Ascendis HEALTH

ANNUAL FINANCIAL STATEMENTS 2017

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

GROUP SECRETARY'S CERTIFICATION

Declaration by the Group secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

A Sims CA(SA)
Company Secretary

Bryanston

12 September 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Ascendis Health Limited ("Ascendis") 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 also prepared the other information included in the Integrated Report and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

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

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

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

The going concern basis has been adopted in preparing the Annual Financial Statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, except for the discontinued operation (Note 19), based on forecasts and available cash resources. These Annual Financial Statements support the viability of the Company and the Group.

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Annual Financial Statements and their report is presented on pages 2 to 9.

The Annual Financial Statements, as set out on pages 17 to 92, were prepared under the supervision of the Chief Financial Officer, K Futter CA(SA), and approved by the Board of Directors on 12 September 2017 and were signed on their behalf by:

JA Bester
Chairman

Cape Town
12 September 2017

Dr KUHH Wellner
Chief Executive Officer

Cape Town
12 September 2017

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

To the Shareholders of Ascendis Health 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 Ascendis Health 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

Ascendis Health Limited's group and company financial statements, set out on pages 17 to 92 comprise:

- the group and company statements of financial position as at 30 June 2017;
- the group and company statement of profit or loss and other 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 financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the *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.

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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: R27.5m, which represents 5% of an adjusted consolidated profit before tax.
Group audit scope	• The consolidated financial statements are a consolidation of 83 reporting companies. We performed full scope audits on 66 components due to their financial significance and audit risk.
Key audit matters	The following key audit matters, which relate to the consolidated financial statements, have been identified: • Goodwill and intangible assets impairment assessment; and • Valuation and useful lives of intangible assets.

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 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 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.

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Overall group materiality	R27.5m
How we determined it	5% of consolidated profit before tax adjusted for once off costs as disclosed in note 1 to the financial statements.
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. The consolidated profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

How we tailored our group audit scope

We tailored the scope 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.

The Group consists of three divisions, Consumer Brands, Pharma-Med and Phyto-Vet, operating across different geographical locations – South Africa, Other Africa, European Union, Middle East and Australia. The consolidated financial statements are a consolidation of 83 reporting companies. We performed full scope audits on 66 components due to their financial significance and audit risk, and specified procedures on 4 components in respect of which certain transactions and balances that were material to the Group. The remaining components represents insignificant components for group scoping purposes. We performed analytical review procedures over these insignificant components in order to incorporate an aspect of unpredictability.

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

Key audit matters

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

The key audit matters below relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements of the Company to communicate in our report.

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Key audit matter	How our audit addressed the key audit matter

Goodwill and intangible assets impairment assessment
 	
Due to the business acquisitions made by the Group in the current and prior years, the Group's net assets include a significant amount of goodwill (ZAR 4.93 billion) and intangible assets (ZAR 4.18 billion).
 	
Refer to Note 5: Intangible assets and goodwill where detail on these items is included.
 	
To determine recoverable amounts of the cash generating units ("CGUs"), management have used the "value in use" methodology. Management applied a discounted cash flow analysis for each of the individual CGUs. Significant estimates and judgements are applied by management when performing these calculations to determine whether any impairment is required. The key assumptions applied in the valuation models are as follows:
• Revenue growth rate; and
• Discount rate.
 	
Management concluded based on their assessment that an impairment of ZAR 38.6 million was required on goodwill as at 30 June 2017. The impairment related to the discontinued operations and the liquidation of an originator whose products the group distributed, as disclosed in note 5.
 	
The impairment assessment is considered to be a matter of most significance to the current year audit due to:
• The significant judgements made by management regarding the discount rate, the revenue growth rates and other forecasts included in the analyses used to perform the impairment assessment.
• The magnitude of both of these balances, amounting to approximately 63% of the Group's total consolidated assets.
	We assessed impairment on both indefinite useful life intangible assets and goodwill (requiring annual impairment assessment), and finite useful life intangible assets where indicators of impairment existed, by performing the following procedures:
	
	• We tested the mathematical accuracy of the valuation models;
	• We made use of our valuations expertise to assess the approach adopted by management in the valuation models. Based on our work performed, we found the approach to be consistent with market practice and the requirements of IAS 36: *Impairment of assets;*
	• We tested the allocation of assets and liabilities to the CGUs by agreeing this to the financial results of the underlying CGU's, knowledge of the Group and testing performed on the business acquisitions; and
	• We assessed management's assumptions used in the valuation models by performing the following procedures:
	    • Management's forecasts relating to revenue growth were agreed to approved budgets and brand plans;
	    • The budgeting process was assessed by comparing budgeted figures to actual prior year results. Where past results were not reflective of previously approved forecasts or where subsequent adjustments were made to the budgets, support was obtained, e.g. brand plans and marketing projects; and
	    • We made use of our valuations expertise to independently calculate a weighted average capital discount rate, taking into account independently obtained data. This information included the cost of

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	debt, risk free rates in the market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. The discount rates used by management were found to be within an acceptable range of our independent calculations. We performed sensitivity analyses on the value-in-use calculations and focused on the discount rates, the revenue growth and gross profit growth rates for each CGU. The sensitivity analyses were performed to determine the maximum decline that would result in limited or no headroom. Our results were compared to that of management in terms of identifying those operations considered sensitive or for which the recording of impairment charges were required. No material exceptions were noted.
Valuation and useful lives of intangible assets During the current year the Group acquired two significant European-based companies. Areas of significant judgement relating to the acquisitions represent the valuation of identifiable intangible assets and the assessment of their useful lives. Refer to Note 4: Business combinations. In terms of IFRS 3: *Business combinations*, the acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. This includes recognising identifiable intangible assets at acquisition date. The valuation approach applied by management to determine the fair value of the identifiable intangible assets at acquisition date was the income approach. The "Royalty Relief" method was used to value Brands and trademarks and the "Multi-period Excess Earnings Method ('MEEM')" was used to value the other intangible assets. Significant estimates and judgements were applied by management when performing the calculations to determine the fair value of identifiable intangible assets at acquisition	In order to assess the intangible assets as identified by management on the acquisition date, we inspected the purchase agreements, due diligence reports, and took into account industry norms and past experience. We made use of our valuations expertise to test the mathematical accuracy of the valuation models. The approach adopted by management in the valuation models was assessed by our valuation experts and found to be consistent with market practice. We also made use of our valuations expertise to independently recalculate the weighted average cost of capital (WACC) for each acquisition, taking into account independently obtained data. This data included the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. The discount rates of management were found to be within an acceptable range of our independent

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date. The key assumptions applied in the valuation models are as follows: • Weighted average cost of capital (WACC); • Risk free rate; and • Useful life. Management has assessed the useful lives of the intangible assets acquired as being finite and indefinite. Significant judgements were applied by management when performing the assessment to determine the useful lives of intangible assets at acquisition date. The key factors considered are technological innovation, product lifecycles, historic performance, as well as expectations about future use. The valuation and useful lives of intangible assets are considered to be a matter of most significance to the current year audit due to: • The significant judgements made by management regarding the determination of the fair value and useful lives of the intangible assets; and • The magnitude of these balances.	calculations. We performed sensitivity analyses on the key assumptions applied in the valuation models. Our results were compared to that of management and no material exceptions were noted. We assessed management's judgements applied in determining the useful lives of intangible assets. Our procedures included comparing the useful lives to that of comparable companies and considering historic performance as well as management's expectations about future use. The useful lives were found to be within an acceptable range.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report, Directors' Responsibilities and Approval and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other information included in the Integrated Annual Report, which is expected to be made available to us after that date. 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 and will 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

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- However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 Ascendis Health Limited for 4 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Louis Rossouw
Registered Auditor
Bloemfontein
12 September 2017

AUDIT COMMITTEE REPORT

1. **Introduction**

   The Ascendis Health audit committee ("the committee") is a statutory committee established in terms of the Companies Act. The committee functions within a formal charter and complies with all relevant legislation, regulation and governance codes.

   The objective of the committee is to provide the Board with additional assurance regarding the accuracy and reliability of the financial information used by the directors and to assist them in the discharge of their duties.

   The committee is also responsible for reviewing the internal controls applied within the Ascendis Health group of companies, assess the results of the internal and external audit reports, and make recommendations to the Board for improvements to such business controls.

   This report is presented to shareholders in compliance with the Companies Act and the King Code of Governance Principles (King lll).

2. **Purpose and activities of the committee**

   The committee performed the following functions during the year:

   - Reviewed the interim and annual results to ensure that the financial results are valid, accurate and fairly represent the Group's performance.
   - Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
   - Reviewed the annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the Board.
   - Reviewed the audit committee and the Internal Audit Charter.
   - Confirmed the terms of engagement of the external auditor.
   - Monitored the implementation of the policy relating to non-audit services by the external auditor.
   - Had oversight of the activities and co-ordination of the internal and external audits.
   - Received assurances from management and internal audit on systems of internal control.
   - Reviewed and received assurances on the independence and objectivity of the external auditor.
   - Ensured that the scope of non-audit services did not compromise the independence of the external auditor.
   - Reviewed the competence of the external and internal auditors.
   - Nominated the external auditor for reappointment.
   - Considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its plan.
   - Determined and approved the audit fees for both internal and external audit.
   - Reviewed the performance of the group against loan covenants.
   - Confirmed that the adoption of the going-concern premise in the preparation of the financial results is appropriate.
   - Reviewed the group's policies and procedures on risk management and legal requirements.
   - Monitored the Fraud and Litigation register on an ongoing basis.
   - Had oversight of the IT steering committee with ongoing feedback on progress to the committee.
   - Received feedback on follow up on matters arising from the 2016 audit management letter.
   - Reviewed the combined assurance plan presented by KPMG. This annual process was handed over to the Chief Risk Officer to maintain, update and report on to the committee annually.
   - Conducted an annual assessment of the committee and its members.
   - Reviewed insurance cover in place and made recommendations for changes.
   - Reviewed and updated the levels of authority framework.
   - Considered the expertise and experience of the CFO and the finance department.

AUDIT COMMITTEE REPORT (continued)

3. **Composition of the audit committee**

   The committee comprises three independent non-executive directors who are financially literate. The committee members are elected by shareholders at the annual general meeting and the Board then appoints one of these members as the chairperson of the committee.

   The following directors served on the committee during the year under review and to the date of this report:

B Harie (chairperson)	BA LLB (Natal), LLM (Wits)
JA Bester	BCom (Hons), CA (SA), CMS (Oxon)
Dr KS Pather	BDS (Wits), MBA (UK)

   The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

   The external audit partner (PwC), the outsourced internal auditor (KPMG), the executive directors and key finance staff attend meetings at the invitation of the committee. Both external and internal auditors have unfettered access to the committee over the course of the year.

4. **External auditor**

   The committee has assessed the independence, expertise and objectivity of the external auditor, PricewaterhouseCoopers Inc., as well as the fees paid to the external auditor.

   The committee has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they do not own shares in Ascendis Health.

   Meetings were held with the auditor where management was not present and no matters of concern were raised. The committee has reviewed the performance of the external auditor and nominates for approval at the annual general meeting, PricewaterhouseCoopers Inc, as the external auditor for the 2018 financial year.

5. **External audit: Key audit matters**

   The committee notes the following key audit matters set out in the independent auditor's report:

   1. Goodwill and intangible assets impairment assessment; and
   2. Valuation and useful lives of intangible assets.

   The committee has considered and evaluated the above matters and is satisfied that they have been represented correctly. Further, regarding:

   1. Goodwill and intangible assets impairment assessment:

   For the 2017 financial year-end, this matter has been acknowledged in the potential combining of two plants in the pharma segment. This will be done in order to create one streamlined, efficient plant which is not as labour intensive. The upfront impact of this is R27m, with a view to achieving greater savings of a combined plant going forward.

   On a more general note, the risk of impairment charges post acquisition is mitigated by various internal processes such as continuous monitoring of brand plans and budgets by exco, a proper due diligence process prior to acquisitions and mandatory earn outs and deferred vendor payments to ensure performance of vendors post sale.

   2. Valuation and useful lives of intangible assets:

   For the 2017 financial year end, the Group acquired two significant European operations being Scitec (€170 million) and Remedica (between €261.5 million and €335 million). While all acquisitions require the application of judgement around the valuation and useful lives of intangible assets the size of these transactions has highlighted this as a key audit matter. Ascendis is highly acquisitive by nature and the audit committee accepts this particular audit matter as a business norm. Notwithstanding, the risk of overestimating the useful life of brands (resulting in an impairment charge going forward) has been mitigated by engaging reputable external service providers to assist in the finance, tax, legal and operational due diligence process, performing PPA allocations and valuations; comparing methodologies to similar listed entities in SA and abroad; allocating an appropriate marketing budget to support the brands and a measurement of brand market share and category performance.

AUDIT COMMITTEE REPORT (continued)

3. **Non-audit services**

   The group has a formal policy on non-audit services in terms of which the total fees earned for non-audit services may not exceed 10% of the total annual fees for audit services. Any amount higher than the 10% threshold requires the specific approval of the audit committee. The policy requires the external auditor to satisfy the committee that the delivery of non-audit services does not compromise their independence in performing regular audit services, regardless of the fees associated with such services.

   The committee is satisfied with the independence of the external auditors, based on the size and type of non-audit services rendered. At year end the percentage of non-audit services relative to total annual fees for audit services was 2.1%.

4. **Internal audit**

   The internal audit function has been outsourced to KPMG. They work according to a pre-agreed plan for the year to visit various companies within the group and subsequently report their findings to the committee. They also conduct follow-ups on outstanding matters. As Ascendis often acquires companies that are operated by entrepreneurs, common findings include gaps in internal controls. To address this, standardised policies and controls are implemented and monitored.

5. **Evaluation of the chief financial officer**

   The committee has reviewed the expertise, experience and adequacy of the chief financial officer, Kieron Futter, and has satisfied itself with his performance and the changes that he has planned and implemented to enhance the finance department.

6. **Application of King III**

   The committee reviewed the progress made by Ascendis Health against the various principles of King Ill. Being a young company, whilst we have progressed against some measures, we aim to continue to make progress over the next few years. The latest King Ill schedule has been published on our website. The committee is currently reviewing the principles for audit committees as set out in the King IV code which is expected to be effective from 1 January 2018 and is working towards the application of these principles.

7. **Conclusion**

   The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that is has functioned in accordance with its terms of reference for the 2017 financial year. The committee further confirms that this report to shareholders has been approved by the Board.

B Harie

Chairperson of the Audit Committee

Cape Town

12 September 2017

DIRECTORS' REPORT

The directors are pleased to submit their report on the annual financial statements of Ascendis Health Limited and the Group for the year ended 30 June 2017.

1. **Review of financial activities**

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The Group reported net profit after tax from continuing operations for the year ended 30 June 2017 ("the period") of R378 million, an increase of 98.9% on the prior year's R190 million. This is mainly attributable to the acquisitions of Remedica Holdings and Scitec International.

Group revenue from continuing operations increased by 64.1% from R3.9 billion in the prior year to R6.4 billion for the period. The increase was mainly due to organic growth and two significant acquisitions made in the Consumer Brands and Pharma-Med healthcare areas. Refer to note 4 Business Combinations and note 1 Group segmental analysis for more detail.

Stated capital

The Group raised R1 200 million equity capital by way of a rights offer to qualifying shareholders. 54.4 million shares were offered for subscription to the qualifying shareholders on the basis of 18.25 rights offer shares for every 100 shares held, at a subscription price of R22.00 per rights offer share. The rights offer was three times oversubscribed and was concluded in August 2016. Refer to note 20 Stated Capital for additional details.

2. Treasury shares are included in the issued ordinary shares disclosed above.

Authorised	2017 Number of shares	2016
Ordinary shares	**2 000 000 000**	2 000 000 000

Issued	2017 Number of shares	2016
Ordinary shares	**435 939 348**	298 873 785

Refer to note 20 for detail of the movement in authorised and issued share capital.

3. **Fair value of intangible assets**

The Group outsources the determination of the fair value of intangible assets acquired through business combinations. Refer to note 4 and note 5. The directors are comfortable with the accuracy of the fair values determined and disclosed and with the appropriateness and accuracy of the related sensitivity analysis performed in terms of *IFRS 13, Fair Value Measurement*, in note 7.

4. **Directorate**

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

Directors	Office	Designation	Changes
Dr KUHH Wellner	Chief Executive Officer	Executive	
K Futter	Chief Financial Officer	Executive	
CB Sampson	MD South Africa	Executive	
JA Bester	Chairperson	Independent non-executive	
Dr KS Pather	Other	Independent non-executive	Appointed 10 Nov 2016
MS Bomela	Other	Independent non-executive	Appointed 10 Nov 2016
B Harie	Other	Independent non-executive	
CD Dillon	Other	Non-executive	
GJ Shayne	Other	Non-executive	
OP Cunningham	Other	Independent non-executive	Resigned 10 Nov 2016

In terms of the Group's Memorandum of Incorporation GJ Shayne and JA Bester retire by rotation at the 4th AGM and are eligible for re-election.

DIRECTORS' REPORT (continued)

5. **Directors' interests in shares**

As at 30 June 2017, the directors of the Group held direct and indirect beneficial interests in 30% (2016: 43%) of its issued ordinary shares, as set out in note 20.

The register of interests of directors and others in shares of the company is available to the shareholders on request.

The directors' interests as at the date of the directors report is as follows:

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
Dr KUHH Wellner	2 743 307	1 500	–	2 744 807
CB Sampson	211 175	250 000	–	461 175
K Futter	270 286	–	–	270 286
JA Bester	16 200	–	–	16 200
Dr KS Pather	11 650	–	–	11 650
B Harie	3 548	95 782	12 535	111 865
CD Dillon	1 018 900	18 608 266	1 032 000	20 659 166
GJ Shayne	253 647	105 446 841	1 632 756	107 333 244
Total	4 528 713	124 402 389	2 677 291	131 608 393

Refer to note 31 for details on the directors' interest in shares as at 30 June 2017.

6. **Interests in subsidiaries**

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in Appendix A to the financial statements.

Refer to note 4 Business Combinations for acquisitions made during the year ended 30 June 2017.

7. **Events after the reporting period**

Post year end, Ascendis increased their existing revolving credit facilities as follows:

1. R50 million from Nedbank. This facility bears interest at a rate of 8.25%;
2. R150 million from ABSA. This facility bears interest at a rate of 8.75% and is repayable on 28 November 2017.

The Group also disposed of 3 425 202 treasury shares at a transaction price equal to the 30 day volume weighted average price of the share ("VWAP").

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report.

8. **Acquisitions**

Consumer Brands

1) The Scitec Group

The acquisition of European based Scitec complements Ascendis' Consumer Brands product strategy, as it provides an international platform in the sports nutrition and nutraceutical industry. Scitec is focused on the marketing, production and distribution of a wide variety of sports nutrition products targeted at strength training, functional fitness and well-being. The Group acquired the entire share capital of Scitec. The purchase consideration of €170 million was settled in cash as follows:

1. €150 million paid on completion of the transaction.
2. €20 million, deferred for one year and paid on 25 August 2017.

2) The Sun Wave Pharma Group

On 1 June 2017 the Group acquired the assets and liabilities of European based Sun Wave Pharma. Sun Wave Pharma is a distributor of complementary and alternative medicines ("CAMS") and food supplement products in Romania. It is the largest player in the food supplements category and sixth largest player in the broader over-the-counter ("OTC") category in the country. The company specialises in marketing its products directly to the doctor community, through a sales force of approximately 290 effective and well-trained individuals. NHP Pharma, in collaboration with its third-party suppliers, has developed a vast product portfolio of complementary medicines across nine major therapeutic areas. NHP Pharma owns the trademarks and other relevant IP relating to its products, with Sun Wave Pharma being NHP Pharma's largest customer.

DIRECTORS' REPORT (continued)

The acquisitions will provide an attractive platform for Ascendis' entry into the Romanian OTC market, which aligns with Ascendis' stated strategy of focusing on the Central and Eastern European region ("CEE"), and will furthermore provide access to a vast portfolio of complementary medicines and pipeline of new products, that can be sold into many territories in which Ascendis is active.

Key features of the Sun Wave Pharma transaction include:

1. A unique and niche distribution model through the marketing of complementary medicines directly to doctors, which could be replicated successfully in surrounding CEE countries;
2. Exposure to Romania, a high-growth food supplements and OTC market, which has become an attractive investment destination;
3. Experienced and solid management team with the key executives to remain in the business for a minimum period of three years;
4. Strong historical financial performance with double digit revenue growth.

Key features of the NHP Pharma transaction include:

1. A portfolio of strong, owned trademarks with verified efficacy supported through clinical and post-marketing studies;
2. Broad range of complementary food supplement products covering a variety of therapeutic areas.

The Sun Wave Pharma purchase consideration of between €40.8 million and €63.8 million was settled as follows:

1. €40.8 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction;
2. €5 million payable on the first anniversary of the closing date and subject to a certain EBITDA target achieved for the preceding year at that point in time;
3. €8 million payable on the second anniversary of the closing date and subject to a certain EBITDA target achieved for the preceding year at that point in time;
4. €6 million payable on the third anniversary of the closing date and subject to a certain EBITDA target achieved for the preceding year at that point in time; and
5. €4 million payable on the third anniversary of the closing date and subject to a certain three-year average EBITDA target achieved at that point in time.

Phyto-Vet

The Cipla Group

On 1 June 2017 the Group acquired the entire issued share capital of Cipla Agrimed and the entire issued share capital of Cipla Vet for a consideration of R345 million. The purchase consideration was settled as follows:

1. R295 million paid on completion of the transaction;
2. R50 million, payable after one year; and
3. R86.7 million, payable in July 2017 relating the agreed working capital, debt and operating cash adjustment.

Cipla Vet operates in the companion animal segment with sales to over 1,000 outlets via veterinary practices, veterinary shops, equine outlets and wholesalers. Cipla Vet has a strong presence in the South African market in antibiotics, endoparasitcides and ectoparasiticides, with leading positions in proton pump inhibitors, non-steroidal anti-inflammatory drugs (NSAIDs) and supplements. Cipla Vet focuses on niche areas to launch unique and differentiated products and has an attractive basket of registered scheduled medicines with over 45 SKUs and 75 approved marketing authorisations. Key brands include Triworm and Petcam.

Cipla Agrimed operates in the commercial animals segment and sells unique Ivermectin, Doramectin and Moxidectin combinations with vitamins and minerals. It has a leading position in antimicrobials and endectocides in South Africa, as well as a growing presence in endoparasiticides and ectoparasiticides. The entity furthermore exports into sub-Saharan Africa, particularly to Namibia, Botswana, Zambia and Angola.

Ascendis' strategy is to create a synergistic group of health product brands that cover the value chain from imports of raw materials, manufacturing and distribution to consumers via retail and direct selling channels, spanning across human, plant and animal health. The acquisitions are an excellent strategic fit for the Phyto-Vet division of Ascendis as it offers a presence in therapeutic areas in which Ascendis did not previously have strong representation.

Key features of the Cipla transaction include:

1. Expansion into the veterinary pharma industry complements Ascendis' existing presence in the pharma industry and Phyto-Vet's existing Sub-Saharan African biosciences business;
2. Phyto-Vet has plans to increase international revenue by opening new markets in Sub-Saharan Africa, supported by the Cipla's existing presence and Ascendis' existing distribution network;
3. Strategic touch points with major players in the agricultural and animal health sectors through Phyto-Vet's involvement in agri-chemicals;
4. Phyto-Vet run an applied research and development programme to improve and refine existing products and processes and to develop new applications for existing products.

Pharma-Med

1) The Remedica Group

The Group acquired Remedica, a pharmaceutical company based in Europe (Cyprus) which has been operating for over 50 years and is dedicated to the development, production and sale of high quality, safe and efficacious generic pharmaceuticals. Remedica provides an international platform with its diversified portfolio of products, markets and clients to transform the Ascendis Pharma-Med division.

On 1 August 2016 the Group acquired the entire share capital of Remedica. The purchase consideration of between €261.5 million and €335 million was settled as follows:

1. €170 million paid on completion;
2. €90 million deferred for three years (present value of €81.175 million based on a pre-discount rate of 3.5%); and
3. €1.5 million to be paid in share issued.

2) Ortho-Xact

On 1 April 2017 the Group acquired the Ortho-Xact business for a purchase consideration of R144 million. Ortho-Xact provides surgeons and patients with innovative solutions for trauma and related procedures, offering treatment options for adult and pediatric deformity correction, internal and external fracture fixation and regenerative solutions. The purchase consideration was settled as follows:

1. R69.2 million paid on the closing date.
2. R50 million on the first anniversary of the closing date; and
3. R2.3 million in monthly instalments commencing July 2017 and ending in February 2018.

9. **Black economic empowerment (BEE)**

During the year, Ascendis undertook one material BEE transaction. Kefolile Health Investments Proprietary Limited ("Kefolile") acquired 3 703 703 shares for R100 million. Kefolile's beneficial interests in the securities of the Company increased to 6.1% of the total number of shares in issue.

10. **Auditors**

PricewaterhouseCoopers Inc will continue in office as auditors for the Company and its subsidiaries for 2018 as recommended to the shareholders at the upcoming AGM.

11. **Secretary**

The company secretary is Mr A Sims CA(SA).

12. **Dividends**

The board of directors has approved that no final gross ordinary dividend be declared. An interim gross dividend of 11 cents per share was declared with the release of interim results for the period ended 31 December 2016. Therefore a total dividend of 11 cents per share for the full 2017 year (2016: 21.5 cents) has been declared. The source of the interim dividend was from distributable reserves and was paid in cash.

13. **Special Resolutions**

The following special resolutions were approved at the AGM held on 10 November 2016:

- Special Resolution Number 1 – General Authority to issue shares of the Company for cash
- Special Resolution Number 2 – Approval of independent non–executive directors' remuneration
- Special Resolution Number 3 – General Authority to repurchase shares in the Company
- Special Resolution Number 4 – Approval of financial assistance in terms of section 44 of the Companies Act
- Special Resolution Number 5 – Approval of financial assistance in terms of section 45 of the Companies Act

AUDITED GROUP STATEMENT OF FINANCIAL POSITION

at 30 June 2017

	Notes	2017 R'000	2016 Restated R'000
Property, plant and equipment	18	991 668	348 223
Intangible assets and goodwill	5	9 114 959	3 041 497
Investments accounted for using the equity method	24	–	386
Derivative financial assets	8	2 760	–
Other financial assets	30	29 168	73 287
Deferred income tax assets	32	40 109	10 651
Non-current assets		10 178 664	3 474 044
Inventories	16	1 597 726	939 355
Trade and other receivables	13	1 881 591	1 054 396
Other financial assets	30	32 761	22 281
Current tax receivable	34	39 824	30 561
Derivative financial assets	8	53 012	6 727
Cash and cash equivalents	15	634 719	198 905
Assets held for sale as part of a discontinued operation	19	68 320	–
Current assets		4 307 953	2 252 225
Total assets		14 486 617	5 726 269
Stated capital	20	5 447 899	2 138 684
Other reserves		(782 088)	(259 892)
Retained earnings		475 645	396 949
Equity attributable to equity holders of parent		5 141 456	2 275 741
Non-controlling interest		154 886	179 302
Total equity		5 296 342	2 455 043
Borrowings and other financial liabilities	9	4 002 769	1 048 502
Deferred income tax liabilities	32	467 819	236 858
Deferred vendor liabilities	11.1	1 437 394	86 212
Put-option on equity instrument	11.2	113 055	120 972
Derivative financial liabilities	8	6 444	45 801
Finance lease liabilities	29	20 486	3 932
Long term employee benefits	23	15 188	–
Investments accounted for using the equity method	24	1 066	–
Non-current liabilities		6 064 221	1 542 277
Trade and other payables	12	1 250 209	849 343
Derivative financial liabilities	8	38 156	–
Borrowings and other financial liabilities	9	1 027 037	376 631
Current tax payable	34	21 239	38 031
Deferred vendor liabilities	11.1	645 374	222 706
Provisions	12	26 595	17 493
Finance lease liabilities	29	9 900	3 444
Bank overdraft	15	107 544	221 301
Current liabilities		3 126 054	1 728 949
Total liabilities		9 190 275	3 271 226
Total equity and liabilities		14 486 617	5 726 269

AUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

Continuing operations	Notes	2017 R'000	2016 Restated R'000
Revenue	17	6 435 027	3 914 427
Cost of sales		(3 622 025)	(2 351 345)
Gross profit		2 813 002	1 563 082
Other income	28	41 579	84 791
Selling and distribution expenses	35	(615 324)	(325 948)
Administrative expenses	35	(1 087 417)	(704 362)
Other operating expenses	35	(403 517)	(234 308)
Operating profit		748 323	383 255
Finance income	10	40 734	32 968
Finance expense	10	(346 728)	(162 967)
(Loss)/gain from equity accounted investments	24	(1 452)	5 625
Profit before taxation		440 877	258 881
Income tax expense	33	(62 581)	(68 665)
Profit from continuing operations		378 296	190 216
Loss from discontinued operation	19	(70 976)	(135)
Profit for the period		307 320	190 081
Other comprehensive income			
Items that may be reclassified to profit and loss			
Foreign currency translation reserve		(255 101)	(54 125)
Effects of cash flow hedges		27 803	(37 009)
Items that will not be reclassified to profit and loss			
Revaluation of property, plant and equipment		1 149	8 577
Income tax relating to items that may be reclassified		–	(5 337)
Other comprehensive income from discontinued operations		–	10 483
Other comprehensive income for the year net of tax		(226 149)	(77 411)
Total comprehensive income for the year		81 171	112 670
Profit attributable to:			
Owners of the parent		283 131	158 733
Non-controlling interest		24 189	31 348
		307 320	190 081
Total comprehensive income attributable to:			
Owners of the parent		110 907	69 403
Non-controlling interest		(29 736)	43 267
		81 171	112 670
Earnings per share from continuing operations			
Basic and diluted earnings per share (cents)		85.9	57.1
Total earnings per share			
Basic and diluted earnings per share (cents)		68.7	57.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1 085 564	610 846

AUDITED GROUP STATEMENT OF CHANGES IN EQUITY

at 30 June 2017

	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put option non-controlling interest reserve	Total other reserves*	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as at 1 July 2015	**1 576 730**	**188**	**976**	**(949)**	**–**	**(51 723)**	**299 417**	**1 824 639**	**–**	**1 824 639**
Profit for the period	–	–	–	–	–	–	158 733	158 733	31 348	190 081
Other comprehensive income	–	(54 125)	13 723	(37 009)	–	–	–	(77 411)	11 919	(65 492)
Total comprehensive income for the year	**–**	**(54 125)**	**13 723**	**(37 009)**	**–**	**–**	**158 733**	**81 322**	**43 267**	**124 589**
Issue of ordinary shares	557 890	–	–	–	–	–	–	557 890	–	557 890
Raising fees capitalised	(658)	–	–	–	–	–	–	(658)	–	(658)
Purchase of treasury shares	4 722	–	–	–	–	–	–	4 722	–	4 722
Dividends	–	–	–	–	–	–	(57 066)	(57 066)	–	(57 066)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	101 145	101 145
Put-option on non-controlling interest	–	–	–	–	(99 817)	–	–	(99 817)	–	(99 817)
Foreign currency translation reserve	–	(37 845)	–	–	(17 927)	17 167	–	(38 605)	38 605	–
Statutory reserve: Farmalider allocation to reserve	–	–	–	–	–	7 850	(4 135)	3 715	(3 715)	–
Total contributions by and distributions to owners of the Group recognised directly in equity	**561 954**	**(37 845)**	**–**	**–**	**(117 744)**	**25 017**	**(61 201)**	**370 181**	**136 035**	**506 216**
Balance as at 30 June 2016	**2 138 684**	**(91 782)**	**14 699**	**(37 958)**	**(117 744)**	**(26 706)**	**396 949**	**2 276 142**	**179 302**	**2 455 444**
Profit for the period	–	–	–	–	–	–	283 131	**283 131**	24 189	307 320
Other comprehensive income	–	(108 068)	1 149	27 803	–	–	(93 108)	**(172 224)**	(53 925)	(226 149)
Total comprehensive income for the year	**–**	**(108 068)**	**1 149**	**27 803**	**–**	**–**	**190 023**	**110 907**	**(29 736)**	**81 171**
Issue of ordinary shares	3 432 245	–	–	–	–	(450 114)	–	2 982 131	–	2 982 131
Raising fees capitalised	(24 309)	–	–	–	–	–	–	(24 309)	–	(24 309)
Purchase of treasury shares	(98 721)	–	–	–	–	–	–	(98 721)	–	(98 721)
Dividends	–	–	–	–	–	–	(112 758)	(112 758)	13 384	(99 374)
Foreign currency translation reserve	–	(10 473)	–	–	5 950	254	–	(4 269)	4 269	–
Reclassification of reserves into retained earnings	–	–	–	–	–	(13 280)	13 280	–	–	–
Statutory reserve: Farmalider allocation to reserve	–	–	–	–	–	24 182	(11 849)	12 333	(12 333)	–
Total contributions by and distributions to owners of the Group recognised directly in equity	**3 309 215**	**(10 473)**	**–**	**–**	**5 950**	**(438 958)**	**(111 327)**	**2 754 407**	**5 320**	**2 759 727**
Balance as at 30 June 2017	**5 447 899**	**(210 323)**	**15 848**	**(10 155)**	**(111 794)**	**(465 664)**	**475 645**	**5 141 456**	**154 886**	**5 296 342**

**Other reserves include a Share-based payment reserve (R13.3 million) that has been reclassified to retained earnings during the 2017 financial period. Also included in this reserve is a Farmalider statutory reserve (R49.4 million). In terms of Spanish legislation a portion of the period's profits should be recognised in a non-distributable reserve.*

During the 2017 financial period Ascendis raised equity capital by means of a Rights Offer. Other reserves also include the difference between the R22.00 subscription price and the presiding fair value on the date of issue.

AUDITED GROUP CASH FLOW STATEMENT

		2017 R'000	2016 R'000
Cash inflow/(outflow) from operations	27	787 383	(280 537)
Interest income received		40 734	32 968
Finance costs paid		(299 172)	(163 477)
Income taxes paid		(160 232)	(95 167)
Net cash inflow/(outflow) from operating activities		368 713	(506 213)
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(117 885)	(95 881)
Proceeds on the sale of property, plant and equipment		3 623	36 707
Purchase of other intangibles assets	5	(119 062)	(83 003)
Proceeds on the sale of intangible assets		767	333
Payment for acquisition of subsidiaries - net of cash	4	(5 454 161)	(440 160)
Repayments on deferred vendor liabilities	11	(246 343)	(10 825)
Payments for the settlement of foreign exchange contracts		(119 513)	–
Repayment of loans advanced to related parties	30	46 932	41 608
Loans advanced to related parties		(9 199)	–
Loans advanced to external parties	30	(16 854)	(27 552)
Repayment of loans advanced to external parties	30	14 072	–
Net cash utilised in investing activities		(6 017 623)	(578 773)
Cash flows from financing activities			
Proceed from issue of shares	20	2 981 281	557 232
Proceed on the sale of treasury shares		37 888	6 049
Payments made to acquire treasury shares		(137 678)	–
Proceeds from borrowings raised	9	5 140 675	926 813
Repayment of borrowings	9	(1 663 244)	(475 062)
Repayment of loans from related parties	9	(26 290)	–
Finance lease payments	29	(1 803)	(490)
Dividends paid	21	(112 758)	(57 066)
Net cash inflow from financing activities		6 218 071	957 476
Net increase/(decrease) in cash and cash equivalents		569 161	(127 510)
Cash and cash equivalents at beginning of period		(22 396)	101 215
Effect of exchange difference on cash balances		(19 590)	3 899
Cash and cash equivalents at end of period	15	527 175	(22 396)

ACCOUNTING POLICIES

Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through health care areas: Consumer Brands, Pharma-Med and Phyto-Vet. Consumer Brands consists of health and personal care products sold to the public, primarily at the retail store level. The Group offers over the counter (OTC) medicines and consumer brands products, including vitamins and minerals, homeopathic, herbal products, dermaceuticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics. Pharma-Med consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. Phyto-Vet supplies products to the plant and animal markets. Phyto-Vet manufactures and supplies over 3 500 different products supplied to over 4 500 retail stores.

These consolidated group financial results as at 30 June 2017 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments.

Going concern

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the Group's financial statements. The directors have satisfied themselves that the Group is in sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Basis of preparation

The annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, and the requirements of the Companies Act of 2008 applicable to annual financial statements. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the annual consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The audited Group financial results for the year ended 30 June 2017 have been prepared under the supervision of Chief Financial Officer, Kieron Futter, (CA)SA. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The financial statements are prepared on the going concern basis using accrual accounting.

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. This represents the presentation and functional currency of Ascendis. The Group owns the following entities which operate in primary economic environments which are different to the Group:

- Farmalider – Spain
- Akusa – United States of America
- Nimue UK – United Kingdom
- Heritage Resources Limited – Isle of Man
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness – Romania
- Ascendis Australia – Australia
- Ascendis International – Malta

For each of these entities a functional currency assessment has been performed. Where the entity has a functional currency different to that of the Groups presentation currency they are translated upon consolidation in terms of the requirements of IFRS.

ACCOUNTING POLICIES (continued)

Judgement and estimates

In preparing these annual financial results, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the financial statements.

Significant estimates and judgements:

- The useful lives and residual values of property, plant and equipment and intangible assets. (Note 18 and 5)
- Impairment testing and allocation of cash-generating units. (Note 5)
- Estimation of fair value in business combinations. (Note 4)
- Estimated goodwill impairment. (Note 5)
- Estimation of fair values of land and buildings. (Note 18)
- Control assessments of investments in other entities acquired. (Note 4 and Appendix B)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Group Segmental Analysis

Ascendis Health owns a portfolio of brands within three core health care areas, namely Consumer brands, Pharma-Med and Phyto-Vet. Within these healthcare areas the Group has five reportable segments.

The Group executive committee (EXCO) considers the three core health care areas, as well as the reportable segments to make key operating decisions and assess the performance of the business. The EXCO is the Group's chief operating decision maker.

The reportable segments were identified by considering the nature of the products, the production process, distribution channels, the type of customer and the regulatory environment in which the business units operate. In addition to the above, similar economic characteristics such as currency and exchange regulations, trade zones and the tax environment were also considered to incorporate and assess the different markets in which the Group operate. The reportable segments included in the Group's divisions are:

- Consumer Brands (human health), incorporating Sports Nutrition, Skin and all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines Consumer Brands products. This division includes two reportable segments:
  - Consumer Brands Africa segment: Operating predominantly in the South African market.
  - Consumer Brands Europe segment: Operating predominantly in the European market.
- Phyto-Vet (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med (human health), incorporating Ascendis' pharmaceutical and medical devices products. This division includes two reportable segments:
  - Pharma-Med Africa segment: Operating predominantly in the South African market.
  - Pharma-Med Europe segment: Operating predominantly in the European market.

Restatement

The Group acquired large international operations during the 2017 financial period. The businesses acquired operate predominantly in the European market, which is a substantially different economic and regulatory environment from the South African market. This has resulted in a significant change in the Group's internal environment and subsequently the reportable segments. Individual operating segments previously included in Consumer Brands, are now included in Consumer Brands Africa and Consumer Brands Europe. The Pharma-Med Europe segment was called International in the 2016 Annual financial statements.

(a) *Statement of comprehensive income measures applied*

Revenue split by segment	2017 R'000	2016 Restated R'000
Consumer Brands	2 162 570	921 836
Africa	724 992	747 678
Europe	1 437 578	174 158
Phyto-Vet	922 991	700 895
Pharma-Med	3 558 515	2 295 701
Africa	2 093 176	1 808 204
Europe	1 465 340	487 497
Revenue from discontinued operations	(209 049)	(4 005)
Total revenue	6 435 027	3 914 427
Revenue generated by geographical location		
South Africa	3 675 806	3 451 972
Cyprus	987 762	–
Spain	477 578	462 455
Other Europe	1 284 175	–
Other	9 706	–
Total revenue	6 435 027	3 914 427

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

1. Group Segmental Analysis (continued)

(a) *Statement of comprehensive income measures applied (continued)*

There has been no inter-segment revenue during the financial period. All revenue figures represent revenue from external customers.

The revenue from discontinued operations relates to the Consumer Brands Africa segment.

The Group has an expanding international footprint and currently exports products to 120 countries, mainly in Africa and Europe.

The revenue presented by geographic location represents the domicile of the entity generating the revenue.

51% of the Group's revenue is generated through the wholesale and retail market (2016: 46%). In this market, 4% (2016: 6%) of the total Group revenue is derived from a single customer and 12% of the Group's revenue is generated from government institutions (local and international).

The Group evaluates the performance of its reportable segments based on EBITDA (earnings before interest, tax, depreciation and amortisation). The financial information of the Group's reportable segments is reported to the EXCO for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the EBITDA/sales margin.

EBITDA split by segment		2017 R'000		2016 Restated R'000
Consumer Brands	290 024	13%	204 397	22%
Africa	115 721	16%	170 886	23%
Europe	174 303	12%	33 511	19%
Phyto-Vet	140 543	15%	96 184	14%
Pharma-Med	730 743	21%	369 599	16%
Africa	328 550	16%	278 963	15%
Europe	402 193	27%	90 636	19%
Head office	(75 746)		(59 334)	
Total EBITDA	1 085 564		610 846	
Non-controlling interest proportionate share	(39 502)		(46 225)	
Total EBITDA attributable to the parent	1 046 062		564 621	

Reconciliation of EBITDA to Consolidated Results	2017 R'000	2016 Restated R'000
Consolidated operating profit	748 323	383 255
Total impairment, amortisation and depreciation	228 453	74 680
Business combination costs	89 722	152 911
Restructuring costs	19 066	–
Non-controlling interest proportionate share	(39 502)	(46 225)
Total EBITDA attributable to the parent	1 046 062	564 621

**Restructuring and business integration costs are excluded from EBITDA for performance measurement purposes.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

1. Group Segmental Analysis (continued)

Net finance cost split by segment	2017 R'000	2016 Restated R'000
Consumer Brands Africa		
Finance income	1 449	335
Finance expense	(11 347)	(2 089)
Consumer Brands Europe		
Finance income	2 952	863
Finance expense	(84 747)	(1 144)
Phyto-Vet		
Finance income	1 320	979
Finance expense	(11 751)	(2 073)
Pharma-Med Africa		
Finance income	3 890	2 321
Finance expense	(2 300)	(20 484)
Pharma-Med Europe		
Finance income	418	2 307
Finance expense	(41 216)	(76)
Head-Office		
Finance income	30 705	26 163
Finance expense	(195 367)	(137 101)
Total consolidated net finance cost	**(305 994)**	**(129 999)**

Finance income and costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Brands Europe). The EXCO evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

The European debt facilities raised to finance the acquisition of the recent international acquisitions are housed within Consumer Brands Europe.

Tax expense split by segment	2017 R'000	2016 Restated R'000
Consumer Brands	(1 592)	(14 621)
Africa	3 706	(6 833)
Europe	(5 298)	(7 788)
Phyto-Vet	(8 992)	(6 134)
Pharma-Med	(50 457)	(41 160)
Africa	(42 352)	(40 785)
Europe	(8 105)	(375)
Head office	(1 540)	(6 750)
Total consolidated tax expense	**(62 581)**	**(68 665)**

The EXCO monitors taxation expenses per segment to ensure optimal tax practices are being adhered to.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

1. Group Segmental Analysis (continued)

(b) *Statement of financial position measures applied*

Assets and liabilities split by segment	2017 R'000 Assets	2017 R'000 Liabilities	2016 Restated R'000 Assets	2016 Restated R'000 Liabilities
Consumer Brands	5 558 299	(4 494 222)	1 233 112	(85 861)
Africa	1 526 655	(751 425)	1 067 444	(53 433)
Europe	4 031 644	(3 742 797)	165 668	(32 428)
Phyto-Vet	1 508 258	(474 651)	900 856	(254 052)
Pharma-Med	7 405 499	(2 433 957)	2 932 382	(707 730)
Africa	2 620 118	(555 912)	2 227 754	(402 392)
Europe	4 785 381	(1 878 045)	704 628	(305 338)
Head office	14 561	(1 787 445)	659 919	(2 223 583)
Total consolidated assets and liabilities	**14 486 617**	**(9 190 275)**	**5 726 270**	**(3 271 227)**

The fixed assets presented below represent the material non-current assets held in various geographic locations.

Fixed assets by geographic location	2017 R'000	2016 Restated R'000
South Africa	278 204	321 973
Cyprus	499 447	–
Other Europe	214 017	26 250
Fixed assets per geographic location	**991 668**	**348 223**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(continued)

2. Earnings per share, Diluted earnings per share and 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 2015.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period 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 when determining the weighted average number of shares in issue.

The Group has determined no instruments exist in the period that will give rise to the issue of ordinary shares that results in a dilutive effect. Based on this assessment, basic earning per share also represents diluted earnings per share.

		2017 R'000			2016 R'000		
		Continuing operations	Discontinued operations	Total	Continuing operation	Discontinued operations	Total
(a)	**Basic earnings per share**						
	Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
	Earnings	**354 107**	**(70 976)**	**283 131**	**158 868**	**(135)**	**158 733**
	Weighted average number of ordinary shares in issue			412 323 054			277 861 370
	Earnings per share (cents)	**85.9**	**(17.2)**	**68.7**	**57.1**	**–**	**57.1**
(b)	**Headline earnings per share**						
	Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
	Adjusted for:						
	Profit/(loss) on the sale of property, plant and equipment	937	–	937	(943)	–	(943)
	Profit/(loss) on investment disposal	165	–	165	(7 535)	–	(7 535)
	Goodwill and intangible asset impairment	21 730	26 860	48 590	–	–	–
	IFRS 3 bargain purchase	(1 938)	–	(1 938)	–	–	–
	Non-controlling interest portion allocation	(340)	–	(340)	3 055	–	3 055
	Tax effect thereof	(269)	–	(269)	1 062	–	1 062
	Headline earnings	**374 392**	**(44 116)**	**330 276**	**154 507**	**(135)**	**154 372**
	Weighted average number of shares in issue			412 323 054			277 861 370
	Headline earnings per share (cents)	**90.8**	**(10.7)**	**80.1**	**55.6**	**–**	**55.6**

(c) **Normalised headline earnings per share**

Since Ascendis Health is a health and care company and not an investment company, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the cost incurred to acquire and integrate the business combinations into the Group and the listed environment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

2. Earnings per share, Diluted earnings per share and Headline earnings per share (cents) (continued)

	2017 R'000 Continuing operations	2017 R'000 Discontinued operations	2017 R'000 Total	2016 R'000 Continuing operations	2016 R'000 Discontinued operations	2016 R'000 Total
Reconciliation of normalised headline earnings						
Headline earnings	374 392	(44 116)	330 276	154 507	(135)	154 372
Adjusted for						
Business combination costs	89 722	–	89 722	130 306	–	130 306
Refinancing costs	27 730	–	27 730	–	–	–
Finance cost of deferred vendor liability	47 556	–	47 556	–	–	–
Restructuring costs	19 066	–	19 066	22 605	–	22 605
Tax effect thereof	(6 272)	–	(6 272)	(6 329)	–	(6 329)
Amortisation	115 857	–	115 857	48 194	–	48 194
Tax effect thereof	(23 328)	–	(23 328)	(12 796)	–	(12 796)
Normalised headline earnings	**644 723**	**(44 116)**	**600 607**	**336 487**	(135)	336 352
Weighted average number of shares in issue			412 323 054			277 861 370
Normalised headline earnings per share (cents)	**156.4**	**(10.7)**	**145.7**	**121.1**	–	121.1

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

3. Events after reporting period

Debt facilities

Post year end, Ascendis increased their existing revolving credit facilities as follows:

- R50 million from Nedbank. This facility bears interest at a rate of 8.25%;
- R150 million from ABSA. This facility bears interest at a rate of 8.75% and is repayable on 28 November 2017.

Treasury shares

The Group also disposed of 3 425 202 treasury shares at a transaction price equal to the 30 day volume weighted average price of the share ("VWAP").

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

4. Business Combinations

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill which arises on business combinations is mainly attributable to synergies, economies of scale and the ability to breach new markets as a result of the geographical location of the business acquired.

When the Group incurs acquisition related costs, these are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any contingent consideration to be transferred by the Group is called "Deferred Vendor Liabilities". Refer to note 11 for subsequent measurement of Deferred Vendor Liabilities.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Being an acquisitive Group, the directors and Investment Committee use various internal measurements and risk mitigating procedures to ensure the acquisition will be value enhancing to our shareholders.

Currently the Group focuses on two types of acquisitions as defined below:

Platform company

Consist of the main subsidiaries within each sector which have the market share, brands, operational and administrative infrastructure to stand alone as businesses in their own right. The platform companies in the three health care areas in South Africa had been established prior to the listing of Ascendis in 2013. Part of the internationalisation strategy will be to acquire platform companies in new territories.

Bolt-on

These are companies, or parts of companies, which can be purchased and "bolted-on" to the platform in a way that leverages the existing strength of either the bolt-on or the platform in a synergistic manner, with the result that the two businesses together share the benefits of combined (or even enhanced) revenue and a lower cost base. Examples include businesses which, after acquisition, share production facilities, or sales teams, or accounting or administrative functions.

Management's main assumptions in evaluating whether an acquisition is that of a business and not an asset group, were made on the basis that a business consists of inputs and processes applied to those inputs, that have the ability to create outputs.

(a) The inputs acquired include:

- Tangible items: Equipment, infrastructure and working capital necessary for trade within the business acquired;
- Intangible items: Computer software, software licenses, and trademarks;
- Other items not necessarily included in the financial statements: A management team, the process and know-how of the business, studies and test results, market knowledge, relationships with the licensing body and management knowledge of the industry.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

4. Business Combinations (continued)

(b) The processes acquired include: management processes, corporate governance, organisational structures, strategic goal-setting, operational processes and human and financial resource management.

(c) The outputs acquired include: access to research results, access to management's strategic plans, revenue from customers, access to new markets, increased efficiency, synergies, customer satisfaction and reputation.

During the period Ascendis acquired the following businesses:

- Remedica Group 100%
- Scitec Group 100%
- Cipla Group 100%
- Sun Wave Pharma Group 100%
- Ortho-Xact 100%
- Juniva Proprietary Limited 78 % (Obtained effective control)

A purchase price allocation has been performed on all business acquisitions which have been included in the financial results with the exception of Cipla and Sun Wave Pharma. Due to the timing of these acquisitions being close to year-end, a preliminary purchase price allocation has been performed.

The following table illustrates the consideration paid and net assets for each material subsidiary acquired during the year. All assets and liabilities are measured at fair value on the date of acquisition. No goodwill amount recognised is deductible for tax purposes. The 2016 comparative period has been restated as a result of a measurement period adjustment, for more information refer to the restatement note (Note 6).

	2017 R'000						2016 Restated R'000
	Remedica	**Scitec**	**Sun Wave Pharma**	**Cipla**	**Other**	**Total**	**Total**
Cash	2 643 993	2 332 935	599 265	330 728	69 200	5 976 121	537 035
Foreign exchange hedging loss	**57 118**	62 395	–	–	–	119 513	–
Equity instruments	24 332	–	–	–	–	24 332	213 516
Vendor loans	1 262 507	311 058	260 456	132 385	74 800	2 041 206	195 017
	3 987 950	**2 706 388**	**859 721**	**463 113**	**144 000**	**8 161 172**	**945 568**
Cash and cash equivalents	242 161	213 884	31 652	33 723	540	521 960	96 875
Property, plant and equipment	525 247	178 598	25 532	864	434	730 675	129 447
Intangible assets within the acquired entity	1 246 534	1 114 816	716 932	159 651	34 313	3 272 246	526 209
Other financial assets	37	42 541	–	–	–	42 578	37 700
Inventories	301 487	196 289	35 017	69 946	38 124	640 863	135 877
Trade and other receivables	343 547	137 822	109 354	79 871	10 534	681 128	195 685
Provisions	–	–	–	227	–	227	(29 396)
Trade and other payables	(100 197)	(154 716)	(33 717)	(34 182)	(4 611)	(327 423)	(245 841)
Finance leases	–	–	(24 813)	–	–	(24 813)	–
Borrowings	–	(144 642)	–	–	(40)	(144 682)	(81 847)
Current tax (payable)/receivable	20 016	(17 136)	–	(1 742)	–	1 138	(670)
Provision for doubtful debt	–	–	–	–	–	–	(42 277)
Deferred tax liabilities	(158 956)	(95 264)	–	(48 810)	(9 597)	(312 627)	(140 986)
Total identifiable net assets	**2 419 876**	**1 472 192**	**859 957**	**259 548**	**69 697**	**5 081 270**	**580 776**
Non-controlling interest	**–**	–	**–**	**–**	**(476)**	**(476)**	**(101 145)**
Resultant goodwill	**1 568 074**	**1 234 196**	**(236)**	**203 565**	**74 779**	**3 080 378**	**465 937**
Total cash paid for acquisitions	(2 643 993)	(2 332 935)	(599 265)	(330 728)	(69 200)	(5 976 121)	(537 035)
Cash available in acquired company	242 161	213 884	31 652	33 723	540	521 960	96 875
Cash flow relating to business combinations	**(2 401 832)**	**(2 119 051)**	**(567 613)**	**(297 005)**	**(68 660)**	**(5 454 161)**	**(440 160)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

4. Business Combinations (continued)

The key observable inputs included in the purchase price allocation is considered to be the risk-free rate, the unobservable inputs are the useful life and the WACC. The sensitivity below demonstrates the change in the fair value of the identified intangible asset valuation should any of the key inputs materially change:

Pharma-Med Europe		Change in key assumption	
Observable inputs: Risk-free rate	**A change of 0.25%**	**Increase**	**Decrease**
Dossiers		(40 686)	42 304
Unobservable inputs			
Useful life	**A change of 10 years**	**Increase**	**Decrease**
Dossiers		63 238	(122 246)
WACC	**A change of 0.5%**		
Dossiers		(46 628)	50 329

Consumer Brands Europe		Change in key assumption	
Observable inputs: Risk-free rate	**A change of 0.25%**	**Increase**	**Decrease**
Brand name		(33 968)	36 534
Agent relationships		(2 146)	2 193
Unobservable inputs			
Useful life	**A change of 10 years**	**Increase**	**Decrease**
Brand name		–	–
Agent relationships		53 953	(85 961)
WACC	**A change of 0.5%**		
Dossiers		(63 160)	72 632
Customer contracts		(2 582)	2 691

Phyto-Vet		Change in key assumption	
Observable inputs: Risk-free rate	**A change of 0.25%**	**Increase**	**Decrease**
Dossiers		(314)	332
Customer contracts		(238)	250
Contract based intangibles		(313)	329
Unobservable inputs			
Useful life	**A change of 5 years**	**Increase**	**Decrease**
Dossiers		1 020	(2 335)
Customer contracts		8 351	(12 892)
Contract based intangibles		6 168	(9 489)
WACC	**A change of 0.5%**		
Dossiers		(790)	826
Customer contracts		(602)	619
Contract based intangibles		(789)	815

Ascendis completed three new platform acquisitions. These acquisitions will allow Ascendis to significantly grow its European footprint which is currently serviced by Farmalider S.A. The establishment of a sizeable European platform will support further international growth and expansion into new geographies both through acquisitions and organically as the newly acquired international sales and distribution platforms can be utilised to channel existing Ascendis products. Ascendis will contribute favourably towards the growth of both Remedica and Scitec, as synergies are achieved in shared services, cross-licensing of pharmaceutical dossiers, product manufacturing and established routes to the European and developing markets.

4. Business Combinations (continued)

The geographical diversification offered by these transactions and their predominant invoicing in US Dollar and Euro will create a natural Rand hedge. The conclusion of these transactions ensures that Ascendis maintains its defensive segment mix of over-the-counter and pharmaceutical operations while enhancing diversification of its sales portfolio across products, channels, geographies and currencies. The international growth, synergies and natural hedge contribute to the goodwill amount recognised as part of the Remedica, Scitec and Sun Wave Pharma acquisition.

International platform acquisition – The Remedica Group (1 August 2016)

Remedica has been operating for over 50 years and is dedicated to the development, production and sale of high quality, safe and efficacious generic pharmaceuticals. Remedica provides an international platform with its diversified portfolio of products, markets and clients to transform the Ascendis Pharma-Med Europe segment.

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between €261.5 million and €335 million (R3 988 million - R5 210.2 million) was settled as follows:

- €170 million to be paid on completion which assumes a target working capital of €50 million and at least €5 million of surplus cash earmarked for future acquisitions.
- €90 million deferred for three years (present value of €81.175 million based on a pre-discount rate of 3.5%); and
- €1.5 million to be paid in share issued.
- an amount to be determined based on the average EBITDA achieved for the three financial years post completion of the Remedica transaction subject to certain targets being achieved with the total payment limited to €75 million.

R28 million of the business combination costs relates to the Remedica acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Remedica was R982.4 million. Remedica also contributed profit after tax of R243.0 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 072.1 million and R248.2 million respectively.

International platform acquisition – The Scitec Group (1 August 2016)

The acquisition of Scitec complements Ascendis' Consumer Brands product strategy, as it provides an international platform in the sports nutrition and nutraceutical industry. Scitec is focused on the marketing, production and distribution of a wide variety of sports nutrition products targeted at strength training, functional fitness and well-being forming part of the Consumer Brands Europe segment.

The Group has acquired the entire share capital of Scitec a European sports nutrition company. The purchase consideration of €170 million (R2 706.3 million) was settled in cash as follows:

- €150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- €20 million, deferred for one year.

R30.6 million of the business combination costs relates to the Scitec acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Scitec was R1 247 million. Scitec also contributed profit after tax of R121.3 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 363.4 million and R125.8 million respectively.

Included in the purchase consideration of Scitec and Remedica is a R119.5 million loss on the foreign exchange hedges taken out on the foreign purchase consideration (Note 8).

International platform acquisition – The Sun Wave Pharma Group (1 June 2017)

The acquisition of Sun Wave Pharma complements Ascendis' Consumer Brands Europe product strategy, as it provides an international platform in the food supplements and over-the-counter ("OTC") industry. Sun Wave Pharma specialises in marketing its products directly to the doctor community, through a sales force of approximately 290 effective and well-trained individuals forming part of the Consumer Brands Europe segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

4. Business Combinations (continued)

The Group has acquired the assets and liabilities of Sun Wave Pharma a European based OTC company. The purchase consideration between €40.8 million and €63.8 million (R600 million and R938.2) was settled in cash as follows:

- €40.8 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- €5 million, payable after one year if the performance target for the period is achieved.
- €8 million, payable after two years if the performance target for the period is achieved.
- €6 million, payable after three years if the performance target for the period is achieved.
- €4 million, payable after three years if the performance target for the average 3 periods are achieved.

R13.5 million of the business combination costs relates to the Sun Wave Pharma acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Sun Wave Pharma was R37.1 million. Sun Wave Pharma also contributed profit after tax of R17.7 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R420.8 million and R70.4 million respectively.

African bolt-on acquisition – The Cipla Group (1 June 2017)

The acquisition of Cipla complements Phyto-Vet strategy, as it offers a presence in therapeutic areas in which Ascendis did not previously have strong representation. Cipla is an integrated biosciences and veterinary science business, leveraging expertise in the areas of entomology, horticulture, agronomy and veterinary sciences to drive competitive advantage.

The Group has acquired the entire share capital of Cipla, an integrated biosciences and veterinary science business. The purchase consideration of R345 million was settled in cash as follows:

- R295 million paid on completion of the transaction.
- R50 million, payable after one year.
- R86.7 million, payable in July 2017 relating the agreed working capital, debt and operating cash adjustment.

R5 million of the business combination costs relates to the Cipla acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Cipla was R19.5 million. Cipla also contributed profit after tax of R2.1 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R250.5 million and R49.1 million respectively.

The other acquisitions consists of the following:

The other acquisitions were bolt on acquisitions in the Pharma-Med Africa and Consumer Brands Africa segments. This included the acquisition of Ortho-Xact (April 2017) and Juniva (April 2017). R3.9 million of the business combination costs relates to the other acquisitions.

The revenue included in the statement of comprehensive income since acquisition contributed by the other acquisitions was R33.1 million. The other acquisitions also contributed profit after tax of R8.8 million over the same period.

If the subsidiaries were acquired on the first day of the financial year, revenue and profits for the year would have been R38.1 million and R5.9 million respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

5. Intangible assets and goodwill

Intangible assets are initially measured at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

(a) **Goodwill**

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) **Research and development:**

Research expenditure is expensed to other operating expenses in the statement of comprehensive income when incurred. Development costs directly attributable to the production of new or substantially improved products, processes or computer software controlled by the Group are recognised when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

The development which is capitalised is in terms of already existing dossiers which have passed proof of concept for which further research and development is performed to enhance the product. Group's European subsidiaries are further incentivised through government funding and tax incentives to enhance product development.

Directly attributable costs that are capitalised as part of the intangible asset include the employee costs and an appropriate portion of the relevant overheads.

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

All the remaining development costs that do not meet the recognition criteria are recognised as an expense (other operating expenses) as incurred.

5. Intangible assets and goodwill (continued)

(c) **Other intangible assets:**

Classes	Description	Useful life considerations
Contractual agreements	Rights acquired to co-market or manufacture certain third party products are capitalised to intangible assets.	5 – 25 years
Drug master files	Technical know-how relating to the drug master files acquired as part of a business combination.	25 – 30 years
Computer software and license agreements	Acquired computer software and licenses.	2 – 5 years
Customer relationships	Customer relationships acquired as part of a business combination.	10-30 years
Brands and trademarks	Marketing-related trade names which are words, names or symbols used in trade to indicate the source of a product and to distinguish it from the service or products of other entities.	5 years – Indefinite useful life

The useful lives are reviewed on an annual basis.

A significant degree of judgement is applied by management when estimating the useful lives of intangible assets acquired as part of a business combination. The useful lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles, historic performance of the asset as well as expectations about future use.

Indefinite useful life intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment.

The 2016 goodwill numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement Note 6 for more detail.

Group		2017			2016 Restated	
R'000	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value
Goodwill	4 970 350	(38 079)	4 932 271	2 016 590	–	2 016 590
Brands and trademarks	2 050 749	(62 356)	1 988 393	257 133	(41 020)	216 113
License and computer software	41 938	(15 395)	26 543	33 354	(13 993)	19 361
Intangible assets under development	20 252	–	20 252	15 969	–	15 969
Customer relationships	1 008 592	(120 471)	888 121	464 957	(66 557)	398 400
Contractual agreements	277 842	(15 571)	262 271	90 565	(3 352)	87 213
Drug master files	1 040 959	(43 851)	997 108	294 205	(6 354)	287 851
Total	**9 410 682**	**(295 723)**	**9 114 959**	**3 172 773**	**(131 276)**	**3 041 497**

5. Intangible assets and goodwill (continued)

Reconciliation of intangible assets and goodwill – 2017

R'000	Opening balance cost/ valuation	Opening balance accumulated amortisation and impairment	Additions	Asset transfers	Additions through business combinations	Disposals	Foreign exchange movements	Amortisation and impairment	Carrying value
Goodwill	2 016 590	–	–	–	3 082 356	–	(128 596)	(38 079)	4 932 271
Brands and trademarks	257 133	(41 020)	52 800	15 969	1 756 824	(6)	(31 971)	(21 336)	1 988 393
License and computer software	33 354	(13 993)	4 991	–	3 713	(124)	4	(1 402)	26 543
Intangible assets under development	15 969	–	20 252	(15 969)	–	–	–	–	20 252
Customer relationships	464 957	(66 557)	–	–	564 522	–	(20 887)	(53 914)	888 121
Contractual agreements	90 565	(3 352)	–	–	198 590	–	(11 313)	(12 219)	262 271
Drug master files	294 206	(6 354)	41 018	–	748 608	(637)	(42 236)	(37 497)	997 108
Total	**3 172 774**	**(131 276)**	**119 061**	**–**	**6 354 613**	**(767)**	**(234 999)**	**(164 447)**	**9 114 959**

Reconciliation of intangible assets and goodwill – 2016

Restated R'000	Opening balance	Additions	Additions through business combinations	Measurement period adjustment	Disposals	Foreign exchange movements	Amortisation and impairment	Carrying value
Goodwill	1 510 896	–	421 969	43 968	–	39 756	–	2 016 589
Brands and trademarks	96 622	31 686	110 630	–	–	(5 443)	(17 382)	216 113
Licenses and computer software	13 478	10 693	–	–	(333)	(820)	(3 657)	19 361
Intangible asset under development	–	15 969	–	–	–	–	–	15 969
Customer relationships	376 185	–	48 455	–	–	–	(26 240)	398 400
Contractual agreements	–	149	77 701	–	–	12 607	(3 244)	87 213
Drug master files	62 578	24 506	192 684	(10 651)	–	21 595	(2 860)	287 852
	2 059 759	**83 003**	**851 439**	**33 317**	**(333)**	**67 695**	**(53 383)**	**3 041 497**

A total of R42.9 million for research costs has been expensed to the statement of comprehensive income for the year ended 30 June 2017, please refer to note 35. Impairment relating to the discontinued operation of R 26.8 million has been recognised in the Loss from discontinued operations (Note 19). Impairment amounting to R 21.7 million relating to the goodwill in Consumer Brands South Africa and amortisation of R113.1 million has been included in Expense by nature (Note 35). The last mentioned goodwill impairment relates to the impairment of goodwill (R11.2 million), brands and trademarks (R3.9 million) and customer relationships (R6.6 million) all relating to the Consumer Brands Africa segment.

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5. Intangible assets and goodwill (continued)

Impairment tests for goodwill

Management reviews the business performance based on type of business and products. While the valuation is based on projected sustainable cash flows methodology, the latest budgets and forecasts are utilised. A five-year time horizon is used to project the cash flows. Cash flows are discounted using a discounting factor, which was determined taking into account both systematic and unsystematic risks.

The Group recognised impairment on goodwill relating to the Consumer Brands Africa segment as a result of the discontinued operations (R26.8 million) note 19, as well as the liquidation of the originator whose products the Group distributed (R11.8 million).

The following is a summary of goodwill allocation for each reporting segment.

2017 R'000	Opening balance	Additions	Impairment	Foreign currency translation	Closing balance
Consumer Brands Africa	566 229	–	(38 079)	–	528 150
Consumer Brands Europe	–	1 234 207	–	(29 191)	1 205 016
Phyto-Vet	292 044	203 565	–	–	495 609
Pharma-Med Africa	990 620	76 510	–	–	1 067 130
Pharma-Med Europe	167 697	1 568 074	–	(99 405)	1 636 366
Total	**2 016 590**	**3 082 356**	**(38 079)**	**(128 596)**	**4 932 271**

2016 Restated R'000	Opening balance	Additions	Foreign currency translation	Closing balance
Consumer Brands Africa	555 010	11 219	–	566 229
Consumer Brands Europe	–	–	–	–
Phyto-Vet	157 258	134 786	–	292 044
Pharma-Med Africa	798 628	191 992	–	990 620
Pharma-Med Europe	–	127 941	39 756	167 697
Total	**1 510 896**	**465 938**	**39 756**	**2 016 590**

The key assumptions used for value-in-use calculations in 2017 are as follows:

	Consumer Brands Africa	Consumer Brands Europe	Phyto-Vet	Pharma-Med Africa	Pharma-Med Europe
Revenue growth rate	6% - 19.5%	6% - 9.9%	6% - 11%	6% - 8%	6.0%
Discount rate	11.6% - 15.6%	8.1% - 13.6%	12.6% - 13.4%	13.3% - 14.3%	8.8%

The key assumptions used for value-in-use calculations in 2016 are as follows:

	Consumer Brands Africa	Consumer Brands Europe	Phyto-Vet	Pharma-Med Africa	Pharma-Med Europe
Revenue growth rate	4% – 18%		6% – 17%	4% – 34%	7% – 17%
Discount rate	13.8% – 17.8%		13.8% – 14.8%	14.8% – 17.8%	12.8%

5. Intangible assets and goodwill (continued)

These assumptions have been used for the analysis of each CGU within the operating segment. The CGUs are individually operating subsidiaries and grouped per operating segment. Goodwill was allocated to each individual operating subsidiary (CGU) and grouped. All assets and liabilities for each CGU have been taken into account in considering impairment. Ascendis has a robust budgeting process and the revenue growth rates have been assessed on a prudent basis with a key focus on cash generation. In determining the appropriate discount rate in the value in use calculation, management applies judgement to determine the specific risk factors which impact the operating segment. Examples of risk factors includes competition, exposure to foreign exchange, commodity risk as well as legislation and regulatory pressures. The specific risk percentage per operating segment is then adjusted downward for mitigating factors such as secured clients, management experience and innovative products. The following goodwill impairment analysis shows the change in the discount and growth rate which would result in no headroom.

	Consumer Brands Africa	Consumer Brands Europe	Phyto-Vet	Pharma-Med Africa	Pharma-Med Europe
Change in discount rate	7.7%	2.9%	7.0%	7.8%	5.6%
Change in growth rate	3.2%	0.3%	8.5%	6.5%	3.4%

Individually material intangible assets

		Carrying value		Remaining useful life	
Carrying value and remaining useful life	**Reporting segment**	**2017**	**2016**	**2017**	**2016**
Scitec brand name	Consumer Brands Europe	**952 259**	–	**Indefinite**	–
Sunwave brands and trademarks	Consumer Brands Europe	**723 386**	–	**20**	–
Remedica customer relationship	Pharma-Med Europe	**695 290**	–	**29**	–
Remedica dossiers	Pharma-Med Europe	**462 477**	–	**29**	–
Farmalider drug master files	Pharma-Med Europe	**214 586**	216 530	**28**	29
Scitec contractual relationship	Consumer Brands Europe	**108 210**	–	**14**	–
Surgical Innovations customer relationships	Pharma-Med Africa	**88 397**	96 312	**17**	18
Scientific Group customer relationships	Pharma-Med Africa	**71 539**	75 607	**18**	19
Farmalider contractual agreements	Pharma-Med Europe	**65 524**	67 296	**18**	19
Cipla contractual agreements	Phyto-Vet	**60 893**	–	**15**	–
Akacia contractual agreements	Pharma-Med Africa	**57 172**	59 579	**24**	25
Cipla customer relationship	Phyto-Vet	**52 104**	–	**13**	–
		3 551 836	**515 324**		

Individually material intangible assets have been identified as those with carrying amounts in excess of R50 million.

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6. Restatement

As part of the Farmalider and Akacia business combinations as disclosed in the 2016 financial period, the following measurement period adjustments were identified and corrected during the current financial period.

Farmalider:

As part of the business combination the day one net asset value acquired incorrectly included a property, a motor vehicle (total asset value R17.2 million) and the debt relating to the finance of the motor vehicle (total liability value R3.7 million). These items were explicitly excluded per the purchase agreement and therefore should have been excluded from the day one net asset value acquired.

Akacia:

The net asset value for Akacia incorrectly excluded a deferred tax liability relating to the revaluation of the property (R12.5 million), and the day one value also incorrectly included loans receivable from the previous owners (R11 million) and intangible assets not part of the business combination (R10.7 million), trade payables incorrectly accounted for (R4.1 million) and inventory was overstated by R0.5 million.

	2016 R'000
Non-current	
Property, plant and equipment	(17 241)
Goodwill	43 969
Intangibles	(10 651)
Other financial liabilities	3 764
Deferred tax liability	(12 500)
Current	
Trade and other receivables	(11 058)
Trade and other payables	4 185
Inventory	(468)
Net impact on group statement of financial position:	–

This restatement has no material impact on the prior period income statement or periods prior to the 2016 financial period.

7. Financial instruments

7.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by the Risk committee and the Central treasury function in accordance with the policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The Risk committee identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. Derivative financial instruments are used to hedge certain risk exposures.

The Group treasury risk management policy is to hedge between 50% and 100% of the anticipated cash flows (mainly export sales and purchases of inventory) in each major foreign currency for the subsequent three months. The forward exchange contracts and options acquired by Group treasury are treated as economic hedges. Please refer to the fair value hierarchy (Note 8) and the sensitivity on foreign currency exposure (Note 14) for the quantification of the instruments.

Forming part of the financials and disclosed in separate notes are the following financial assets and liabilities: derivative financial assets (Note 18), other financial assets (Note 30), trade and other receivables (Note13), cash and cash equivalents (Note 15), borrowings and other financial liabilities (Note 9), deferred vendor liabilities (Note 11), derivative financial liabilities (Note 8), finance lease liabilities (Note 29), trade and other payables (Note 12) and bank overdraft (Note 15).

7.2 Liquidity risk

Liquidity risk is where the Group is solvent but is not able to meet its payment obligations as they fall due (funding liquidity risk), or is only able to do so at materially disadvantageous terms (market liquidity risk).

The Group seeks to minimise its exposure to liquidity risk by balancing its exposure to interest rate risk and refinancing risk by seeking to borrow at the most advantageous finance cost available in the market. During the financial year the Group refinanced its debt by raising both local and international debt at more advantageous terms for the Group. Please refer to note 9 for more information.

The Group has appointed a Treasury manager to spearhead the Group Treasury function. The Group regularly reviews the maturity profile of its financial liabilities and seeks to avoid concentration of maturities through the regular replacement of facilities, by managing maturity dates and by matching liabilities to assets with a similar maturity, duration and risk nature.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury function to actively manage the Group's projected cash flows and prevent any under future liquidity strains. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements (for example, currency restrictions).

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to the Group through its central treasury function and the notional overdraft facility put in place by the Group.

At year end the Group had short-term deposits of R14.2 million (2016: R27.7 million) and bank balances of R619.1 million (2016: R170.1 million) to manage liquidity risk. Additionally, undrawn revolving credit facilities of €10.9 million (R163.3 million) exist at 30 June 2017.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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7. Financial instruments (continued)

7.2 Liquidity risk (continued)

2017 R'000	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years
Borrowings and other financial liabilities	193 988	833 049	671 126	3 293 692	37 951
Finance lease liabilities	2 524	7 376	9 580	10 905	–
Deferred vendor liabilities	389 146	256 228	122 042	1 394 288	–
Put-option on equity accounted investment	–	–	113 055	–	–
Long-term employee benefit liabilities	–	–	3 500	19 329	–
Bank overdraft	6 624	100 920	–	–	–
Trade and other payables	923 434	326 775	–	–	–
Total	**1 515 716**	**1 524 348**	**919 303**	**4 718 214**	**37 951**

2016 Restated R'000	3 months	Restated 3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years
Borrowings and other financial liabilities	4 102	377 417	243 509	774 506	30 790
Finance lease liabilities	993	2 979	1 066	3 198	–
Deferred vendor liabilities	22 922	207 370	78 666	–	–
Put-option on equity accounted investment	–	–	–	120 972	–
Bank overdraft	221 304	–	–	–	–
Trade and other payables	457 919	391 424	–	–	–
Total	**707 240**	**979 190**	**323 241**	**898 676**	**30 790**

7.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The table below serves to illustrate the Group's gearing ratio at 2017 and 2016.

		2017 R'000	2016 Restated R'000
Derivative financial instruments	8	11 171	45 801
Borrowings and other financial liabilities	9	5 029 806	1 425 133
Deferred vendor liabilities	11	2 082 768	308 919
Put-option on equity accounted investment	11	113 055	120 972
Total borrowings		7 236 800	1 900 825
Cash and cash equivalents	15	(527 175)	22 396
Net debt		6 709 625	1 923 221
Total equity		5 296 353	2 455 043
Total capital		12 005 978	4 378 264
Gearing ratio		56%	44%

Refer to note 9 regarding the terms and conditions, securities and covenants applicable to the borrowings.

7. Financial instruments (continued)

7.3 Capital risk management (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from commercial transactions relating to the import of raw materials and the export of finished goods denominated in US dollars, Euros, and the UK pound sterling.

The Group treasury function has set up a policy requiring Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward contracts, transacted with Group treasury. Refer to the note 14 for disclosure on foreign exposure.

The Group's foreign operations foreign currency exposure is not hedged, since the foreign liabilities are expected to be settled from receipt generated by the same foreign operations.

Interest rate risk

As the Group has no significant interest-bearing assets, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by interest rate swaps.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Swaps relating to South African borrowings have been designated as cash flow hedges. Please refer to the finance income and cost note (note 10). At 30 June 2017, 101% of long term borrowings are hedged. Refer to note note 9 for disclosure on borrowings and other financial liabilities.

The Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts. Please refer to the finance income and cost note for the interest rate risk exposure assessment (note 10).

Credit risk

The Group is exposed to credit risk in a number of areas of its business. Overall, the credit risk portfolio at 30 June 2017 has changed significantly from the 2016 financial period. Previously the credit risk portfolio of the Group was heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. Due to the international acquisitions (Note 4) and refinancing (note 9) the Group's credit risk portfolio is spread across different African and European counterparties with better credit ratings of which a large portion relates to government institutions and top tier banks.

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each subsidiary is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk exposure and management within the business will be addressed in the relevant sections. Any other credit exposure through external counter parties is considered to be negligible.

Customer credit risk exposure will be addressed in trade and other receivables (Note 13).

All cash balances and derivative instruments counter parties are financial institutions. The Group is also exposed to credit risk through transactions with financial institutions, please refer to cash and cash equivalents (Note 15) for the financial institutions credit risk rating.

The credit risk associated with receivable balances from related parties and other financial assets are considered immaterial. Please refer to the note on related parties (Note 31) and (Note 30) for disclosure on other financial assets.

8. Fair value hierarchy

The Group regards fair value assets as level 1 when prices can be quoted in an active market for identical instruments that the Group can access at measurement date. Level 2 assets and liabilities are those where the inputs are observable other than in an active market. Level 3 financial assets and liabilities relate to those instruments where unobservable inputs have been applied in the fair value calculation.

The following table presents the Group's financial assets and liabilities that are measured and disclosed at fair value at 30 June 2017:

2017 R'000		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	11	–	–	325 885	325 885
Foreign exchange contracts		–	22 290	–	22 290
Foreign exchange options		–	–	13 104	13 104
Derivatives designated as a cash flow hedge					
Interest rate swap		–	9 206	–	9 206
Total liabilities			31 496	338 989	370 485
Financial assets at fair value through profit and loss					
Foreign exchange contract		–	49 658	–	49 658
Contract for difference		–	2 300	–	2 300
Interest rate swaps		–	3 814	–	3 814
Total assets		–	55 772	–	55 772

The following table presents the Group's financial assets and liabilities that are measured and disclosed at fair value at 30 June 2016:

2016 R'000		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	11	–	–	117 423	117 423
Foreign exchange contracts		–	8 792	–	8 792
Derivatives designated as a cash flow hedge					
Forward exchange contract – cash flow hedge		–	37 009	–	37 009
Total liabilities		–	45 801	117 423	163 224
Financial assets at fair value through profit and loss and loss					
Foreign exchange contract option		–	–	6 523	6 523
Interest rate swaps		–	204	–	204
Total assets		–	204	6 523	6 727

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8. Fair value hierarchy (continued)

Derivative financial instruments are initially measured at fair value and subsequent remeasurements are recognised in profit and loss. The following table provides a summary of the individual derivative financial instruments making up the derivative financial instruments balances displayed on the statement of financial position:

	Current R'000	Non-current R'000
Derivative financial instrument liabilities		
2017		
Forward exchange contracts	22 290	–
Forward exchange contract options	13 104	–
Interest rate swap – cash flow hedge	2 762	6 444
	38 156	6 444
Derivative financial instrument liabilities		
2016		
Forward foreign exchange contracts	–	8 792
Forward exchange contract – cash flow hedge	–	37 009
	–	45 801
Derivative financial instrument assets		
2017		
Foreign exchange contract	49 658	–
Contract for difference	2 300	–
Interest rate swap	1 054	2 760
	53 012	2 760
Derivative financial instrument assets		
2016		
Forward exchange contracts options	–	6 523
Interest rate swap	–	204
	–	6 727

	2017 R'000	2016 R'000
Reconciliation of level 3 category financial instruments		
Deferred vendor loans:		
Opening balance	117 423	115 485
New vendor loans raised (note 11)	(67 502)	45 421
Repayments during the year	263 897	(13 188)
Re-measurement	(386)	(30 295)
Foreign currency translation difference	7 390	–
Interest charged	5 063	–
	325 885	117 423
Forward exchange contract option:		
Opening balance	6 523	–
New financial asset raised	13 104	6 523
Fixed assets disposed	(6 523)	–
	13 104	6 523

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8. Fair value hierarchy (continued)

Reconciliation of matured cash flow hedge	2017 R'000	2016 R'000
Opening balance	37 009	–
Fair value adjustment	82 504	37 009
Settlement loss	(119 513)	–
Closing balance	–	37 009

The Group includes the settlement loss on the cash flow hedge in the cost of the non-financial assets acquired. Refer to note 4 Business Combinations for detail of settlement loss recognised.

There were no transfers between level 1, 2 or 3 for the Group in the year. The new loans raised, repayments made and interest accrued include non-cash measurement items.

9. Borrowings and other financial liabilities

For the purposes of financing the acquisition of international businesses, as well as to allow for a structure that supports growth and an integrated treasury function, Ascendis implemented a new debt structure arranged and underwritten by ABSA Bank Ltd and HSBC Bank Plc. The structure consists of a syndicated facility denominated in local currency and Euro term and revolving credit facilities. During the year, the total remaining debt related to the former local debt structure was fully paid off.

In terms of the new debt structure, the total capital amount owing is R1 600 million and €212 million.

New international loans

The Group has a €180 million term facility which is fully drawn and matures in August 2021. The debt balance consists of the ZAR translated amount of R2 636 million exclusive of debt capitalisation costs of R59.5 million. Capital repayments commenced on 30 June 2017 on a bi-annual basis. Interest is charged at 4% and is repayable quarterly. The Group has access to a €47 million revolving credit facility of which €10.9 million remains unutilised.

New syndicated South African facility

The syndicated facility is administered through ABSA Bank with various local registered financial institutions. The R1 600 million debt consists of 2 facilities of R850 million and R810 million each, of which both are fully drawn. The R850 million facility matures in 2021 with the full capital amount due at the maturation date. Interest is charged at JIBAR plus 4.2% and is payable quarterly. The R810 million facility is payable bi-annually with a maturation date of December 2021. The first capital repayment of R70.4 million was made on 30 June 2017. Interest is charged at JIBAR plus 3.75% and is payable quarterly. Excluded from this balance are debt capitalisation fees of R62.4 million. Additional facilities relating to letters of credit and performance guarantees exist.

Borrowings are recognised initially at fair value net of transaction costs incurred and thereafter at amortised cost. The fair value (determined using the discounted cash flow model) approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (observable) and credit risk (unobservable), making this a level 2 fair value assessment. The above facilities are subject to financial covenants based on key financial ratios. For the year ended 30 June 2017, the lenders required that the Group maintain a normalised leverage ratio below 4.0, a minimum of 1.2 cash cover ratio and a minimum of 3.0 interest cover ratio. No events of default occurred during the period.

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9. Borrowings and other financial liabilities (continued)

The table below provides the detailed breakdown of the individual balances making up the total balance.

	2017 R'000	2016 Restated R'000
Borrowings at amortised cost		
Bond notes	–	514 773
Term loan – South Africa debt	1 537 366	533 859
Term loan – European debt	2 588 437	–
Revolving credit facility	533 586	250 000
Farmalider: Government finance	37 775	41 197
Short-term loans with financial institutions	247 000	–
Other financial liabilities at amortised cost		
Other South African borrowings	4 177	2 839
Farmalider: Caixa Bank	18 169	17 981
Farmalider Populat Bank Limited	48 014	32 842
Farmalider: Other	15 282	5 352
Gane Holdings	–	26 290
	5 029 806	1 425 133

The following table represents the split between current and non-current for borrowings and other financial liabilities:

	2017 R'000	2016 Restated R'000
Non-current	4 002 769	1 048 502
Current	1 027 037	376 631
	5 029 806	1 425 133

Reconciliation of borrowings:

	2017 R'000
Capital portion of loan outstanding at beginning of year	1 425 133
Business combinations	144 682
New loans raised net of debt capitalisation fees	
Syndicated facility term loans	1 597 549
EURO facility	2 622 542
EURO revolving credit facility	533 586
Farmalider loans with financial institutions	131 434
Farmalider government finance	4 387
Overdraft banking facilities	247 000
Other financial liabilities	4 177
Capitalised borrowing costs amortised	36 054
Capital repaid	(1 689 534)
Foreign currency translation	(29 414)
Capital portion of loan outstanding at year end	5 027 596
Interest accrued	2 210
Total loan balance outstanding at year end	5 029 806

2016 borrowings and other financial liabilities have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

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10. Finance income and costs

Finance income and expenses on the listed financial instruments below consist of the following amounts. Interests for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within interest income and finance expense in profit or loss using the effective interest rate method.

	2017 R'000	2016 Restated R'000
Finance cost		
Finance leases	**990**	731
Interest rate swap expense	**2 805**	464
Interest on local debt facilities	**232 151**	–
Interest on terminated debt facilities	**25 630**	120 219
Interest on deferred vendor liabilities	**47 556**	–
Other finance costs	**37 596**	41 553
Total finance cost	**346 728**	**162 967**
Finance income		
Interest – Coast2Coast Capital	**8 372**	9 854
Bank interest	**23 866**	1 945
Other finance income	**8 496**	21 169
Total finance income	**40 734**	**32 968**
Net finance costs	**305 994**	**129 999**

In October 2016, the Risk Management Committee entered into interest rate swaps with various financial institutions to maintain a cover profile by matching long-term debt at variable interest rates with fixed interest rates. Interest rate swaps related to the European debt pool are economically hedged while those swaps entered into to cover volatility on the South African debt pool have been designated as cash flow hedges. The notional principal amounts of the outstanding interest rate swaps at 30 June 2017 were €176.9 million and R1 423.8 million. The interest rate swaps mature to match the timing of interest payments on borrowings.

At year-end, the fixed interest rate amounted to 6.89%, and the floating rate was equal to JIBAR, ranging from 6.142% to 7.233%. During the year, a loss on the hedging instrument was recognised in profit and loss, which amounted to R0.5 million. At year end, the interest rate swap was in-the-money, please refer to the fair value hierarchy for the interest rate swap value recognised (Note 8).

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on the statement of financial position. Gains and losses recognised as a result of the interest rate swap was recognised in the income statement within finance cost.

The table below demonstrates the impact on the fair value of the interest rate swap and the interest bearing liabilities held with the bank if interest rates had been 1% higher/lower with all other variables held constant.

	Interest expense R'000	Change in interest rate	Impact on financial results R'000
Interest-bearing liabilities	25 630	1%	256
Interest rate swap	2 805	1%	28
Net impact on profit and loss	**28 435**		**284**

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(continued)

11.1 Deferred vendor liabilities

The Group structures its acquisitions to include contingent and deferred consideration that is included in the cost of the business combination at the fair value on the date of the acquisitions. Subsequent changes in the fair value of contingent consideration is recognised in profit and loss. Deferred consideration is subsequently measured at amortised cost. All deferred vendor liabilities raised relate to business combinations, please refer to the Business combination note (Note 4) for a detailed description of the 2017 business acquisitions.

The table below includes a detailed breakdown of the individual vendor liabilities:

	2017 R'000	2016 R'000
Remedica Group	1 245 288	–
Scitec Group	298 009	–
Sun Wave Pharma Group	263 897	–
Cipla Group	132 709	–
Ortho-Xact	68 400	–
Klub M5 Proprietary Limited	51 032	45 420
Ortus Proprietary Limited	10 956	4 078
Afrikelp Group	9 408	32 063
Umecom Proprietary Limited	3 068	7 801
Farmalider group	–	133 581
The Scientific Group Proprietary Limited	–	52 502
Respiratory Care Africa Proprietary Limited	–	18 050
Surgical Innovations Proprietary Limited	–	15 422
	2 082 768	308 917
Current	645 374	222 706
Non-current	1 437 394	86 212
	2 082 768	308 919
Deferred consideration	1 756 883	191 495
Contingent consideration	325 885	117 423
	2 082 768	308 918

The Group acquired the **Remedica Group** in August 2016. The deferred consideration of R1 245 million is payable in August 2019. The total consideration also includes a contingent consideration component, however based on the managements best estimate of the expected performance of the business it is highly unlikely the performance target will be achieved and the fair value is considered to be zero.

The Group acquired the **Scitec Group** in August 2016. The deferred consideration of R298 million is payable in August 2017.

The Group acquired the **Sun Wave Pharma Group** in June 2017. The contingent consideration of €19 million (R263.9 million) is based on the performance of the acquired business.

- €5 million in June 2018 if EBITDA equals or exceeds €6.5 million for the period.
- €8 million in June 2020 if EBITDA equals or exceeds €7 million for the period.
- €6 million in June 2021 if EBITDA equals or exceeds €7.5 million for the period.
- A potential additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum. Based on the current profit forecast, management does not expect to pay this amount.

The discount rate used represents the Group's cost of finance. The sensitivity below illustrates the required increase/ decrease in the EBITDA margin to result in a change in the fair value of the deferred payment, should all other factors remain constant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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11.1 Deferred vendor liabilities (continued)

Key unobservable input	Range	Change in margin	Impact on fair value
EBITDA margin	18%–21%	2%	3 865
		(2%)	(6 280)

In April 2017 the Group acquired the **Cipla Group**. The remaining consideration payable is classified as deferred consideration of R50 million and will be settled in June 2018 (R45.6 million represents the discounted value), as well as a R86.7 million working capital repayment.

In April 2017 the Group acquired the **Ortho-Xact** business. The remaining consideration payable is classified as deferred consideration and will be settled as follows (deferment is less than 12 months and the time value of money is considered to be immaterial):

- R50 million in March 2018
- R2.3 million monthly instalment commencing July 2017 and ending February 2018.

The Group acquired **Klub M5** in May 2016. The remaining consideration payable is classified as contingent consideration based on the profit before interest, amortisation and tax (PBIAT) targets achieved.

The fair value has been determined using the discounted cash flow method. The key valuation inputs include the PBIAT margin and the probability that certain profit targets will be achieved, making this a level 3 fair value assessment.

In terms of the agreement should the average PBIAT for 2017 and 2018 exceed a predetermined threshold, the final settlement value will increase. The sensitivity below illustrates the required increase/decrease in the margin to result in a change in the fair value of the deferred payment, should all other factors remain constant.

Key unobservable input	Range	Change in margin	Impact on fair value
PBIAT margin	18%	20%	16 448
		(20%)	(24 672)

The Group acquired **Ortus** in May 2015. The vendor liability to Ortus is considered to be contingent consideration. The maximum deferred vendor liability subsequent to the remeasurement is recognised based on the fair value estimate thereof. The fair value measurement is level 3.

The key unobservable inputs in calculating the liability is the EBIAT ratio. Based on the renegotiated terms, the owners will only receive payment if a specific target is met. The discount rate used represents the prime interest rate as this is also the rate charged on intercompany loans. The sensitivity below illustrates the percentage change required to receive no payment.

Key unobservable input	Increase in margin	Impact on fair value
EBIAT margin	25%	4 077

In February 2016 the Group acquired the **Afrikelp Group**. The remaining consideration payable is classified as deferred consideration of R10 million will be paid in December 2018 (R9.4 million represents the discounted value).

The initial purchase consideration included a R20 million payment, payable the sooner of a tender being awarded to Afrikelp or January 2019. The tender was awarded in April 2017, as a result of the early settlement a re-measurement amount of R5.8 million was recognised in other operating expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

11.1 Deferred vendor liabilities (continued)

The Group acquired **Umecom** in July 2014. The remainder of the deferred consideration is payable as follows:

- R0.36 million in March 2018
- and R2.8 million in March 2019
- In August 2015 the Group acquired **The Farmalider Group**. The Group settled the deferred consideration (R133.5 million) in December 2016.

In March 2015 the Group acquired **The Scientific Group**. The Group settled the contingent consideration (R52.5 million) in December 2016.

The Group acquired **Respiratory Care Africa** in October 2014. Final settlement was expected to occur in December 2017, however the agreement was amended in September 2016. R9 million was paid in September 2016, and a full and final settlement amount of R2 million was paid in June 2017. The remeasurement of the fair value of the liability amounting to R7 million was recognised in other income (note 28).

The Group acquired **Surgical Innovations** in January 2014. The final settlement of the remaining contingent consideration (R15.4 million) was settled in August 2016.

11.2 Put-option on equity instrument

The Group acquired the **Farmalider Group** in August 2015. The deferred consideration represents the discounted value of the future cash flows relating to the put-call option to acquire the remaining 51% interest for a further R99.8 million payable exercisable in 2018 (R50 million) and 2021 (R49.8 million) respectively. The put-option liability is classified as non-current.

During the 2016 financial period this balance was presented as part of the deferred vendor liability on the face of the balance sheet. However since the put-option relates to a future acquisition, the nature is considered to be different from the deferred vendors listed above. It is therefore considered to be more appropriate to be disclosed as a separate line item.

The table below includes a detailed breakdown of the individual vendor liabilities:

	2017 R'000	2016 R'000
Farmalider Group put-option on equity instruments	113 055	120 972

The put-option was initially measured at the present value of the redemption amount and subsequently measured at amortised cost. The initial day one measurement of the redemption amount is considered to be a Level 3 measurement. The key unobservable inputs being the annualised risk free rate, compounded annual growth rate and the performance multiple. The table below serves to illustrate the impact on the fair value of the instrument should one of the unobservable inputs change were all other factors remain constant. The fair value determined using the above mentioned valuation technique as at June 2017 is R235.9 million (Level 3).

Key unobservable input	Range	Change in ratio	Impact on fair value
Annualised risk free rate		1%	10 780
		-1%	(10 403)
Compounded annual growth rate		5% or -5%	9 224
Performance multiple	9.2	5% or -5%	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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12. Trade and other payables

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

	2017 R'000	2016 Restated R'000
Trade payables	823 751	458 215
Other payables	99 277	94 061
VAT	14 887	10 332
Accrued expenses[1]	194 677	108 581
Accrued payroll expenses[1]	116 211	35 972
Business acquisition accrual[2]	–	139 888
Dividends payable	1 406	2 294
Trade and other payables	1 250 209	**849 343**
Provisions	26 595	17 493
	1 276 804	**866 836**

(1) Accrued expenses mostly consist of immaterial individual balances owed by entities within the Group. Included in these balances are: Commission payable (R24.7 million) and GRV accruals (R33.9 million). Included in accrued payroll expenses are bonus accruals (R22.2 million) and leave pay provisions (R29.6 million).

(2) The business acquisition accrual in the 2016 financial period related to the Scitec and Remedica transaction costs.

Foreign currency trade payables have been disclosed in note 7 that deals with risk management.

2016 numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

13. Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost.

	2017 R'000	2016 Restated R'000
Trade receivables	1 758 035	830 734
Related party trade receivable [1]	–	13 705
Less: provision for impairment of trade receivables	(101 575)	(55 043)
Trade receivables – net	1 656 460	**789 396**
Prepayments	56 139	11 986
Deposits [2]	9 577	169 844
VAT	98 688	44 028
Other receivables [3]	60 727	39 142
	1 881 591	**1 054 396**

(1) Juniva was a related party trade receivable in 2016. Juniva now forms part of the Group. Refer to the business combination note 4.

(2) In 2016, R164.0 million of the deposit related to cash held in an escrow account in Ascendis International to form part of the purchase consideration for Scitec. Refer to business combination note 4.

(3) Included in other receivables is accrued income in Scitec and Remedica Ltd of €2 million.

All credit limits are monitored on a continuous basis and no credit limits were exceeded during the reporting period. Management does not expect any losses from the non-performance of these counterparties. The carrying amount best represents the maximum exposure to credit risk. The Group does not hold any collateral as security.

The Group's customers mostly consists of businesses and not individual parties. The Group's customers are not independently rated. An assessment is performed by the individual group companies to determine the customer's credit quality. This assessment includes considering the customers' financial position and past experience in terms of defaults and payment history. Standard payment and delivery terms and conditions are offered to customers, once the entity has determined the credit risk associated with the customer is acceptable. The table below represents the Group's credit quality classification of its customers:

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13. Trade and other receivables (continued)

	2017 R'000	2016 Restated R'000
Group A	208 978	148 299
Group B	1 486 502	572 991
Group C	62 555	123 009
Group D	–	140
Total trade receivables	1 758 035	844 439

The credit quality categories of the customers are defined as follows:

Group A: new customers (less than six months) or related parties.

Group B: Existing customers (more than six months) with no defaults in the past.

Group C: Existing customers (more than six months) with some defaults in the past. All defaults were fully recovered.

Group D: Existing customers (more than six months) with some defaults in the past. All defaults were not fully recovered.

The customer credit risk is mitigated by the fact that there is no specific concentration risk in terms of a specific individual customer. However the credit risk portfolio at 30 June 2017 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier banks.

Other financial assets, as well as related party loans and receivables, are managed and assessed on a similar basis to trade receivables.

The Group considers a receivable amount to be past due once the debtor has exceeded their standard credit terms (30 to 90 days). The Group assesses the recoverability of the individual debt and classifies the amount either as impaired or not impaired. Please refer to the credit risk section for further details on the credit risk management policies (note 7).

The age analysis of trade receivables that are past due but not impaired are as follows:

	2017 R'000	2016 R'000
Up to three months	49 540	44 625
Three to six months	207 509	16 039
Over six months	220 127	22 319
	477 176	82 983

The age analysis for trade receivables that were impaired are as follows:

	2017 R'000	2016 R'000
Up to three months	505	16 685
Three to six months	13 778	16 039
Over six months	87 292	22 319
	101 575	55 043

Reconciliation of provision for impairment of trade and other receivables

	2017 R'000	2016 R'000
Opening balance	55 043	9 378
Provision for impairment	53 047	8 280
Acquired as part of a business combination	227	42 277
Amounts written off as uncollectable	(3 995)	(4 342)
Unused amounts reversed	(2 747)	(550)
	101 575	55 043

The other classes within trade and other receivables do not contain impaired assets. The Group expects to recover a portion of the impaired receivables.

2016 Trade and other receivables have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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14. Foreign exchange exposure

The Group holds forward exchange contract options and forward exchange contracts to manage its foreign currency exposure.

The forward exchange contract options (economic hedges) are classified as Level 3 in terms of the fair value measurement disclosure. The Black-Scholes Model was utilised in determining the value of the options. The risk free rate applied to each option on valuation is dependent on the maturity of the option. The table below indicates the key assumptions used and the effect on the value with a 1% increase in the key assumptions.

	Key Assumption	Change in key assumption	Impact on financial results R'000
South African risk free rate	6.92% – 9.85%	1%	11 632
Exchange rate ratio	13.11	1%	4 776
Volatility	19.39%	1%	12 423

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have impact profit before tax by the amounts shown below. The sensitivity analysis below was performed for all open foreign exchange contracts at 30 June 2017. 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.

The following foreign exchange rates were applied in the preparation of the financial results at year end:

UK Pound Sterling	16.96
Euros	14.90
US Dollar	13.04
Swiss Franc	13.62
YEN	0.12
Australian Dollar	10.03
Romanian Leu	3.26

The sensitivity contains three levels. The first demonstrates the impact on the Group's assets and liabilities denominated in a foreign currency should the exchange rate change. The second level indicates what the impact on the Group's foreign operations may be. The third level is a sensitivity on the foreign exchange contracts held by the Group. The three sensitivities as a collective group demonstrates the Group's exposure and management of their foreign currency risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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14. Foreign exchange exposure (continued)

The change in exchange rate applied in the above mentioned sensitivity is based on the actual movement in exchange rates during the 2017 financial period.

Foreign denominated balances held by the group at year end:	R'000	Change in exchange rate	Impact on financial results R'000
Current assets			
UK pound sterling	678	14%	9 724
Euros	742 418	9%	68 705
US dollar	210 419	12%	24 832
YEN	2 894	17%	489
Australian Dollar	2 225	10%	222
Romanian leu	110 211	11%	12 226
Current liabilities			
UK pound sterling	(407)	14%	(58)
Euros	(494 304)	9%	(45 744)
US dollar	(38 091)	12%	(4 495)
YEN	(2 856)	17%	(482)
Romanian leu	(7 178)	11%	(796)
Net impact from foreign denominated balances	**526 009**		**64 623**
Foreign operations (majority denominated in Euros):			
Current assets	879 700	9%	81 409
Current liabilities	(396 809)	9%	(36 721)
Net impact from foreign denominated balances:	**482 891**		**44 688**
Net impact of foreign exposure on profit/loss:	**1 008 900**		**109 311**
Forward exchange contracts			
Euros	26 698	10%	2 699
US dollar	210	8%	17
UK pound sterling	460	14%	6 597
Net impact including economic hedges on profit/loss	**27 368**		**9 313**

The fair value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. These instruments are classified as level 2 in terms of the fair value measurement disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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15. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Cash and cash equivalents consist of the following:

	2017 R'000	2016 R'000
Cash on hand	1 345	1 075
Rand denominated bank balances	233 478	153 226
Foreign denominated bank balances	385 659	16 878
Short-term deposits	14 237	27 726
Cash and cash equivalents	634 719	198 905
Bank overdraft	(107 544)	(221 301)
Cash and cash equivalents per the cash flow statement	527 175	(22 396)

The credit ratings of the financial institutions with whom the Group holds its bank accounts, borrowings and forward exchange contracts are displayed below. The credit ratings for financing institutions were obtained from Standard and Poor.

	Credit rating
HSBC	AA-
ABSA	zaAA
Nedbank and Standard Bank	BB+
Spanish Financial Institution: Popular	BBB+
Spanish Financial Institution: Stander	A-
Spanish Financial Institution: Caixa	BBB
Bank of Cyprus	BB/-B
Barclays	A-2
Astrobank	BB+
Unicredit Hungary	B

Offsetting disclosure

The Group has a cash pooling arrangement where the subsidiaries within the Group are allocated notional facilities from Standard Bank. Although the total facility exceeds this amount, the Group maintains and manages available core overdraft facilities of R41.6 million and €3 million (R44.7 million) at 30 June 2017. This core facility is unlikely to fluctuate before the next settlement date. The Group regularly transfers amounts between the bank accounts forming part of the notional overdraft facility (which could be in a cash positive or overdraft position). The Group expects and intends to settle the balances on a net basis, however since the cash balances were not swept at year end the Group did not meet the requirements for net presentation in accordance with IAS 32 paragraph 42(a).

2017 R'000	Gross financial Instrument	Gross financial instrument set off	Net financial instrument presented	Related amounts not offset	Net amount
Cash and cash equivalents	634 719	–	634 719	–	634 719
Bank overdraft	(107 544)	–	(107 544)	–	(107 544)
	527 175	–	527 175	–	527 175

2016 R'000	Gross financial Instrument	Gross financial instrument set off	Net financial instrument presented	Related amounts not offset	Net amount
Cash and cash equivalents	198 905	–	198 905	–	198 905
Bank overdraft	(221 301)	–	(221 301)	–	(221 301)
	(22 396)	–	(22 396)	–	(22 396)

16. Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The carrying values of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to an entity. Solal and the Pharma division use standard costing.

Net realisable value is the estimate of the selling price of inventories in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Management is also required to exercise judgement in estimating the net realisable value. Such judgement would take into account the following:

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The write down is included in expenses disclosed in note 35.

	2017 R'000	2016 Restated R'000
Raw materials, components	247 871	214 641
Finished goods	1 178 806	668 358
Drug master files held for sale	4 850	5 500
Work in progress	141 119	10 734
Goods in transit	48 010	67 655
	1 620 656	966 888
Inventories provision for obsolete stock	(22 930)	(27 533)
	1 597 726	939 355

2016 numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. Revenue

The Group generates revenue in the normal course of business through the following types of transactions:

Consumer Brands and Phyto-Vet receives consideration for the sale of products on an exclusive or semi-exclusive basis through selected distributors directly to individual customers.

Pharma-Med receives consideration for the sale of products by means of a contract with customers to deliver products to customers on a continuous basis, these contracts are usually awarded by means of a tender process. In addition to the above, these segments also enter into contracts to receive consideration for manufacturing of pharmaceutical products performed on behalf of a third party under contract licensing agreements.

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term, which is consistent with the market practice.

Sale of drug master files: The Group being an acquisitive business often acquires duplicate or inactive pharmaceutical licences and dossiers as part of a business combination. The Group strategy is to optimise synergies between the various business operations, duplicate or inactive pharmaceutical licences and dossiers identified as part of a business combination will be sold to a willing buyer.

Since the future economic benefits of the assets are expected to realise from the sale of such assets and not through its continued use the Group will classify these assets as part of inventory. The Group aims to align its accounting policy with its strategy to generate economic benefits for the owners, the sale of pharmaceutical licences and dossiers is expected to occur with such frequency that it is considered in the normal course of business.

The **service consideration** for third party manufacturing is recognised once a right of payment has been established, the customer accepts and takes physical possession of the manufactured inventory. Manufacturing service consideration is recognised using the percentage-of-completion method when reliable estimates are available. Estimating the stage of completion requires Group managements to exercise their judgement. The Group applies contract accounting using the output-method to determine the amount of consideration to be recognised based on the number of units produced or delivered depending on the contract.

The **royalty income** is recognised on an accrual basis in accordance with the substance of the relevant agreements.

The breakdown of revenue from all activities is as follows:

	2017 R'000	2016 Restated R'000
Sale of goods – local	**3 421 220**	3 321 893
Sale of goods – international	**2 937 590**	494 437
Sale of drug master files	**16 500**	29 900
Rendering of services	**32 337**	17 559
Royalty income	**27 380**	50 638
	6 435 027	3 914 427

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18. Property, plant and equipment

Land and buildings are shown at fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the assets. All other property, plant and equipment is initially measured at cost and subsequently at cost less accumulated depreciation and impairment.

Increases in the carrying amount due to revaluation is credited to other comprehensive income and shown as a reserve in equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against the reserve. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued amount charged to the income statement, and the depreciation based on the original cost, is transferred from the revaluation reserve to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in the statement of comprehensive income.

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

Significant judgement is applied by management when determining the residual values for property, plant and equipment. When determining the residual value for property, plant and equipment the following factors are taken into account:

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

Leased assets have been assessed and are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value and carried at cost less accumulated depreciation. Land is not depreciated.

The useful lives of each category of property, plant and equipment have been assessed as follows:

Asset category	Useful life
Buildings	50 years
Plant and machinery – owned	5 – 15 years
Office furniture	5 – 7 years
Motor vehicles – owned	3 – 6 years
Computers	3 years
Leasehold improvements	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. Items of property, plant and equipment are assessed for impairment where impairment indicators exist.

Refer to note 6 for details regarding the restatement of property, plant and equipment.

The residual values were based on managements best estimates of the estimated amount that the group would obtain to sell the asset, less costs of disposal if the asset were already in the condition expected at the end of its useful life.

18. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2017

R'000	Land and buildings	Plant and machinery – owned	Office furniture	Motor vehicles – owned	Leased Assets	Computers	Leasehold improvements	Capital work in progress [1]	Total
Opening balance									
Cost	170 868	128 115	26 488	11 511	5 499	18 930	25 470	13 082	399 963
Accumulated depreciation and impairment	(2 992)	(20 366)	(10 925)	(2 557)	(2 509)	(7 955)	(4 436)	–	(51 740)
Net book value at 1 July 2016	**167 876**	**107 749**	**15 563**	**8 954**	**2 990**	**10 975**	**21 034**	**13 082**	**348 223**
Additions	46 203	30 899	7 579	8 538	–	18 998	1 762	3 906	117 885
Revaluation	–	–	–	–	–	–	–	–	–
Additions through business combinations	353 938	265 869	24 240	4 083	24 778	21 056	9 054	27 657	730 675
Disposals and scrapping – cost[3]	–	(20 163)	(3 898)	(6 863)	–	(8 814)	(144)	–	(39 882)
Disposals and scrapping – accumulated depreciation and impairment [3]	–	17 143	3 281	5 164	–	8 571	124	241	34 524
Transfers between asset categories	43 030	(23 301)	(14 257)	380	–	65	1 226	(7 143)	–
Transferred to disposal group classified as discontinued operations	(53 830)	(5 440)	–	–	–	–	(9 051)	–	(68 321)
Foreign exchange movements	(37 530)	(6 527)	2 722	21 434	(1 968)	(2 078)	(12 322)	(896)	(37 165)
Depreciation [2]	(7 499)	(52 260)	(8 535)	(6 246)	(1 403)	(12 006)	(6 322)	–	(94 271)
Net book value at 30 June 2017	**512 188**	**313 969**	**26 695**	**35 444**	**24 397**	**36 767**	**5 361**	**36 847**	**991 668**
Made up as follows:									
Cost or revaluation	522 679	369 452	42 874	39 083	28 309	48 157	15 995	36 606	1 103 155
Accumulated depreciation and impairment	(10 491)	(55 483)	(16 179)	(3 639)	(3 912)	(11 390)	(10 634)	241	(111 487)
	512 188	**313 969**	**26 695**	**35 444**	**24 397**	**36 767**	**5 361**	**36 847**	**991 668**

(1) Capital work in progress relates to manufacturing assets that are not yet available for use.

(2) Depreciation of R8.6 million has been included in cost of sales and R85.7 million in other operating expenses.

(3) Proceeds on disposal R3.6 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

18. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2016 (Restated)

R'000	Land and buildings	Plant and machinery – owned	Office furniture	Motor vehicles – owned	Leased Assets	Computers	Leasehold improvements	Capital work in progress[1]	Total
Opening balance									
Cost	69 502	53 854	19 906	10 272	5 969	13 685	6 419	5 749	185 356
Accumulated depreciation and impairment	(548)	(9 156)	(8 993)	(4 195)	(1 751)	(6 660)	(1 389)	–	(32 692)
Net book value at 1 July 2015	**68 954**	**44 698**	**10 913**	**6 077**	**4 218**	**7 025**	**5 030**	**5 749**	**152 664**
Additions	883	49 021	6 713	4 775	374	7 213	19 687	7 215	95 881
Revaluation	19 060	–	–	–	–	–	–	–	19 060
Additions through business combinations	86 885	35 149	3 243	2 005	–	2 167	–	–	129 449
Disposals and scrapping – cost	(5 968)	(4 483)	(3 042)	(5 470)	(932)	(3 904)	(636)	–	(24 435)
Disposals and scrapping – accumulated depreciation and impairment	167	657	2 358	4 090	516	3 379	163	–	11 330
Transfers (to)/from assets classified as held for sale	573	(5 390)	(325)	(71)	88	(223)	–	118	(5 230)
Foreign exchange movements	(67)	(36)	(7)	–	–	(8)	–	–	(118)
Depreciation	(2 611)	(11 867)	(4 290)	(2 452)	(1 274)	(4 674)	(3 210)	–	(30 378)
Net book value at 30 June 2016	**167 876**	**107 749**	**15 563**	**8 954**	**2 990**	**10 975**	**21 034**	**13 082**	**348 223**
Made up as follows:									
Cost or revaluation	170 868	128 115	26 488	11 511	5 499	18 930	25 470	13 082	399 963
Accumulated depreciation and impairment	(2 992)	(20 366)	(10 925)	(2 557)	(2 509)	(7 955)	(4 436)	–	(51 740)
	167 876	**107 749**	**15 563**	**8 954**	**2 990**	**10 975**	**21 034**	**13 082**	**348 223**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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18. Property, plant and equipment (continued)

Fair value of land and buildings

An independent valuation of the Group's land and buildings was performed by valuators to determine the fair value of the land and buildings. Valuations are performed with sufficient regularity to ensure that the fair value of revalued assets does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the assets.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown as "revaluation reserves" in shareholder equity. These properties are all classified as level 3.

The following table analyses the non-financial assets carried at fair value:

	Phyto-Vet		Consumer Brands		Pharma-Med		Consumer Brands Europe		Pharma-Med Europe	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Opening balance at 1 July	27 700	24 219	58 300	44 735	82 700	–		–	–	–
Business combinations	864	1 600	114	–	319	82 700	204 130	–	525 247	–
Additions since purchase/valuation	3 753	671	13 222	–	2 898	–	49 870	–	28 523	–
Revaluation gains or (losses)	–	1 210	–	17 850	–	–	–	–	–	–
Depreciation for the year	(1 704)	–	(4 976)	(4 285)	(3 158)	–	(24 033)	–	(31 052)	–
	30 613	27 700	66 660	58 300	82 759	82 700	229 967	–	522 718	–

For revalued property, the table below represents the key unobservable inputs included in the revaluation of the property as well as the carrying amount that would have been recognised had the assets been carried under the cost model.

Property	Rent/m²	Vacancy rate	Capitalisation rate	Carrying amount
Phyto-Vet-Erf 649	R33.12	3%	10.50%	22 978
Phyto-Vet-Erf 1719 &1839	R19.24	2%	10%	2 515
Consumer Brands-Erf 514	R117.95	2.50%	10%	2 911
Consumer Brands-Erf 1114 &1115	R3 479 - R3 535	2.50%	10% - 10.75%	39 247
Pharma-Med-Erf 426	R34.67	5%	10.50%	27 172

A valuation of properties, Erf 1114 and 1115 situated on 1-3 Carey Street, Marlboro, Gauteng was performed on 30 June 2015 by an independent valuator, W.J. Hewitt, a professional associated valuator (Reg 12) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach, using a capitalisation rate of 10% and 10.75% respectively.

A valuation of the remaining properties as detailed below was performed on 30 June 2016 by an independent valuator, T.Behrens, a professional associated valuator (Reg 3206/5) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach.

The valuation takes into account the capitalisation rate, vacancy rate and rental per square metre, all of which are unobservable inputs in the income approach.

The capitalisation rate applied was derived using an appropriate market related capitalisation rate and adjusting for interest and risk. The higher the interest rate, the better the return an investor will require. The interest rate applied has taken into consideration the trend of interest rate hikes experienced. The risk inherent to income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future.

The following movements in the capitalization rate, vacancy rates and rent per square metre rates will yield the following movements in the fair value of the buildings disclosed:

	Phyto-Vet		Consumer Brands		Pharma-Med	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Vacancy rate (10 basis points)	(400)	600	(746)	664	(1 100)	1 000
Capitalisation rate (50 basis points)	(1 300)	1 300	(2 630)	2 890	(3 800)	4 100
Rental per square metre (5%)	1 600	(1 600)	3 402	(3 385)	4 900	(5 000)
	(100)	300	26	169	–	100

19. Discontinued operations

On 17 May 2017 the Board made a decision to consolidate the Supply Chain manufacturing activities into the Ascendis Pharma plant based in Isando. As part of this restructuring, redundant assets will be disposed of to external third parties in a piecemeal sale within the next 12 months. This is considered to be a discontinued operation, as a result assets and liabilities which will not be consolidated into Ascendis Pharma will be classified as held for sale.

The associated assets and liabilities are consequently presented as held for sale in the 2017 financial period.

Financial performance and cash flow information

Financial performance and cash flow information presented for the year ended 30 June 2017:

	2017 R'000	2016 R'000
Revenue	209 049	4 005
Expenses	(292 832)	(11 240)
Loss before income tax	(83 783)	(7 235)
Income tax	12 807	7 100
Loss after income tax expense of discontinued operation	(70 976)	(135)
Other comprehensive income	–	10 483
Total comprehensive income	(70 976)	10 348
Net cash outflow from operating activities	(59 068)	(6 119)
Net cash outflow from investing activities	(15 968)	(15 855)
Net cash inflow from financing activities	64 337	1 774
Net decrease in cash generated by the discontinued operation	(10 699)	(20 200)

Assets of disposal group classified as held for sale

The following assets were classified as held for sale in relation to the discontinued operation.

	2017 R'000	2016 R'000
Property, plant and equipment	68 320	–
	68 320	–

No liabilities are held as part of the disposal group, as these will either be settled or transferred into Ascendis Pharma.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

20. Stated capital

Stated capital	2017 R'000	2016 R'000
Opening balance	**2 138 684**	1 576 730
Issue of ordinary shares	**3 432 245**	557 890
Raising fees capitalised to stated capital	**(24 309)**	(658)
Movement in treasury shares on hand	**(98 721)**	4 722
Closing balance	**5 447 899**	2 138 684

General issue of shares for cash:

The Group raised R1 200 million equity capital by way of a rights offer to qualifying shareholders that concluded in August 2016. 54.4 million shares were offered for subscription to the qualifying shareholders on the basis of 18.25 rights offer shares for every 100 shares held, at a subscription price of R22.00 per rights offer share. As part of the above mentioned transaction, the Group raised capital through the issuance of shares through private placements, using the rights offer subscription price. The total number of shares issued as part of this transaction was 77.6 million raising a total of R1 700 million in equity capital.

The Group also raised further capital through the general issuance of shares through private placements. The Group uses a 30-day volume weighted average price to determine the discount at which the shares were issued. The total number of shares issued during the course of the financial period was 4.9 million shares, issued at share prices ranging between R22 and R27 per share, depending on the share price on the date of issue.

Treasury shares

The unissued shares are under the control of the directors of the Group subject to the provisions of the Companies Act 2008, as amended, and the Listings Requirements of the JSE Limited. The reserve for the Group's treasury shares comprises the cost of the company's shares held by the Group.

Total listing fees of R61.2 million have been capitalised. All shares issued were fully paid up.

Reconciliation of number of shares in issue:	2017 '000	2016 '000
Opening balance reported	**298 608**	269 967
Issue of shares – ordinary shares	**137 066**	27 144
Treasury shares		
Held at the beginning of the period	**266**	1 763
Held at the end of period	**(4 596)**	(266)
Closing balance	**431 344**	**298 608**

21. Dividends paid

Dividend distribution to the Group's ordinary shareholders is recognised as a liability in the Group's financial statements in the period in which, in terms of the authority granted by the shareholders, the dividends are approved by the Group's directors.

The total dividend per share declared in the 2017 financial period is 11 cents (2016: 21.5 cents).

	2017 R'000	2016 R'000
Balance at the beginning of the year	**(2 295)**	(537)
Dividends	**(112 758)**	(57 066)
Balance at the end of the year	**1 406**	2 295
	(113 647)	**(55 308)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

22. Employee benefit expense

The remuneration policy varies from one entity to the other within the Group. The employee benefit expense relates to short-term benefits such as salaries or wages. The Group does not contribute to medical aid or pension funds for any of its employees, except for the individual amounts disclosed in related parties (Note 31).

The Group recognises a provision for the bonuses payable in terms of a profit sharing arrangement where the Group is contractually obliged or where past practice has created a constructive obligation to pay bonuses.

The following items are included within employee benefits expense:

	2017 R'000	2016 R'000
Wages and salaries	1 129 083	559 457

23. Long-term employee benefits

Ascendis has implemented an incentive scheme to retain and remunerate key staff members in the form of a lump sum payable after a specified term of employment.

Should all key staff members remain employed with Ascendis, all long term employee benefits will be payable within the next two to five years.

	2017 R'000	2016 R'000
Current	–	–
Non-current	15 188	–
Long-term employee benefit liability	15 188	–

A long-term employee benefit expense of R15 million was recognised as part of the salaries and wages expense in the income statement.

To determine the day one fair value of the long-term employee benefit, the key assumptions are the risk free rate of 8.63% as well as the probability of pay-out.

Management applied their judgement in determining the likelihood of key staff members staying employed with Ascendis for the full duration of the contact. The assumption was based on the Group's historical staff turnover as well as facts and circumstances relating to each individual.

24. Investments accounted for using the equity method

The Group has assessed the nature of its investments and considered whether the entity has significant influence over the investments. Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The associates in the current year are individually immaterial and arose from the Farmalider acquisition. In the prior year the joint venture investment in Atka became a wholly owned subsidiary.

The amounts recognised in the statement of financial position is as follows:

	2017 R'000	2016 R'000
Investment in associate accounted at cost	(1 066)	386

The amounts recognised in the statement of comprehensive income:

	2017 R'000	2016 R'000
(Loss)/gain from equity accounted investments	(1 452)	5 625

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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25. Summarised financial information of material non-controlling interests

Set out below is summarised financial information for the material non-controlling interest in Farmalider which the Group holds. The remaining non-controlling interest in Afrikelp is not considered material for the Group and therefore no further disclosure in terms of IFRS12 is considered necessary. Please refer to the statement of changes in equity for the reconciliation of non-controlling interest.

Summarised Statement of Profit or Loss and Other Comprehensive Income	2017 R'000	2016 R'000
Revenue	473 873	439 156
Profit before tax	82 917	56 132
Total comprehensive income	**74 952**	**23 371**

Summarised statement of financial position	2017 R'000	2016 R'000
Non-current assets	216 089	176 222
Current assets	242 465	252 081
Total assets	**458 554**	**428 303**
Non-current liabilities	57 411	87 531
Current liabilities	184 818	117 990
Total liabilities	**242 229**	**205 521**
Total net assets	**216 325**	**222 782**

26. Commitments

Operating lease commitments – Group company as lessee

The Group has various non-cancellable operating lease agreements for property, vehicles and software maintenance and support that have varying market related terms and escalation clauses. Options to renew the lease contracts vary between 3 and 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Minimum lease payments due	2017 R'000	2016 R'000
– within one year	26 751	19 755
– in second to fifth year inclusive	81 526	83 244
– later than five years	2 974	2 574
Total	**111 251**	105 573

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

27. Cash generated from operations

		2017 R'000	2016 R'000
Profit after tax		307 320	190 081
Adjustments for:			
Tax from continuing operations		62 581	68 665
Tax from discontinued operations		(12 807)	(7 100)
Depreciation and amortisation		210 129	83 761
Impairment on intangible assets		48 590	–
Bargain purchase (IFRS 3)		(1 938)	–
Net profit on sale of assets		(341)	(943)
Net loss/(profit) on investment disposal		165	(7 535)
Net loss/(profit) on foreign exchange		(23 075)	(61 347)
Fair value measurement of financial assets and liabilities		(3 756)	(39 186)
Movement in accruals		–	139 888
Movement in provisions		10 935	17 493
Finance income		(40 734)	(32 968)
Finance expense		347 965	163 477
Remeasurement of deferred vendor liabilities	11	5 398	1 938
Income from equity accounted investments		1 452	(5 625)
Changes in working capital:			
Inventories		(40 095)	(237 435)
Trade and other receivables		(191 786)	(386 012)
Trade and other payables		107 380	(167 689)
Cash generated from operations		**787 383**	**(280 537)**

28. Other income

Dividend income is recognised when the right to receive payment is established. All other income is recognised based on the accrual basis of accounting. The 2016 financial periods results have been restated as a result of the discontinued operations (Note 19), it has also been re-presented to include more useful information to the users of the financial statements.

	2017 R'000	2016 Restated R'000
R&D tax credit incentive	–	17 813
Rental income	886	1 504
Cost recoveries	3 765	14 936
Bad debt recoveries	1 410	8 089
Legal settlement	12 317	6 912
Marketing and management fees	7 053	10 022
Investment income	3 441	10 713
Bargain purchase recognised as part of a business combination	1 929	–
Profit on the disposal of property, plant and equipment	7 856	10 728
Profit on the disposal of investments	311	3 042
Other	2 611	1 032
	41 579	**84 791**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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29. Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The table below sets out the finance lease obligations held with the Group.

	2017 R'000	2016 R'000
Minimum lease payments due		
– within one year	10 367	3 973
– in second to fifth year inclusive	20 843	4 264
– later than five years	–	–
	31 210	8 237
less: future finance charges	(824)	(861)
Present value of finance lease liabilities	30 386	7 376
Present value of minimum lease payments due		
– within one year	9 900	3 444
– in second to fifth year inclusive	20 486	3 932
– later than five years	–	–
	30 386	7 376

During the 2017 financial period, the Group acquired finance lease liabilities as part of its business combinations (Note 4). The remaining finance lease obligation is repayable over a period of time that ranges up to five years, bearing interest at 3.5% – 11% and is secured by plant and machinery to the value of R20 million (2016: R9 million).

30. Other financial assets

	2017 R'000	2016 Restated R'000
Financial assets measured at amortised cost		
Coast2Coast Capital	–	46 932
Health-on-the-Go	6 014	6 014
Previous owners of Chempure t/a Solal	9 521	12 281
Directors of Ascendis	16 197	15 076
Loans to key management	8 078	–
Savika	–	10 000
Previous owners of One Vision Investments	13 956	–
Other financial assets	8 163	5 265
	61 929	95 568
Current other financial assets	32 761	22 281
Non-current other financial assets	29 168	73 287
Other financial assets	61 929	95 568

All other financial assets are initially measured at fair value and subsequently at amortised cost.

Previous owners of One Vision Investments amount receivable bears no interest and is repayable to the Group in June 2018.

Health-on-the-Go is repayable to the Group in June 2018 and bears no interest.

Chempure t/a Solal receivable amount relates to an ongoing legal matter regarding a PAYE refund of R9.5 million with the previous directors. Based on legal representation obtained, the Group considers the amount recoverable within the next 12 months.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

30. Other financial assets (continued)

Loans to directors of Ascendis: An amount of R16.2 million is receivable from the directors of Ascendis Management Services. The loans bear interest at 7.5% – 9.0% compounded annually and are all repayable within two to five years. All loans were made in compliance with the requirements of section 45 of the Companies Act. Please refer to the Related parties section (Note 30) for disclosure on related parties. The fair value of the directors' loans approximate the carrying value.

- Cliff Sampson: R3.5 million issued in June 2015.
- Kieron Futter: R3 million issued in December 2015.
- Dr Karsten Wellner: R1 million was issued in June 2015, and an additional amount of R6.8 million in December 2015.

Loans to key management: An amount of R8 million is receivable from key management of Ascendis Management Services. The loans bear interest at 9% compounded annually and are repayable after 2020. All loans were made in compliance with the requirements of section 45 of the Companies Act. Please refer to the Related parties section (note 31) for disclosure on related parties.

Other financial assets consists of immaterial receivable balances in various non-related counterparties to the Group.

The Group does not hold any collateral as security. The financial assets included above are neither past due nor impaired. The entire Other financial asset balance is considered to be Group B in terms of their credit risk rating and the amount outstanding at year end represents the maximum exposure to credit risk.

31. Related parties

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	6 013	98.82	299 735 108	68.76
Non-public shareholders	72	1.18	136 204 240	31.24
– Directors and associates of the company	21	0.35	7 553 286	1.73
– Treasury shares (own holdings)	2	0.03	4 595 847	1.05
– Strategic holdings (more than 10%)	49	0.81	124 055 107	28.46
Shareholder Analysis for 2017	**6 085**	**100.00**	**435 939 348**	**100.0**
Public shareholders	3 495	98.12	168 995 312	56.54
Non-public shareholders	67	1.88	129 878 473	43.46
– Directors and associates of the company	19	0.53	7 439 629	2.49
– Treasury shares (own holdings)	1	0.03	266 314	0.09
– Strategic holdings (more than 10%)	47	1.32	122 172 530	40.88
Shareholder Analysis for 2016	**3 562**	**100.00**	**298 873 785**	**100.0**

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2017:

Major beneficial shareholders holding 2% or more	2017 Percentage of shares	Number of shares
Coast2Coast	28.46	124 055 107
Government Employees Pension Fund	8.60	37 480 823
Kefolile Health Investments (Pty) Ltd	6.06	26 431 075
International Finance Corporation	4.18	18 207 462
WDB Investment Holdings (Pty) Ltd	4.10	17 888 395
Mineworkers Investment Company	3.54	15 416 103
Blakeney	3.51	15 308 906
GIC Private Limited	2.69	11 746 453
Old Mutual	2.63	11 459 210
Major shareholders	**63.77**	**277 993 534**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

31. Related parties (continued)

Institutional shareholders holding 1% or more	2017 Percentage of shares	Number of shares
Public Investment Corporation	5.01	21 821 034
Sentio Capital Management	4.70	20 503 100
International Finance Corporation	4.18	18 207 462
GIC Private Limited (PKA Government of Singapore Investment Corporation)	2.69	11 746 453
Old Mutual Investment Group	2.59	11 311 812
Mazi Capital	1.72	7 506 113
Vanguard	1.47	6 427 672
SBG Securities	1.42	6 172 126
Melville Douglas Investment Management	1.35	5 874 501
RMB Morgan Stanley	1.13	4 908 729
Mergence Investment Managers	1.11	4 849 645
Major fund managers	**27.37**	**119 328 647**

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Banks/Brokers	65	1.07	91 930 145	21.09
Close Corporations	51	0.84	429 658	0.10
Endowment Funds	56	0.92	1 233 484	0.28
Individuals	4 647	76.37	36 966 696	8.48
Insurance Companies	49	0.81	15 007 231	3.44
Investment Companies	5	0.08	2 229 513	0.51
Medical Schemes	10	0.16	500 391	0.11
Mutual Funds	128	2.10	29 363 226	6.74
Other Corporations	38	0.62	460 448	0.11
Private Companies	252	4.14	189 607 139	43.49
Public Company	7	0.12	752 459	0.17
Retirement Funds	107	1.76	48 591 208	11.15
Treasury Stock	2	0.03	4 595 847	1.05
Trusts	668	10.98	14 271 903	3.27
	6 085	**100.00**	**435 939 348**	**100.00**

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	2 540	41.74	957 273	0.22
1 001 – 10 000	2 600	42.73	9 293 511	2.13
10 001 – 100 000	661	10.86	20 459 495	4.69
100 001 – 1 000 000	215	3.53	70 973 764	16.28
1 000 001 shares and over	69	1.13	334 255 305	76.67
	6 085	**100.00**	**435 939 348**	**100.00**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

31. Related parties (continued)

Directors' interests in shares

The direct and indirect interests of the directors in the issued share capital of the Company are reflected in the table below:

	Number of shares		
	Direct	**Indirect**	**Total**
JA Bester	**16 200**	**–**	**16 200**
B Harie	**3 548**	**108 317**	**111 865**
MS Bomela*	**–**	**–**	**–**
Dr KS Pather*	**11 650**	**–**	**11 650**
GJ Shayne	**253 647**	**107 079 597**	**107 333 244**
CD Dillon	**1 018 900**	**19 640 266**	**20 659 166**
Dr KUHH Wellner	**2 743 307**	**1 500**	**2 744 807**
CB Sampson	**211 175**	**250 000**	**461 175**
K Futter	**270 286**	**–**	**270 286**
30 June 2017	**4 528 713**	**127 079 680**	**131 608 393**
JA Bester	10 000	1 000	11 000
B Harie	3 000	91 600	94 600
GJ Shayne	214 500	105 479 406	105 693 906
CD Dillon	861 647	19 717 880	20 579 527
Dr KUHH Wellner	2 612 054	1 500	2 613 554
CB Sampson	140 000	250 000	390 000
K Futter	57 143	171 429	228 572
OP Cunningham**	–	1 000	1 000
30 June 2016	**3 898 344**	**125 713 815**	**129 612 159**

* Appointed during the year.

** Resigned during the year.

The independent non-executive directors interests in the issued share capital of the Company represent less than 0.1% of the total issued share capital of the Company. Additionally, interests held by the independent non-executive directors are immaterial in relation to their respective overall investment portfolios. This is disclosed to the board on a quarterly basis. Accordingly, their continued participation as directors is deemed not to be impaired.

Loans to and from related parties

Loans to Directors of subsidiaries:	**2017 R'000**	**2016 R'000**
As at 1 July	**15 067**	7 443
Loans advanced during the year	**–**	9 800
Loans repaid during the year	**–**	(2 934)
Interest charged	**1 130**	758
As at 30 June	**16 197**	**15 067**

Loan to Key Management:	**2017 R'000**	**2016 R'000**
As at 1 July	**–**	–
Loans advanced during the year	**8 078**	–
Loans repaid during the year	**–**	–
Interest charged	**–**	–
As at 30 June	**8 078**	**–**

Please refer to the disclosure in Other financial assets (Note 30) for more information on the counter parties and terms of the loans making up the balance disclosed above.

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31. Related parties (continued)

Loan to Ascendis shareholder:	2017 R'000	2016 R'000
As at 1 July	46 932	78 802
Loans advanced during the year	–	(41 724)
Loans repaid during the year	(46 932)	–
Interest charged	–	9 854
As at 30 June	–	46 932

Coast2Coast Capital is a related party of Gane Holdings, where the main shareholders are the founding partners of Ascendis GJ Shayne and CD Dillion. please refer to the Borrowings and other financial liability sections (Note 9). The receivable was fully settled.

This is a loan to Coast2Coast Capital Proprietary Limited. Please refer to Other financial assets (Note 30) for more information.

Transactions with related parties	2017 R'000	2016 R'000
Interest received from Coast2Coast	9 765	9 854
Expenses recovered from Coast2Coast	10 389	4 102
Rent paid to Coast2Coast	(8 182)	(14 280)
Advisory fees and Accrued income to Coast2Coast	(25 209)	–

Key management compensation 2017

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs ***	Directors' fees	Total
Executive directors							
Dr KUHH Wellner	3 900	33	500	88	42	–	4 563
C Sampson	3 480	–	1 500	–	52	–	5 032
K Futter	2 875	–	1 250	–	31	–	4 156
Total executive	10 255	33	3 250	88	125	–	13 751
Key management	23 028	429	2 442	1 563	195	–	27 657
Total executive	33 283	462	5 692	1 651	320	–	41 408
Non-executive directors							
JA Bester						445	445
B Harie						372	372
MS Bomela*						330	330
Dr KS Pather*						330	330
Total non-executive						1 477	1 477
Total							42 885

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

31. Related parties (continued)

Key management compensation 2016

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs ***	Directors' fees	Total
Executive directors							
Dr KUHH Wellner	3 414	143	318	68	106	–	4 049
CB Simpson*	3 000	–	–	–	32	–	3 032
K Futter*	1 875	–	–	–	20	–	1 895
Total executive	8 289	143	318	68	158	–	8 976
Key management	15 025	743	2 851	1 237	1 658	–	21 514
Total executive	**23 314**	**886**	**3 169**	**1 305**	**1 816**	**–**	**30 490**
Non-executive directors							
JA Bester						390	390
B Harie						338	338
OP Cunningham**						300	300
Total non-executive						**1 028**	**1 028**
Total							**31 518**

* Appointed during the year.

** Resigned during the year.

*** SDL & UIF legislative costs.

The Group's and Companies directors are the prescribed officers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

32. Deferred tax

Deferred tax is provided in full 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 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 statement of financial position method using a principal tax rate of 28% (2016: 28%).

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017 R'000	2016 Restated R'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	31 952	4 331
– Deferred tax assets to be recovered within 12 months	8 157	6 320
	40 109	10 651
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(455 434)	(226 154)
– Deferred tax liabilities to be recovered within 12 months	(12 385)	(10 704)
	(467 819)	(236 858)
Deferred tax liabilities (Net)	(427 710)	(226 207)

The gross movement on the deferred income tax is as follows:

	2017	2016
At 1 July	(226 206)	(111 988)
Acquisition of subsidiary	(312 627)	(128 486)
Charged to the income statement	68 176	42 401
Measurement period adjustment	–	(12 500)
Foreign exchange difference	42 947	(15 633)
At 30 June	(427 710)	(226 206)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Capital allowances	Intangible assets	Other	Total
At 1 July 2015	(14 383)	(138 863)	309	(152 937)
Acquisition of subsidiary	(4 649)	(141 504)	–	(146 153)
Charged to the income statement	(22 333)	56 379	(4 095)	29 951
Measurement period adjustment	(12 500)	–	–	(12 500)
At 30 June 2016	**(53 865)**	**(223 988)**	**(3 786)**	**(281 639)**
Acquisition of subsidiary	(82 584)	(230 043)	–	(312 627)
Charged to the income statement	24 971	8 123	1 180	34 274
Foreign exchange difference	(5 006)			(5 006)
At 30 June 2017	**(116 484)**	**(445 909)**	**(2 606)**	**(564 998)**

Deferred tax assets	Provisions	Tax losses	Deferred income	Total
At 1 July 2015	7 001	(1 214)	114	5 901
Acquisition of subsidiary	17 554	–	–	17 554
Charged to the income statement	18 939	13 039	–	31 978
At 30 June 2016	**43 494**	**11 825**	**114**	**55 433**
Charged to the income statement	(762)	34 778	(114)	33 902
Foreign exchange difference	47 953			47 953
At 30 June 2017	**90 685**	**46 603**	**–**	**137 288**

The 2016 deferred tax liability numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

33. Income tax expense

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

The current income tax charge is calculated on the basis of the tax laws that are enacted or substantially enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in our tax returns with regards to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authority.

Major components of the tax expense

	2017 R'000	2016 Restated R'000
South African Taxation		
Current Tax		
Current tax on profits for the period	92 637	101 274
Recognised in current tax for prior periods	3 882	(874)
	96 519	100 400
Deferred		
Originating and reversing temporary differences	(27 879)	(43 638)
(Increase)/utilisation of tax loss	(38 726)	1 905
	(66 605)	(41 733)
South African income tax expense	29 914	58 667

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

33. Income tax expense (continued)

	2017 R'000	2016 Restated R'000
Foreign Taxation		
Current Tax		
Current tax on profits for the period	42 679	4 088
Fiscal tax credits	(13 002)	–
Recognised in current tax for prior periods	(8 245)	(521)
	21 431	3 567
Deferred		
Originating and reversing temporary differences	(1 622)	(671)
Utilisation of tax loss	51	–
Increase in tax rate	–	2
	(1 571)	(669)
Foreign income tax expense	19 860	2 898
Total income tax expense	49 774	61 565
Income tax expense attributable to:		
Profit from continuing operations	62 581	68 665
Loss from discontinued operations	(12 807)	(7 100)
	49 774	61 565
Tax at the South Africa tax rate	28.00%	28.00%
Amortisation and impairments	8.89%	1.77%
Disallowable charges - consulting / legal fees	5.43%	12.82%
Disallowable charges - donations / sponsorships	1.73%	0.00%
Effect of prior year	3.49%	(7.23%)
Exempt dividend income	0.00%	(2.63%)
Fines and penalties	0.15%	0.35%
(Utilisation of) increase in tax losses	(8.14%)	0.76%
Local tax incentives	(1.13%)	0.00%
Foreign tax incentives	(11.00%)	0.00%
Lower foreign tax rates	(14.61%)	(0.88%)
Other disallowable charges	1.49%	0.00%
Other exempt income	(0.37%)	(8.49%)
Average effective tax rate	13.94%	24.47%

Reduction in effective tax rate

The decline in the effective corporate tax rate is predominantly as a result of more favourable corporate tax rates and tax incentives available to foreign subsidiaries.

34. Tax paid

	2017 R'000	2016 Restated R'000
Balance at beginning of the year	(7 470)	3 395
Current tax for the year recognised in profit or loss	(135 315)	(105 362)
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	1 138	(670)
Balance at end of the year	(18 585)	7 470
	(160 232)	(95 167)

35. Expense by nature

	2017 R'000	2016 Restated R'000
Administration and management fees	47 112	44 613
Advertising and marketing	144 731	77 241
Auditors remuneration	17 224	12 905
Bad debts	4 239	11 855
Bank charges	15 692	5 551
Commission, consulting and professional fees	157 759	92 052
Depreciation and amortisation	206 723	78 088
Salaries and wages	1 129 083	559 457
Insurance	18 164	10 602
Loss on disposal of assets	9 270	336
Impairment losses recognised	21 730	–
Lease rentals on operating lease	85 592	48 136
Motor vehicle expenses	23 032	17 545
Restructuring cost	19 066	22 605
Business acquisition cost	89 722	130 306
Regulatory expenses	14 814	2 176
Repairs and maintenance	28 282	8 280
Research costs	42 990	2 489
Staff welfare and training expenses	7 709	6 697
Transport and freight	349 553	114 403
Travel costs	36 492	28 324
	2 468 979	1 273 661

*The previous year was restated to include business combination costs to agree to the earnings per share note. The other category has been removed since it is not considered to be useful information.

This note excludes expenses relating to discontinued operations.

APPENDIX A: INTERESTS IN SUBSIDIARIES

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

The control assessment in terms of IFRS 10 of Farmalider (49%) and Taurus Chemicals Cape Kelp (41%) is considered to be a key judgement. Management has considered the requirements of IFRS 10, the terms of the contractual arrangement and the substance of the transaction and concluded Ascendis has sufficient substantive voting rights which provides Ascendis with the power to direct the relevant activities and receive variable from these entities. Ascendis controls both Farmalider and Afrikelp Investments in terms of IFRS 10, and has accounted for it accordingly.

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

		2017	2016	2017	2016	2017	2016
Name of subsidiary	Nature of business	Ordinary shares held by the group (%)	Ordinary shares held by the group (%)	Investment value for group (direct and indirect investments)	Investment value for group (direct and indirect investment)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
Afrikelp Holdings (Pty) Ltd	(1)	**100 %**	100 %	–	–	**–**	–
Afrikelp (Pty) Ltd	(1)	**100 %**	100 %	210 055	198 526	**–**	
Afrikelp Investments (Pty) Ltd	(1)	**100 %**	100 %	7 562	11 529	**–**	–
Akacia Healthcare Holdings (Pty) Ltd	(3)	**100 %**	100 %	–	–	**–**	–
Akacia Healthcare (Pty) Ltd	(3)	**100 %**	100 %	370 590	341 510	**–**	–
Akacia Healthcare Investments (Pty) Ltd	(3)	**100 %**	100 %	0,1	0,1	**–**	–
Alliance Pharma (Pty) Ltd	(3)	**100 %**	100 %	0,1	0,1	**–**	–
A-Med Medical Supplies (Pty) Ltd	(1)	**49 %**	49 %	0,1	0,1	**–**	–
Agro-Serve (Pty) Ltd	(1)	**100 %**	100 %	5 348	5 348	**–**	–
Agro-Serve Namibia (Pty) Ltd	(1)	**100 %**	100 %	4	4	**–**	–
Akusa Inc. (USA)	(1)	**100 %**	100 %	551	551	**–**	–
Anti-aging Technologies (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**–**	
Ascendis Financial Services (Pty) Ltd	(5)	**100 %**	100 %	3	3	**3**	3
Ascendis Health International (Pty) Ltd	(4)	**100 %**	100 %	4	4	**4**	4
Ascendis International Holdings Ltd	(4)	**100 %**	100 %	16	16	**16**	16
Ascendis Management Services (Pty) Ltd	(4)	**100 %**	100 %	4	4	**4**	4
Ascendis Medical (Pty) Ltd	(3)	**100 %**	100 %	303 754	303 754	**303 754**	303 754
Remedica Holdings	(6)	**100 %**	-	1 714 094	–	**–**	–
Ascendis Pharma (Pty) Ltd	(3)	**100 %**	100 %	143 303	143 303	**143 303**	143 303
Ascendis UK Ltd	(2)	**100%**	100 %	–	–	**–**	–
Atka Trading 46 (Pty) Ltd	(2)	**100 %**	100 %	41 820	41 820	**41 820**	41 820
Avima (Pty) Ltd	(1)	**100 %**	100 %	54 821	54 821	**54 821**	54 821
Avima Uganda Ltd	(1)	**100 %**	100 %	4	4	**–**	–
Biopharmaceutical SL	(6)	**75 %**	75 %	47	47	**–**	–
Goldbond Ltd	(6)	**100 %**	-	122 405	–	**–**	–
Bralita Ltd	(6)	**100 %**	-	2 318 485	–	**–**	–
Bolus Distribution (Pty) Ltd	(2)	**100 %**	100 %	18 015	18 012	**18 012**	18 012
Bolus International (Pty) Ltd	(2)	**100 %**	100 %	6 731	6 735	**3**	3
Coast2Coast Distribution (Pty) Ltd	(2)	**100 %**	100 %	36 510	36 510	**36 510**	36 510
Chempure (Pty) Ltd	(2)	**100 %**	100 %	83 210	83 210	**83 210**	83 210
Remedica	(6)	**100 %**	–	179 491	–	**–**	–
Dealcor Forty (Pty) Ltd	(2)	**100 %**	100 %	50 200	50 2000	**–**	–
Scitec	(6)	**100 %**	–	2 543 228	–	**–**	–
Dezzo Trading 392 (Pty) Ltd	(3)	**100 %**	100 %	82 066	82 066	**–**	–

APPENDIX A: INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Nature of business	2017 Ordinary shares held by the group (%)	2016 Ordinary shares held by the group (%)	2017 Investment value for group (direct and indirect investments)	2016 Investment value for group (direct and indirect investment)	2017 Investment value for Ascendis (direct investments)	2016 Investment value for Ascendis (direct investments)
Efekto Care (Pty) Ltd	(1)	**100 %**	100 %	457	5 800	**–**	–
Efekto Holdings (Pty) Ltd	(1)	**100 %**	100 %	70 159	70 159	**70 159**	70 159
Elixr Brands (Pty) Ltd	(5)	**100 %**	100 %	39	39	**39**	39
Cipla Vet (Pty) Ltd	(1)	**100 %**	–	272 528	–	**–**	–
Cipla Agrimed (Pty) Ltd	(1)	**100 %**	–	160 056	–	**–**	–
Farmalider SL	(6)	**100 %**	49 %	2 277 050	214 275	**–**	–
Sun Wave Pharma	(6)	**100 %**	–	40 378	–	**–**	–
Pernbrook	(6)	**100 %**	–	3 460 296	–	**–**	–
Heritage Resources (Pty) Ltd	(2)	**100 %**	100 %	15	15	**15**	15
Juniva (Pty) Ltd	(2)	**100 %**	–	3	–	**–**	–
Innovative Pest Management (Pty) Ltd	(1)	**100 %**	100 %	0,1	0,1	**0,1**	0,1
K2013197766 (South Africa) (Pty) Ltd	(6)	**100 %**	100 %	9	9	**3**	3
Integrative Health Publications (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**0,1**	0,1
Klub M5	(1)	**100 %**	100 %	110 420	110 420	**–**	–
K2012021382 (Pty) Ltd	(2)	**100 %**	100 %	19 602	19 602	**19 602**	19 602
K2012179211 (Pty) Ltd	(2)	**100 %**	100 %	79 107	79 107	**79 107**	79 107
Dealworth	(2)	**100 %**	-	30	–	**–**	–
Swissgarde (Pty) Ltd	(2)	**100 %**	100 %	32 155	32 155	**6 503**	6 053
Ascendis Consumer Brands (Pty) Ltd	(2)	**100 %**	100 %	6	6	**6**	6
Ascendis Pharma-Med (Pty) Ltd	(4)	**100 %**	100 %	3	3	**3**	3
Lavient Trading (Pty) Ltd	(2)	**100 %**	100 %	50	50	**50**	50
Lexshell 155 General Trading (Pty) Ltd	(3)	**100 %**	100 %	0,1	0,1	**0,1**	0,1
Lexshell 834 Investments (Pty) Ltd	(3)	**100 %**	100 %	24 000	24 000	**–**	–
Marltons Pets and Products (Pty) Ltd	(1)	**100 %**	100 %	18 843	18 843	**18 843**	18 843
Medicine Developers International (Pty) Ltd	(3)	**100 %**	100 %	0,2	0,2	**0,2**	0,2
Nimue Bioscience (Pty) Ltd	(2)	**100 %**	100 %	32 000	32 000	**32 000**	32 000
Nimue Skin (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**0,1**	0,1
Nimue Skin (Southern Africa) (Pty) Ltd	(2)	**100 %**	100 %	100	100	**100**	100
Ascendis Malta	(6)	**100 %**	–	16	–	**–**	–
Ascendis Sports Nutrition (Pty) Ltd	(2)	**100 %**	100 %	–	–	**–**	–
Ortus Chemicals (Pty) Ltd	(1)	**100 %**	100 %	22 414	22 414	**–**	–
Pharmachem (Pty) Ltd	(3)	**100 %**	100 %	200	200	**–**	–
Pharmadyne (Pty) Ltd	(3)	**100 %**	100 %	0,2	0.2	**0,2**	0,2
PharmaNatura (Pty) Ltd	(2)	**100 %**	100 %	80 000	80 000	**–**	–
Regal Nutrients (Pty) Ltd	(2)	**100 %**	100 %	14 162	14 162	**14 162**	14 162
Respiratory Care Africa (Pty) Ltd	(3)	**100 %**	100 %	153 095	153 095	**–**	–
Rotaq Luederitz (Pty) Ltd	(1)	**100 %**	100 %	223	223	**–**	–
RCA Pharma (Pty) Ltd	(3)	**100 %**	100 %	–	–	**–**	–
Small Pack Solutions (Pty) Ltd	(1)	**100 %**	100 %	0,1	0,1	**–**	–
Solal Africa Technologies Distributors (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**–**	–
Solal Technologies Fine Pharmaceuticals (Pty) Ltd	(2)	**100 %**	100 %	3	3	**–**	–

APPENDIX A: INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Nature of business	2017 Ordinary shares held by the group (%)	2016 Ordinary shares held by the group (%)	2017 Investment value for group (direct and indirect investments)	2016 Investment value for group (direct and indirect investment)	2017 Investment value for Ascendis (direct investments)	2016 Investment value for Ascendis (direct investments)
Southern African Academy of Healthy Ageing and Integrative Medicine (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**–**	–
Sportron International (Pty) Ltd	(2)	**100 %**	100 %	4 886	4 886	**4 886**	4 886
Sportron Properties (Pty) Ltd	(2)	**100 %**	100 %	6 249	6 249	**6 249**	6 249
Surgical Innovations (Pty) Ltd	(3)	**100 %**	100 %	338 364	338 364	**–**	–
The Compounding Pharmacy of South Africa (Pty) Ltd	(3)	**100 %**	100 %	4	4	**4**	4
Taurus Chemicals Cape Kelp (Pty) Ltd	(1)	**41 %**	41 %	1 520	1 520	**–**	–
Taurus Chemicals Namibia (Pty) Ltd	(1)	**92.5 %**	92.5 %	477	477	**–**	–
The Integrative Medical Centre (Pty) Ltd	(2)	**100 %**	100 %	0,1	0,1	**0,1**	0,1
The Scientific Group (Pty) Ltd	(3)	**100 %**	100 %	328 963	276 460	**–**	–
Toll Manufacturing Services S.L	(6)	**100 %**	100 %	49	49	**–**	–
Toolworth Distribution (Pty) Ltd	(2)	**100 %**	100 %	679	679	**679**	679
Tronitype (Pty) Ltd	(1)	**100 %**	100 %	0,1	0,1	**–**	–
Umecom (Pty) Ltd	(3)	**100 %**	100 %	15 815	15 815	**–**	–
Zasvin Trading (Pty) Ltd	(2)	**100 %**	100 %	1	1	**1**	1

Legend:

1. – Phyto-Vet
2. – Consumer Brands
3. – Pharma-Med
4. – Head office: Management services
5. – Head office: Financial services
6. – Ascendis International

APPENDIX B

New standards that may significantly impact on the group results or disclosures:

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRS 15 – Revenue from contracts with customers. *1 January 2018*	The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 replaces the existing revenue standards and their related interpretations. This standard sets out the requirements for recognising revenue that applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. The core principle is that revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfer to the customer.	The Group is in the process of assessing the current types of transactions and contracts under IFRS 15, we are in the process of assessing our contracts and are in discussions with our auditors. Based on the current assessment it is unlikely that there will be a significant impact on the overall profit of the Group, with the biggest impact expected in the Pharma-med segment The performance indicators of the Group will have to be reassessed due to potential changes in classification between revenue and interest. More quantitative disclosures are required under the new standard in respect of disaggregation of revenue into appropriate categories, the remaining performance obligations and the amount of the transaction price that is allocated to the remaining obligations in a contract, and the changes in contract asset, liabilities and costs.
IFRS 9 Financial Instruments *1 January 2018*	*Classification and measurement of financial assets:* IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classifications categories: amortised cost and fair value. Financial assets will be classified and measured on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial asset. Fair value adjustments, depending on the model can be categorised through profit or loss or through other comprehensive income (OCI). *Derecognition of financial liabilities* The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss. *Hedge accounting* The revised general hedge accounting requirements are better aligned with an entity's risk management activities. 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.	We are in the process of assessing the Group's business model and the appropriate accounting under IFRS 9. We expect significant changes to our hedge accounting policy due to the adoption of IFRS 9.

APPENDIX B (continued)

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRS 16 – Leases *1 January 2019*	The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the existing leases standard and the related interpretations. *Lessor accounting* Substantially, lessor accounting has remained unchanged. Accordingly, a lessor continues to classify its leases as operating or finance leases and to account for those two types of leases differently. *Lessee accounting* The model reflects that, at the start of a lease, the lessee obtains expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. A lessee recognises depreciation on the right-of-use asset and interest on the lease liability. Cash repayments of the lease liability are classified as either principal or interest repayments. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns	The Group is in the process of assessing the impact of IFRS 16. As the Group is mainly a lessee, this development is expected to significantly impact the Group on performance indicators such as return on tangible net assets as well as EBITDA.

AUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		2017 R'000	2016 R'000
Investments in subsidiaries	1	842 097	842 097
Non-current assets		**842 097**	**842 097**
Loans to related parties	2	4 047 713	1 251 041
Current tax receivable	7	70	–
Cash and cash equivalents	3	821	1 145
Current assets		**4 048 604**	**1 252 186**
TOTAL ASSETS		**4 890 701**	**2 094 283**
Stated capital	6	5 097 240	2 156 826
Retained earnings		(265 370)	(96 409)
Equity		**4 831 870**	**2 060 417**
Trade and other payables	5	485	992
Current income tax liabilities	7	–	2 147
Loans from related parties	2	58 346	30 727
Current liabilities		**58 831**	**33 866**
TOTAL EQUITY AND LIABILITIES		**4 890 701**	**2 094 283**

AUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

		2017 R'000	2016 R'000
Revenue	8	30 000	–
Cost of sales		–	–
Gross profit		30 000	–
Other income	9	15 406	24 303
Other operating expenses	11	(123 292)	(16 383)
Operating profit		(77 886)	7 920
Finance income	10	13 565	7 378
Finance cost	10	(4 375)	(7 808)
(Loss)/profit before taxation		(68 696)	7 490
Taxation	12	–	(2 174)
(Loss)/profit for the year		(68 696)	5 316
Other comprehensive income		–	–
Total comprehensive income for the year		(68 696)	5 316

AUDITED COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

		2017 R'000	2016 R'000
Cash flows from operating activities	13	(78 395)	6 312
Interest income	10	13 565	7 378
Finance expense	10	(4 375)	(7 808)
Income taxes paid		(2 215)	–
Net cash (outflow)/inflow from operating activities		**(71 420)**	**5 882**
Cash flows from investing activities			
Loans advanced to related parties		(2 816 607)	(435 598)
Net cash outflow from investing activities		**(2 796 672)**	**(435 598)**
Cash flows from financing activities			
Loans received from related parties		53 909	4 437
Proceed from issue of shares		2 940 414	557 232
Dividends paid		(100 266)	(57 066)
Loans repaid to related parties		(26 290)	(2 387)
Proceeds from loans advanced to related parties	2	–	–
Net cash inflow from financing activities		**2 867 767**	**502 216**
Net (decrease)/increase in cash and cash equivalents		(324)	72 500
Cash and cash equivalents at beginning of period		1 145	(71 355)
Cash and cash equivalents at end of period	3	**821**	**1 145**

AUDITED COMPANY STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2017

	Stated capital	Accumulated (loss)/retained income	Total equity
Balance as at 1 July 2015	1 599 594	(44 658)	1 554 936
Profit for the period	–	5 316	5 316
Total comprehensive income for the year	–	5 316	5 316
Issue of ordinary shares	557 232	–	557 232
Dividends		(57 066)	(57 066)
Total contributions by and distributions to owners of the company recognised directly in equity	557 232	(57 066)	500 166
Balance as at 30 June 2016	2 156 826	(96 408)	2 060 418
Profit for the period	–	(68 696)	(68 696)
Total comprehensive income for the year	–	(68 696)	(68 696)
Issue of ordinary shares	2 964 723	–	2 964 723
Listing fees	(24 309)	–	(24 309)
Dividends	–	(100 266)	(100 266)
Total contributions by and distributions to owners of the company recognised directly in equity	2 940 414	(100 266)	2 840 148
Balance as at 30 June 2017	5 097 240	(265 370)	4 831 870

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 Investments in subsidiaries

The following table lists the entities which are controlled directly by the company, and the costs of the investments in the company's separate financial statements:

Name of subsidiary	2017 % of ordinary shares held	2016 % of ordinary shares held	2017 R'000 Investment value	2016 R'000 Investment value
(Ascendis Financial Services Ltd)	100%	100%	3	3
(Ascendis Management Services (Pty) Ltd)	100%	100%	4	4
(Chempure (Pty) Ltd)	100%	100%	83 210	83 210
(Coast 2 Coast Distribution (Pty) Ltd)	100%	100%	36 510	36 510
(Nimue Skin (Pty) Ltd)	100%	100%	–	–
(One Vision Investments 381 (Pty) Ltd [SSN])	100%	100%	–	–
(K2012179240 (South Africa) (Pty) Ltd)	100%	100%	3	3
(Regal Nutrients (Pty) Ltd)	100%	100%	14 162	14 162
(Sportron International (Pty) Ltd)	100%	100%	4 886	4 886
(Sportron Properties (Pty) Ltd)	100%	100%	6 249	6 249
(Ascendis Malta)	100%	100%	16	16
(Efekto Holdings (Pty) Ltd)	100%	100%	70 159	70 159
(K2012179383 (South Africa) (Pty) Ltd)	100%	100%	6 503	6 503
(K2012021382 (South Africa) (Pty) Ltd)	100%	100%	19 602	19 602
(K2012179211 (South Africa) (Pty) Ltd)	100%	100%	79 107	79 107
(Atka Trading 46 (Pty) Ltd)	100%	100%	41 820	41 820
(Elixr Brands (Pty) Ltd)	100%	100%	39	39
(Heritage Resources Limited)	100%	100%	15	15
(K2012021486 (South Africa) (Pty) Ltd)	100%	100%	143 303	143 303
(K2013126231 (South Africa)(Pty) Ltd)	100%	100%	3	3
(Juniva (Pty) Ltd)	100%	100%	3	3
(K2013195936 (South Africa) (Pty) Ltd)	100%	100%	4	4
(K2013195943 (South Africa) (Pty) Ltd)	100%	100%	4	4
(K2013195969 (South Africa) (Pty) Ltd)	100%	100%	303 755	303 755
(K2013197766 (South Africa) (Pty) Ltd)	100%	100%	3	3
(Ascendis Health International (Pty) Ltd)	100%	100%	4	4
(Lavient Trading (Pty) Ltd)	100%	100%	50	50
(Nimue Bioscience (Pty) Ltd)	100%	100%	32 000	32 000
(Nimue Skin (Southern Africa) (Pty) Ltd)	100%	100%	–	–
(Toolworth Distribution (Pty) Ltd)	100%	100%	679	679
(Zasvin Trading (Pty) Ltd)	100%	100%	1	1
Total			**842 097**	**842 097**

The cost of an investment in a subsidiary is the aggregate of:

– The fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the company; plus

– Any costs directly attributable to the purchase of the subsidiary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

2 Loans to/(from) related parties

Loans receivable

	2017 R'000	2016 R'000
Ascendis Financial Services Ltd	1 221 296	482 429
Ascendis Management Services (Pty) Ltd	–	19 935
Avima (Pty) Ltd	91 463	91 463
Chempure (Pty) Ltd	30 008	30 008
Efekto Holdings (Pty) Ltd	10 326	10 326
Elixr Brands (Pty) Ltd	9 425	9 425
K2012021382 (South Africa) (Pty) Ltd	11 776	11 776
Ascendis Pharma (Pty) Ltd	22 308	22 308
K2012179211 (South Africa) (Pty) Ltd	1 882	1 882
Bolus International (Pty) Ltd	393	393
K2013126193 (South Africa) (Pty) Ltd	62 152	62 152
K2013126231 (South Africa)(Pty) Ltd	3	3
Ascendis Consumer Brands (Pty) Ltd	15	15
The Compounding Pharmacy of South Africa (Pty)	17	17
Ascendis Medical (Pty) Ltd	6 120	6 120
K2013197766 (South Africa) (Pty) Ltd	41 000	41 000
Ascendis Health International (Pty) Ltd	55	–
Marltons Pets & Products (Pty) Ltd	3 000	3 000
Nimue Skin (Pty) Ltd	889	889
Pharmachem Pharmaceuticals (Pty) Ltd	35 475	35 475
Respiratory Care Africa (Pty) Ltd	9 766	9 766
Scientific Group	127 706	127 706
Ascendis International Holdings Limited	2 362 638	284 952
	4 047 713	1 251 041

Loans to subsidiaries:	2017 R'000	2016 R'000
As at 1 July	1 251 041	815 444
Loans advanced during the year	2 816 607	435 597
Loans repaid during the year	(19 935)	–
As at 30 June	4 047 713	1 251 041

The Companies loans to its subsidiaries have no fixed repayments terms and bears interest at 7.03%. The fair value of the loans to the subsidiaries of the Company is assessed as the face value of the amounts receivable on demand (shown as current assets being the same as the carrying value).

Loans payable

	2017 R'000	2016 R'000
Ascendis Management Services (Pty) Ltd	9 208	–
Dezzo Trading 392 (Pty) Ltd	2 196	2 196
Nimue Skin (Pty) Ltd	2 241	2 241
Ascendis Medical Namibia	–	26 290
Remedica Holdings	44 701	–
	58 346	30 727

Loans from related party:	2017 R'000	2016 R'000
As at 1 July	30 727	26 290
Loans advanced during the year	53 909	4 437
Loans repaid during the year	(26 290)	–
Other charges	–	–
As at 30 June	58 346	30 727

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

3 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash on hand and cash held at foreign accounts in Euros.

Cash and cash equivalents consist of:

	2017 R'000	2016 R'000
Cash on hand	578	1 145
Foreign Accounts Euro	243	–
Cash and cash equivalents per the cash flow statement	821	1 145

The credit ratings of the financial institutions with whom the Company holds its bank accounts are displayed below. The credit ratings for financing institutions were obtained from short term.

	Short term
Standard Bank South Africa	AA (zaf)

4 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Liquidity risk

The company is not exposed to significant liquidity risk.

Capital risk management

The company is not exposed to significant capital risk.

Interest rate risk

The company is not exposed to interest rate risk because the company does not have external debt.

Foreign exchange risk

The company is exposed to foreign exchange risk arising and the export of finished goods denominated in US dollar, the Euros, and the UK pound sterling.

5 Trade and other payables

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

	2017 R'000	2016 R'000
Trade payables	–	3
Dividends payable	485	989
Trade and other payables	**485**	**992**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

6 Stated capital

	2017 R'000	2016 R'000
Opening balance	2 156 826	1 599 594
Issue of ordinary shares	2 964 723	557 890
Listing Fees Capitalised to Stated Capital	(24 309)	(658)
Closing balance	5 097 240	2 156 826

General issue of shares for cash:

Ascendis raised R1 200 million equity capital by way of a Rights Offer to qualifying shareholders that concluded in August 2016. 54.4 million shares were offered for subscription to the qualifying shareholders on the basis of 18.25 Rights Offer Shares for every 100 Ascendis Shares held, at a subscription price of R22.00 per Rights Offer Share.

As part of the above mentioned transaction, the company raised capital through the issuance of shares through private placements, using the rights offer subscription price. The total number of shares issued as part of this transaction was 77.6 million raising a total of R1 700 million in equity capital.

The company also raised further capital through the general issuance of shares through private placements. The company uses a 30-day volume weighted average price to determine the discount at which the shares were issued. The total number of shares issued during the course of the financial period was 4.9 million shares, issued at share prices ranging between R22 and R27 per share, depending on the share price on the date of issue.

Treasury shares

The unissued shares are under the control of the directors of the company subject to the provisions of the Companies Act 2008, as amended, and the Listings Requirements of the JSE Limited. The reserve for the company's treasury shares comprises the cost of the company's shares held by the company.

Total listing fees of R61.2 million have been capitalised. All shares issued were fully paid up.

Reconciliation of number of shares in issue:	2017 '000	2016 '000
Opening balance reported	2 156 826	2 156 826
Issue of shares – ordinary shares	2 940 414	–
Closing balance	5 097 240	2 156 826

7 Tax paid

	2017 R'000	2016 R'000
Balance at beginning of the year	2 147	27
Current tax recognised in profit or loss	–	(2 174)
Less: payment of previous year's liability	(2 145)	–
Less: 1st provisional payment	(72)	–
Balance at the end of the year	(70)	2 147

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

8 Revenue

The company generates revenue received for dividends and management fees from inter-companies. Revenue is recognised once a right of payment has been established and the third party accepts recharge.

	2017	2016
Dividends received	30 000	–
	30 000	–

9 Other income

Other income is recognised based on the accrual basis of accounting.

	2017 R'000	2016 R'000
Other income	–	2 619
Profit on exchange differences	15 406	21 684
	15 406	24 303

10 Finance income and costs

Finance income and expenses are recognised within interest income and finance expense in profit or loss using the effective interest rate method.

Finance costs	2017 R'000	2016 R'000
Other finance costs	(4 375)	(7 808)
Total finance costs	(4 375)	(7 808)

Finance income	2017 R'000	2016 R'000
Bank	13 565	7 378
Total finance income	13 565	7 378
Net finance	9 190	(430)

11 Other operating expenses

	2017 R'000	2016 R'000
Accounting and secretarial fees	(5)	(3)
Bank charges	(211)	(678)
Loss on exchange differences	(2 255)	(12 507)
Once-off costs *	(120 821)	(3 000)
Professional fees	–	(176)
Training	–	(19)
	(123 292)	(16 383)

* Once-off costs are comprised of revaluation of loans costs and business combination transaction costs.

12 Income tax expense

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws that are enacted or substantially enacted at the reporting date in South Africa where the company operates and generates taxable income. Management periodically evaluates positions taken in our tax returns with regards to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the South African Revenue Services ("SARS").

Major components of the tax expense

	2017 R'000	2016 R'000
Current Tax		
Local income tax – current period	–	2 174
Recognised in current tax for prior periods		
	–	**2 174**
Income tax expense	**–**	**2 174**
Tax at the South Africa tax rate	**28.00%**	**28.00%**
Average effective tax rate	**28.00%**	**28.00%**

13 Cash flow from operating activities

	2017 R'000	2016 R'000
Profit before income tax	(68 696)	7 490
Adjustment for:		
Net finance	(9 190)	430
Foreign exchange differences	(13 151)	–
Realised foreign exchange gains/losses	13 149	–
Changes in working capital:		
Increase/(decrease) in trade and other payables	(507)	(1 608)
	(78 395)	**6 312**

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Directors	JA Bester MS Bomela CD Dillon K Futter B Harie Dr KS Pather GJ Shayne CB Sampson Dr KUHH Wellner
Registered office	31 Georgian Crescent East Bryanston Gauteng 2191
Business address	31 Georgian Crescent East Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Bankers	The Absa Bank Limited (acting through its Corporate and Investment Banking division) HSBC Bank plc Nedbank Limited (acting through its Corporate and Investment Banking division) Standard Chartered Bank
Auditors	PricewaterhouseCoopers Inc Chartered Accountants (S.A.)
Sponsors	Investec Bank Limited
Secretary	A Sims CA(SA)
Tax reference number	9810/017/15/3
	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: K Futter CA(SA)

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