



Ascendis HEALTH

ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

General Information

Country of incorporation and domicile	South Africa
Directors	Dr KUHH Wellner JA Bester OP Cunningham B Harie CD Dillon GJ Shayne C Sampson K Futter
Registered office	22 Sloane Street Bryanston Gauteng 2191
Business address	22 Sloane Street Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Bankers	The Standard Bank of South Africa Limited
Auditors	PricewaterhouseCoopers Inc Chartered Accountants (S.A.)
Secretary	A Sims CA (SA)
Tax reference number	9810/017/15/3
Level of assurance	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)

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Index

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

Index	Page
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 5
Audit Committee Report	6 - 8
Directors' Report	9 - 13
Statement of Financial Position	14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Changes in Equity	16 - 17
Statement of Cash Flows	18
Notes to the Annual Financial Statements	19 - 78

Directors' Responsibilities and Approval

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Ascendis Health Limited and its subsidiaries.

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

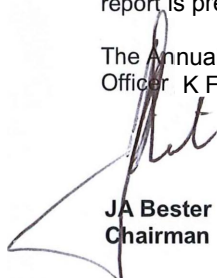
The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Annual Financial Statements and the reported expenses during the reporting period. Actual results 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, 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 4 to 5.

The Annual Financial Statements, as set out on pages 14 to 78, were prepared under the supervision of the Chief Financial Officer K Futter CA (SA), and approved by the board of directors on 13 September 2016 and were signed on their behalf by:



JA Bester
Chairman

Cape Town
13 September 2016



Dr KUH Wellner
Chief Executive Officer

Cape Town
13 September 2016

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
13 September 2016



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASCENDIS HEALTH LIMITED

Report on the Financial Statements

We have audited the consolidated and separate financial statements of Ascendis Health Limited set out on pages 14 to 78, which comprise the statements of financial position as at 30 June 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*PricewaterhouseCoopers Inc., 61 Second Avenue, Westdene, Bloemfontein 9301, P O Box 818, Bloemfontein 9300
T: +27 (51) 503 4100, F: +27 (51) 503 4299/4399, www.pwc.co.za*



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

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 as at 30 June 2016, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Louis Rossouw

Registered Auditor

13 September 2016

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

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 efficacy 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 III).

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
- Oversaw 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
- Oversaw 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 2015 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

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Audit Committee Report

3. Composition of the 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, LLM
JA Bester	B Com (Hons), CA (SA), CMS (Oxon)
OP Cunningham	B Sc (Agric Man)

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

The external audit partner, 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 should 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 2016 financial year.

5. 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.

6. 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.

7. 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.

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Audit Committee Report

8. Application of King III

The committee reviewed the progress made by Ascendis Health against the various principles of King III. 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 III schedule has been published on our website. The committee is currently evaluating the draft King IV code which is expected to be effective from 1 November 2016.

9. Conclusion

The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that it has functioned in accordance with its terms of reference for the 2016 financial year. The committee further confirms that this report to shareholders has been approved by the board.



B Harle

Chairperson Audit Committee

Cape Town

13 September 2016

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

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 2016.

1. Review of financial results and 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 for the year ended 30 June 2016 ("the period") of R 190 million, a decrease of 9% on the prior year's R 209 million. This is mainly attributable to costs associated with the acquisitions of Remedica Holdings and Scitec International amounting to R143 million. Excluding these once off costs, profit after tax would have increased by 59% over the prior year.

Group revenue increased by 39.1% from R 2.8 billion in the prior year to R 3.9 billion for the period. The increase was mainly due to organic growth and two significant acquisitions made in the Pharma-Med division. Refer to note 6 *Business Combinations* and note 4 *Reporting segments* for more detail.

2. Stated capital

	2016	2015
Authorised	Number of shares	
Ordinary shares	2 000 000 000	2 000 000 000
	2016	2015
Issued	Number of shares	
Ordinary shares	298 873 785	271 729 482

Refer to note 20 of the consolidated annual financial statements 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 6 and note 7. 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 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	Appointed 12 Nov 2015
C Sampson	MD South Africa	Executive	Appointed 12 Nov 2015
JA Bester	Chairperson	Non-executive Independent	
OP Cunningham	Other	Non-executive Independent	
B Harie	Other	Non-executive Independent	
CD Dillon	Other	Non-executive	
GJ Shayne	Other	Non-executive	

In terms of the group's Memorandum of Incorporation B Harie and CD Dillon retire by rotation at the 4th AGM and are eligible for re-election.

JC van Schalkwyk was assigned the interim Chief Financial Officer role on 11 May 2015 until the appointment of K Futter as CFO on 1 October 2015. The directors expressed their sincere appreciation for his contributions during his interim period of office.

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

5. Directors' interests in shares

As at 30 June 2016, the directors of the company held direct and indirect beneficial interests in 43% (2015: 47%) of its issued ordinary shares, as set out in note 28.

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 shares	Indirect shares	Total
KUHH Wellner	3 043 307	1 774	3 045 081
CB Sampson	211 175	250 000	461 175
K Futter	270 286	-	270 286
JA Bester	11 825	1 200	13 025
OP Cunningham	-	1 000	1 000
B Harie	3 548	108 317	111 865
CD Dillon	1 018 900	21 081 516	22 100 416
GJ Shayne	253 647	113 206 680	113 460 327
	4 812 688	134 650 487	139 463 175

Refer to note 28 for details on the directors' interest in shares as at 30 June 2016.

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 6 Business Combinations for acquisitions made and changes in ownerships during the year ended 30 June 2016.

7. Events after the reporting period

Acquisition of Remedica and Scitec

In a general meeting on the 11th of August 2016 the shareholders approved the special and ordinary resolutions for the purchase of Scitec and Remedica.

These acquisitions will create two new platforms for Ascendis, allowing it 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.

The geographical diversification offered by these transactions and their invoicing in US Dollar and Euro will create a natural Rand hedge, with approximately half of Ascendis' sales being generated by foreign operations post implementation. 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.

1) Scitec International ("Scitec")

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 has acquired the entire share capital of Scitec. The purchase consideration of EUR 170 million (R 2,692.8 million at an illustrative ZAR: EUR exchange rate of 15.84:1) will be settled in cash as follows:

- R 150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
 - EUR 20 million, deferred for 1 year.
-

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

2) Remedica Holdings Limited ("Remedica")

Remedica a pharmaceutical company based in Europe (Cyprus) 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.

The Group has acquired the entire share capital of Remedica. The purchase consideration of between EUR 260 million and EUR 335 million (R 4,118.4-R 5,306.4 million at an illustrative ZAR: EUR exchange rate of 15.84:1) will be settled as follows:

- EUR 170 million to be paid on completion which assumes a target working capital of EUR 50 million and at least EUR 5 million of surplus cash earmarked for future acquisitions.
- EUR 90 million deferred for 3 years (present value of EUR 80 million based on a pre-discount rate of 4%); and
- 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 EUR 75 million.

In terms of accounting for these two acquisitions, the initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided. The effective date of the Scitec and Remedica acquisition is expected early August 2016.

As per the pro forma financial results, Remedica reported a profit after tax of EUR 14.5 million and net assets of EUR 87 million for the year ended 31 December 2015 in its audited management accounts. Scitec reported a profit after tax of EUR 10.6 million and net assets of EUR 73.6 million for the 12 months ended 31 December 2015 in its audited annual financial statements.

Rights Offer

The above acquisitions will be funded by way of Debt Facilities, a Vendor Consideration Placement and a Rights Offer. In respect of the Rights Offer, Ascendis announced on Thursday, 30 June 2016 that it intends to raise R1.2 billion equity capital by way of a Rights Offer to qualifying shareholders. 54,545,454 Rights Offer 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. The Rights Offer was three times oversubscribed. The Rights Offer closed on 5 August 2016.

Debt facilities

Post year end and for the purpose of financing the Scitec and Remedica, Ascendis implemented a new debt structure arranged and underwritten by ABSA bank Ltd and HSBC Bank Plc. The total facilities amounted to Euro204m and R1.960bn and included Acquisition finance, Working Capital finance in the form of a Revolving Credit Facility and facilities to refinance the existing ZAR facilities.

Ascendis now has 5 year funding in place with some undrawn facilities and a structure that allows growth going forward and the ability to run an integrated Treasury function.

Vendor consideration placement

Together with the rights offer, Ascendis raised a further R1.5 bn through a vendor consideration placement to part settle the purchase consideration of the Remedica and Scitec acquisitions.

The vendor consideration placement was significantly oversubscribed, with participants including various international and strategic investors. The shares issued in terms of the vendor consideration placement were issued at R22.00 per share and were issued to investors upon pay away of the Remedica and Scitec acquisitions on 25 August 2016.

8. Acquisitions

Consumer Brands

In the Consumer Brands division the Group acquired OTC Pharma South Africa (OTC) for a purchase consideration of R21.5 million (July 2015). OTC markets and distributes a range of internationally branded, high quality health care products, including leading brands such as: Marcus Rohrer Spirulina and Diabecinn.

Phyto-Vet

The Group did not make any material acquisitions in the Phyto-Vet Division during the year, two smaller bolt-on transactions were concluded which will add value, foreign revenues and synergies to the existing business in the form of Afrikelp (February 2016) and Klub M5 (April 2016).

Pharma-Med (Farmalider)

The Group acquired a 49% interest in Farmalider, founded 29 years ago, an established Spanish pharmaceutical group of companies involved in the development, registration, licensing and production of generic pharmaceutical products. It

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

specialises in pain management as evidenced by its market leading position in the ibuprofen and paracetamol markets in Spain, with a growing presence in other European markets.

This acquisition provides Ascendis with an entry into the attractive € 23 billion Spanish pharmaceutical market and lays the foundation to expand the Group's reach into one of Europe's five largest pharmaceutical markets. Farmalider serves as a strategic platform for Ascendis to further expand into Europe, along with the company's established presence in Spain, Portugal, Germany, United Kingdom, Poland, Italy, France, Belgium, Sweden, Finland, Croatia, Austria, Slovakia and Hungary.

This transaction results in Ascendis acquiring Farmalider's current portfolio of c.200 pharmaceutical dossiers, its GMP accredited production facility in Madrid, as well as its pipeline of products, all of which are highly complementary to the Ascendis Pharma division's current portfolio and its internationalisation strategy.

Ascendis International Holdings Limited and the disposing shareholders have furthermore entered into a put and call option agreement that is exercisable in two tranches as set out below:

A put and call option, exercisable on 31 December 2018 ("First Option Date"), relating to 31% of the Farmalider Share Capital ("First Option"), whereby the disposing shareholders irrevocably grant in favour of Ascendis International Holdings Limited a call option to purchase 31% of the Farmalider share capital from the disposing shareholders; and Ascendis International Holdings Limited irrevocably grants in favour of the disposing shareholders a put option to dispose of 31% of the Farmalider share capital to Ascendis International Holdings Limited.

A put and call option, exercisable on 31 December 2020 ("Second Option Date"), relating to the remaining 20% Farmalider Share Capital ("Second Option"), whereby the disposing shareholders irrevocably grant in favour of Ascendis International Holdings Limited a call option to purchase 20% of the Farmalider share capital from the disposing shareholders; and Ascendis International Holdings Limited irrevocably grants in favour of the disposing shareholders a put option to sell 20% of the Farmalider share capital to Ascendis International Holdings Limited.

The exercise price for both the first and second option will be calculated by applying a predetermined earnings multiple ("Option Earnings Multiple") to Farmalider's future earnings, which Option Earnings Multiple will vary depending on the earnings growth rate achieved for the period ending on the first option date and the second option date respectively. The Option Earnings Multiple applied for the first and second option will be determined based on the same valuation methodology used to determine the purchase consideration. The maximum purchase price payable for the first and second option has been capped as not to trigger a category one transaction as defined in the JSE Listings Requirements.

Warranties and indemnities applicable to the first and second option are standard for transactions of this nature. Further details regarding the subsequent acquisition will be published following the First Option Date and Second Option Date respectively.

Bioswiss

The Group acquired Bioswiss for a purchase consideration of R17.9 million on 1 July 2015. Through various international partners, Bioswiss has access to innovative biotechnological products to manage and treat diabetes. The portfolio of medicines includes insulins, diabetes care devices, diabetes care OTC products and oral hypoglycaemic medications.

Sandoz dossiers

Ascendis Health acquired dossiers for 131 products with existing South African marketing-authorisations from Sandoz South Africa (Pty) Ltd. Sandoz, the generic pharmaceuticals division of Novartis, is a worldwide leader in the field of generic medicines. The purchase consideration was R30,2 million. The acquisition of these dossiers will allow Ascendis future access to registered products in the new and rapidly emerging therapeutic areas including oncology, women's health and urology, while strengthening their current position within the anti-infective's and neuroscience areas. The acquisition of these dossiers and successful development of the products will offer sustained organic and new market growth opportunities for the Pharma-Med division within Ascendis and will unlock operational efficiencies and explore new markets. Due to the size and nature of this business, it is seen as a bolt-on to the Pharma-Med division, where it will be complemented by our other successful pharmaceutical companies.

Akacia Healthcare

On 1 April 2016, Ascendis acquired 100% of the issued ordinary share capital of Akacia Healthcare Holdings Proprietary Limited, constituting its pharmaceutical business only. Akacia Pharma is a leading South African manufacturer, marketer and distributor of pharmaceutical products specialising in branded, generic, over the counter ("OTC") and complementary medicines. The company enjoys competitive positioning within many market segments in South Africa, including, market leading probiotic brand Reuterina, as well as the Sinucon and Sinuend brands which are ranked in the top three in the cold and flu market. Akacia Pharma not only manufactures its own established brands but also manufactures pharmaceutical products for well-known third parties under contract licensing arrangements. The company's diverse capabilities (including

Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

both manufacturing and commercial) are well respected in the South African market and will therefore further enhance Ascendis' pharmaceutical division and bolster its presence as a significant player in the domestic pharmaceutical market. Ascendis' pharmaceutical division, which currently enjoys a strong presence in the dispensing doctor and tender markets, is now expected to benefit from entry into new channels including retail pharmacy, hospital and prescribing doctors as a result of the Acquisition. The Akacia Pharma manufacturing facility, valued in excess of R100 million, is a Good Manufacturing Practices ("GMP") certified and Medicine Control Council ("MCC") licensed manufacturing facility.

9. Black economic empowerment (BEE)

During the year, Ascendis did not undertake any material (BEE) transactions.

10. Auditors

PricewaterhouseCoopers Inc will continue in office as auditors for the company and its subsidiaries for 2016 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 a final gross ordinary dividend of 12 cents per share. An interim gross dividend of 9.5 cents per share was declared with the release of interim results for the period ended 31 December 2015. Therefore a total dividend 21.5 cents per share for the full 2016 year (2015: 19 cents) has been declared. The source of the dividend will be from distributable reserves and paid in cash.

Additional information:

Dividends Tax ("DT") at the rate of 15% amounting to 1.80 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 10.20 cents per share net of DT.

The company has 432 235 645 ordinary shares in issue at the date of this report. Its income tax reference number is

9810/017/15/3. Shareholders are advised of the following salient dates in respect of the final dividend:

Last day to trade "cum" the dividend – Tuesday, 29 November 2016

Shares trade "ex" the dividend – Wednesday, 30 November 2016

Record date – Friday, 2 December 2016

Payment to shareholders – Monday, 5 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 2 December 2016, both days inclusive.

The directors of the company have determined that dividend cheques amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Tuesday, 29 November 2016 being the last day the shares trade "cum" the dividend. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

13. Special resolutions

The following special resolutions were approved at the AGM held on 10 November 2015:

- 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
-

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	Group		Company	
		2016	2015 Restated	2016	2015
Property, plant and equipment	19	365 464	152 664	-	-
Intangible assets and goodwill	7	3 008 180	2 059 759	-	-
Investments in subsidiaries	A	-	-	842 097	842 097
Investments accounted for using the equity method	29A	386	-	-	-
Other financial assets	27	73 287	17 949	-	-
Deferred income tax assets	30	10 651	22 950	-	-
Derivative financial instruments	8	-	4 335	-	-
Non-Current Assets		3 457 968	2 257 657	842 097	842 097
Inventories	17	939 823	582 095	-	-
Loans to related parties	28	-	-	1 251 041	815 443
Trade and other receivables	14	1 065 454	571 450	-	210
Other financial assets	27	22 281	99 341	-	-
Current tax receivable		30 561	3 395	-	27
Derivative financial instruments	8	6 727	15 706	-	-
Cash and cash equivalents	16	198 905	125 428	1 145	415
Current Assets		2 263 751	1 397 415	1 252 186	816 095
Total Assets		5 721 719	3 655 072	2 094 283	1 658 192
Stated capital	20	2 138 684	1 576 730	2 156 826	1 599 594
Other reserves		(259 892)	(51 909)	-	-
Retained earnings		396 948	299 416	(96 409)	(44 659)
Equity Attributable to Equity Holders of Parent		2 275 740	1 824 237	2 060 417	1 554 935
Non-controlling interest		179 302	-	-	-
Total Equity		2 455 042	1 824 237	2 060 417	1 554 935
Derivative financial instruments	8	45 801	4 890	-	-
Borrowings and other financial liabilities	10	1 052 266	798 258	-	-
Finance lease liabilities	24	3 932	-	-	-
Deferred income tax liabilities	30	224 358	134 938	-	-
Deferred vendor liabilities	12	207 184	36 758	-	-
Non-Current Liabilities		1 533 541	974 844	-	-
Trade and other payables	13	853 528	470 914	992	2 809
Derivative financial instruments	8	-	15 039	-	-
Borrowings and other financial liabilities	10	376 631	64 776	30 727	26 290
Finance lease liabilities	24	3 444	-	-	-
Current tax payable		38 032	-	2 147	-
Provisions	13	17 493	-	-	-
Deferred vendor liabilities	12	222 707	281 048	-	2 387
Bank overdraft	16	221 301	24 214	-	71 771
Current Liabilities		1 733 136	855 991	33 866	103 257
Total Liabilities		3 266 676	1 830 835	33 866	103 257
Total Equity and Liabilities		5 721 718	3 655 072	2 094 283	1 658 192

The notes on pages 19 to 78 form an integral part of the annual financial statements.
Refer to Note 6 for the details of the restatement.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Note(s)	Group		Company	
		2016	2015	2016	2015
Revenue	18	3 918 432	2 816 717	-	-
Cost of sales		(2 356 149)	(1 588 194)	-	-
Gross profit		1 562 283	1 228 523	-	-
Other income	23	85 872	27 476	24 303	6 422
Selling and distribution costs	33	(326 659)	(291 516)	-	-
Administrative expenses	33	(709 653)	(502 289)	(876)	(504)
Other operating expenses	33	(235 313)	(100 020)	(15 507)	-
Operating profit		376 530	362 174	7 920	5 918
Finance income	11	32 968	24 234	7 378	2 844
Finance expense	11	(163 477)	(93 300)	(7 808)	(2 961)
Gains/(Losses) from equity accounted investments	29	5 625	(546)	-	-
Profit before taxation		251 646	292 562	7 490	5 801
Taxation	31	(61 565)	(82 575)	(2 174)	-
Profit for the year		190 081	209 987	5 316	5 801
Other comprehensive income:					
Revaluation of property, plant and equipment		19 060	-	-	-
Income tax relating to items that will not be reclassified		(5 337)	-	-	-
Total items that will not be reclassified to profit or loss		13 723	-	-	-
Foreign currency translation reserve		(54 125)	-	-	-
Effects of cash flow hedges		(37 009)	(949)	-	-
Total items that may be reclassified to profit or loss		(91 134)	(949)	-	-
Other comprehensive income for the year net of taxation		(77 411)	(949)	-	-
Total comprehensive income for the year		112 670	209 038	5 316	5 801
Profit attributable to:					
Owners of the parent:		158 733	209 835	5 316	5 801
Non-controlling interest		31 348	152	-	-
		190 081	209 987	5 316	5 801
Total comprehensive income attributable to:					
Owners of the parent		59 403	208 886	5 316	5 801
Non-controlling interest		43 267	152	-	-
		112 670	209 038	5 316	5 801
Basic and diluted earnings per share (cents) (Restated)	3	57,13	79,61		

The notes on pages 19 to 78 form an integral part of the annual financial statements.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Equity

	Stated capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Non-controlling interest put option	Other reserves	Retained earnings	Total attributable to owners	Non-controlling interest	Total equity
Figures in Rand thousand										
Group										
Balance at 01 July 2014	1 108 036	188	-	976	-	(57 283)	152 068	1 203 985	6 805	1 210 790
Profit for the year	-	-	-	-	-	-	209 835	209 835	152	209 987
Other comprehensive income	-	-	(949)	-	-	-	-	(949)	-	(949)
Total comprehensive income	-	-	(949)	-	-	-	209 835	208 887	152	209 038
Issue of shares	480 524	-	-	-	-	-	-	480 524	-	480 524
Purchase of own/treasury shares	(10 771)	-	-	-	-	-	-	(10 771)	-	(10 771)
Raising fees capitalised	(1 059)	-	-	-	-	-	-	(1 059)	-	(1 059)
Dividends	-	-	-	-	-	-	(62 487)	(62 487)	-	(62 487)
Changes in ownership interest	-	-	-	-	-	5 159	-	5 159	(6 957)	(1 798)
Transactions with owners recognised directly in equity	468 694	-	-	-	-	5 159	(62 487)	411 366	(6 957)	404 409
Balance at 01 July 2015	1 576 730	188	(949)	976	-	(52 124)	299 416	1 824 238	-	1 824 238
Profit for the year	-	-	-	-	-	-	158 733	158 733	31 348	190 081
Other comprehensive income	-	(54 125)	(37 009)	13 723	-	-	-	(77 411)	11 919	(65 492)
Total comprehensive income	-	(54 125)	(37 009)	13 723	-	-	158 733	81 322	43 267	124 589
Issue of shares	557 890	-	-	-	-	-	-	557 890	-	557 890
Purchase of own/treasury shares	4 722	-	-	-	-	-	-	4 722	-	4 722
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	101 145	101 145
Non-controlling interest option	-	-	-	-	(99 817)	-	-	(99 817)	-	(99 817)
Raising fees capitalised	(658)	-	-	-	-	-	-	(658)	-	(658)
Dividends	-	-	-	-	-	-	(57 066)	(57 066)	-	(57 066)
Foreign translation of equity	-	(37 845)	-	-	(17 927)	17 167	-	(38 605)	38 605	-
Reallocation of reserves	-	-	-	-	-	7 850	(4 135)	3 715	(3 715)	-
Transactions with owners recognised directly in equity	561 954	(37 845)	-	-	(117 744)	25 017	(61 201)	370 181	136 035	506 216
Balance at 30 June 2016	2 138 684	(91 782)	(37 958)	14 699	(117 744)	(27 107)	396 948	2 275 740	179 302	2 455 042
Note(s)	20				12	34				

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Equity

	Stated capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Non-controlling interest put option	Other reserves	Retained earnings	Total attributable to owners	Non-controlling interest	Total equity
Figures in Rand thousand										
Company										
Balance at 01 July 2014	1 120 129	-	-	-	-	-	11 922	1 132 051	-	1 132 051
Profit for the year	-	-	-	-	-	-	5 801	5 801	-	5 801
Total comprehensive income	-	-	-	-	-	-	5 801	5 801	-	5 801
Issue of shares	480 524	-	-	-	-	-	-	480 524	-	480 524
Capitalisation of listing fees	(1 059)	-	-	-	-	-	-	(1 059)	-	(1 059)
Dividends	-	-	-	-	-	-	(62 381)	(62 381)	-	(62 381)
Transactions with owners recognised directly in equity	479 465	-	-	-	-	-	(62 381)	417 084	-	417 084
Balance at 01 July 2015	1 599 594	-	-	-	-	-	(44 658)	1 554 936	-	1 554 936
Profit for the year	-	-	-	-	-	-	5 316	5 316	-	5 316
Total comprehensive income	-	-	-	-	-	-	5 316	5 316	-	5 316
Issue of shares	557 232	-	-	-	-	-	-	557 232	-	557 232
Dividends	-	-	-	-	-	-	(57 066)	(57 066)	-	(57 066)
Transactions with owners recognised directly in equity	557 232	-	-	-	-	-	(57 066)	500 166	-	500 166
Balance at 30 June 2016	2 156 826	-	-	-	-	-	(96 408)	2 060 418	-	2 060 418
Note(s)	20						34			

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Figures in Rand thousand	Note(s)	Group		Company	
		2016	2015 (Restated)	2016	2015
Cash flows from operating activities					
Cash flows from operating activities	26	(280 537)	285 805	6 312	52 099
Interest income		32 968	24 234	7 378	2 844
Finance expense		(163 477)	(93 300)	(7 808)	(2 962)
Income taxes paid	32	(95 167)	(122 988)	-	(1 380)
Net cash from operating activities		(506 213)	93 751	5 882	50 601
Cash flows from investing activities					
Purchase of property, plant and equipment	19	(95 881)	(45 918)	-	-
Proceeds on the sale of property, plant and equipment	19	36 707	16 646	-	-
Purchase of other intangible assets	7	(83 003)	(43 156)	-	-
Proceeds on the sale of intangible assets	7	333	-	-	-
Payment for acquisition of subsidiaries - net of cash	6	(440 160)	(453 099)	-	12 945
Payment for acquisition of a joint venture		-	5 768	-	-
Repayments on deferred vendor liabilities		(10 825)	(13 511)	-	-
Repayment of loans advanced to related parties		41 724	54 000	-	-
Loans advanced to related parties		-	(14 748)	-	(507 857)
Advance made to acquire other financial assets		(27 552)	(9 009)	-	-
Net cash flows from investing activities: discontinued operations and non-current assets held for sale		-	5 616	-	-
Net cash utilised in investing activities		(578 657)	(497 411)	-	(494 912)
Cash flows from financing activities					
Proceed from issue of shares	20	557 232	479 465	557 232	479 465
Proceed on the sale of/ (payment to acquire) treasury shares	20	6 049	(10 771)	-	-
Proceeds from borrowings raised		926 813	850 000	-	-
Repayment of borrowings		(475 062)	(691 315)	(2 387)	-
Loans received from related parties		-	119	4 437	4
Loans advanced to related parties		-	(41 670)	(435 598)	-
Repayment of loans from related parties		(116)	-	-	-
Finance lease payments		(490)	-	-	-
Dividends paid	21	(57 066)	(62 487)	(57 066)	(62 382)
Payment of shares in subsidiary to non-controlling interest where control is not lost		-	(12 500)	-	-
Net cash from financing activities		957 360	510 841	66 618	417 087
Net increase / (decrease) in cash and cash equivalents		(127 510)	107 180	72 500	(27 224)
Cash and cash equivalents at beginning of period		101 215	(5 965)	(71 357)	(44 133)
Effect of exchange rate movement on cash balances		3 899	-	-	-
Total cash at end of the year	16	(22 396)	101 215	1 143	(71 357)

The notes on pages 19 to 78 form an integral part of the annual financial statements.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

1. Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through four segments: Consumer Brands, Pharma-Med, Phyto-Vet and International. It's Consumer Brands segment 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. It's Pharma-Med segment consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. The Phyto-Vet segment supplies health and care products to the plant and animal markets. The Phyto-Vet division manufactures and supplies over 3,500 different products supplied to over 4,500 retail stores. The International segment is the sale of health and personal care products, prescription and selected OTC pharmaceuticals and medical devices operating in the European market.

These annual financial results for the year ended 30 June 2016 comprise of the company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments.

2. Basis of preparation

The annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for annual reports, 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 annual financial results for the year ended 30 June 2016 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 Health Limited. The Group owns the following entities which operate in primary economic environments which are different to the Group:

Farmalider - Spain
Avima Uganda - Uganda
Akusa - United States of America
Nimue UK- United Kingdom
Heritage Resources Limited - Isle of Man

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

2.1. Judgments 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 expense.

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 7 and 19)
- Impairment testing and allocation of cash generating units. (Note 7)
- Estimation of fair value in business combinations. (Note 6)
- Estimated goodwill impairment. (Note 7)
- Estimation of fair values of land and buildings. (Note 19)
- Control assessments of investments in other entities acquired. (Note 6)

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

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

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 raised R1.2 billion on the 12th of August 2016, through a rights offer to all current shareholders, to part settle the purchase consideration of the international acquisitions referred to in Subsequent events (Note 5). In terms of the agreement, the subscription price for the shares was R 22,00. The basic and diluted earnings per share figures for the current financial period, as well as the 2015 comparative period is represented in terms of IAS 33 on the basis of the new shares issued at no consideration. The total number of shares issued for no consideration is 3 million shares.

The Group has determined no instruments exist at year end 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.

(a) Basic

	Group	
	2016	2015
Profit attributable to owners of the parent	158 733	209 835
Total	158 733	209 835
Weighted average number of ordinary shares in issue	277 861 370	263 581 520
Earnings per share	57,13	79,61

(b) Headline earnings per share

	Group	
	2016	2015
Profit attributable to equity holders of the parent	158 733	209 835
Loss/(profit) on the sale of property, plant and equipment	(943)	(1 082)
Loss/(profit) on investment disposal	(7 535)	-
Non-controlling interest portion of the above mentioned loss/ (profit)	3 055	-
Tax effect	1 062	303
Headline earnings	154 372	209 056
Weighted average number of shares in issue	277 861 370	263 581 520
Headline earnings per share	55,56	79,31

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

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

(c) Normalised headline earnings per share

Since Ascendis Health is a pharmaceutical company and not an investment entity, normalised headline earnings is calculated by excluding amortisation and certain costs from the Groups earnings. Cost 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.

	Group	
	2016	2015
Reconciliation of normalised headline earnings		
Headline earnings	154 372	209 055
Foreign business combination cost	143 005	-
Restructuring cost	22 605	-
Business combination cost	(12 699)	12 474
Tax effect	(6 329)	(3 493)
Amortisation	48 194	37 127
Tax effect	(12 796)	(10 395)
Normalised headline earnings	336 352	244 768
Weighted average number of shares in issue	277 861 370	263 581 520
Normalised headline earnings per share	121,05	92,86

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.

4. Reporting segments

The Group has four main reportable segments that comprise the structure used by the Group executive committee (EXCO) to make key operating decisions. The EXCO is the Group's chief operating decision-maker. The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes, the products they manufacture and the predominant market in which it operates.

The EXCO considers the group from both a geographic and product perspective. Geographically, management considers the performance within South Africa and its foreign exports. From a product perspective, management separately considers the activities in these geographies on a segmental basis. Ascendis operates and sells health and care products through four segments across the full health spectrum, three of which cater for human health (Consumer Brands, Pharma-Med and International) and one for the plant and animal health sector (Phyto-Vet).

Each segment that operates predominantly in the South African market utilises different technology, manufacturing and marketing strategies, and are therefore separate reportable segments despite the similar economic environment in which they operate.

During the 2016 financial period, the Group acquired its first material foreign operation. The new acquisition operates predominantly in the European market, which is a substantially different economic and regulatory environment from the South African market. For the reasons mentioned above as well as the geographic location of the foreign operations the Group has introduced a new reporting segment. The International reporting segment supports the Groups strategy to improve its international footprint.

The four operating segments are:

- Consumer Brands segment (human health), incorporating sports nutrition, skin and all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines consumer brands products;
- Phyto-Vet segment (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med segment (human health), incorporating Ascendis' pharmaceutical business and its medical devices business; and
- International segment, incorporating the pharmaceutical and consumer brands business operating in the European market.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

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.

Consumer Brands

This segment comprises of health and personal care products sold to the general public, primarily at the retail store level. The health products sold to these consumers are products catering for preventative health needs and can be categorised into OTC medicines and consumer brands, including vitamins and minerals, homeopathic, ayurvedic products, herbal products, dermatologicals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics.

The brands have been established in the South African market for between 6 and 45 years and are generally targeted at higher LSM customers. Some of the segments' products are already successfully exported into Euro and Dollar export markets. As a result this division has shown itself to be resilient in difficult economic times, hence its consistently strong historical financial performance.

Phyto-Vet

The Phyto-Vet segment manufactures and supplies in aggregate 3 500 different products supplied to over 4 500 retail stores throughout South Africa and a further 20 African countries via a network of distributors or through direct governmental tender participation.

Pharma-Med

This segment comprises of the sale of prescription and selected OTC pharmaceuticals, and also includes medical devices. Ascendis' pharmaceutical products are typically sold through dispensing doctors, wholesalers, pharmaceutical retailers and hospitals, to both the private and government sectors. Ascendis' medical device products are focused on the areas of general surgery, gynaecology, urology, ear, nose and throat, cardiology, diagnostics and radiology and the marketing of devices in a South African agent function, on an exclusive basis, for international brands of high value-add. Ascendis imports and sells pharmaceutical products and medical devices through its Pharma-Med segment, which targets the human health sector via medical professionals (doctors and pharmacists) using the following channels: medical practices, pharmacies, labs, wholesalers and hospitals (both state and privately owned).

International

International is a pharmaceutical and consumer brands business segment based in Europe, moreover, International has a growing portfolio of innovative over the counter ("OTC") products, which accords with the broader Ascendis strategy of ongoing investment into typically, high margin, and branded OTC health products and provides Ascendis' consumer brands segment an additional route to market in European market.

(1) *Statement of comprehensive income measures applied*

	Group	
	2016	2015
Revenue split by segment		
Consumer Brands	921 836	949 127
Phyto-Vet	700 895	619 568
Pharma-Med	1 808 204	1 248 022
International	487 497	-
Total revenue	3 918 432	2 816 717
Geographical revenue split		
South Africa	3 054 531	2 557 665
Foreign	863 901	259 052
Total revenue	3 918 432	2 816 717

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

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

The Group has an expanding international presence and currently exports products to 52 countries, mainly in Africa and Europe. The foreign revenue per the geographical split includes all revenue generated from a different geographic location, through export as well as foreign operations. During 2016, 14% of the foreign revenue was generated from the Spanish market.

34% of the Groups revenue is generated through the wholesale and retail market in South Africa (2015: 24%). In this market, 6% (2015: 9%) of the total Group revenue is derived from a single customer.

EBITDA	2016	2015
Consumer Brands	206 753	164 262
Phyto-Vet	96 184	81 574
Pharma-Med	278 963	232 834
International	90 636	-
Total EBITDA	672 536	478 670
Head office adjusted expenses	(59 334)	(56 228)
Non-controlling interest proportionate share	(46 225)	-
Total EBITDA attributable to the parents	566 977	422 442

Reconciliation of EBITDA to Consolidated Results	2016	2015
Consolidated operating profit	376 530	362 174
Total consolidated amortisation and depreciation	83 761	60 268
Restructuring and business combination cost	152 911	-
Non-controlling interest proportionate share	(46 225)	-
Total EBITDA attributable to the parents	566 977	422 442

EBITDA is a measure of a company's operating profitability. It equals earnings before interest, tax, depreciation and amortisation. Due to the fact that EBITDA excludes depreciation and amortisation, EBITDA therefore provides a measurement criteria view of a segment's core profitability.

	2016	2015
Consumer Brands		
- Finance income	1 197	2 009
- Finance expense	(3 742)	(33 602)
Phyto-Vet		
- Finance income	979	399
- Finance expense	(2 073)	(25 933)
Pharma-Med		
- Finance income	2 321	1 032
- Finance expense	(20 484)	(30 449)
International		
- Finance income	2 307	-
- Finance expense	(76)	-
Head-Office		
- Finance income	26 163	17 478
- Finance expense	(137 101)	-
Total consolidated net finance cost	(130 509)	(69 066)

Finance income and costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services Limited. All external finance cost are therefore incurred in Ascendis Financial Services, the EXCO evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

Other profit or loss disclosures:

Tax expense per segment	2016	2015
Consumer Brands	(7 521)	(24 945)
Phyto-Vet	(6 134)	(8 590)
Pharma-Med	(40 785)	(47 684)
International	(375)	-
Head Office	(6 750)	(1 356)
Total consolidated tax expense	(61 565)	(82 575)

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

(2). *Statement of financial position measures applied*

Segmental assets and liabilities	2016	
	Total assets	Total liabilities
Consumer Brands	1 233 112	(85 861)
Phyto-Vet	900 856	(254 052)
Pharma-Med	2 223 203	(397 841)
International	704 628	(305 338)
Head-Office	659 920	(2 223 584)
Consolidated value	5 721 719	(3 266 676)

Segmental assets and liabilities	2015	
	Total assets	Total liabilities
Consumer Brand	1 231 058	(535 684)
Phyto-Vet	525 689	(295 683)
Pharma-Med	1 753 288	(980 307)
International	-	-
Head-Office net asset value	145 037	(19 161)
Consolidated value	3 655 072	(1 830 835)

5. Events after the reporting period

Acquisition related activities:

In a general meeting on the 11th of August 2016 the shareholders approved the special and ordinary resolutions for the purchase of Scitec and Remedica.

These acquisitions will create two new platforms for Ascendis, allowing it 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.

The geographical diversification offered by these transactions and their predominant invoicing in US Dollar and Euro will create a natural Rand hedge, with approximately half of Ascendis' sales being generated by foreign operations post implementation. 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

5. Events after the reporting period (continued)

1) Scitec International ("Scitec")

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.

The Group has acquired the entire share capital of Scitec a European sports nutrition company. The purchase consideration of EUR 170 million (R 2,692.8 million at an illustrative ZAR:EUR exchange rate of 15.84:1) will be settled in cash as follows:

- EUR 150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- EUR 20 million, deferred for 1 year.

2) Remedica Holdings Limited ("Remedica")

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 segment.

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between EUR 260 million and EUR 335 million (R 4,118.4-R 5,306.4 million at an illustrative ZAR:EUR exchange rate of 15.84:1) will be settled as follows:

- EUR 170 million to be paid on completion which assumes a target working capital of EUR 50 million and at least EUR 5 million of surplus cash earmarked for future acquisitions.
- EUR 90 million deferred for 3 years (present value of EUR 80 million based on a pre-discount rate of 4%); and
- 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 EUR 75 million.

The effective date of the Scitec and Remedica acquisition is expected to be early August 2016.

As per the pro forma financial results, Remedica reported a profit after tax of EUR 14.5 million and net assets of EUR 87 million for the year ended 31 December 2015 in its audited management accounts. Scitec reported a profit after tax of EUR 10.6 million and net assets of EUR 73.6 million for the 12 months ended 31 December 2015 in its audited annual financial statements.

At the time the financial statements were authorised for issue, the Group had not completed the accounting for the above mentioned acquisitions. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entities.

Rights Offer:

The above acquisitions will be funded by way of Debt Facilities, Vendor Consideration Placement and a Rights Offer.

In respect of the Rights Offer, Ascendis announced on Thursday, 30 June 2016 that it intends to raise R1.2 billion equity capital by way of a Rights Offer to qualifying shareholders.

54,545,454 Rights Offer 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. The Rights Offer was three times oversubscribed. The Rights Offer closed on 5 August 2015.

Debt facilities:

Post year end and for the purpose of financing the Scitec and Remedica, Ascendis implemented a new debt structure arranged and underwritten by ABSA bank Ltd and HSBC Bank Plc. The total facilities amounted to Euro204m and R1960bn and included Acquisition finance, Working Capital finance in the form of a Revolving Credit Facility and facilities to refinance the existing ZAR facilities.

Ascendis now has 5 year funding in place with some undrawn facilities and a structure that allows growth going forward and the ability to run an integrated Treasury function.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

5. Events after the reporting period (continued)

Vendor consideration placement:

Together with the rights offer, Ascendis raised a further R1,5 billion through vendor consideration placement to part settle the purchase consideration of the Remedica and Scitec acquisitions.

The vendor consideration placement was significantly oversubscribed, with participants including various international and strategic investors. The shares issued in terms of the vendor consideration placement were issued at R22,00 per share and were issued to investors upon pay away of the Remedica and Scitec acquisitions on 25 August 2016.

Dividends:

The board of directors has approved a final gross ordinary dividend of 12 cents per share, following the interim dividend of 9,5 cents, which makes a total dividend of 21,5 cents per share for the financial year ending 30 June 2016 (2015: 19 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

6. Business combinations

Subsidiaries

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 which are not covered by Coast2Coast, 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 12 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 2 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 segments 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

Bolt-On Company: 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 and administrative functions.

Management’s main assumptions in evaluating this as a business acquisition 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.

(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 Health Limited acquired the following businesses:

- | | |
|-----------------------------|---|
| • Sandoz Dossiers (1) | – acquisition of assets and liabilities |
| • Farmalider Group in Spain | – 49% (Ascendis obtained effective control) |
| • Bioswiss (Pty) Ltd (1) | – 100% |
| • OTC Pharma (1) | – acquisition of assets and liabilities |
| • Akacia Group | – 100% |
| • Klub M5 (Pty) Ltd | – 100% |
| • Afrikelp Group | – 100% |

(1) Included as part of “other” below.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

The following table illustrates the consideration paid and net assets acquired for each material subsidiary acquired during the year:

	2016						2015
	Farmalider	Afrikelp	Akacia	Klub M5	Other	Total	Total
Cash	102 279	75 000	240 000	65 000	54 756	537 035	471 176
Transfers from joint ventures to subsidiaries	-	-	-	-	-	-	41 820
Equity instruments	-	91 463	117 706	-	4 347	213 516	25 719
Vendor loans	111 995	32 063	-	40 399	10 560	195 017	278 385
	214 274	198 526	357 706	105 399	69 663	945 568	817 100
Cash and cash equivalents	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Property, plant and equipment	32 802	8 756	102 895	2 115	120	146 688	55 610
Intangible assets within the acquiree	293 884	53 491	98 359	61 799	29 327	536 860	141 875
Other financial assets	1 129	5 543	27 465	3 473	90	37 700	26 831
Inventories	61 769	7 473	31 195	25 853	10 055	136 345	84 270
Trade and other receivables	125 182	19 858	52 051	6 014	3 638	206 743	150 540
Provisions	(29 246)	-	-	-	(150)	(29 396)	(13 894)
Trade and other payables	(159 855)	(10 205)	(69 999)	(7 825)	(2 142)	(250 026)	(94 190)
Borrowings	(72 336)	(3 945)	(2 306)	(1 294)	(5 730)	(85 611)	(42 690)
Current tax (payable)/receivable	-	6	611	(1 282)	(5)	(670)	(8 678)
Provision for doubtful debt	(42 277)	-	-	-	-	(42 277)	-
Deferred tax assets/(liabilities)	(73 471)	(18 007)	(11 606)	(17 304)	(8 098)	(128 486)	3 773
Total identifiable net assets	203 691	74 358	219 261	92 046	35 389	624 745	321 524
Non-controlling interest	(103 880)	2 735	-	-	-	(101 145)	-

Group

	2016						2015
	Farmalider	Afrikelp	Akacia	Klub M5	Other	Total	Total
Resultant goodwill	114 463	121 433	138 445	13 353	34 274	421 968	495 579
Total cash paid for acquisitions	(102 279)	(75 000)	(240 000)	(65 000)	(54 756)	(537 035)	(471 176)
Cash acquired	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Cash flow relating to business combinations	(36 169)	(63 612)	(249 404)	(44 503)	(46 472)	(440 160)	(453 099)

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

Purchase price allocation input assumptions:

All purchase price allocation input assumptions are considered to be Level 3 fair value measurements.

International

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
Lifespan of intangible assets	20-30 years	Increase in lifespan
Risk free rate	1.82%	Decrease in risk free rate
Inflation	1%	Increase in inflation

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	11.93% to 13.12%	Decrease in WACC

Pharma Med

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
Lifespan of intangible assets	10 - 25 years	Increase in lifespan
Risk free rate	8.24% to 8.96%	Decrease in risk free rate
Inflation	5.5% to 5.6%	Increase in inflation

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	21.53% to 28.42%	Decrease in WACC
Royalty rate	5.1%	Increase in royalty rate

Phyto Vet

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
Lifespan of intangible assets	12 -20 years	Increase in lifespan
Risk free rate	9.2% to 9.4%	Decrease in risk free rate
Inflation	5.6% to 5.8%	Increase in inflation

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	21.50% to 24.02%	Decrease in WACC
Royalty rate	2.8% to 3.6 %	Increase in royalty rate

(1) Change in observable/unobservable input, which will result in an increase in the fair value measurement.

The fair value of trade and other receivables is R 207 million which is the same as the gross contractual amount. The full amount is expected to be collectable.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

International platform acquisition- Purchase 49% of Farmalider Group in Spain and obtaining effective control

Ascendis aims to complement its organic, acquisitive and synergistic growth in the domestic healthcare market through a strategy of international expansion, targeting to achieve 30% of revenue in offshore markets in the medium-term in order to grow and diversify across different markets and increase foreign denominated earnings. This transaction results in Ascendis acquiring Farmaliders' current portfolio of c.200 pharmaceutical dossiers, its GMP accredited production facility in Madrid, as well as its pipeline of products, all of which are highly complementary to the Ascendis pharma segment's current portfolio and its internationalisation strategy. Synergies relating to the cross-border sharing of products and pharmaceutical dossiers are expected to be realised throughout the value chain, particularly by opening up new distribution channels, new markets and a new customer base as result of Farmaliders' very successful licensing-out model.

This acquisition provides Ascendis with an entry into the attractive €23 billion Spanish pharmaceutical market and lays the foundation to expand the Company's reach into one of Europe's five largest pharmaceutical markets.

The purchase consideration is R 214 million (R 102 million on 31 July 2015; 111,9 million payable on 01 Jan 2017). In addition to the acquisition of the 49% interest, Ascendis also has to option by means of a put-call option to acquire the remaining 51% interest for a further R 99, 8 million payable exercisable in 2018 (R 50 million) and 2021 (R 49,8 million) respectively (Refer to Statement of changes in equity).

The acquisition of a 49% interest in Farmalider in the current reporting period. The ultimate aim of the transactions is for the value of the Company to grow sustainably over the mid-term and for Ascendis to acquire 100% of the company via the put option. The control assessment in terms of IFRS 10 of Farmalider 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 returns from Farmalider. Ascendis controls Farmalider in terms of IFRS 10, and has accounted for it accordingly.
- In addition to the above, management of Ascendis was required to assess the risks and rewards relating to the remaining 51% interest to which the parties to the contract are exposed to. Management concluded both Ascendis and the non-controlling interest party share in the risks and the rewards associated with the day-to-day business operations in relation to their proportionate shareholding. Based on the above the risk and rewards have not transferred to Ascendis. Ascendis has recognised the non-controlling interest (51%). Refer to note 12 for further details on the measurement of the put and call option.

Due to the size and nature of this business, it is seen as an offshore platform company to the Pharma-Med segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 August 2015 contributed by Farmalider was R 439,1 million Farmalider also contributed profit after tax of R 54,7 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 R 486,8 million and R 61,8 million respectively. The normalised EBITDA is R71,4 million.

Pharma-Med bolt-on acquisition- Akacia Healthcare Holdings

Akacia Pharma is a leading South African manufacturer, marketer and distributor of pharmaceutical products specialising in branded, generic, over the counter ("OTC") and complementary medicines. The company enjoys competitive positioning within many market segments in South Africa, including, inter alia, market leading probiotic brand Reuterina, as well as the Sinucon and Sinuend brands which are ranked in the top three in the cold and flu market.

The Akacia Pharma manufacturing facility, valued in excess of R100 million, is a Good Manufacturing Practices certified and Medicine Control Council licensed manufacturing facility. The acquisition of this Manufacturing Facility forms part of Ascendis' vertical integration strategy, which includes consolidating the manufacture of group products to the extent possible within the group, allowing Ascendis to unlock vertical integration benefits, which in turn optimises synergies and improves margins.

The purchase consideration is R 357,7 million (R 240 million on 1 April 2016, R 117,7 million paid in shares).

Due to the size and nature of this business, it is seen as a bolt-on to the Pharma-Med segment, where it will be complemented by our other successful pharmaceutical companies.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Akacia was R 100,5 million. Akacia also contributed profit after tax of R 12,2 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 R 320,6 million and R 27 million respectively. The normalised EBITDA is R52 million.

Phyto-Vet

Bolt on acquisition- Afrikelp Holdings

Afrikelp Holdings was established in 1971 and is one of two leading kelp processing companies in South Africa specialising in collecting, cultivating, sustainably harvesting and processing red and brown seaweeds (*ecklonia maxima*) for the production of natural growth stimulants in agriculture and horticulture. These stimulants improve quality and yield especially in organic and hydrocolloid production. Raw material is also supplied for animal feed (mostly abalone farming), animal health, alginate production and agar extraction.

Afrikelp is a bolt-on transaction that will add value and synergies to the existing Phyto-Vet segment as well as providing access to the US market. Ascendis acquired 100% of the Afrikelp Group, within this Group we acquired a pre-existing immaterial, non-controlling interest.

The purchase consideration is R 198,5 million (R 75 million on 1 February 2016, R 32 million deferred payment and R 91,4 million payable in shares).

Due to the size and nature of this business, it is seen as a bolt-on to the Phyto-Vet segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 February 2016 contributed by Afrikelp was R 45,1 million. Afrikelp also contributed profit after tax of R 13,1 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 R 71,2 million and R 16 million respectively. The normalised EBITDA is R20,1 million.

Bolt-on acquisition- Klub M5

Klub M5's has built exclusive relationships with selected Distributors for its range of high quality patented, speciality and generic products in nematicides, insecticides, herbicides and fungicides.

Klub M5 is a bolt-on transaction that will add value and synergies to the existing Phyto-Vet segment.

The purchase consideration is R 105 million (R 65 million on 1 April 2016, R 40 million deferred payment). In addition, there is a R5 million loan from Klub M5 as a result of the acquisition.

Due to the size and nature of this business, it is seen as a bolt-on to the Phyto-Vet segment, where it will be complemented by our other successful pharmaceutical companies.

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Klub M5 was R 8 million. Klub M5 also contributed profit after tax of R 2,2 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 R 85,4 million and R 4,3 million respectively. The normalised EBITDA is 11,4 million.

Other acquisitions consists of the following:

The other acquisitions were bolt on acquisitions in the Pharma-Med and Consumer Brands segments. This included the acquisition of Sandoz Dossiers, Bioswiss and OTC Pharma.

The revenue included in the statement of comprehensive income since acquisition was R 33 million. The other acquisitions also contributed profit after tax of R 2,1 million over the same period.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Business combinations (continued)

IFRS 3 re-measurements:

At 30 June 2015, the Respiratory Care Africa purchase price allocation was provisional due to the complexity of the business. A warranty accrual was recognised at acquisition date and demo stock was reclassified from inventory to property, plant and equipment. The financial effect has been summarised below:

	Group 2015		
	Previously stated	Adjustment	Restated
Statement of financial position			
Property, plant and equipment	149 252	2 986	152 238
Goodwill	1 505 593	5 303	1 510 896
Trade and other payables	(463 011)	(7 365)	(470 376)
Deferred income tax asset	20 888	2 062	22 950
Inventory	585 081	(2 986)	582 095
Impact on retained earnings	-	-	-

7. Intangible assets and goodwill

Intangible assets are stated at historical 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 research and 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. Farmalider is further incentivised in Spain 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

7. Intangible assets and goodwill (continued)

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. Internally generated asset impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The assessment is similar to that of goodwill.

(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.	10-20 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.	5-20 years

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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

7. Intangible assets and goodwill (continued)

Group	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Goodwill	1 972 621	-	1 972 621	1 510 896	-	1 510 896
Brands and trademarks	257 133	(41 020)	216 113	120 260	(23 638)	96 622
License and computer software	33 354	(13 993)	19 361	23 814	(10 336)	13 478
Intangible assets under development	15 969	-	15 969	-	-	-
Customer relationships	464 957	(66 557)	398 400	416 502	(40 317)	376 185
Contractual agreements	90 565	(3 352)	87 213	108	(108)	-
Drug master files	304 857	(6 354)	298 503	66 071	(3 493)	62 578
Total	3 139 456	(131 276)	3 008 180	2 137 651	(77 892)	2 059 759

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

7. Intangible assets and goodwill (continued)

Reconciliation of intangible assets and goodwill - Group - 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Amortisation	Total
Goodwill	1 510 896	-	421 969	-	39 756	-	1 972 621
Brands and trademarks	96 622	31 686	110 630	-	(5 443)	(17 382)	216 113
License and computer software	13 478	10 693	-	(333)	(820)	(3 657)	19 361
Intangible assets 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	-	21 595	(2 860)	298 503
	2 059 759	83 003	851 439	(333)	67 695	(53 383)	3 008 180

A total of R 2,4 million for research and development costs has been expensed to the statement of comprehensive income for the year ended 30 June 2016. Refer to note 33. Amortisation of R 53,3 million has been included in Other operating expenses (note 33).

Reconciliation of intangible assets and goodwill - Group - 2015

	Opening balance	Additions	Additions through business combinations	Disposals	Measurement period adjustment	Amortisation	Total
Goodwill	1 010 014	-	495 579	-	5 303	-	1 510 896
Brands and trademarks	80 447	11 316	13 584	-	-	(8 725)	96 622
Licenses and computer software	10 657	7 261	-	(1 577)	-	(2 863)	13 478
Customer relationships	207 047	15 477	177 104	-	-	(23 443)	376 185
Contractual agreements	12 830	-	-	(12 830)	-	-	-
Drug master files	50 993	13 681	-	-	-	(2 096)	62 578
	1 371 988	47 735	686 267	(14 407)	5 303	(37 127)	2 059 759

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

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

2016	Opening	Additions	Foreign currency translation	Closing
Consumer Brands	555 010	11 219	-	566 229
Phyto-Vet	157 258	134 786	-	292 044
Pharma-Med	798 628	161 500	-	960 128
International	-	114 464	39 756	154 220
Total	1 510 896	421 969	39 756	1 972 621

2015	Opening	Additions	Measurement period adjustment	Closing
Consumer Brands	421 226	133 784	-	555 010
Phyto-Vet	140 176	17 082	-	157 258
Pharma-Med	448 612	344 713	5 303	798 628
Total	1 010 014	495 579	5 303	1 510 896

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

	Consumer Brands	Phyto-Vet	Pharma-Med	Pharma-Med International
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%

The key assumptions used for value-in-use calculations in 2015 are as follows:

	Consumer Brands	Phyto-Vet	Pharma-Med
Revenue Growth Rate	8% - 30%	8% - 28%	13% - 34%
Discount rate	6.5% - 11.5%	6.6%	11.5% - 12.5%

These assumptions have been used for the analysis of each CGU within the operating segment. The CGU's 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 be required to result in an impairment.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

7. Intangible assets and goodwill (continued)

	Consumer Brands	Phyto-Vet	Pharma-Med South Africa	Pharma-Med International
Change in discount rate	1,57 %	7,21 %	8,77 %	0,22 %
Change in growth rate	16,09 %	57,50 %	58,60 %	3,13 %
	17,66 %	64,71 %	67,37 %	3,35 %

Individually material intangible assets

Carrying value and remaining useful life	2016	2015	2016	2015
Surgical Innovations client relationships	96 312	101 790	18	19
Scientific Group client relationships	75 607	79 676	19	20
Respiratory Care Africa client relationships	36 740	38 762	18	19
Farmalider drug master files	216 530	-	29	-
Farmalider contractual agreements	67 296	-	19	-
Afrikelp brands and trademarks	52 377	-	20	-
Akacia brands and trademarks	37 701	-	20	-
Akacia contractual agreements	59 579	-	25	-
Klub M5 customer relationships	42 243	-	12	-
	684 385	220 228	-	-

Individually material intangible assets have been identified as those with carrying amounts in excess of R 35 million.

8. Financial instruments

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 functions under 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.

Liquidity risk

Liquidity risk is the risk that the Group, although solvent, 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. Please refer to the events after reporting period section (Note 5) for additional information on the changes in the Groups financing structure for the next financial period.

During the 2016 financial period the Group 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. Where the Group originates term assets with predictable cash flow profiles which give rise to structural liquidity mismatches between the projected cash inflows and outflows, the liquidity position is actively managed to prevent any undue future liquidity strains.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

8. Financial instruments (continued)

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury function. 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 so that 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 R 27,7 million (2015: R 22,2 million) and bank balances of R154 million (2015: R 125 million) to manage liquidity risk.

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.

Group

At 30 June 2016	3 months	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	120 972	-
Bank Overdraft	221 304	-	-	-	-
Trade and other payables	457 919	385 277	-	-	-
Total	707 240	973 044	323 241	898 676	30 790

At 30 June 2015	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years
Borrowings and other financial liabilities	(573)	36 848	(2 465)	793 309	26 355
Finance lease liabilities	485	1 610	2 343	1 882	1 545
Derivatives	-	15 039	4 890	-	-
Deferred vendor liabilities	100 229	180 819	27 150	9 608	-
Loans from group companies	-	26 406	-	-	-
Bank Overdraft	-	76 548	-	-	-
Trade and other payables	352 092	101 303	-	-	-
Total	452 233	438 573	31 918	804 799	27 900

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

8. Financial instruments (continued)

Company

At 30 June 2016	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years
Loans from group companies	-	30 729	-	-	-
Trade and other payables	-	991	-	-	-
Total	-	31 720	-	-	-

At 30 June 2015	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years
Borrowings and other financial liabilities	-	2 387	-	-	-
Loans from group companies	-	26 290	-	-	-
Bank Overdraft	-	71 771	-	-	-
Trade and other payables	-	2 809	-	-	-
Total	-	103 257	-	-	-

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 benefits 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 or sell assets to reduce debt.

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 Groups gearing ratio at 2016 and 2015 respectively were as follows:

	Group		Company	
	2016	2015	2016	2015
Total borrowings				
Derivatives financial instruments		45 801	-	-
Borrowings and other financial liabilities	10	1 428 896	30 727	26 290
Deferred vendor liabilities	12	429 891	-	2 387
		1 904 588	30 727	28 677
Less: Cash and cash equivalents	16	(22 396)	1 145	(71 356)
Net debt		1 926 984	29 582	100 033
Total equity		2 455 042	2 060 417	1 554 935
Total capital		4 382 026	2 089 999	1 654 968
Gearing ratio		44 %	1 %	6 %

Refer to note 10 regarding the terms and conditions, securities and covenants applicable to the borrowings.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

8. Financial instruments (continued)

Foreign exchange risk

The Group operates predominantly in South Africa, but also operates internationally. 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 dollar, the Euros, and the UK pound sterling.

The Group treasury function has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group treasury.

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 3 months. The forward exchange contracts and forward exchange contract options acquired by Group treasury are treated as economic hedges. Please refer to the fair value hierarchy (Note 9) and the sensitivity on foreign currency exposure (Note 15) for the quantification of the instruments.

The Groups 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.

In addition to the foreign exposure from operation, the Group negotiated the acquisition of a additional foreign subsidiaries, of which the purchase consideration is denominated in a foreign currency (Euro). The Group acquired specific forward exchange contracts for the purpose of hedging the foreign currency exposure associated with the initial cash payment relating to foreign investments is denominated in Euro. This instrument is designated as a cash flow hedge, the foreign exchange loss recognised in the hedging reserve through other comprehensive income is R 37 million. The hedge effectiveness was determined using the dollar-offset method. Please refer to the fair value hierarchy (Note 9) and the sensitivity on foreign currency exposure (Note 15).

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.

Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, 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 the interest rate risk exposure assessment (Note 11).

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 2016 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks.

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity 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 14).
- 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 16) for the financial institutions credit risk rating.
- The credit risk associated with receivable balances from related parties is considered immaterial. Please refer to the note on related parties (Note 28).

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

9. Fair value hierarchy

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

2016	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit				
Deferred vendor liabilities	12	-	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				
Foreign exchange contract option	-	-	6 523	6 523
Interest rate swaps	11	204	-	204
Total assets	-	204	6 523	6 727

The following table presents the Group's financial assets and liabilities that are measured and disclosed at fair value at 30 June 2015:

2015	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit				
Deferred vendor liabilities	-	-	115 485	115 485
Foreign exchange contracts	-	11 509	-	11 509
Interest rate swaps	-	8 420	-	8 420
Total liabilities	-	19 929	115 485	135 414
Financial assets at fair value through profit or loss				
Foreign exchange contracts	-	12 577	-	12 577
Interest rate swaps	-	7 465	-	7 465
Total assets	-	20 042	-	20 042

During 2015, the fair value hierarchy as well as the Level 3 reconciliations included items measured and disclosed at fair value. The fair value hierarchy now only includes items measured at fair value. This is considered more appropriate disclosure and better represents the Groups risk exposure.

In respect of financial assets and financial liabilities held at amortised cost, the fair value is expected to approximate the carrying value as the rates are considered to be market related.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

9. Fair value hierarchy (continued)

Derivative financial instruments are initially measured at fair value and subsequent re-measurements 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:

Derivative financial instrument liabilities 2016	Current	Non-current
Forward exchange contracts	8 792	-
Forward exchange contract - cash flow hedge	37 009	-
	45 801	-

Derivative financial instrument liabilities 2015	Current	Non-current
Forward exchange contracts	11 509	-
Interest rate swap	3 530	4 890
	15 039	4 890

Derivative financial instrument assets 2016	Current	Non-current
Forward exchange contract options	6 523	-
Interest rate swap	204	-
	6 727	-

Derivative financial instrument assets 2015	Current	Non-current
Forward exchange contracts	12 577	-
Interest rate swap	3 129	4 335
	15 706	4 335

Reconciliation of level 3 category financial instruments	2016	2015
Deferred vendor loans:	-	-
Opening balance	115 485	36 000
New vendor loans raised (Note 6)	45 421	86 875
Repayments during the year	(13 188)	(7 390)
Re-measurement	(30 295)	-
	117 423	115 485
Forward exchange contract option:	-	-
Opening balance	-	-
New financial asset raised	6 523	-
	6 523	-

During the 2016 financial period there were no transfers between Level 1, 2 or 3 for the Group and the Company.

The new loans raised, repayments made and interest accrued include non-cash measurement items.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

10. Borrowings and other financial liabilities

Ascendis registered a R 2 billion bond programme on the JSE. Ascendis has successfully concluded a R 1,06 billion debt refinance programme involving several domestic banks and primary debt capital market investors. The debt refinancing includes a revolving credit facility ("RCF"), general banking facilities and a trade finance facility ("Debt Facilities") as well as a debut issue by Ascendis Financial Services Limited under a Domestic Medium Term Note Programme ("DMTN Programme").

The institutional support for the Debt Package is demonstrated through the participation of a number of key South African financial institutions and primary debt capital market investors including Standard Bank and Nedbank Group Limited ("Nedbank") as mandated lead arrangers for the Term Debt and RCF, FirstRand Bank Limited ("FNB") as participant to the Term Debt and RCF, Futuregrowth Asset Management Proprietary Limited ("Futuregrowth") and Sanlam Limited ("Sanlam") (collectively, the "Finance Partners").

The Finance Partners have jointly agreed to participate in the Debt Package in the following capacities:

- **DMTN Programme:** Futuregrowth and Sanlam have initially subscribed for R 400 million of secured, listed notes ("Bond notes"). The Notes are senior, secured, unrated and listed notes, ranking parri passu within the Debt Package. The tenor of the Notes is 5 years and the capital payment structure is a bullet settlement at the redemption date, being September 2019. Interest is payable quarterly at JIBAR plus 4,95%.
- **Debt Facilities:** Standard Bank, Nedbank and FNB have collectively provided the R820 million Term Debt and RCF Facilities on market related terms. The Term Debt component comprises R200 million and matures in September 2019. Interest is payable quarterly at a rate of JIBAR plus 3,9%. The RCF comprises R 250 million and will afford Ascendis with three years of revolving credit, intended to be periodically refinanced via the DMTN Programme, as the board of directors deem appropriate to finance the Company's ongoing requirements. Interest accrues at JIBAR plus 3,5%.

During the year ended 30 June 2016, additional general banking facilities amounting to R 250 million were obtained by the Ascendis Group. Capital is repaid after 5 years, and interest payments are made quarterly at a rate of JIBAR plus 4,25%.

The Group's borrowings are all denominated in the Group's presentation currency. The Group is currently in the process of re-negotiating its debt structures, which will include foreign debt to fund the Groups internationalisation strategy. Please refer to the Subsequent events section (Note 5) for more information.

Borrowings are recognised initially at fair value, net of transaction cost incurred. Subsequently bonds are carried at amortised cost. The table below provides a detailed breakdown of the individual balances making up the total balance:

	Group		Company	
	2016	2015	2016	2015
Borrowings at amortised cost				
Bond notes (1)	514 773	387 267	-	-
Term loan (2)	533 859	170 500	-	-
Revolving credit facility	250 000	250 000	-	-
Farmalider: Government finance (3)	41 197	-	-	-
Other financial liabilities at amortised cost				
Other South African borrowings	2 839	28 861	-	-
Farmalider: Caixa Bank Limited (4)	17 981	-	-	-
Farmalider Popular Bank Limited (4)	32 842	-	-	-
Farmalider: Other (4)	9 116	-	-	-
Gane Holdings (5)	26 290	26 406	26 290	26 290
Other related party borrowings (6)	-	-	4 437	-
Total	1 428 897	863 034	30 727	26 290

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

10. Borrowings and other financial liabilities (continued)

The Group and the Company previously presented Loans to/from related parties as a separate line item on the Statement of financial position. Loans to related parties are now classified as other financial assets and loans from related parties are classified as other financial liabilities. The 2016 financial statements classifies loans to/from related parties in terms of the nature and characteristic of the financial asset/ liability and not in terms of the counter party since this is considered to provide more relevant and reliable disclosure. The Group presented R 26,4 million in loans from related parties that is now presented in other financial liabilities (Company: R 30, 7 million), and R 78,8 million in loans to related parties that is now presented in other financial assets (Company: R nil). This reclassification between financial statement line items is not considered to be material and has no impact on profit and loss.

(1) The fair value of the bond notes are considered to be Level 2. The key observable input is considered to be the interest rate.

Bond registration costs, are considered to be fees paid on the establishment of the loan facility. The bond cost was capitalised as part of the cost of the bond, and will be amortised to the statement of comprehensive income over the lifespan of the bond totalling 5 years. During the 2016 financial period R 1 million of additional bond registration cost was capitalised. The current carrying amount at year end totals R 13 million.

(2) At 30 June 2016, all covenants were complied with. Term loans are considered to be Level 3 fair value measurement. The key unobservable input is the credit risk rating added to the market rated interest rate (observable). Below are the covenant requirements:

- Debt Service Ratio (minimum) - 1.3
- Interest Cover ratio (minimum) - 3.5
- Leverage Ratio (maximum) - 2.75

(3) Farmalider receives government funding in terms of the local statutory legislation to encourage research and development in the pharmaceutical environment. The interest rate on the loan is 1% (observable market). The fair value of the bond notes are considered to be Level 2.

(4) The loans with the Spanish financial institutions are considered to be a Level 3 fair value measurement. The key unobservable input in the valuation is considered to be the credit risk . The interest rate on the loans range from 1% to 4,5%. The key unobservable input is the credit risk rating added to the market rated interest rate (observable).

(5) Gane Holdings is an unsecured loan which bears no interest. The amount will be repaid in February 2017. Gane Holdings is a related party of the Group. Please refer to the section on related parties for more information (Note 28).

(6) Other related party borrowings held by the company relates to a loan from subsidiaries, Nimue Skin (R2,2 million) and Dezzo Trading (R2,2 million). Both loans are unsecured loans which bears no interest and with no fixed repayment terms. Please refer to the section on related parties for more information (Note 28).

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

	2016	2015
Non-current	1 052 266	798 258
Current	376 631	64 776
	1 428 897	863 034

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Finance income and costs

Finance income and expenses on the above listed financial instruments 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.

	Group		Company	
	2016	2015	2016	2015
Interest expense:				
Finance leases	731	565	-	-
Other interest expenses	42 527	59 125	7 808	2 961
Total debt facilities	120 219	33 610	-	-
Total finance expense	163 477	93 300	7 808	2 961
Finance income				
Interest - Coast2Coast Capital Bank	9 854	15 232	-	-
Other interest	1 945	3 894	7 378	2 845
	21 169	5 108	-	-
	32 968	24 234	7 378	2 845
Finance income	32 968	24 234	7 378	2 845
Net finance expense	130 509	69 066	430	116

In October 2014, the Risk Management Committee decided to economically hedge 33,3% of the bond notes, and entered into three interest rate swaps of R 50 million, each with a different bank. The notional principal amounts of the outstanding interest rate swaps at 30 June 2016 were R 150 million (2015: R 150 million). This interest rate swap will be in effect until June 2017.

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 R 464 thousand. 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	Change in interest rate	Impact on financial results
Interest bearing liabilities	1 298 633	1 %	11 486
Total net interest exposure			11 486
Interest rate swap	150 000	1 %	441
Net impact including cash flow hedges on profit/loss	1 448 633		11 927

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

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

Deferred vendor liability	Group	
	2016	2015
Farmalider group	133 581	-
Farmalider group put-option on equity instrument	120 972	-
The Scientific Group Proprietary Limited	52 502	192 897
Klub M5 Proprietary Limited	45 421	-
Afrikelp group	32 064	-
Respiratory Care Africa Proprietary Limited	18 050	35 817
Surgical Innovations Proprietary Limited	15 422	28 610
Umecom Proprietary Limited	7 801	7 563
Ortus Proprietary Limited	4 078	12 108
Arctic Healthcare Proprietary Limited	-	30 000
K201279383 Proprietary Limited / Swissgarde	-	8 814
Dealcor Forty Proprietary Limited	-	1 000
Swissgarde Proprietary Limited	-	800
Avima Proprietary Limited	-	197
	429 891	317 806
Current	222 707	281 048
Non-current	207 184	36 758
	429 891	317 806
Deferred consideration	191 496	202 321
Contingent consideration	117 423	115 485
Put-option on equity instrument	120 972	-
	429 891	317 806

The Company holds no deferred vendor liabilities in the 2016 financial period, in the 2015 financial period R 2,3 million was owing to Swissgarde Proprietary Limited.

The Group acquired **Farmalider** in August 2015. Please refer to the Business combination Note 6 for a detailed description of the business acquisition. The deferred consideration of R 111, 8 million is payable in December 2017. In addition the Group also has a put-call option to acquire the remaining 51% interest for a further R 99, 8 million payable exercisable in 2018 (R 50 million) and 2021 (R 49,8 million) respectively (the discounted value of the amounts listed are included in the deferred vendor liability).

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.

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%	-

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Deferred vendor liabilities (continued)

In March 2015 the Group acquired **The Scientific Group**. An amount of R 52 million is payable within 12 months after year end, based on a tender that was awarded early in September 2015. The value has been determined and will become payable after year end. No future contingent events are expected to impact the amount payable, therefore no sensitivity disclosure is required.

The Group acquired **Klub M5** in May 2016. Please refer to the section in Business combinations (Note 6) for a detailed description of the transaction. 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 valuation incorporates the PBIAT margin and the probability that certain profit targets will be achieved as key unobservable inputs, 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 instrument, should all other factors remain constant.

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

In February 2016 the Group acquired 100% of the share capital in **Afrikelp Group**. Please refer to the Business combination note 6 for a detailed description of the business acquisition. The remaining consideration payable is classified as deferred consideration and will be settled as follow (the discounted value of the amounts listed below are included in the deferred vendor liability):

- R 10 million in December 2017
- R 10 million in December 2018
- R 20 million tender payment in January 2019.

The Group acquired **Respiratory Care Africa** in October 2014. The remaining deferred consideration will be settled in December 2016 (R 7,5 million) and December 2017 (R 10, 5 million).

The Group acquired **Surgical Innovations** in January 2014. The remaining contingent consideration shall be settled as follows:

- R 15 million is payable upon finalising the 2016 annual financial statements provided that the EBIT exceeded the R 70 million target. A predetermined formula will be applied to determine the settlement value should the EBIT range between R 61,55 million and R 70 million.
- If the aggregate EBIT for 2015 and 2016 exceeds R 130 million, an additional amount may become payable, resulting in the total remaining payment being at least but not exceeding R 15 million.

The fair value of the contingent arrangement is R 15 million and is based on the assumed probability of the company achieving the set targets. The fair value has been determined using the discounted cash flow method. This is a level 3 fair value measurement. The key unobservable assumptions in calculating the liability are:

Key unobservable input	Range	Change in margin	Impact on fair value
EBITDA margin	13-25%	12 %	15 000

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

- R 4,2 million in September 2016
- R 360 000 in March 2017 and March 2018
- and R 2,8 million in March 2019

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Deferred vendor liabilities (continued)

The Group acquired **Ortus** in May 2015. The final settlement was expected to occur during the 2016 financial period, however the agreement was amended in February 2016. The last payment is deferred for another year which will be based on the EBIAT for the 12 months ending 30 June 2017.

The re-measurement of the fair value of the liability was recognised in other income (Note 23) amounting to R 8 million. The vendor liability to Ortus is considered to be contingent consideration. The maximum deferred vendor liability subsequent to the re-measurement 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 measurement
EBIAT margin	25 %	4 077

13. Trade and other payables

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

	Group		Company	
	2016	2015	2016	2015
Trade payables	458 215	358 538	3	2 809
Other payables	98 241	26 829	-	-
VAT	10 332	1 388	-	-
Accrued expenses (1)	108 581	45 826	-	-
Accrued payroll expenses (1)	35 972	30 431	-	-
Business acquisition accrual (2)	139 888	-	-	-
Warranty accrual measurement period adjustment (3)	-	7 365	-	-
Dividends payable	2 294	537	989	-
Trade and other payables	853 528	470 914	992	2 809
Provisions (4)	17 493	-	-	-
	871 021	470 914	992	2 809

Foreign currency trade payables have been disclosed in note 15 that deals with risk management.

(1) Accrued expenses mostly consist of immaterial individual balances owed by entities within the Group. Included in these balances are: Commission payable (R 11 million), Bonus accrual (R 36 million) and Leave payable (R 14 million).

(2) The business acquisition accrual relates to the Scitec and Remedica transaction cost.

(3) The warranty accrual measurement period adjustment relates to a remeasurement of liabilities acquired as part of a business combination, please refer to the business combination section for more information (Note 6).

(4) Provisions include an amount of R 17 million relating to a litigation claim, it is considered highly probable that an amount of R 17 million will become payable to Sintexline S.L. The court case is expected to conclude during the 2017 financial period.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

14. Trade and other receivables

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

The Company holds no Trade and other Receivables in the 2016 financial period. During 2015, a deposit of R 210 thousand was receivable.

	Group	
	2016	2015
Trade receivables	841 792	524 646
Related party trade receivable (1)	13 705	220
Less: provision for impairment of trade receivables	(55 043)	(9 378)
Trade receivables - net	800 454	515 488
Prepayments	11 986	36 583
Deposits (2)	169 844	2 900
VAT	44 028	2 927
Other receivables	39 142	13 552
	1 065 454	571 450

(1) Juniva is a related party trade receivable. The amount is considered repayable within the next 12 months. Juniva is a related party of Gane Holdings.

(2) In 2016, R 164 million of the deposit relates to cash held in an escrow account in Ascendis International. The Group assessed the terms of the deposit accounts and has determined it does not meet the definition of cash and cash equivalents per IFRS.

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 Groups customers mostly consists of businesses and not individual parties. The Groups 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 Groups credit quality classification of its customers:

	Group	
	2016	2015
Group A	159 357	-
Group B	572 991	509 884
Group C	123 009	14 762
Group D	140	-
Total trade receivables	855 497	524 646

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

- Group A: new customers (less than 6 months) or related parties.
- Group B: Existing customers (more than 6 months) with no defaults in the past.
- Group C: Existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.
- Group D: Existing customers (more than 6 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 2016 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

14. Trade and other receivables (continued)

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. The Group assesses the recoverability of the amount, in accordance with its credit risk management policies 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 8).

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

	Group	
	2016	2015
Up to 3 months	44 625	196 183
3 to 6 months	16 039	89 562
Over 6 months	22 319	-
	82 983	285 745

The age analysis for trade receivables that were impaired as follow:

	Group	
	2016	2015
3 months	16 685	-
3 to 6 months	16 039	2 108
Over 6 months	22 319	7 270
	55 043	9 378

Reconciliation of provision for impairment of trade and other receivables

	Group	
	2016	2015
Opening balance	9 378	3 500
Provision for impairment	8 280	8 756
Acquired as part of a business combination	42 277	3 036
Amounts written off as uncollectable	(4 343)	(3 687)
Unused amounts reversed	(550)	(2 227)
	55 043	9 378

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

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

15. 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 key assumptions included in the model are:

	Key assumption	Change in key assumption	Impact on financial results
South African risk free rate	8,40 %	1 %	(292)
Exchange rate ratio	18,70 %	1 %	(10 197)
Volatility	0,33 %	1 %	323

The company does not have foreign exposure.

The sensitivity represents the impact on the fair value of the instrument if the call struck at R 16,40 to the Euro. The exchange rate ratio represents the change in value of the option for a ZAR 1.00/ EURO movement in exchange rate.

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 2016. 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 2015.

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

UK pound sterling	19,80
Euros	16,42
US dollar	14,79
Swiss franc	15,11
YEN	0,14

The sensitivity contains three levels. The first demonstrates the impact on the Groups assets and liabilities denominated in a foreign currency should the exchange rate change. The second level indicates what the impact on the Groups 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 groups demonstrates the groups exposure and management of their foreign currency risk.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

The change in exchange rate applied in the above mentioned sensitivity is based on the actual movement in exchange rates during the 2016 financial period.

Foreign denominated balances held by the group at year end:	Rand Value	Change in exchange rate	Impact on financial results
Current assets			
UK pound sterling	420	2 %	8
Euros	132 965	19 %	25 263
US dollar	60 895	17 %	10 352
YEN	9 149	5 %	457
Current liabilities			
UK pound sterling	(2 609)	2 %	(52)
Euros	(65 020)	19 %	(12 354)
US dollar	(134 881)	17 %	(22 930)
Swiss Franc	(913)	5 %	(46)
YEN	(3 149)	5 %	(157)
Net impact from foreign denominated balances	(3 143)		541

Foreign operations (majority denominated in Euros):	Rand Value	Change in exchange rate	Impact on financial results
Current assets	416 354	19 %	79 107
Current liabilities	(537 868)	19 %	(102 195)
Net impact from foreign denominated balances:	(121 514)		(23 088)

Net impact of foreign exposure on profit/loss:	118 371		23 629
---	----------------	--	---------------

Forward exchange contracts	Rand Value	Change in exchange rate	Impact on financial results
UK pound sterling	50 529	2 %	1 011
Euros	1 907 721	19 %	362 467
US dollar	304 592	17 %	51 781
Net impact including economic hedges on profit/loss	2 262 842		438 888

Included in the Euro forward contracts above are the contracts entered into to hedge the foreign currency payment relating to the acquisition of foreign subsidiaries (R 37 million). As mentioned previously these contracts are treated as a cash-flow hedge.

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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

16. 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:

	Group		Company	
	2016	2015	2016	2015
Cash on hand	1 075	-	-	-
Rand denominated bank balances	153 226	103 132	1 145	415
Foreign denominated bank balances	16 878	-	-	-
Short-term deposits	27 726	22 296	-	-
Cash and cash equivalents	198 905	125 428	1 145	415
Bank overdraft	(221 301)	(24 214)	-	(71 771)
Cash and cash equivalents per the cash flow statement	(22 396)	101 214	1 145	(71 356)

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 Fitch.

	Credit rating
ABSA	BBB
First Rand Bank, Nedbank and Standard Bank	BBB-
Spanish Financial Institution: Popular	BB-
Spanish Financial Institution: Stander	A-
Spanish Financial Institution: Caixa	BBB

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 a core overdraft facility of R 120 million within the group. This core facility is unlikely to fluctuate from 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 the requirements for net presentation in accordance with IAS 32 para 42(a).

2016	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)

2015

Cash and cash equivalents	77 367	53 154	24 213	-	24 213
---------------------------	--------	--------	--------	---	--------

No other balances are offset within the Groups financial statements. No balances are offset within the Companies' financial statements.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

17. 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 33.

	Group	
	2016	2015
Raw materials, components	215 109	78 801
Finished goods	668 358	504 843
Drug master files held for sale	5 500	-
Work in progress	10 734	7 029
Goods in transit	67 655	7 324
	967 356	597 997
Inventories provision for obsolete stock	(27 533)	(15 902)
	939 823	582 095

18. 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 and Pharma-med International 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

18. Revenue (continued)

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.

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 optimize 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:

	Group	
	2016	2015
Sale of goods - local	3 321 893	2 557 665
Sale of goods - international	494 437	259 052
Sale of drug master files	29 900	-
Rendering of services	21 564	-
Royalty income	50 638	-
	3 918 432	2 816 717

19. 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 stated at historical cost less depreciation.

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 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

19. Property, plant and equipment (continued)

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 10 for details of property, plant and equipment encumbered as security for borrowings.

Based on management's knowledge and experience gained in the specific industries it was assessed that certain items of plant and machinery and motor vehicles should have a higher residual value. 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. The change in accounting estimates resulted in a decrease in the current years depreciation of R9, 5 million and will effect future periods by the same amount until the assets are fully depreciated.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

19. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	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 (3)	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	103 934	35 149	3 243	2 195	-	2 167	-	-	146 688
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 between asset categories	573	(5 390)	(325)	(71)	88	(223)	-	118	(5 230)
Foreign exchange movements	(67)	(36)	(7)	-	-	(8)	-	-	(118)
Depreciation (2)	(2 611)	(11 867)	(4 290)	(2 452)	(1 274)	(4 674)	(3 210)	-	(30 378)
Net book value at 30 June 2016	184 925	107 749	15 563	9 144	2 990	10 975	21 034	13 082	365 462
Made up as follows:									
Cost or revaluation	187 917	128 115	26 488	11 701	5 498	18 931	25 470	13 082	417 202
Accumulated depreciation and impairment	(2 992)	(20 366)	(10 925)	(2 557)	(2 506)	(7 956)	(4 436)	-	(51 738)
	184 925	107 749	15 563	9 144	2 992	10 975	21 034	13 082	365 464

(1) Capital work in progress relates to manufacturing assets being constructed and not yet available for use.

(2) Depreciation of R 5,6 million has been included in cost of sales and R 24,7 million in other operating expenses (note 33).

(3) Plant and machinery has been restated by R 0,4 million for assets previously classified as held for sale, the impact has been assessed and is considered to be immaterial.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

19. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2015

	Land and buildings	Plant and machinery - owned	Office furniture	Motor vehicles - owned	Leased asset	Computers	Leasehold improvements	Capital work in progress	Total
Opening balance									
Cost	27 908	25 632	16 013	8 276	3 073	8 031	7 111	6 029	102 073
Accumulated depreciation and impairment	(548)	(1 816)	(5 366)	(2 190)	(958)	(3 721)	(786)	-	(15 385)
Net book value at 1 July 2014	27 360	23 816	10 647	6 086	2 115	4 310	6 325	6 029	86 688
Additions	994	13 412	3 172	3 464	6 380	4 761	4 097	9 640	45 920
Additions through business combinations	40 600	7 004	1 484	1 076	1 533	1 717	2 196	-	55 610
Disposals and scrapings - cost	-	(3 264)	(762)	(2 544)	(5 542)	(824)	(6 985)	(1 476)	(21 397)
Disposals and scrapping	-	3 371	765	1 324	1	334	40	-	5 835
Transfers (to)/from assets classified as held for sale	-	163	-	-	-	-	-	-	163
Measurement period adjustment	-	2 986	-	-	-	-	-	-	2 986
Transfers between asset categories	-	7 921	-	-	523	-	-	(8 444)	-
Depreciation	-	(10 711)	(4 393)	(3 329)	(792)	(3 273)	(643)	-	(23 141)
Net book value at 30 June 2015	68 954	44 698	10 913	6 077	4 218	7 025	5 030	5 749	152 664
Made up as follows:									
Cost or revaluation	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)
	68 954	44 698	10 913	6 077	4 218	7 025	5 030	5 749	152 664

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

19. Property, plant and equipment (continued)

Fair value of land and buildings

An independent valuation of the Group's land and buildings was performed by valuers 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	
	2016	2015	2016	2015	2016	2015
Opening balance at 1 July	24 219	24 219	44 735	43 741	-	-
Business combinations	1 600	-	-	-	82 700	-
Additions since purchase/valuation	671	-	-	994	-	-
Revaluation gains or (losses)	1 210	-	17 850	-	-	-
Depreciation for the year	-	-	(4 285)	-	-	-
	27 700	24 219	58 300	44 735	82 700	-

For revalued property, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

Property	Rent /m2	Vacancy Rate	Capitalisation Rate	Carrying amount
Phyto-Vet-Erf 649	R33.12	3%	10.5%	22 978
Phyto-Vet-Erf 1719 &1839	R19.24	2%	10%	2 515
Consumer Brands-Erf 514	R117.95	2.5%	10%	2 911
Consumer Brands-Erf 1114 &1115	R3 479-R3 535	2.5%	10 to 10.75%	39 247
Pharma-Med-Erf 426	R 34.67	5%	10.5%	27 172
				94 823

There are no properties in the company.

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 sec 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach, using a capitalization 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 sec 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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

19. Property, plant and equipment (continued)

The capitalisation rate has taken into consideration the trend of recent interest rate hikes. An increase in the capitalisation rate would result in a decrease in the fair value determined. Similarly, a increase in the vacancy rate and a decrease in rental charged would result in a decrease in the fair value.

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

With respect to 2015, a 1% movement down in the capitalisation rate yielded R603 thousand increase in the fair value of the land and buildings. A 1% movement up in the capitalisation rate yielded a R591 thousand decrease in the fair value of the land and buildings.

20. Stated capital

Stated capital	Group	Company
As at 30 June 2014	1 108 036	1 120 129
Issue of ordinary shares	480 524	480 524
Listing Fees Capitalised against Stated Capital	(1 059)	(1 059)
Movement in Treasury shares on hand at year end	(10 771)	-
As at 30 June 2015	1 576 730	1 599 594
Issue of ordinary shares	557 890	557 890
Listing Fees Capitalised against Stated Capital	(658)	(658)
Movement in Treasury shares on hand at year end	4 722	-
As at 30 June 2016	2 138 684	2 156 826

General issue of shares for cash:

The Group raised 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 17,4 million shares, issued at share prices ranging between R 16,57 and R 22,95 per share, depending on the share price on the date of issue.

General issue of shares as part of business acquisitions consideration:

The Group raised capital through vendor placements as part of the purchase consideration for the acquisitions of Afrikelp and Akacia (please refer to Note 6, for more details on the business combination).

- Afrikelp: 4,2 million Ascendis shares were issued at the fair market price of R 22,00 on the date of issue.
- Akacia: 5,6 million Ascendis shares were issued at the fair market price of R 22.95 on the date of issue.

Treasury shares

The Group issued treasury shares for the purposes of vendor payments, as a partial settlement of the purchase consideration of Swissgarde and Klub M5 as well as the issue of shares to Ascendis directors (please refer to Note 28, for more details on interest held by directors).

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 Group.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

20. Stated capital (continued)

Listing fees of R 658 thousand have been capitalised. All shares issued were fully paid up.

Reconciliation of number of shares issued:	Group	Company
Reported as at 01 July 2015	269 967	239 368
Issue of shares – ordinary shares	27 144	27 144
Treasury shares held at the beginning of the year	1 763	96
Treasury shares issued	-	96
Treasury shares held at year end	(266)	-
As at 30 June 2016	298 608	266 704

21. Dividends paid

Dividend distribution to the company'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 company's directors.

	Group		Company	
	2016	2015	2016	2015
Balance at beginning of the year	(537)	-	-	-
Dividends	(57 066)	(62 487)	(57 066)	(62 381)
Balance at end of the year	2 295	537	989	-
	(55 308)	(61 950)	(56 077)	(62 381)

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 28).

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:

	Group	
	2016	2015
Wages and salaries	559 457	389 860

23. 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.

	Group		Company	
	2016	2015	2016	2015
Non-recurring other income	78 684	26 318	24 303	-
Recurring other income	7 188	1 158	-	6 422
	85 872	27 476	24 303	6 422

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

23. Other income (continued)

Non-recurring income includes items such as profits on the disposal of investments, profit on disposal of property, plant and equipment, recoveries, rental income and commissions received.

24. 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. There are no finance lease obligations held by the company.

	Group	
	2016	2015
Minimum lease payments due		
- within one year	3 973	2 746
- in second to fifth year inclusive	4 264	4 923
- later than five years	-	1 638
	8 237	9 307
less: future finance charges	(861)	(1 441)
Present value of finance lease liabilities	7 376	7 866
Present value of minimum lease payments due		
- within one year	3 444	2 095
- in second to fifth year inclusive	3 932	4 226
- later than five years	-	1 545
	7 376	7 866

The remaining finance lease obligation is repayable over a period of time that ranges up to 60 months, bearing interest at a rate linked to the prime overdraft rate and is secured by plant and machinery to the value of R 9 million (2015:R 4, 2 million).

25. Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Group	
	2016	2015
Property, plant and equipment	720	19 123

During the financial year, the Group negotiated the following acquisitions.

1) Scitec International (“Scitech”)

The Group has acquired the entire share capital of Scitec a European sports nutrition company, for a consideration of EUR 170 million.

The acquisition of Scitec complements Ascendis' wellness 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.

2) Remedica Holdings Limited (“Remedica”)

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus for a consideration of between EUR 260 million and EUR 335 million.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

25. Commitments (continued)

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 segment.

In terms of accounting for these two acquisitions, the initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided. Refer to note 5 for further details of the business acquisitions.

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	Group	
	2016	2015
- within one year	19 755	12 050
- in second to fifth year inclusive	83 244	12 006
- later than five years	2 574	1 514
Total	105 573	25 570

26. Cash generated from operations

	Group		Company	
	2016	2015	2016	2015
Profit before income tax from continuing operations	251 646	292 562	7 490	5 801
Adjustments for:				
Depreciation and amortisation	83 761	60 268	-	-
(Profit)/loss on sale of assets	(943)	(1 082)	-	-
(Profit)/loss on investment disposal	(7 535)	-	-	-
Net loss/(profit) on foreign exchange	(61 347)	(11 066)	-	-
Income from equity accounted investments	(5 625)	546	-	-
Finance income	(32 968)	(24 234)	(7 378)	(2 844)
Interest expense	163 477	93 300	7 808	2 961
Derivative financial instruments assets	(39 186)	(1 483)	-	-
Movement in accruals	139 888	-	-	-
Movements in provisions	17 493	(21 344)	-	-
Re-measurement of deferred vendor liability	1 938	-	-	2 387
Changes in working capital:				
Inventories	(237 435)	(86 574)	-	-
Trade and other receivables	(386 012)	42 643	210	65 271
Trade and other payables	(167 689)	(57 731)	(1 818)	(21 477)
Cash generated from operations	(280 537)	285 805	6 312	52 099

The Group and the Company previously presented dividends paid as Operating activities and now presents it in Financing activities. This representation is considered more appropriate and provides the users with more relevant disclosure. This reclassification between cash flow activities has no impact on profit and loss.

Refer to note 19 to the financial statements for more information regarding the disposal of property, plant and equipment as per the cash flow statement.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

27. Other financial assets

	2016	2015
Financial assets measured at amortised cost		
Coast2Coast Capital	46 932	78 802
Health-on-the-Go	6 014	-
Previous owners of Chempure t/a Solal	12 281	12 281
Directors of Ascendis	15 076	4 509
Savika	10 000	-
Other financial assets	5 265	5 754
One Vision Investments previous owners	-	13 010
Dealcor Forty previous director	-	2 934
	95 568	117 290
Current other financial assets	22 281	99 341
Non-current other financial assets	73 287	17 949
Non-current assets	95 568	117 290

During 2015 certain loans receivable were included in related parties that is now included in other financial assets, please refer to note 10 for more information on the reclassification thereof.

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

Coast2Coast Capital is a unsecured loan which bears interest at 18%, compounded annually, with no fixed repayment terms. 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 Related party disclosure (Note 28) for more information.

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

Chempure t/a Solal receivable amount is recoverable from the previous owners: R 4, 8million from the Solal Trust. In addition to this there is also an ongoing legal matter regarding a PAYE refund of R 7, 5 with the previous directors. Based on legal representation obtained, the Group considers the amount recoverable within the next 12 months.

Loans to directors of Ascendis: An amount of R 15 million is receivable from the directors of Ascendis Management Services. The loans bear interest at 7,5%, compounded annually and are all repayable within 10 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 28) for disclosure on related parties.

- Cliff Sampson: R 3,5 million issued in June 2015. The fair value of the loan is R 2,5 million.
- Kieron Futter: R 3 million issued in December 2015. The fair value of the loan is R 2 million.
- Dr Karsten Wellner: R 1 million was issued in June 2015, and an additional amount of R 6,8 million in December 2015. The fair value of the loans are R 4,9 million.

Savika loan receivable arose as part of the purchase consideration of the Akacia business combination (Note 6). The amount bears no interest as is repayable within 12 months of the transaction date.

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.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

28. Related parties

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 495	98,12 %	168 995 312	56,54 %
Non-public shareholders				
- 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	47	1,32 %	122 172 530	40,88 %
Shareholder Analysis for 2016	3 562	100,00 %	298 873 785	100,00 %
Public shareholders	2 033	98,45 %	142 045 446	52,27 %
Non-public shareholders				
- Directors and associates of the company	16	0,77 %	6 462 630	2,38 %
- Treasury shares (own holdings)	1	0,05 %	1 762 655	0,65 %
- Strategic holdings (more than 10%)	15	0,73 %	121 458 751	44,70 %
Shareholder Analysis for 2015	2 065	100,00 %	271 729 482	100,00 %

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 2016:

Major beneficial shareholders holding 2% or more	2016 Percentage of shares
Coast2Coast	40,88 %
Government Employees Pension Fund	4,21 %
WBD Investment Holdings	4,06 %
Mineworks Investment Company	3,66 %
Investec	3,16 %
Sanlam	2,13 %
SBG Securities	2,08 %
Unemployment Insurance Fund	2,04 %
Major shareholders	62,22 %
Sentio Capital Management	6,08 %
Investec Asset Management	3,15 %
Praesidium Capital Management	2,15 %
SBG Securities	2,08 %
Steyn Capital Management	1,82 %
Mergence Investment Managers	1,71 %
Old Mutual Investment Group (South Africa)	1,38 %
Citibank (Custodian)	1,26 %
RMB Morgan Stanley	1,14 %
Northern Trust (Custodian)	1,02 %
Major fund managers	21,79 %

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

28. Related parties (continued)

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Bank/Brokers	45	1,26 %	19 587 251	6,55 %
Close Corporations	34	0,95 %	351 501	0,12 %
Endowment Funds	25	0,70 %	595 801	0,20 %
Government	1	0,03 %	60 459	0,02 %
Hedge Funds	15	0,42 %	10 974 019	3,67 %
Individuals	2 740	76,92 %	32 726 704	10,95 %
Insurance Companies	24	0,67 %	10 319 009	3,45 %
Investment Companies	2	0,06 %	141 660	0,05 %
Medical Schemes	6	0,17 %	249 880	0,08 %
Mutual Funds	55	1,54 %	21 470 052	7,18 %
Other Corporation	31	0,87 %	710 778	0,24 %
Private Companies	202	5,67 %	171 384 895	57,34 %
Public Company	4	0,11 %	768 418	0,26 %
Retirement Funds	41	1,15 %	17 667 667	5,91 %
Treasury Stock	1	0,03 %	266 314	0,09 %
Trusts	336	9,43 %	11 599 377	3,88 %
	3 562	100,00 %	298 873 785	100,00 %

Distribution of registered shareholdings

1 - 1 000	1 525	42,81 %	602 795	0,20 %
1 001 - 10 000	1 440	40,43 %	5 312 532	1,78 %
10 001 - 100 000	376	10,56 %	12 660 609	4,24 %
100 001 - 1 000 000	158	4,44 %	56 282 536	18,83 %
1 000 001 shares and over	63	1,77 %	224 015 313	74,95 %
	3 562	100,00 %	298 873 785	100,00 %

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:

30 June 2016	Number of shares		
	Direct	Indirect	Total
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
B Harie	3 000	91 600	94 600
CD Dillon	861 647	19 717 880	20 579 527
GJ Shayne	214 500	105 479 406	105 693 906
JA Bester	10 000	1 000	11 000
30 June 2016	3 898 344	125 713 815	129 612 159
Dr KUHH Wellner	2 223 483	3 500	2 226 983
JA Bester	10 000	1 000	11 000
OP Cunningham	40 000	1 000	41 000
B Harie	3 000	81 000	84 000
CD Dillon	861 647	19 610 813	20 472 460
GJ Shayne	214 500	104 871 938	105 086 438
30 June 2015	3 352 630	124 569 251	127 921 881

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

28. Related parties (continued)

* Appointed 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

	Group	
	2016	2015
Loans to Directors of subsidiaries:		
As at 01 July	7 443	207
Loans advanced during the year	9 800	7 292
Loans repaid during the year	(2 934)	(65)
Interest charged	758	9
As at 30 June	15 067	7 443

Please refer to the disclosure in Other financial assets (Note 27) for more information on the counter parties and terms of the loans making up the balance disclosed above.

During the 2015 financial period the Group had a loan payable to a director of its subsidiary to the value of R 41,6 million. The amount was fully repaid by 30 June 2015.

	Group		Company	
	2016	2015	2016	2015
Loans from related party:				
As at 01 July	26 406	26 286	26 290	26 286
Loans advanced during the year	-	116	-	-
Loans repaid during the year	(116)	-	-	-
Other charges	-	4	-	4
As at 30 June	26 290	26 406	26 290	26 290
Loan to Ascendis shareholder:				
As at 1 July	78 802	102 795	-	-
Loans advanced during the year	-	14 748	-	-
Loans repaid during the year	(41 724)	(54 000)	-	-
Interest charged	9 854	15 259	-	-
As at 30 June	46 932	78 802	-	-

The loan from related party represents a loan receivable from Gane Holdings Proprietary Limited. For more information on the terms of the loan, please refer to the Borrowings and other financial liability sections (Note 10).

This is a loan to Coast2Coast Capital Proprietary Limited. Please refer to Other financial assets (Note 27) for more information.

	Company	
	2016	2015
Loans to subsidiaries:		
As at 01 July	815 444	307 587
Loans advanced during the year	435 597	507 857
As at 30 June 2015	1 251 041	815 444

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

28. Related parties (continued)

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.)

	2016	2015	2016	2015
Transactions with related parties				
Rent paid to Coast2Coast	(14 280)	(5 589)	-	-
Expenses recovered from Coast2Coast	4 102	520	-	-
Interest received from Coast2Coast	9 854	15 259	-	-
	(324)	10 190	-	-

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

28. Related parties (continued)

Key management compensation

2016

	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
C Sampson	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	23 314	886	3 169	1 305	1 816	-	30 491
Non-executive directors							
JA Bester	-	-	-	-	-	390	390
OP Cunningham	-	-	-	-	-	300	300
B Harie	-	-	-	-	-	338	338
Total non-executive	-	-	-	-	-	1 028	1 028
Total	23 314	886	3 169	1 305	1 816	1 028	31 518

2015

	Basic Salary	Travel Allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs	Directors' fees	Total
Executive directors							
Dr KUHH Wellner	3 161	26	2 700	64	62	-	6 013
RJ Taylor- resigned 11 May 2015	2 598	-	836	28	1 525	-	4 987
Total executive	5 759	26	3 536	92	1 587	-	11 000
Richard Crouse (Prescribed officer)	2 834	-	899	36	39	-	3 808
Key management	12 287	838	2 261	288	875	-	16 549
Total	20 880	864	6 696	416	2 501	-	31 357
Non-executive directors							
JA Bester	-	-	-	-	-	342	342
OP Cunningham	-	-	-	-	-	259	259
B Harie	-	-	-	-	-	293	293
Total non-executive	-	-	-	-	-	894	894
Total	20 880	864	6 696	416	2 501	894	32 251

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

29. A: 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 arise from the Farmalider acquisition. In the prior year the joint venture investment in Atka became a wholly owned subsidiary.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

29. A: Investments accounted for using the equity method (continued)

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

	Group		Company	
	2016	2015	2016	2015
Investment in associate	386	-	-	-

The amounts recognised in the statement of comprehensive income:

Gains/(Losses) from equity accounted investments	5 625	(546)	-	-
--	-------	-------	---	---

29. B: 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	For the year end
	2016
Revenue	439 156
Profit before tax	56 132
Total comprehensive income	23 371

Summarised Statement of Financial Position	For the year end 30 June
	2016
Non-current assets	176 222
Current assets	252 081
Total assets	428 303
Non-current liabilities	87 531
Current liabilities	117 990
Total liabilities	205 521
Total net assets	222 782

30. Deferred tax

The group is subject to income taxes in numerous jurisdictions and the calculation of the group's tax expense and worldwide provision for income taxes necessarily involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. These are known as potential income tax exposures.

The group recognises liabilities for potential income tax exposures based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

30. Deferred tax (continued)

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

	Group		Company	
	2016	2015	2016	2015
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	4 331	11 199	-	-
- Deferred tax assets to be recovered within 12 months	6 320	11 751	-	-
	10 651	22 950	-	-
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	(213 654)	(134 881)	-	-
- Deferred tax liabilities to be recovered within 12 months	(10 704)	(57)	-	-
	(224 358)	(134 938)	-	-
Deferred tax liabilities (net)	(213 707)	(111 988)	-	-

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

	Group	
	2016	2015
At 1 July	(111 988)	(86 275)
Acquisition of subsidiary	(128 486)	(49 620)
Income statement charge	42 401	10 441
Measurement period adjustment	-	13 466
Foreign exchange difference	(15 633)	-
At 30 June	(213 706)	(111 988)

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	Group			Company	
	Capital allowances	Intangibles	Other	Total	2016
At 1 July 2014	(510)	(85 470)	(178)	(86 158)	-
Charged to the income statement	9 268	-	487	9 755	-
Acquisition of subsidiary	(34 546)	(53 393)	-	(87 939)	-
Measurement period adjustments	11 405	-	-	11 405	-
At 30 June 2015	(14 383)	(138 863)	309	(152 937)	-
Charged/(credited) to the income statement	(22 333)	56 379	(4 095)	29 951	-
Acquisition of subsidiary	(4 649)	(141 504)	-	(146 153)	-
At 30 June 2016	(41 365)	(223 988)	(3 786)	(269 139)	-

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

30. Deferred tax (continued)

Deferred tax assets	Group			Company	
	Provisions	Tax losses	Income in advance	Total	2016
At 1 July 2014	-	414	8 034	8 448	-
Charged to the income statement	1 485	(1 628)	828	685	-
Other	3 454	-	319	3 773	-
Measurement period adjustment	2 062	-	-	2 062	-
At 30 June 2015	7 001	(1 214)	9 181	14 968	-
Charged/(credited) to the income statement	18 939	13 039	(9 181)	22 796	-
Acquisition of subsidiary	17 554	-	-	17 554	-
At 30 June 2016	43 494	11 825	114	55 433	-

31. 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.

In terms of Spanish tax legislation, large incentives are given to entities who incur specific research and development cost. This incentive is akin to an investment tax credit. Since the R&D innovation tax credit is not substantially different to regular tax credits the benefit is recognised as a reduction of current tax in the year in which they are claimed on the entity's tax return. Unused tax credits are recognised as deferred tax to the extent allowed as per IAS 12, par 34.

The R&D innovation credit is a reoccurring amount which will be received and recognised on an annual basis since the research and development expenses to which the tax credit relates are key to and part the normal business operations of Farmalider (Spanish subsidiary).

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 South African Revenue Services ("SARS").

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

31. Income tax expense (continued)

Major components of the tax expense

	Group		Company	
	2016	2015	2016	2015
Current				
Local income tax - current period	101 274	94 796	2 174	-
Local income tax - recognised in current tax for prior periods	(874)	(1 780)	-	-
Foreign income tax or withholding tax - current period	4 088	-	-	-
Foreign income tax or withholding tax - recognised in current tax for prior periods	(521)	-	-	-
	103 967	93 016	2 174	-
Deferred				
Local originating and reversing temporary differences	(41 733)	(10 441)	-	-
Foreign originating and reversing temporary differences	(671)	-	-	-
Change in tax rate	2	-	-	-
	(42 402)	(10 441)	-	-
Income tax expense	61 565	82 575	2 174	-
Applicable tax rate	28,00 %	28,00 %	28,00 %	28,00 %
Exempt income	(2,63)%	(0,01)%	- %	- %
Tax loss used	0,76 %	0,22 %	- %	- %
Effect of prior year	(7,23)%	- %	- %	- %
Lower foreign tax rates	(0,88)%	- %	- %	- %
Disallowable charges -legal/consulting fees	12,82 %	0,62 %	- %	- %
Other	(8,49)%	- %	- %	- %
Amortisation	1,77 %	(0,61)%	- %	- %
Fines and penalties	0,35 %	- %	- %	- %
Average effective tax rate	24,47 %	28,22 %	28,00 %	28,00 %

32. Tax paid

	Group		Company	
	2016	2015	2016	2015
Balance at beginning of the year	3 395	(16 118)	27	(1 353)
Current tax for the year recognised in profit or loss	(105 362)	(94 797)	(2 174)	-
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	(670)	(8 678)	-	-
Balance at end of the year	7 470	(3 395)	2 147	(27)
	(95 167)	(122 988)	-	(1 380)

Consolidated Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand thousand

33. Expenses by nature

	Group		Company	
	2016	2015	2016	2015
Administration and management fees	44 613	27 878	-	13
Advertising and marketing	77 241	77 651	-	-
Auditors remuneration	12 905	10 334	3	3
Bad debts	11 855	-	-	-
Bank charges	5 551	6 289	678	457
Commission, consulting and professional fees	92 052	50 105	176	31
Depreciation, amortisation and impairments	78 088	55 269	-	-
Salaries and wages	559 457	391 974	-	-
Insurance	10 602	7 099	-	-
Loss on disposal of assets	336	-	-	-
Lease rentals on operating lease	48 136	44 634	-	-
Motor vehicle expenses	17 545	15 144	-	-
Other expenses	140 971	44 634	15 507	-
Restructuring cost	22 605	-	-	-
Business acquisition cost	(12 699)	12 474	-	-
Regulatory expenses	2 176	2 280	-	-
Repairs and maintenance	8 280	6 028	-	-
Research and development costs	2 489	2 281	-	-
Staff welfare and training expenses	6 697	6 341	19	-
Transport and freight	114 403	94 425	-	-
Travel costs	28 324	19 294	-	-
	1 271 627	874 134	16 383	504

34. Total other reserves

Non-controlling interest put option reserve: The put option on the non-controlling interest reserve relates to a put option Ascendis holds to acquire the 51% non-controlling interest in Farmalider. Ascendis acquired a 49% interest in Farmalider, in terms of IFRS 10 Ascendis has the ability to control the variable returns and consolidates Farmalider on that basis. In addition to this Ascendis has recognised a financial liability relating to the put option. Please refer to the deferred vendor liability section for more information on the initial fair value measurement (Note 12)

Other reserves include a Share-based payment reserve (R 13,3 million) that has remained unchanged during the 2015 and 2016 financial period. Also included in this reserve is a Farmalider statutory reserve (R24,9 million). In terms of Spanish legislation a portion of the periods profits should be recognised in a non-distributable reserve. The full movement recognised in other reserves relates to the Farmalider statutory reserve.

Foreign currency translation reserve: Ascendis revalue and presents the components of equity held in its foreign operations at the year end closing rate. The exchange differences on the translation of equity items are recognised directly in the foreign currency translation reserve. The exchange differences on the translation of non-equity items are recognised in the foreign currency translation reserve through other comprehensive income.

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

Name of subsidiary	Nature of business	2016	2015	2016	2015	2016	2015
		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 investments)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
Afrikelp Holdings (Pty) Ltd	(1)	100 %	-	-	-	-	-
Afrikelp (Pty) Ltd	(1)	100 %	-	198 526	-	-	-
Afrikelp Investments (Pty) Ltd	(1)	100 %	-	11 529	-	-	-
Akacia Healthcare Holdings (Pty) Ltd	(3)	100 %	-	-	-	-	-
Akacia Healthcare (Pty) Ltd	(3)	100 %	-	341 510	-	-	-
Akacia Healthcare Investments (Pty) Ltd	(3)	100 %	-	0,1	-	-	-
Alliance Pharma (Pty) Ltd	(3)	100 %	-	0,1	-	-	-
A-Med Medical Supplies (Pty) Ltd	(1)	49 %	100 %	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 %	-	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
Ascendis Medical (Pty) Ltd Namibia	(3)	100 %	100 %	-	-	-	-
Ascendis Pharma (Pty) Ltd	(3)	100 %	100 %	143 303	143 303	143 303	143 303
Ascendis UK Ltd	(2)	100%	-	-	-	-	-
Atka Trading 46 (Pty) Ltd	(2)	100 %	100 %	41 820	41 820	41 820	48 820
Avima (Pty) Ltd	(1)	100 %	100 %	54 821	54 821	-	-
Avima Uganda Ltd	(1)	100 %	-	4	-	-	-
Biopharmaceutical SL	(6)	75 %	-	47	-	-	-
Bio Balance Pharmaceuticals (Pty) Ltd	(3)	100 %	-	-	-	-	-
Bio Swiss (Pty) Ltd	(3)	100 %	-	-	-	-	-
Bolus Distribution (Pty) Ltd	(2)	100 %	100 %	18 012	18 012	-	-
Bolus International (Pty) Ltd	(2)	100 %	100 %	6 735	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
Creative Design SL	(6)	70 %	-	-	-	-	-
Dealcor Forty (Pty) Ltd	(2)	100 %	100 %	50 200	50 200	-	-
Dental Care SL	(6)	100 %	-	49	-	-	-
Dermogen Farma	(6)	100 %	-	3 284	-	-	-
Dezzo Trading 392 (Pty) Ltd	(3)	100 %	100 %	82 066	82 066	-	-
Efekto Care (Pty) Ltd	(1)	100 %	100 %	5 800	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
Enia Lipotech SL	(6)	74 %	-	122	-	-	-
Enol Pharmaceutical Research SL	(6)	85 %	-	42	-	-	-
Farmalider SL	(6)	49 %	-	214 275	-	-	-
Farmalider Turquia SL	(6)	100 %	391	-	-	-	-
Green High Tea SL	(6)	33 %	-	-	-	-	-
Heritage Resources (Pty) Ltd	(2)	100 %	100 %	15	15	15	15
High Tech Vision SL	(6)	90 %	-	739	-	-	-
Innovative Pest Management (Pty) Ltd	(1)	100 %	100 %	0,1	0,1	-	-
Innovazone Labs LLC	(6)	60 %	-	46	-	-	-

Integrative Health Publications (Pty) Ltd	(2)	100 %	100 %	0,1	0,1	-	-
Klub M5	(1)	100 %	-	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
K2013126193 (Pty) Ltd	(2)	100 %	100 %	-	-	-	-
Swissgarde (Pty) Ltd	(2)	100 %	100 %	32 155	32 155	6 503	6 503
Ascendis Consumer Brands (Pty) Ltd	(2)	100 %	100 %	6	4	4	4
Ascendis Pharma-Med (Pty) Ltd	(4)	100 %	100 %	3	3	3	3
K2013197766 (Pty) Ltd	(2)	100 %	100 %	6	6	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	-	-
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	-	-
Medicine Developers International (Pty) Ltd	(3)	100 %	100 %	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
Nutra Essential OTC SL	(6)	75 %	-	38	-	-	-
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	-	-
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	-	-
Rotag Luederitz (Pty) Ltd	(1)	100 %	-	223	-	-	-
RCA Pharma (Pty) Ltd	(3)	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	-	-
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 %	-	1 520	-	-	-
Taurus Chemicals Namibia (Pty) Ltd	(1)	92.5 %	-	477	-	-	-
The Integrative Medical Centre (Pty) Ltd	(2)	100 %	100 %	0,1	0,1	-	-
The Scientific Group (Pty) Ltd	(3)	100 %	100 %	276 460	327 226	-	-
Toll Manufacturing Services S.L	(6)	100 %	-	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	-	-
Vitalcare Pharma SL	(6)	50 %	-	4 105	-	-	-
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
<p>IFRS 15 – Revenue from contracts with customers.</p> <p>1 January 2018</p>	<p>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.</p> <p>IFRS 15 replaces the existing revenue standards and their related interpretations.</p> <p>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.</p> <p>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.</p>	<p>The Group is in the process of assessing the current types of transactions and contracts under IFRS 15 and based on the current assessment it is unlikely that there will be a significant impact on the overall profit of the Group. The performance indicators of the group will have to be reassessed due to potential changes in classification between revenue and interest.</p> <p>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.</p>
<p>IFRS 9 Financial Instruments</p> <p>1 January 2018</p>	<p><i>Classification and measurement of financial assets:</i> 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).</p> <p><i>Derecognition of financial liabilities</i> 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.</p> <p><i>Hedge accounting</i> 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.</p>	<p>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.</p>
<p>IFRS 16 – Leases</p> <p>1 January 2019</p>	<p>The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.</p> <p>IFRS 16 replaces the existing leases standard and the related interpretations.</p> <p><i>Lessor accounting</i> 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.</p> <p><i>Lessee accounting</i> The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of</p>	<p>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.</p>

	<p>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).</p> <p>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.</p> <p>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.</p> <p>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).</p>	
--	---	--

The following new standards are applicable to the Group but are not expected to have a significant impact:

STANDARD	POTENTIAL IMPACT TO THE GROUP
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative <i>1 January 2016</i>	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendments to IAS 27, 'Separate financial statements' on equity accounting <i>1 January 2016</i>	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
Amendment to IAS 12 – Income taxes <i>1 January 2017</i>	<p>The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.</p> <p>The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.</p>
Amendment to IAS 7 – Cash flow statements <i>1 January 2017</i>	<p>In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.</p>
Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' <i>1 January 2016</i>	<p>This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification.</p>
Amendment to IAS 19 – 'Employee Benefits' <i>1 January 2016</i>	Discount rate: regional market issue - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. <i>1 January 2016</i>	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendment to IFRS 7 – 'Financial Instruments: Disclosures' <i>1 January 2016</i>	Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.



HEALTHY HOME. HEALTHY YOU.
HEALTHY LIFE



ASCENDIS HEALTH LTD
22 Sloane Street | Bryanston | Johannesburg | South Africa
p +27 (0)11 036 9600 | e info@ascendis.co.za
www.ascendis.co.za