4**	**1,7**	**0,2**	**1,9**
China	**1,5**	**0,3**	**–**	**1,8**	**–**	**1,8**
Other Asia	**0,4**	**0,2**	**0,3**	**0,9**	**0,3**	**1,2**
MENA	**0,2**	**0,2**	**0,3**	**0,7**	**0,4**	**1,1**
USA & Canada	**0,3**	**–**	**0,3**	**0,6**	**0,5**	**1,1**
Total Commercial Pharmaceuticals	**7,0**	**5,7**	**4,7**	**17,4**	**14,0**	**31,4**

	Reported June 2016 (At 2016 average rates)					
	Anaesthetic Brands R'billion	Thrombosis Brands R'billion	High Potency & Cytotoxic Brands R'billion	Therapeutic Focused Brands R'billion	Other Commercial Pharmaceutical Brands R'billion	Total R'billion
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	0,1	–	0,1	0,2	6,9	7,1
Developed Europe	–	4,0	1,8	5,8	0,4	6,2
Australasia	–	–	0,5	0,5	4,2	4,7
Latin America	–	0,1	0,7	0,8	1,1	1,9
Developing Europe & CIS	–	1,9	0,4	2,3	–	2,3
Japan	–	0,1	0,5	0,6	0,1	0,7
Other Asia	–	0,2	0,3	0,5	0,4	0,9
MENA	–	0,1	0,3	0,4	0,5	0,9
USA & Canada	–	0,1	0,4	0,5	0,2	0,7
Total Commercial Pharmaceuticals	0,1	6,5	5,0	11,6	13,8	25,4

Commercial pharmaceuticals therapeutic area analysis continued

Illustrative constant exchange rate June 2016 (June 2016 at 2017 average rates)

	Anaesthetic Brands R'billion	Thrombosis Brands R'billion	High Potency & Cytotoxic Brands R'billion	Therapeutic Focused Brands R'billion	Other Commercial Pharmaceutical Brands R'billion	Total R'billion
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	0,1	–	0,1	0,2	6,8	7,0
Developed Europe	–	3,7	1,6	5,3	0,4	5,7
Australasia	–	–	0,5	0,5	4,0	4,5
Latin America	–	0,1	0,7	0,8	1,1	1,9
Developing Europe & CIS	–	1,8	0,4	2,2	0,1	2,3
Japan	–	–	0,5	0,5	0,1	0,6
Other Asia	–	0,2	0,3	0,5	0,4	0,9
MENA	–	0,1	0,2	0,3	0,4	0,7
USA & Canada	–	0,1	0,4	0,5	0,1	0,6
Total Commercial Pharmaceuticals	0,1	6,0	4,7	10,8	13,4	24,2

% change constant exchange rates

	Anaesthetic Brands	Thrombosis Brands	High Potency & Cytotoxic Brands	Therapeutic Focused Brands	Other Commercial Pharmaceutical Brands	Total
By customer geography						
Commercial Pharmaceuticals						
Sub-Saharan Africa	35%	35%	29%	33%	5%	6%
Developed Europe	>100%	(14%)	(9%)	20%	36%	21%
Australasia	>100%	9%	2%	>100%	(9%)	7%
Latin America	>100%	44%	25%	>100%	6%	46%
Developing Europe & CIS	>100%	(2%)	20%	17%	13%	16%
Japan	>100%	(33%)	(16%)	>100%	67%	>100%
China	>100%	>100%	39%	>100%	>100%	>100%
Other Asia	>100%	4%	(3%)	98%	(7%)	50%
MENA	>100%	25%	4%	69%	5%	36%
USA & Canada	>100%	(83%)	(20%)	22%	>100%	69%
Total Commercial Pharmaceuticals	>100%	(5%)	0%	61%	4%	30%

Shareholder statistics (unaudited)

Analysis of shareholders at 30 June 2017

	Number of shareholders	% of shareholders	Number of shares	% of total shareholding
Ordinary shares				
Size of holding				
1 – 2 500	52 828	92,62	19 688 412	4,31
2 501 – 12 500	2 934	5,14	15 380 950	3,37
12 501 – 25 000	460	0,81	8 103 268	1,78
25 001 – 50 000	314	0,55	11 157 585	2,44
50 001 and over	504	0,88	402 104 970	88,10
	57 040	100,00	456 435 185	100,00

Major shareholders

Institutional shareholders

According to the register of shareholders at 30 June 2017, the following are the top 10 registered institutional shareholders:

	Number of shares	% of total shareholding
Institutional shareholder		
Public Investment Corporation	43 851 608	9,61
Foord Asset Management	20 294 923	4,45
Coronation Asset Management	17 348 582	3,80
Genesis Investment Management	16 541 699	3,62
Harding Loevner Management	15 550 932	3,41
BlackRock Inc.	14 177 070	3,11
GIC Asset Management (Pte) Limited	13 602 696	2,98
The Vangard Group Inc.	12 890 154	2,82
Investec Securities (Pty) Limited	11 132 096	2,44
Old Mutual Plc.	10 376 886	2,27
	175 766 646	38,51

Top 10 beneficial shareholders

According to the register of shareholders at 30 June 2017, the following are the top 10 registered beneficial shareholders. The shareholdings of all directors are disclosed on page 114 of the Remuneration Report.

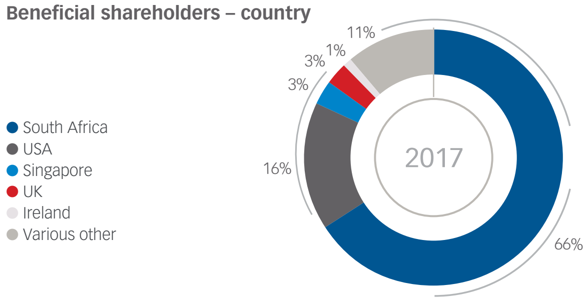
	Number of shares	% of total shareholding
Shareholder		
Saad, SB	55 358 711	12,13
Government Employees Pension Fund	54 132 089	11,86
Attridge, MG	18 883 422	4,14
Government of Singapore Investment Corporation	14 042 593	3,08
Ceppwawu Investments (Pty) Limited	10 053 368	2,20
Old Mutual Life Assurance Co Limited	6 982 054	1,53
Vanguard Emerging Markets Stock Index Fd	6 722 385	1,47
Foord Balanced Fund	6 051 884	1,33
Saudi Arabian Monetary Agency	5 793 823	1,27
Investment Solutions Limited	5 628 067	1,23
	183 648 396	40,24

Shareholders' spread

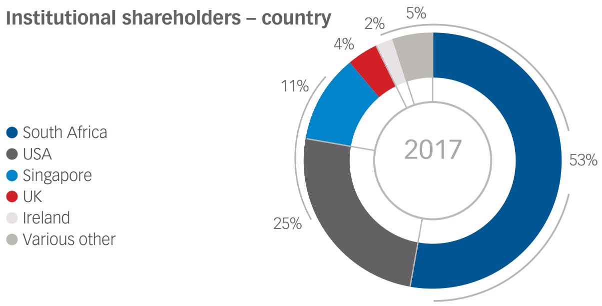
As required by paragraph 8.63 and terms of paragraph of 4.25 of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2017 was as follows:

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	13	128 960 779	28,25
Directors of the Company and directors of material subsidiaries	11	74 418 451	16,30
Government Employees Pension Fund	1	54 132 089	11,86
Employee share trusts – treasury shares	1	410 239	0,09
Public shareholders	57 027	327 474 406	71,75
Total shareholding	57 040	456 435 185	100,00

Beneficial shareholders – country



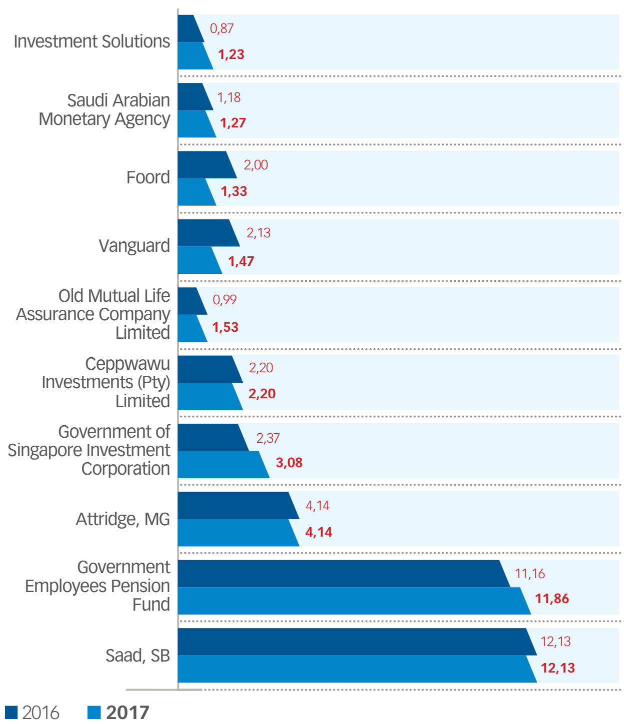
Institutional shareholders – country



The geographical split of Beneficial and Institutional Shareholders above is based on shareholders who own more that 25 000 Aspen shares.

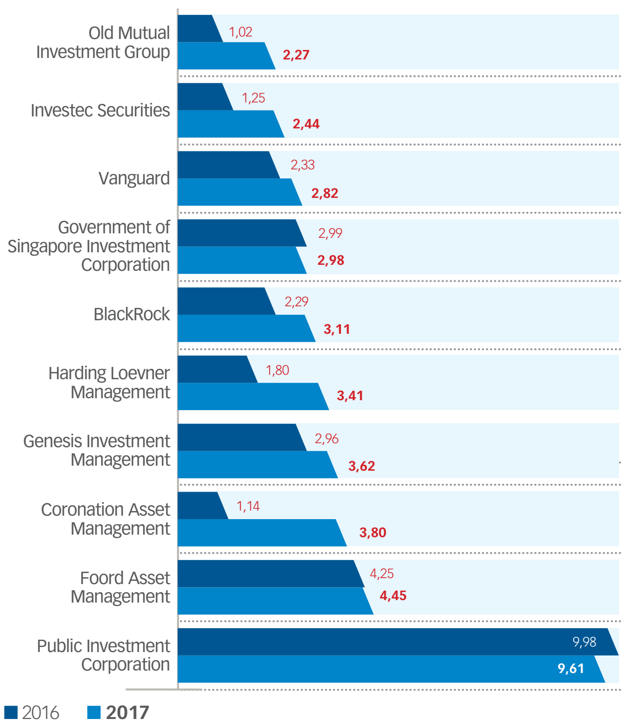
Top 10 beneficial shareholders

% 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)

Registered office and postal address

Building Number 8, Healthcare Park, Woodlands Drive, Woodmead
PO Box 1587, Gallo Manor, 2052
Telephone +27 11 239 6100
Telefax +27 11 239 6144

Registration number

1985/002935/06

Share code

APN ISIN: ZAE 000066692

Website address

www.aspenpharma.com

Auditors

PricewaterhouseCoopers Inc.

Sponsors

Investec Bank Limited

Transfer secretaries

Terbium Financial Services (Pty) Limited
31 Beacon Road, Florida North, 1709, Johannesburg
PO Box 61272, Marshalltown, 2107
Telephone 0860 104191
Email aspen@terbium.global

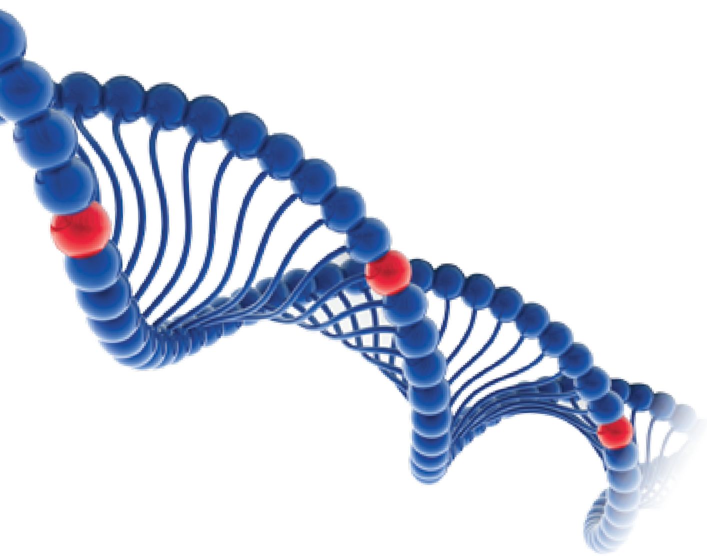
Abbreviations

AGI	Aspen Global Incorporated, a subsidiary incorporated in Mauritius
Notre Dame de Bondeville	Aspen Notre Dame de Bondeville S.A.S., a wholly owned subsidiary incorporated in France
Annual Financial Statements	The Group and Company Annual Financial Statements for the year ended 30 June 2017
API	Active pharmaceutical ingredient
A&R Co	Audit & Risk Committee
ARV	Anti-retroviral
Aspen and/or Group	Aspen Pharmacare Holdings Limited and/or its subsidiaries as set out in note 25 to the Company financial statements, as the context demands
Aspen Holdings or the Company	Aspen Pharmacare Holdings Limited
Aspen API	Aspen API Incorporated, a wholly owned subsidiary of AGI incorporated in the United States
Aspen Australia	Aspen Australia comprises Aspen Asia Pacific (Pty) Limited (a wholly owned subsidiary of AGI) and its subsidiaries, including Aspen Pharmacare Australia (Pty) Limited, Aspen Pharma (Pty) Limited, Orphan Holdings (Pty) Limited, Orphan Australia (Pty) Limited, Aspen Lennon (Pty) Limited and Aspen Products (Pty) Limited
Aspen BO	Aspen Bad Oldesloe GmbH, a wholly owned subsidiary incorporated in Germany
Aspen Brazil	Aspen Pharma – Indústria Farmacêutica Limitada, a wholly owned subsidiary of PharmaLatina Holdings incorporated in Brazil
Aspen Europe	Aspen Europe GmbH, a wholly owned subsidiary of AGI incorporated in Germany
Aspen Japan	Aspen Japan KK, a wholly owned subsidiary of AGI incorporated in Japan
Aspen Mexico	Aspen Mexico comprises Aspen Labs S.A. de C.V, Aspen Pharma Mexicana S. de R.L. C.V, Solara S.A. de C.V., Aspen Servicios S. de R.L. de C.V., PN North America S. de R.L. de C.V., Wyeth Ilaclari S. de R.L. de C.V., Wyeth S. de R.L. de C.V., Marcas WN S.A. de C.V.
Aspen Nigeria	Aspen Pharmacare Nigeria Limited, a subsidiary incorporated in Nigeria
Aspen Oss	Aspen Oss B.V., a subsidiary incorporated in the Netherlands
Aspen Venezuela	Aspen Venezuela C.A. and Aspen Venezuela S.A.
AstraZeneca	AstraZeneca AB and AstraZeneca UK
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Codes	The Department of Trade and Industry's BBBEE Codes of Good Practice
CAGR	Compound annual growth rate
CDP	Carbon disclosure project
CER	Constant exchange rate
CGMP	Current good manufacturing practice
CHP	Combined heat and power
CIS	The Commonwealth of Independent States, comprising Russia and the former Soviet Republics
Classic brands	A portfolio of 25 established prescription-branded products acquired from GSK
DIFR	Disabling incident frequency ratio
EBITA	Operating profit before amortisation adjusted for specific non-trading items as set out in the segmental analysis contained in the Annual Financial Statements
ERM	Environmental Resources Management (Pty) Limited
FCC	Fine Chemicals Corporation (Pty) Limited
FDF	Finished dose form
Global brands	Branded products owned by Aspen Global and distributed into multiple territories
GMP	Good Manufacturing Practice
GRI	Global Reporting Initiative
GSK	GlaxoSmithKline Plc
HEPS	Headline earnings per share
HCP	Healthcare professional
HPC	Hydroxyprogesterone Caproate
IFRS	International Financial Reporting Standards
IMS	IMS Health (Pty) Limited, a leading provider of healthcare and pharmaceutical market intelligence
Internal Audit	The Aspen Group Internal Audit function

Abbreviations continued

IP	Intellectual property
ISO 14001	International standard for environmental management systems
JSE	JSE Limited, licensed as an exchange under the Security Services Act, No 36 of 2004
Kama	Kama Industries Limited, a subsidiary incorporated in Ghana
King III	King Report on Corporate Governance for South Africa 2009
King IV	King Report on Corporate Governance for South Africa 2016
KPAs	Key performance areas
KPIs	Key performance indicators
Litha	Litha Pharma (Pty) Limited
LWDFR	Lost work day frequency ratio
Mandela Day	The Nelson Mandela International Day
MENA	Middle East and North Africa
MSD	Merck Sharpe & Dohme
NHEPS	Normalised headline earnings per share
NZNM	New Zealand New Milk Limited
OECD	Organisation for Economic Cooperation and Development
OHSAS 18001	International standard for occupational health and safety management
OTC	Over the counter
Pharmacare	Pharmacare Limited
PHEF	The South African Public Healthcare Enhancement Fund
PPE	Property, plant and equipment
PwC	PricewaterhouseCoopers Incorporated
R&N Co	Remuneration & Nomination Committee
S&E Co	Social & Ethics Committee
SED	Socio-economic development
SEP	Single exit pricing
SHE	Safety, health and environment
Shelys	Shelys Pharmaceuticals Limited, incorporated in Tanzania
Shelys Africa	Comprises Shelys Africa Limited, Shelys Pharmaceuticals Limited, Shelys Pharmaceuticals International Limited, Beta Healthcare Kenya Limited and Beta Healthcare (Uganda) Limited
SKU	Stock keeping unit
SRI	The JSE's Socially Responsible Index
SSA	Sub-Saharan Africa
Supplementary Documents	The Unabridged Corporate Governance Report including the reports of the A&R and S&E Committees, the Sustainability Data Supplement and the Annual Financial Statements
TesoRx	TesoRx Pharma LLC
The SSA Collaboration	The GSK Aspen Healthcare for Africa Collaboration
The Companies Act	The South African Companies Act, No 71 of 2008
UN Global Compact	United Nations Global Compact
WHO	World Health Organisation
USA	United States of America
AUD	Australian Dollar
EUR	Euro
GBP	British Pound
R/ZAR	South African Rand
USD	United States Dollar

Disclaimer



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