



# Ascendis HEALTH

(Registration number 2008/005856/06)



**ANNUAL RESULTS**  
for the year ended 30 June

2015

# Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2015

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Directors</b>	Dr KUUH Wellner JA Bester OP Cunningham B Harie CD Dillon GJ Shayne
<b>Registered office</b>	22 Sloane Street Bryanston Gauteng 2191
<b>Business address</b>	22 Sloane Street Bryanston Gauteng 2191
<b>Postal address</b>	PostNet Suite #252 Private Bag X21 Bryanston 2021
<b>Bankers</b>	The Standard Bank of South Africa Limited
<b>Auditors</b>	PricewaterhouseCoopers Inc Chartered Accountants (S.A.)
<b>Secretary</b>	A Sims CA (SA)
<b>Tax reference number</b>	9810/017/15/3
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
<b>Preparer</b>	The annual financial statements were internally compiled by: JC van Schalkwyk CA (SA)

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

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## Group Secretary's Certification

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### 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 handwritten signature in black ink, appearing to be 'A Sims', written over a horizontal line.

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**A Sims CA (SA)**  
**Company Secretary**  
**Bryanston**  
**08 September 2015**

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## Audit Committee Report

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### 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 2014 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
- 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

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## Audit Committee Report

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### 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

Owing to the resignation during the year of the chief financial officer, Robbie Taylor, the committee did not conduct the required review of the chief financial officer. This review will be conducted once a new chief financial officer is appointed in the new financial year.

The committee has however reviewed the expertise, experience and adequacy of the finance department and has satisfied itself with its performance and the changes that have been planned and implemented to enhance the department.

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## Audit Committee Report

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### 8. King III compliance

The committee reviewed the progress of compliance by Ascendis Health against the various requirements under King III. Being a young company, whilst we have progressed against some measures, we aim to make steady progress to full compliance over the next few years. The latest King III compliance chart has been published on our website.

### 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 2015 financial year. The committee further confirms that this report to shareholders has been approved by the board.



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**B Harle**  
Chairman Audit Committee

Cape Town

08 September 2015

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Directors' Responsibilities and Approval

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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 8 to 9.

The Annual Financial Statements, as set out on pages 10 to 128, were prepared under the supervision of the interim Chief Financial Officer, JC van Schalkwyk CA (SA), and approved by the board of directors on 08 September 2015 and were signed on their behalf by:



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**JA Bester**  
Chairman



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**Dr KUHH Wellner**  
Chief Executive Officer

**Cape Town**  
**08 September 2015**

**Cape Town**  
**08 September 2015**



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

We have audited the consolidated and separate financial statements of Ascendis Health Limited set out on pages 16 to 128, which comprise the statements of financial position as at 30 June 2015, and the statement 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.

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Chief Executive Officer: T D Shango  
Management Committee: T P Blandin de Chalain, S N Madikane, P J Mothibe, C Richardson, A R Tilakdari, F Tonelli, C Volschenk  
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



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 2015, 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 2015, 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.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: Louis Rossouw

Registered Auditor

8 September 2015

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Directors' Report

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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 2015.

### 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 recorded a net profit after tax for the year ended 30 June 2015 of R 209 987 134. This represented an increase of 51,67% from the net profit after tax of the prior year of R 138 447 644.

Group revenue increased by 74,09% from R 1 617 946 485 in the prior year to R 2 816 716 851 for the year ended 30 June 2015. The increase was mainly due to significant acquisitions made in the Pharma-Med division. Refer to note 8 *Business Combinations* and note 41 *Reporting segments* for more detail.

Cash from operations increased from R 175 918 524 in the prior year to R 285 805 089 for the year ended 30 June 2015.

The directors deem Cash from Operations as the appropriate comparable measure of sustainable cash generation.

The Group has successfully concluded a R 410 million capital raise via a combination of a general issue of shares for cash and a vendor consideration placement in terms of irrevocable commitments. The cash issue was concluded at R15.00 per Ascendis share, which represented a 7% discount to the 30-day volume weighted average price of R16.14 as at 4 November 2014 and thus resulted in an additional 22 081 462 new Ascendis shares. The vendor placement was specifically allocated as partial settlement of the SG acquisition purchase consideration. The vendor placement was also concluded at R15.00 per Ascendis share, which resulted in an additional 5 297 017 new Ascendis shares to be issued in due course.

The purpose of the Capital Raise was to, inter alia, reduce the short-term borrowings of Ascendis and to settle the purchase consideration in respect of the acquisition of the majority of The Scientific Group Proprietary Limited, subject to the fulfilment of all applicable conditions precedent.

Further share issuances included R 50 million to WDB Investment Holdings Proprietary Limited and R 20 million in terms of the acquisition of Respiratory Care Africa Proprietary Limited.

Ascendis successfully concluded a R 1,06 billion debt refinance programme involving several domestic banks and primary debt capital market investors. The debt refinance includes a Term Facility, 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").

It provides the Group with a mechanism to efficiently access the primary debt capital market as Ascendis continues to expand. Accordingly, the Debt Package includes a R 2,0 billion DMTN Programme listed on the Interest Rate Market of the JSE Limited ("JSE"), with a R 400 million debut issue by Ascendis Financial Services Limited, on an unlisted basis.

Ascendis believes the successful implementation of this Debt Package, less than a year after listing its equity securities on the JSE, is further evidence of the market's growing support for the Company as a leading health and care business. Management remains committed to proactively manage Ascendis' financial position, thereby ultimately seeking to unlock lasting shareholder value.

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 (acting through its Nedbank Capital division) ("Nedbank") as mandated lead arrangers for the Term Debt and RCF, FirstRand Bank Limited (acting through its First National Bank division) ("FNB") as participant to the Term Debt and RCF, Futuregrowth Asset Management Proprietary Limited (a wholly owned subsidiary of Old Mutual Plc) ("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:

- Within the DMTN Programme, Futuregrowth and Sanlam have initially subscribed for R 400 million of secured, unlisted notes ("Notes"). The Notes are senior, secured, unrated and unlisted 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.

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## Directors' Report

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- Within the Debt Facilities, Standard Bank, Nedbank and FNB have collectively provided the R 450 million Term Debt and RCF Facilities on market related terms. The Term Debt component comprises R 200 million and matures in September 2019. 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.
- Standard Bank, Nedbank and FNB have provided additional general banking facilities to the Ascendis Group amounting to R 210 million.

### 2. Stated capital

	2015	2014
<b>Authorised</b>	<b>Number of shares</b>	
Ordinary shares	2 000 000 000	2 000 000 000
	2015	2014
<b>Issued</b>	<b>Number of shares</b>	
Ordinary shares	269 966 827	239 367 785

Refer to note 16 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 8. 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 6.

### 4. Share incentive scheme

Refer to note 17 of the consolidated annual financial statements for details of the group share incentive scheme.

### 5. 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	
RJ Taylor	Chief Financial Officer	Executive	Resigned 11 May 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 JA Bester and OP Cunningham retire by rotation at the AGM and are eligible for re-election.

Mr RJ Taylor resigned as the Chief Financial Officer on 11 May 2015. Mr JC van Schalkwyk was assigned the interim Chief Financial Officer role on this date. The directors expressed their sincere appreciation to the outgoing director for his contributions during his period of office.

### 6. Directors' interests in shares

As at 30 June 2015, the directors of the company held direct and indirect beneficial interests in 49% (2014: 55%) of its issued ordinary shares, as set out in note 12.

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

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## Directors' Report

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Refer to note 12 for changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

### 7. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in notes 7.

Refer to note 8 Business Combinations for acquisitions made and changes in ownerships during the year ended 30 June 2015.

### 8. Events after the reporting period

#### Acquisition related activities:

#### First international acquisition in Spain – Acquisition of 49% of Farmalider

Ascendis aims to complement its organic, acquisitive and synergistic growth in the South African healthcare market with a strategy of international expansion. The target is 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.

Farmalider, founded 29 years ago, is an established Spanish pharmaceutical group of companies involved in the development, registration, licensing and production of generic pharmaceutical products. It 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, a wholly owned subsidiary of Ascendis, and the disposing shareholders have entered into an agreement in respect of the initial acquisition on 30 July 2015, as follows:

The purchase consideration for the initial acquisition of 49% of the Farmalider share capital is as follows:

- An amount of R100 165 433, settled in cash on 31 July 2015; and
- A further amount of R109 823 878 (applying an illustrative ZAR:EUR exchange rate of 13.5:1), payable on 31 January 2017.
- Warranties and indemnities applicable to the initial acquisition are standard for a transaction of this nature.

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.

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## Directors' Report

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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.

### Pharma-Med bolt-on acquisition – Bioswiss Proprietary Limited

Ascendis Health Group acquired Bioswiss for a purchase consideration of R 17,9 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 insulin, diabetes care devices, diabetes care OTC products and oral hypoglycaemic medications.

### Consumer Brands bolt-on acquisition – OTC Pharma South Africa Proprietary Limited

Ascendis Health Group acquired OTC Pharma South Africa for a purchase consideration of R 21,3 million on 1 July 2015.

OTC Pharma South Africa (OTC) markets and distributes a range of internationally branded, high quality health care products, including leading brands such as: Marcus Rohrer Spirulina, Diabecinn, Picksan, Bye Wart, Bye Mouth Ulcer. OTC's products are sold through retail pharmacies and health shops throughout South Africa.

### Sandoz dossiers

In August 2015, Pharmachem purchased dossiers for R 11 million (excluding VAT). This is a bolt-on to the Pharma-Med division and will expand operations.

### Debt raise and funding related activities:

#### Additional debt raised after year end until report signing date

On 1 July 2015 additional Senior Secured notes of R 125 million were issued under the Domestic Medium Term Note Programme ("DMTN"). R 62,5 million was used to reduce the existing Term Debt as was required in terms of the existing Term Facility Agreement.

In addition, new Term Facilities of R 200 million were raised on 14 August 2015 from Nedbank to fund bolt-on acquisitions and deferred vendor liabilities and additional working capital facilities of R 50 million were raised from Standard Bank for ongoing working capital needs.

#### Deferred vendor liabilities paid after year end

A total of R 55 671 352 was paid after year end with regards to Arctic Health Brands, Dealcor Proprietary Limited and The Scientific Group vendor loans.

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

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## Directors' Report

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### 9. Black economic empowerment (BEE)

During the year, Ascendis announced certain (BEE) transactions on SENS. These instruments have been issued at fair value with no material IFRS 2 expense. Ascendis management made use of KPMG as an independent external third party to conclude on all these instruments.

### 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 11 cents per share. An interim gross dividend of 8 cents per share was declared with the release of interim results for the period ended 31 December 2014. Therefore a total dividend of 19 cents per share for the full 2015 year (2014: 15 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 2 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 9 cents per share net of DT.

The company has 269 966 827 ordinary shares in issue. 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 – Friday, 27 November 2015

Shares trade "ex" the dividend – Monday, 30 November 2015

Record date – Friday, 4 December 2015

Payment to shareholders – Monday, 7 December 2015

Share certificates may not be dematerialised or rematerialised between Monday, 30 November 2015 and Friday, 4 December 2015, 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 Friday, 7 December 2015 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. Business combinations

Ascendis follows an acquisition strategy of buying established businesses and resilient brands which are integrated into divisional platforms without the full associated fixed overhead structure. This bolt-on strategy ensures immediate synergy benefits and efficiencies as well as enhanced sales and operating margins.

Since July 2014, the Group has made strategic acquisitions totalling R 1,6 billion.

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## Directors' Report

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In the Consumer Brands division, shortly after the year ended 30 June 2014, the Group acquired from Arctic the following brands, which are market-leading vitamin and mineral brands, including Chela-Fer, Menacal7 and Supa Chewz. The Group also acquired the minority stake of Atka Pharma. Atka Pharma markets the BioBalance brand of which the Group holds the right to distribute. The Group also acquired the factory at PharmaNatura which comprises 12 000 square meters of Good Manufacturing Practices ("GMP") certified and Medicine Control Council ("MCC") licenced manufacturing capacity. This facility will play a key part in the Ascendis' vertical integration strategy which includes, where advantageous, bringing the manufacture of group products in-house and thereby optimising synergies and margins.

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 and synergies to the existing business of Avima and Marltons in the form of Ortus Chemicals and Koi Country animal products.

In the Pharma-Med division, the Group acquired a 100% interest in Respiratory Care Africa Proprietary Limited that offers complete solutions for the operating theatre, all ICUs, trauma units, maternity, general wards and radiology. The Group also acquired Umecom Proprietary Limited, a company that imports, sells and distributes medical devices, products and instruments, particularly in the field of urology and endo urology (minimally invasive urological surgical procedures). A 100% interest in the diagnostic portion of The Scientific Group Proprietary Limited was also acquired into Ascendis Medical. The acquisition is considered strategic for many reasons, including the global trend of health care towards preventative care where diagnostics plays a vital role.

### 14. Special resolutions

The following special resolutions were approved at the AGM held on 13 November 2014:

- 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

# Ascendis Health Limited

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## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Group		Company	
		2015	2014 (Restated)	2015	2014
<b>Non-Current Assets</b>					
Property, plant and equipment	5	149 251 969	86 689 105	-	-
Intangible assets and goodwill	6	2 054 456 382	1 371 987 995	-	-
Investments in subsidiaries	7	-	-	842 097 422	855 041 988
Investments in joint ventures	23	-	48 133 354	-	-
Other financial assets	25	17 948 550	-	-	-
Deferred income tax assets	9	20 888 437	1 945 245	-	-
Derivative financial instruments	18	4 335 124	-	-	-
		<b>2 246 880 462</b>	<b>1 508 755 699</b>	<b>842 097 422</b>	<b>855 041 988</b>
<b>Current Assets</b>					
Inventories	24	585 080 583	414 236 243	-	-
Loans to related parties	12	78 801 654	102 794 985	815 443 234	307 586 528
Trade and other receivables	13	571 450 057	475 559 082	210 163	65 481 015
Other financial assets	25	20 538 551	2 646 880	-	-
Current tax receivable		3 395 334	-	27 331	-
Derivative financial instruments	18	15 706 378	-	-	-
Cash and cash equivalents	14	125 428 341	94 882 573	414 576	20 740
		<b>1 400 400 898</b>	<b>1 090 119 763</b>	<b>816 095 304</b>	<b>373 088 283</b>
Non-current assets held for sale and assets of disposal groups	15	425 497	13 361 214	-	-
<b>Total Assets</b>		<b>3 647 706 857</b>	<b>2 612 236 676</b>	<b>1 658 192 726</b>	<b>1 228 130 271</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
<b>Equity Attributable to Equity Holders of Parent</b>					
Stated capital	16	1 576 729 664	1 108 035 688	1 599 593 928	1 120 129 379
Other reserves		(51 908 642)	(56 118 640)	-	-
Retained earnings		299 416 508	152 068 179	(44 658 729)	11 921 631
		<b>1 824 237 530</b>	<b>1 203 985 227</b>	<b>1 554 935 199</b>	<b>1 132 051 010</b>
Non-controlling interest		-	6 805 049	-	-
		<b>1 824 237 530</b>	<b>1 210 790 276</b>	<b>1 554 935 199</b>	<b>1 132 051 010</b>
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Derivative financial instruments	18	4 890 145	-	-	-
Borrowings and other financial liabilities	27	798 257 720	415 285 874	-	-
Deferred vendor liabilities	28	36 758 001	36 423 232	-	-
Deferred income tax liabilities	9	134 937 602	88 219 913	-	-
		<b>974 843 468</b>	<b>539 929 019</b>	<b>-</b>	<b>-</b>

# Ascendis Health Limited

(Registration number 2008/005856/06)

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## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Group		Company	
		2015	2014	2015	2014
<b>Current Liabilities</b>					
Trade and other payables	29	463 011 353	427 089 263	2 809 268	24 286 398
Derivative financial instruments	18	15 039 231	1 371 134	-	-
Borrowings and other financial liabilities	27	38 370 976	230 738 154	-	-
Current tax payable		-	16 118 252	-	1 352 786
Dividend payable	36	537 327	-	-	-
Provision for onerous contracts	30	-	35 237 887	-	-
Deferred vendor liabilities	28	281 047 796	16 508 699	2 386 890	-
Loans from related parties	12	26 405 551	26 286 085	26 290 050	26 286 085
Bank overdraft	14	24 213 625	100 847 706	71 771 319	44 153 992
		<b>848 625 859</b>	<b>854 197 180</b>	<b>103 257 527</b>	<b>96 079 261</b>
Liabilities of disposal groups	15	-	7 320 201	-	-
<b>Total Liabilities</b>		<b>1 823 469 327</b>	<b>1 401 446 400</b>	<b>103 257 527</b>	<b>96 079 261</b>
<b>Total Equity and Liabilities</b>		<b>3 647 706 857</b>	<b>2 612 236 676</b>	<b>1 658 192 726</b>	<b>1 228 130 271</b>

The notes on pages 24 to 128 form an integral part of the annual financial statements.

# Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	Group		Company	
		2015	2014 (Restated)	2015	2014
<b>Continuing operations</b>					
Revenue	31	2 816 716 851	1 617 946 485	-	-
Cost of sales	32	(1 588 194 039)	(890 100 408)	-	-
<b>Gross profit</b>		<b>1 228 522 812</b>	<b>727 846 077</b>	-	-
Other income	35	27 475 917	68 351 499	6 422 218	48 302 273
Selling and distribution costs	33	(291 515 894)	(46 828 874)	-	-
Administrative expenses	33	(502 288 618)	(502 890 915)	(504 276)	(48 701 301)
Other operating expenses	33	(100 020 159)	(32 677 267)	-	-
<b>Operating profit (loss)</b>		<b>362 174 058</b>	<b>213 800 520</b>	<b>5 917 942</b>	<b>(399 028)</b>
Finance income	26	24 233 919	25 591 533	2 844 516	5 580 506
Finance costs	26	(93 299 718)	(54 729 936)	(2 961 447)	(3 397 199)
Losses from equity accounted investments	23	(545 665)	(683 000)	-	-
<b>Profit before taxation</b>		<b>292 562 594</b>	<b>183 979 117</b>	<b>5 801 011</b>	<b>1 784 279</b>
Taxation	10	(82 575 460)	(45 350 438)	-	(1 352 786)
<b>Profit from continuing operations</b>		<b>209 987 134</b>	<b>138 628 679</b>	<b>5 801 011</b>	<b>431 493</b>
<b>Discontinued operations</b>					
Loss from discontinued operations	15	-	(181 035)	-	-
<b>Profit for the year</b>		<b>209 987 134</b>	<b>138 447 644</b>	<b>5 801 011</b>	<b>431 493</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations		-	(483 139)	-	-
Effects of cash flow hedges		(949 002)	-	-	-
<b>Total items that may be reclassified to profit or loss</b>		<b>(949 002)</b>	<b>(483 139)</b>	-	-
<b>Other comprehensive income for the year net of taxation</b>		<b>(949 002)</b>	<b>(483 139)</b>	-	-
<b>Total comprehensive income for the year</b>		<b>209 038 132</b>	<b>137 964 505</b>	<b>5 801 011</b>	<b>431 493</b>
<b>Profit attributable to:</b>					
<b>Owners of the parent:</b>					
From continuing operations		209 835 544	136 403 956	5 801 011	431 493
From discontinued operations		-	(181 035)	-	-
		<b>209 835 544</b>	<b>136 222 921</b>	<b>5 801 011</b>	<b>431 493</b>
<b>Non-controlling interest:</b>					
From continuing operations		151 590	2 224 723	-	-
From discontinued operations		-	-	-	-
		<b>209 987 134</b>	<b>138 447 644</b>	<b>5 801 011</b>	<b>431 493</b>

# Ascendis Health Limited

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## Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	Group		Company	
		2015	2014	2015	2014
<b>Total comprehensive income attributable to:</b>					
<b>Owners of the parent</b>		<b>208 886 542</b>	<b>135 739 782</b>	<b>5 801 011</b>	<b>431 493</b>
For continuing operations		208 886 542	135 920 817	5 801 011	431 493
For discontinued operations		-	(181 035)	-	-
<b>Non-controlling interest</b>		<b>151 590</b>	<b>2 224 723</b>	<b>-</b>	<b>-</b>
For continuing operations		151 590	2 224 723	-	-
		<b>209 038 132</b>	<b>137 964 505</b>	<b>5 801 011</b>	<b>431 493</b>
<b>Earnings per share</b>					
<b>Basic earnings per share (cents)</b>	42				
- From continuing operations		80,54	64,27		
- From discontinued operations		-	(0,09)		
		<b>80,54</b>	<b>64,18</b>		
<b>Diluted earnings per share (cents)</b>	42				
- From continuing operations		80,54	64,27		
- From discontinued operations		-	(0,09)		
		<b>80,54</b>	<b>64,18</b>		

The notes on pages 24 to 128 form an integral part of the annual financial statements.

# Ascendis Health Limited

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## Statement of Changes in Equity

Group	Preference shares	Ordinary shares	Stated capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Share-based payment reserve	Change in control reserve	(Accumulated loss)/Retained income	Total attributable to equity holders of the group/company	Non-controlling interest	Total equity
<b>Balance at 01 July 2013</b>	-	378 980 824	-	671 551	-	975 992	-	(9 023 778)	15 845 258	387 449 847	347 633	387 797 480
Profit for the year	-	-	-	(483 139)	-	-	-	-	136 222 921	136 222 921	2 224 723	138 447 644
Other comprehensive income	-	-	-	(483 139)	-	-	-	-	-	(483 139)	-	(483 139)
<b>Total comprehensive income for the year</b>	-	-	-	(483 139)	-	-	-	-	136 222 921	135 739 782	2 224 723	137 964 505
Transfer of ordinary shares to stated capital	-	(378 980 824)	378 980 824	-	-	-	-	-	-	-	-	-
Stated capital issued upon private placement vendor loans	-	-	173 833 638	-	-	-	-	-	-	173 833 638	-	173 833 638
Stated capital issued upon private placement	-	-	400 000 003	-	-	-	-	-	-	400 000 003	-	400 000 003
Share listing costs capitalised against Stated capital	-	-	(19 036 740)	-	-	-	-	-	-	(19 036 740)	-	(19 036 740)
Treasury shares on hand at year end	-	-	(14 593 677)	-	-	-	-	-	-	(14 593 677)	-	(14 593 677)
Issue of ordinary shares related to business combination	-	-	188 851 640	-	-	-	-	-	-	188 851 640	-	188 851 640
Share-based payment reserve	-	-	-	-	-	-	13 233 000	-	-	13 233 000	-	13 233 000
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	-	-	-	4 632 663	4 632 663
Changes in ownership interest - control not lost	-	-	-	-	-	-	-	(61 492 266)	-	(61 492 266)	(399 970)	(61 892 236)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	-	-	1 108 035 688	188 412	-	975 992	13 233 000	(70 516 044)	152 068 179	1 203 965 227	6 805 049	1 210 790 276

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## Statement of Changes in Equity

	Preference shares	Ordinary shares	Stated capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Share-based payment reserve	Change in control reserve	(Accumulated loss)/Retained income	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
<b>Balance at 01 July 2014 (Restated)</b>	-	-	1 108 035 688	188 412	-	975 992	13 233 000	(70 516 044)	152 068 179	1 203 985 227	6 805 049	1 210 790 276
Profit for the year	-	-	-	-	(949 002)	-	-	-	209 835 544	209 835 544	151 590	209 987 134
Other comprehensive income	-	-	-	-	(949 002)	-	-	-	-	(949 002)	-	(949 002)
<b>Total comprehensive income for the year</b>	-	-	-	-	(949 002)	-	-	-	209 835 544	208 886 542	151 590	209 038 132
Issue of shares	-	-	480 524 003	-	-	-	-	-	-	480 524 003	-	480 524 003
Purchase of own / treasury shares	-	-	(10 770 573)	-	-	-	-	-	-	(10 770 573)	-	(10 770 573)
Listing fees capitalised against Stated capital	-	-	(1 059 454)	-	-	-	-	-	-	(1 059 454)	-	(1 059 454)
Dividends	-	-	-	-	-	-	-	-	(62 487 215)	(62 487 215)	-	(62 487 215)
Changes in ownership interest - control not lost	-	-	-	-	-	-	-	5 159 000	-	5 159 000	(6 956 639)	(1 797 639)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	-	-	468 693 976	-	-	-	-	5 159 000	(62 487 215)	411 365 761	(6 956 639)	404 409 122
<b>Balance at 30 June 2015</b>	-	-	1 576 729 664	188 412	(949 002)	975 992	13 233 000	(65 357 044)	299 416 508	1 824 237 530	-	1 824 237 530

Note(s) 16 16 16

# Ascendis Health Limited

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## Statement of Changes in Equity

	Preference shares	Ordinary shares	Stated capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Share-based payment reserve	Change in control reserve	(Accumulated loss)/Retained income	Total attributable to equity holders of the Group / company	Non-controlling interest	Total equity
<b>Figures in Rand</b>												
<b>Company</b>												
Balance at 01 July 2013	20 828	378 959 996	-	-	-	-	-	-	11 490 137	390 470 961	-	390 470 961
Profit for the year	-	-	-	-	-	-	-	-	431 493	431 493	-	431 493
Total comprehensive income for the year	-	-	-	-	-	-	-	-	431 493	431 493	-	431 493
Issue of shares	-	-	760 185 295	-	-	-	-	-	-	760 185 295	-	760 185 295
Capitalisation of listing fees	-	-	(19 036 739)	-	-	-	-	-	-	(19 036 739)	-	(19 036 739)
Transfer to stated capital	(20 828)	(378 959 996)	378 980 824	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	1 120 129 380	-	-	-	-	-	11 921 630	1 132 051 010	-	1 132 051 010
Balance at 01 July 2014	-	-	1 120 129 380	-	-	-	-	-	11 921 630	1 132 051 010	-	1 132 051 010
Profit for the year	-	-	-	-	-	-	-	-	5 801 011	5 801 011	-	5 801 011
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	480 524 003	-	-	-	-	-	-	480 524 003	-	480 524 003
Capitalisation of listing fees	-	-	(1 059 454)	-	-	-	-	-	-	(1 059 454)	-	(1 059 454)
Dividends	-	-	-	-	-	-	-	-	(62 381 374)	(62 381 374)	-	(62 381 374)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	479 464 549	-	-	-	-	-	(62 381 374)	417 083 175	-	417 083 175
Balance at 30 June 2015	-	-	1 599 593 929	-	-	-	-	-	(44 658 733)	1 554 935 196	-	1 554 935 196

Note(s) 16

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The notes on pages 24 to 128 form an integral part of the annual financial statements.

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## Statement of Cash Flows

Figures in Rand	Note(s)	Group		Company	
		2015	2014 (Restated)	2015	2014
<b>Cash flows from operating activities</b>					
Cash generated from operations	37	285 805 089	175 918 524	52 098 556	(12 313 655)
Interest income		24 233 919	25 591 533	2 844 516	5 580 507
Dividends received		-	-	-	48 120 756
Finance costs		(93 299 718)	(54 729 936)	(2 961 447)	(3 397 199)
Dividends paid		(62 487 214)	-	(62 381 372)	-
Tax paid	11	(122 988 183)	(43 679 815)	(1 380 116)	313 345
Cash flows of held for sale / discontinued operations		-	(2 353 157)	-	-
<b>Net cash from operating activities</b>		<b>31 263 893</b>	<b>100 747 149</b>	<b>(11 779 863)</b>	<b>38 303 754</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	5	(45 918 016)	(14 765 070)	-	-
Proceeds from sale of property, plant and equipment	5	16 645 878	36 500 813	-	-
Purchase of intangible assets	6	(43 155 961)	(1 749 704)	-	-
Acquisition of subsidiary, net of cash acquired	8	(453 099 372)	(690 622 773)	12 944 564	(704 835 638)
Acquisition / disposal of investments in joint operation		5 767 587	(48 133 353)	-	-
Loans advanced to related parties		(14 747 619)	(20 997 387)	(507 856 708)	(212 621 611)
Repayment of loans by related parties		53 999 972	-	-	-
Proceeds / acquisition of other financial assets		(9 009 377)	1 103 400	-	-
Repayment of deferred vendor liabilities		(13 511 427)	(33 549 102)	-	-
Net cash flows from investing activities: discontinued operations and non-current assets held for sale		5 615 516	(102 658)	-	-
<b>Net cash utilised in investing activities</b>		<b>(497 412 819)</b>	<b>(772 315 834)</b>	<b>(494 912 144)</b>	<b>(917 457 249)</b>
<b>Cash flows from financing activities</b>					
Proceeds on share issue	16	479 464 549	366 369 586	479 464 549	741 148 553
Reduction of share capital or buy back of shares	16	(10 770 573)	(14 593 677)	-	-
Proceeds from borrowings		850 000 000	504 992 588	-	23 248 608
Repayments of borrowings		(691 314 935)	(257 057 498)	-	(37 658 123)
Loans received from related parties		119 466	-	3 966	-
Loans advanced to related parties		(41 669 733)	-	-	-
Movement in non-controlling interest		(12 500 000)	-	-	-
Acquisition of non-controlling interest and movements in other reserves		-	(61 492 266)	-	-
Net cash flows from financing activities: discontinued operations		-	3 138 190	-	-
<b>Net cash from financing activities</b>		<b>573 328 775</b>	<b>541 356 923</b>	<b>479 468 515</b>	<b>726 739 038</b>
<b>Total cash movement for the year</b>		<b>107 179 849</b>	<b>(130 211 762)</b>	<b>(27 223 492)</b>	<b>(152 414 457)</b>
Cash at the beginning of the year		(5 965 133)	124 246 629	(44 133 251)	108 281 206
<b>Total cash at end of the year</b>	14	<b>101 214 716</b>	<b>(5 965 133)</b>	<b>(71 356 743)</b>	<b>(44 133 251)</b>

The notes on pages 24 to 128 form an integral part of the annual financial statements.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 1. Corporate information

Ascendis is a fast growing health and care brands company consisting of three divisions, Consumer Brands (nutraceuticals, vitamins, sports nutrition products and skin care products); Phyto-Vet (plant and animal health); and Pharma-Med (prescription drugs and medical devices). The Group's vision, which is encapsulated in its motto 'A healthy home, a healthy you', is to bring health to the consumer at all stages of his or her life – from health maintenance (preventative medicine) to chronic medication and critical care (intervention). These annual financial results for the year ended 30 June 2015 comprise of the company and its subsidiaries (together referred to as the Group) and the Group's interest in joint ventures.

### 2. Presentation of annual financial statements:

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.

#### 2.1. Statement of Compliance

The annual financial results for the year ended 30 June 2015 have been prepared under the supervision of interim Chief Financial Officer JC van Schalkwyk (CA) SA, in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the Johannesburg Stock Exchange (JSE), Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act No 71 of 2008. The Group Annual Financial Statements as at and for the year ended 30 June 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### 2.2. Basis of preparation

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 annual financial statements incorporate the principal accounting policies set out below, which have been consistently applied in comparison to the prior year.

The annual financial statements are presented in South African Rands.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. Presentation of annual financial statements: (continued)

#### 2.3. Judgments and estimates

In preparing these annual financial results, management made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 30 June 2014.

Significant judgements include:

##### *Depreciation and amortisation rates and residual values*

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets.

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 and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. 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

Refer to note 5 and 6.

##### *Indefinite useful life intangible assets*

Judgement is applied when assessing whether an intangible asset has a finite or an indefinite useful life. Significant judgement is needed by management when determining the classification of intangible assets as indefinite useful life assets.

The following factors are taken into account when this classification is made:

- the ability to use the asset efficiently. Historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and indefinite useful life intangible assets plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy (budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restrictions on its ability to use the asset;
- redundancy of a similar item due to changes in market preferences.

Refer to note 6. The Group has no intangible assets with indefinite useful lives.

##### *Impairment testing and allocation of cash generating units*

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use and fair values less costs to sell. These calculations require the use of estimates and assumptions (note 6). It is reasonably possible that the assumption made may then impact our estimations and may require a material adjustment to the carrying value of tangible and intangible assets.

# Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. Presentation of annual financial statements: (continued)

The Group reviews and tests the carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

Assets are grouped at the lowest level of which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows of each Group of assets. Expected future cash flows used to determine the value-in-use of tangible and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

Refer to note 6.

#### *Loans and receivables*

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of trade receivables and loans and receivables is calculated on an individual basis, based on payment history, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the individual receivable.

The following factors are taken into account when considering whether a debtor is impaired:

- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- industry-specific economic conditions
- credit terms specific to the customer; and
- general economic conditions.

Refer to note 12, 13 and 25.

#### *Allowance for slow moving, damaged and obsolete stock*

An allowance for stock is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Refer to note 24.

#### *Determination of net realisable value of inventories*

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 significant 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.

Refer to note 24.

#### *Fair value determination in business combinations*

IFRS 3 Revised requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. The Group makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement. Judgement is applied in determining the allocation of goodwill to different cash-generating units. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. Presentation of annual financial statements: (continued)

The initial accounting for specific business acquisitions in the current year have been reported on a provisional basis and will only be finalised in the year ending 30 June 2016.

Refer to note 8.

#### *Determination of average translation rates*

Income and expenditure transactions are translated using the average rate of exchange for the year. Management considers the average rate to approximate the actual rates prevailing on the dates on which these transactions occur.

#### *Fair value determination of short-term financial assets and liabilities*

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Refer to note 13 and 29.

#### *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 6.

#### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Refer to note 29.

#### *Taxation*

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Refer to note 9 and 10.

### 2.4. Underlying Concepts

The financial statements are prepared on the going concern basis using accrual accounting.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standards. If no such guidance is given, they are applied retrospectively, unless it is impractical to do so, in which case they are applied prospectively. Changes in accounting estimates are recognised in profit or loss. Prior period errors are retrospectively restated unless it is impractical to do so, in which case they are applied prospectively.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. Presentation of annual financial statements: (continued)

#### 2.5. Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the Group and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be reliably measured.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract. Regular way purchase and sales are recognised using trade date accounting.

#### 2.6. Offsetting

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3. New Standards and Interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

During the current financial year, the following new accounting standards, interpretations and amendments to published accounting standards were adopted for the first time during the year ended 30 June 2015:

##### **Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting - effective 1 January 2014**

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.

##### **IFRIC 21 Levies - effective 1 January 2014**

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

##### **Amendments to IAS 32 – 'Financial Instruments: Presentation' on financial instruments asset and liability offsetting - effective 1 January 2014**

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

##### **Amendments to IFRS 10, Consolidated financial statements, IFRS 12 and IAS 27 for investment entities - effective 1 January 2014**

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 3. New Standards and Interpretations (continued)

#### **IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' - effective 1 January 2014**

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

#### **IFRS 1, 'First-time adoption of International Financial Reporting Standards' - effective 1 July 2014**

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

#### **IFRS 3, 'Business combinations' - effective 1 July 2014**

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

#### **Amendment to IAS 19 regarding defined benefit plan - effective 1 July 2014**

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

#### **Amendment to IFRS 2, 'Share based payment' - effective 1 July 2014**

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

#### **Amendment to IFRS 3, 'Business combinations' - effective 1 July 2014**

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

#### **Amendment to IFRS 8, 'Operating segments' - effective 1 July 2014**

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

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## Notes to the Annual Financial Statements

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### 3. New Standards and Interpretations (continued)

#### **Amendment to IFRS 13, 'Fair value measurement' - effective 1 July 2014**

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

#### **IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets' - effective 1 July 2014**

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross.

#### **IAS 24, 'Related party disclosures' - effective 1 July 2014**

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity')

None of the above amendments had a material effect on the consolidated financial statements for the year ended 30 June 2015.

### **3.2 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2015 or later periods but are not yet effective:

#### **Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets - effective 1 January 2016**

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

#### **Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption - effective 1 January 2016**

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

#### **Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation - effective 1 January 2016**

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.

#### **Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative - effective 1 January 2016**

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.

#### **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation - effective 1 January 2016**

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 3. New Standards and Interpretations (continued)

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

#### **IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' - effective 1 January 2016**

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. The amendment also clarifies that changing the disposal method does not change the date of classification.

#### **IFRS 7 – 'Financial Instruments: Disclosures' - effective 1 January 2016**

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.

#### **IAS 19 – 'Employee Benefits' - effective 1 January 2016**

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.

#### **IFRS 15 – Revenue from contracts with customers - effective 1 January 2017**

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

#### **Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting - effective 1 January 2018**

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed.

Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 3. New Standards and Interpretations (continued)

#### **IFRS 9 – Financial Instruments (2009 & 2010) - effective 1 January 2018**

This IFRS is part of the IASB's project to replace IAS 39. 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 classification categories: amortised cost and fair value. 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.

#### **Amendments to IAS 27, 'Separate financial statements' on equity accounting - effective 1 January 2016**

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.

None of the above amendments will have a material effect on the consolidated financial statements for the year ended 30 June 2015.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 4. Foreign currency exposure at the end of the reporting period

#### Accounting policy

The presentation and functional currency of the Group and parent company financial statements is the South African Rand. Certain individual companies in the Group have different functional currencies, and are translated upon consolidation.

Foreign currency transactions are recorded at the exchange rates ruling on the transaction dates. Monetary assets and liabilities designated in foreign currencies are subsequently translated at rates of exchange ruling at the reporting date, gains and losses thereon are recognised in profit or loss. Upon settlement, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the settlement date and resulting gains and losses are recognised in profit or loss. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition date.

Foreign operations are translated from their functional currency into rand at the rates of exchange ruling at the reporting date in respect of statement of financial position items and at an average rate per month in respect of statement of comprehensive income items. Gains and losses on the translation of foreign operations are recognised in other comprehensive income.

Translation gains and losses arising on loans which form part of the net investment in the foreign operations are reported in profit or loss in the company extending or receiving the loan. In the consolidated financial statements they are carried in equity until realised, and thereafter are recognised in profit or loss.

#### *Determination of average translation rates*

Income and expenditure transactions are translated using the average rate of exchange for the year. Management considers the average rate to approximate the actual rates prevailing on the dates on which these transactions occur.

### 5. Property, plant and equipment

#### Accounting policy

##### (i) Recognition and measurement

Land and buildings are shown at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of revalued asset 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. All other property plant and equipment is stated at historical cost minus 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 reserve to Retained Earnings.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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.

Borrowing costs related to the acquisition or construction of qualifying assets are capitalised in accordance with the Group's accounting policy on borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 5. Property, plant and equipment (continued)

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 profit or loss.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

The Group depreciates its fixed assets over their estimated useful lives, except for Land and Buildings which are carried at fair value.

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.

Depreciation is recognised in profit or loss on a systematic basis over the estimated useful lives of each part of an item of property, plant and equipment to their estimated residual value.

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

Land and buildings are carried at fair value.

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.

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

<b>Asset Category</b>	<b>Useful life</b>
Buildings	50 years
Plant and machinery	5 - 15 years
Office furniture	5 - 7 years
Motor vehicles	3 - 6 years
Computers	3 years
Computer software	2 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. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Items of property, plant and equipment are assessed for impairment as detailed in the accounting policy on impairment of assets.

#### (iii) Change in accounting estimate

The change in accounting estimates applied to the following assets:

Plant and machinery of Surgical Innovations and PharmaNatura

Leasehold improvements of PharmaNatura

Land and buildings of Efekto Care and PharmaNatura

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

### 5. Property, plant and equipment (continued)

The change in the useful lives and residual values of the assets was done to align the accounting policies of the subsidiaries with that of the Group and was done on the following basis:

- Due to the knowledge and experience gained by management in the specific industries, it was assessed that the residual values of buildings almost equal the carrying amount thereof. The plant and the related manufacturing facilities can produce the same amount of units long after the initial assigned useful life has come to an end. This is due to the fact that the plant and equipment is well maintained by the respective companies.

The effect of these changes in residual values and useful lives on depreciation is shown as follows:

	Group					
	2015	2016	2017	2018	2019	Later
- Residual values and useful lives	(6 062 742)	(6 615 276)	(6 615 276)	(6 615 276)	(6 615 276)	(6 615 276)

Group	2015			2014		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	69 501 987	(547 885)	68 954 102	27 907 855	(547 885)	27 359 970
Plant and machinery - leased	2 564 159	(431 902)	2 132 257	160 972	(62 760)	98 212
Plant and machinery - owned	50 703 057	(9 156 315)	41 546 742	25 631 907	(1 816 336)	23 815 571
Office furniture	19 905 809	(8 993 361)	10 912 448	16 013 030	(5 365 582)	10 647 448
Motor vehicles - owned	10 011 043	(4 194 910)	5 816 133	8 276 527	(2 190 376)	6 086 151
Motor vehicles - leased	3 403 637	(1 317 457)	2 086 180	2 911 772	(895 379)	2 016 393
Computers	13 684 118	(6 659 700)	7 024 418	8 031 297	(3 720 639)	4 310 658
Leasehold improvements	6 419 616	(1 388 837)	5 030 779	7 111 174	(785 579)	6 325 595
Capital - Work in progress (1)	5 748 910	-	5 748 910	6 029 107	-	6 029 107
<b>Total</b>	<b>181 942 336</b>	<b>(32 690 367)</b>	<b>149 251 969</b>	<b>102 073 641</b>	<b>(15 384 536)</b>	<b>86 689 105</b>

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2015

	Land and buildings	Plant and machinery - leased	Plant and machinery - owned	Office furniture	Motor vehicles - owned	Motor vehicles - leased	Computers	Leasehold improvements	Capital work in progress (1)	Total
<b>Opening balance</b>										
Cost	27 907 855	160 972	25 631 907	16 013 030	8 276 527	2 911 772	8 031 297	7 111 174	6 029 107	102 073 641
Accumulated depreciation and impairment	(547 885)	(62 760)	(1 816 336)	(5 365 582)	(2 190 376)	(895 379)	(3 720 639)	(785 579)	-	(15 384 536)
<b>Net book value at 1 July 2014</b>	<b>27 359 970</b>	<b>98 212</b>	<b>23 815 571</b>	<b>10 647 448</b>	<b>6 086 151</b>	<b>2 016 393</b>	<b>4 310 658</b>	<b>6 325 595</b>	<b>6 029 107</b>	<b>86 689 105</b>
Additions	994 132	6 380 267	13 410 578	3 171 428	3 463 803	-	4 760 675	4 097 351	9 639 782	45 918 016
Additions through business combinations	40 600 000	-	7 003 800	1 484 181	1 075 553	1 533 302	1 716 862	2 196 014	-	55 609 712
Disposals and scrapping - cost	-	(4 500 188)	(3 264 093)	(762 830)	(2 544 341)	(1 041 436)	(824 716)	(6 984 922)	(1 476 008)	(21 398 534)
Disposals and scrapping - accumulated depreciation and impairment	-	1 333	3 370 538	765 303	1 324 149	-	333 982	39 739	-	5 835 044
Transfers (to) and from assets classified as held for sale	-	-	-	-	(260 498)	-	-	-	-	(260 498)
Transfers between asset categories	-	523 107	7 920 864	-	-	-	-	-	(8 443 971)	-
Depreciation (2)	-	(370 474)	(10 710 516)	(4 393 082)	(3 328 684)	(422 079)	(3 273 043)	(642 998)	-	(23 140 876)
<b>Net book value at 30 June 2015</b>	<b>68 954 102</b>	<b>2 132 257</b>	<b>41 546 742</b>	<b>10 912 448</b>	<b>5 816 133</b>	<b>2 086 180</b>	<b>7 024 418</b>	<b>5 030 779</b>	<b>5 748 910</b>	<b>149 251 969</b>
<b>Made up as follows:</b>										
Cost or revaluation	69 501 987	2 564 159	50 703 057	19 905 809	10 011 043	3 403 637	13 684 118	6 419 616	5 748 910	181 942 336
Accumulated depreciation and impairment	(547 885)	(431 902)	(9 156 315)	(8 993 361)	(4 194 910)	(1 317 457)	(6 659 700)	(1 388 837)	-	(32 690 367)
	<b>68 954 102</b>	<b>2 132 257</b>	<b>41 546 742</b>	<b>10 912 448</b>	<b>5 816 133</b>	<b>2 086 180</b>	<b>7 024 418</b>	<b>5 030 779</b>	<b>5 748 910</b>	<b>149 251 969</b>

#### Legend:

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

(2) Depreciation of R 4 999 561 has been included in Cost of sales (note 32) and R 18 141 315 in Other operating expenses (note 33).

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### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2014

	Land and buildings	Plant and machinery - leased	Plant and machinery - owned	Office furniture	Motor vehicles - owned	Motor vehicles - leased	Computers	Leasehold improvements	Capital work in progress	Total
<b>Opening balance</b>										
Cost	27 266 890	-	4 791 933	10 487 834	2 477 327	1 523 820	3 596 445	776 756	-	50 921 005
Accumulated depreciation and impairment	(191 085)	-	(1 549 137)	(3 422 898)	(576 759)	(175 351)	(1 872 305)	(412 465)	-	(8 200 000)
<b>Net book value at 1 July 2013</b>	<b>27 075 805</b>	<b>-</b>	<b>3 242 796</b>	<b>7 064 936</b>	<b>1 900 568</b>	<b>1 348 469</b>	<b>1 724 140</b>	<b>364 291</b>	<b>-</b>	<b>42 721 005</b>
Additions	640 964	3 866	6 044 840	1 705 677	1 348 035	292 510	2 847 888	769 909	1 111 381	14 765 070
Disposals and scrapping	-	157 106	50 276 024	5 202 679	5 636 740	2 247 989	1 909 429	5 564 242	5 429 220	76 423 429
Transfers (to) and from assets classified as held for sale	-	-	(34 355 480)	(181 732)	(740 841)	(857 149)	(46 981)	-	(511 494)	(36 693 677)
Depreciation	(356 799)	(62 760)	(25 504)	(205 464)	-	-	(50 498)	-	-	(281 466)
			(1 367 105)	(2 938 648)	(2 058 351)	(1 015 426)	(2 073 320)	(372 847)	-	(10 245 256)
<b>Net book value at 30 June 2014</b>	<b>27 359 970</b>	<b>98 212</b>	<b>23 815 571</b>	<b>10 647 448</b>	<b>6 086 151</b>	<b>2 016 393</b>	<b>4 310 658</b>	<b>6 325 595</b>	<b>6 029 107</b>	<b>86 689 105</b>
<b>Made up as follows:</b>										
Cost or revaluation	27 907 855	160 972	25 631 907	16 013 030	8 276 527	2 911 772	8 031 297	7 111 174	6 029 107	102 073 641
Accumulated depreciation and impairment	(547 885)	(62 760)	(1 816 336)	(5 365 582)	(2 190 376)	(895 379)	(3 720 639)	(785 579)	-	(15 384 536)
	<b>27 359 970</b>	<b>98 212</b>	<b>23 815 571</b>	<b>10 647 448</b>	<b>6 086 151</b>	<b>2 016 393</b>	<b>4 310 658</b>	<b>6 325 595</b>	<b>6 029 107</b>	<b>86 689 105</b>

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## Notes to the Annual Financial Statements

### 5. Property, plant and equipment (continued)

#### Details of properties

Property 1 (Efekto)	Group		Company	
	2015	2014	2015	2014
Title Deed T13122/2010, Isando, Gauteng (Erf 649)				
- Carrying value	24 219 443	-	-	-
- Acquisition from business combination	-	23 935 278	-	-
- Additions since purchase or valuation	-	640 964	-	-
- Depreciation	-	(356 799)	-	-
	<b>24 219 443</b>	<b>24 219 443</b>	-	-

Property 2 (Sportron)	Group		Company	
	2015	2014	2015	2014
Erf 514, Brooklyn, Pretoria				
- Carrying value	3 140 527	3 140 527	-	-
- Additions since purchase or valuation	37 236	-	-	-
	<b>3 177 763</b>	<b>3 140 527</b>	-	-

Property 3 (PharmaNatura)	Group		Company	
	2015	2014	2015	2014
Erf 1114 & 1115, Marlboro, Extension 1, Johannesburg				
- Purchase price - November 2014	40 600 000	-	-	-
- Additions since purchase or valuation	956 896	-	-	-
	<b>41 556 896</b>	-	-	-

#### Property, plant and equipment encumbered as security

Refer to note 27 for details of property, plant and equipment encumbered as security for borrowings.

#### Revaluations

A valuation of property, Erf 649 situated on 15 Diesel Road, Isando, Gauteng was performed on 7 March 2013 by an independent valuer, Errol B Ansara, a professional associated valuer (Reg 835/8) 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 9.9%. The capitalization rate was agreed to the Rhodes report for industrial buildings in the East Rand.

A valuation of property, Erf 1114 & 1115 situated on 1-3 Carey Street, Marlboro, Gauteng was performed on 30 June 2015 by an independent valuer, W.J. Hewitt, a professional associated valuer (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 11%.

No external revaluation has been performed for property Erf 514, Brooklyn, Pretoria as the directors assessed that the fair value of the property is correctly reflected in the carrying value thereof.

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

Property	Carrying amount
Land and buildings - Efekto	21 720 765
Land and buildings - Sportron	3 177 763
Land and buildings - PharmaNatura	41 556 896
	<b>66 455 424</b>

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## Notes to the Annual Financial Statements

### 5. Property, plant and equipment (continued)

#### Depreciation rates

#### Changes in estimates

The Group reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

#### Other historical information

#### 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. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'other reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

#### Recurring fair value adjustments 2015

	<b>Significant unobservable inputs (Level 3)</b>
Land and buildings - Efekto	24 219 443
Land and buildings - PharmaNatura	41 556 896
Land and buildings - Sportron	3 177 763
	<b>68 954 102</b>

#### Recurring fair value adjustments 2014

	<b>Significant unobservable inputs (Level 3)</b>
Land and buildings - Efekto	24 219 443
Land and buildings - Sportron	3 140 527
	<b>27 359 970</b>

There were no transfers between levels 1, 2 and 3 during the year.

	<b>2015</b>	<b>2014</b>
	<b>Land and buildings</b>	
<b>Fair value measurement using significant unobservable inputs (Level 3)</b>		
Opening balance at 1 June	27 359 970	27 075 805
Acquisition of subsidiary	40 600 000	-
Additions	994 132	284 165
<b>Closing balance at 30 June</b>	<b>68 954 102</b>	<b>27 359 970</b>

#### Sensitivity analysis

The valuation takes into account the discount rate, occupancy rate and rental per square metre, all of which are unobservable inputs in the free cash flow valuation model.

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## Notes to the Annual Financial Statements

### 5. Property, plant and equipment (continued)

The discount rate applied was derived using an appropriate capitalisation rate and adding a growth rate based on market-related rentals, testing this for reasonableness to the sum of the risk free rate and an appropriate premium for liquidity and property risk.

Over the 12 months to 30 June 2015, the range of discount rates utilised in the valuation of the Group's portfolio of properties has decreased due to the risk free rate, based on 10-year government bond yields, falling 80 basis points over the same period.

If the rent per square metre and the occupancy rate was decreased with 1%, an amount of R 28 564 will be debited to the statement of comprehensive income.

A 1% movement in the capitalisation rate will yield the following movements in the fair value of the buildings disclosed:

	2015		2014	
	1% Up	1% Down	1% Up	1% Down
IFRS 13 disclosure Sensitivity	(590 635)	602 565	(237 552)	242 351

### Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 June 2015	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings - Efekto	23 950 353	Income approach	Capitalisation rate	An increase in the capitalisation rate results in a lower fair value
			Occupancy rate	A decrease in the occupancy rate results in a lower fair value
			Rent per square metre	A decrease in rent per square metre results in a lower fair value
Land and buildings - PharmaNatura	41 000 000	Net annual income approach	Capitalisation rate	An increase in the capitalisation rate results in a lower fair value
			Occupancy rate	A decrease in the occupancy rate results in a lower fair value
			Rent per square metre	A decrease in rent per square metre results in a lower fair value

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## Notes to the Annual Financial Statements

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### 5. Property, plant and equipment (continued)

Description	Fair value at 30 June 2014	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Land and building - Efekto	24 219 443	Income approach	Capitalisation rate  Occupancy rate  Rent per square metre	An increase in the capitalisation rate results in a lower fair value  A decrease in the occupancy rate results in a lower fair value  A decrease in rent per square metre results in a lower fair value

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No external revaluation has been performed for property 514, Brooklyn, Pretoria as the directors assessed that the fair value of the property is correctly reflected in the carrying value thereof.

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

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### 6. Intangible assets and goodwill

#### Accounting policy

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

#### Intangible assets within the Group includes the following:

##### (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 is monitored at the operating segment level.

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) Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised.

##### - Subsequent measurement

Intellectual property is recognised at cost and amortised on a straight-line basis over their estimated remaining useful lives.

Estimated useful lives are reviewed annually. In addition, some intangible assets included in this category may be classified as indefinite life intangible assets. Indefinite life intangible assets are not amortised, but are tested annually for impairment.

##### (c) Research and development

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

The amounts that are recognised as intangible assets consist of all direct costs relating to the intellectual property and also include the cost of intellectual property development employees and an approximate portion of relevant overheads.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development expenditure is measured at fair value if acquired through a business combination.

##### - Subsequent measurement

Development costs are capitalised until the date of commercial production and are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met, on a straight-line basis over the remaining useful lives.

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## Notes to the Annual Financial Statements

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### 6. Intangible assets and goodwill (continued)

#### (d) Product participation and other contractual rights

Rights acquired to co-market or manufacture certain third party products are capitalised to intangible assets at cost at the acquisition date.

#### - Subsequent measurement

These rights are subsequently carried at amortised cost and are amortised on the straight-line basis over the financial years of the agreements. This amortisation method is chosen to reflect the pattern in which the benefits relating to the rights are expected to flow to the Group.

#### (e) Drug master files

Drug master files include technical know-how relating to the drug master files acquired in business combinations and are carried at cost less accumulated amortisation and accumulated impairment losses. It is initially measured at fair value.

#### - Subsequent measurement

Drug master files are amortised over their expected remaining useful lives, which are estimated to be twenty-five years.

#### (f) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated remaining useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets if they meet the following criteria:

- the costs can be measured reliably;
- the software is technically feasible;
- future economic benefits are probable;
- the Group intends to and has sufficient resources to complete development; and
- the Group intends to use or sell the asset.

#### - Subsequent measurement

Direct costs include the cost of software development employees and an approximate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

#### (g) Customer relationships and contracts

Customer relationships and contracts acquired as part of a business combination are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships and contracts acquired at the date of acquisition.

#### - Subsequent measurement

Customer relationships and contracts are amortised on a straight-line basis over their estimated useful lives. The estimated life is re-evaluated on an annual basis.

#### (h) Trademarks / Brands

The Group capitalises marketing-related trade names acquired through business combinations. Trade names 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. Trade names are capitalised at the date of acquisition at the fair value determined by an independent valuer.

The fair values are determined by a relief-from-royalty method which entails quantifying royalty payments, which would be required if the trade name were owned by a third party and licenced to the company.

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## Notes to the Annual Financial Statements

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### 6. Intangible assets and goodwill (continued)

- Subsequent measurement

Trade names are amortised on a straight-line basis over their estimated economically beneficial lives. The estimated life is re-evaluated on an annual basis.

#### Amortisation and useful lives

The Group amortises its intangible assets over their estimated useful lives.

The estimation of the useful lives of intangible 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, and product lifecycles.

#### Indefinite useful life intangible assets

Judgement is applied when assessing whether an intangible asset has a finite or an indefinite useful life. Significant judgement is needed by management when determining the classification of intangible assets as indefinite useful life assets.

The following factors are taken into account when this classification is made:

- the ability to use the asset efficiently. Historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and indefinite useful life intangible assets plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy (budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restrictions on its ability to use the asset;
- redundancy of a similar item due to changes in market preferences.

The Group has no intangible assets with indefinite useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For all other intangible assets amortisation is provided on a straight-line basis over their useful life which is as follows:

<b>Asset Category</b>	<b>Useful life</b>
Brands and trademarks	5 - 10 years
License agreements	5 - 10 years
Client relationships	10 - 20 years
Drug master files	25 years
Contractual agreements	5 years
Computer Software	2 - 5 years

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

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### 6. Intangible assets and goodwill (continued)

#### Change in accounting estimate

During the year, the useful lives of intangible assets in the Pharma-Med division has been updated. What was previously considered as contractual agreements with a five year useful life, was re-assessed as client relationships with a useful life of twenty years. This predominately relates to the client relationships of Surgical Innovations. A useful life of twenty years is considered appropriate due to the following reasons:

- The assets are highly advanced technological assets.
- Once the assets are placed at a client, a basis exists and only future upgrades are needed.
- Independent research have been done.
- Client (hospitals/clinics) prefer assets of a similar nature, therefore both private and state-owned hospitals will perform an upgrade to maintain assets rather than to buy new assets and train their employees on those new assets.
- Clients (hospitals/clinics) have been clients of Surgical Innovations for more than twenty years.
- Clients are predominantly large national blue chip hospitals and government hospitals/clinics.
- Surgical Innovations has highly skilled technicians that performs the upgrades and does the maintenance.
- Surgical Innovations has implemented and maintained a successful customer relationship program.

The impact on amortisation from the reassessment is as follows:

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	Group					
	2015	2016	2017	2018	2019	Later
(Decrease)/increase in amortisation	(16 072 158)	(16 072 158)	(16 072 158)	(16 072 158)	(16 072 158)	-

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## Notes to the Annual Financial Statements

### 6. Intangible assets and goodwill (continued)

Group	2015		2014	
	Cost / Valuation	Accumulated amortisation	Cost / Valuation	Accumulated amortisation
Goodwill	1 505 592 556	-	1 010 014 048	-
Brands and trademarks	120 260 395	(23 638 389)	95 583 967	(15 136 985)
License agreements	13 695 360	(7 058 618)	15 272 289	(5 841 696)
Computer software	10 118 721	(3 277 360)	2 857 746	(1 631 100)
Client relationships	416 502 347	(40 317 390)	220 367 746	(13 320 768)
Contractual agreements	107 816	(107 816)	12 937 906	(107 816)
Drug master files	66 071 408	(3 492 648)	52 389 717	(1 397 059)
<b>Total</b>	<b>2 132 348 603</b>	<b>(77 892 221)</b>	<b>1 409 423 419</b>	<b>(37 435 424)</b>
				<b>1 371 987 995</b>

## Ascendis Health Limited

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### Notes to the Annual Financial Statements

#### 6. Intangible assets and goodwill (continued)

##### Reconciliation of intangible assets and goodwill - Group - 2015

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
Goodwill	1 010 014 048	-	495 578 508	-	-	1 505 592 556
Brands and trademarks	80 446 982	11 316 031	13 584 019	-	(8 725 026)	96 622 006
License agreements	9 430 593	-	-	(1 576 929)	(1 216 922)	6 636 742
Computer software	1 226 646	7 260 975	-	-	(1 646 260)	6 841 361
Client relationships	207 046 978	15 477 514	177 103 912	-	(23 443 447)	376 184 957
Contractual agreements	12 830 090	-	-	(12 830 090)	-	-
Drug master files	50 992 658	13 681 691	-	-	(2 095 589)	62 578 760
	<b>1 371 987 995</b>	<b>47 736 211</b>	<b>686 266 439</b>	<b>(14 407 019)</b>	<b>(37 127 244)</b>	<b>2 054 456 382</b>

A total of R 2 281 487 for research and development costs has been expensed to the statement of comprehensive income for the year ended 30 June 2015. Refer to note 33.

Amortisation of R 37 127 244 has been included in Other operating expenses (note 33).

## Ascendis Health Limited

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### Notes to the Annual Financial Statements

#### 6. Intangible assets and goodwill (continued)

##### Reconciliation of intangible assets and goodwill - Group - 2014

	Opening balance	Additions	Additions through business combinations	Disposals	Measurement period adjustments	Additional amortisation charge due to measurement period adjustment	Amortisation	Total
Goodwill	233 122 949	-	814 585 124	-	(37 694 025)	-	-	- 1 010 014 048
Brands and trademarks	30 153 833	-	43 063 980	-	14 654 164	(77 915)	(7 347 080)	80 446 982
Licenses	10 918 479	-	-	(156 116)	-	-	(1 331 770)	9 430 593
Computer software	305 915	1 749 704	-	-	-	-	(828 973)	1 226 646
Client relationships	45 590 191	-	74 739 003	-	98 122 365	(2 061 767)	(9 342 814)	207 046 978
Contractual agreements	-	-	12 937 906	-	-	-	(107 816)	12 830 090
Drug master files	-	-	52 389 717	-	-	-	(1 397 059)	50 992 658
	<b>320 091 367</b>	<b>1 749 704</b>	<b>997 715 730</b>	<b>(156 116)</b>	<b>75 082 504</b>	<b>(2 139 682)</b>	<b>(20 355 512)</b>	<b>1 371 987 995</b>

Note(s)

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# Ascendis Health Limited

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## Notes to the Annual Financial Statements

### 6. Intangible assets and goodwill (continued)

#### Individually material intangible assets at carrying value

Carrying value	Group		Company	
	2015	2014	2015	2014
Surgical Innovations Client relationships	101 790 334	104 915 476	-	-
The Scientific Group Client relationships	79 676 294	-	-	-
Respiratory Care Africa Client relationships	38 762 195	-	-	-
	<b>220 228 823</b>	<b>104 915 476</b>	-	-

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

Remaining amortisation periods for the assets above are as follows:

Surgical Innovations Client relationships: 18.58 years (2014: 19.58 years)

The Scientific Group Client relationships: 19.58 years (2014: nil)

Respiratory Care Africa Client relationships: 19.17 years (2014: nil)

#### Impairment testing

Impairment losses are recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption made may then impact our estimations and may require a material adjustment to the carrying value of tangible and intangible assets.

The Group reviews and tests the carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

Assets are grouped at the lowest level of which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows of each group of assets. Expected future cash flows used to determine the value-in-use of tangible and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

The carrying value of goodwill for each entity where it exists, is reviewed for impairment annually by the board of directors.

The current year's valuation is based on a combination of the carrying value of intangibles and goodwill, of cash generating units and projected sustainable free cash flows calculation, taking into account the views of future performance of the respective companies.

While the valuation is based on projected sustainable free 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 key assumptions for the value-in-use calculations are based on past experience of management regarding entity performance and market variables.

Based on the above valuation methods, the directors assessed the carrying value of the goodwill to be less than the expected benefits from future performance or net asset value of the cash generating units. As a result, the goodwill is not deemed to be impaired.

A pre-tax discount rate was used to test for impairment.

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## Notes to the Annual Financial Statements

### 6. Intangible assets and goodwill (continued)

#### Impairment tests for goodwill

Management reviews the business performance based on type of business and products. The carrying value of goodwill, where it exists, is reviewed for impairment annually by the directors. It has identified Consumer Brands, Phyto-Vet and Pharma-Med as the main segments. The recoverable amount has been determined based on value-in-use calculations, based on pre-tax cash flow projections of approved budgets. Goodwill is monitored by management at the operating segment level.

The following is a summary of goodwill allocation for each operating segment:

2015	Opening	Additions	Transfer to other intangible assets	Closing
Consumer Brands	421 225 844	173 983 370	(40 198 651)	555 010 563
Phyto-Vet	140 176 260	24 886 137	(7 804 590)	157 257 807
Pharma-Med	448 611 944	434 004 370	(89 292 128)	793 324 186
<b>Total</b>	<b>1 010 014 048</b>	<b>632 873 877</b>	<b>(137 295 369)</b>	<b>1 505 592 556</b>

2014	Opening	Additions	Transfer to other intangible assets	Closing
Consumer Brands	134 050 741	360 593 518	(73 418 415)	421 225 844
Phyto-Vet	138 268 390	19 344 105	(17 436 235)	140 176 260
Pharma-Med	3 250	580 091 177	(131 482 483)	448 611 944
<b>Total</b>	<b>272 322 381</b>	<b>960 028 800</b>	<b>(222 337 133)</b>	<b>1 010 014 048</b>

Transfers to other intangible assets are in terms of the Purchase Price Allocations performed for newly acquired companies within the measurement period.

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

	Consumer Brands	Phyto-Vet	Pharma-Med
Terminal growth rate	5%	5%	5%
Revenue growth rate	8% to 30%	8% to 28%	13% to 34%
Initial	30%	28%	34%
Subsequent	8%	8%	13%
Inflation	5.9%	5.8%	6.1%
Discount rate	6.5% to 11.5%	6.6%	11.5% to 12.5%

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Consumer Brands	Phyto-Vet	Pharma-Med
Terminal growth rate	7.8% to 8%	7.7% to 8.2%	8.2% to 8.5%
Revenue growth rate			
- Initial	8%	7.5%	8%
- Subsequent	8.5%	8%	8.5%
Inflation	8.2%	8%	7.8%
Discount rate	11.7% to 11.9%	11.2% to 11.9%	11.9% to 12.2%

# Ascendis Health Limited

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### 6. Intangible assets and goodwill (continued)

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 growth rates have been assessed on a prudent basis with a key focus on cash generation. Taking into account the headroom in the goodwill impairment analysis, goodwill will be impaired with the following amounts, should the discount rate increase by 1%, and the revenue growth rate decrease by 1% respectively:

	<b>Increase 2015</b>	<b>Increase 2014</b>	<b>Decrease 2015</b>	<b>Decrease 2014</b>
Change in discount and growth rates	(1 622 336)	-	-	-

The total impairment relating to the sensitivity analysis above, relates to the Consumer Brands division. Taking the above assumptions into account, the Phyto-Vet and Pharma-Med divisions have sufficient headroom to ensure that a 1% increase in the discount rate, will not result in impairment.

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## Notes to the Annual Financial Statements

### 7. Interests in subsidiaries including consolidated structured entities

#### Accounting policy

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.

#### Group

Name of subsidiary	Nature of business	2015		2014		2015		2014	
		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)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
A-Med Medical Supplies Proprietary Limited	(3)	100 %	- %	100	-	-	-	-	-
Agro-Serve Proprietary Limited	(1)	100 %	100 %	100	5 348 238	-	-	-	-
Agro-Serve Namibia Proprietary Limited	(1)	100 %	100 %	4 000	4 000	-	-	-	-
Anti-aging Technologies Proprietary Limited	(2)	100 %	100 %	-	100	-	-	-	-
Ascendis Financial Services Proprietary Limited	(5)	100 %	100 %	3 370	3 370	3 370	-	3 370	3 370
Ascendis Health International Proprietary Limited	(4)	100 %	100 %	3 880	3 880	3 880	-	3 880	3 880
Ascendis International Holdings Limited	(4)	100 %	- %	15 693	-	15 693	-	-	-
Ascendis Management Services Proprietary Limited	(4)	100 %	100 %	3 965	3 965	3 965	-	3 965	3 965
Ascendis Medical Proprietary Limited	(3)	100 %	100 %	303 754 145	309 662 083	303 754 145	-	309 662 083	309 662 083
Ascendis Pharma Proprietary Limited	(3)	100 %	100 %	143 303 370	143 303 370	143 303 370	-	143 303 370	143 303 370
ATKA Trading 46 Proprietary Limited	(2)	100 %	- %	41 820 102	48 816 353	41 820 102	-	48 816 353	48 816 353
Avima Proprietary Limited	(1)	100 %	100 %	54 821 140	54 821 140	-	-	-	-
Bolus Distribution Proprietary Limited	(2)	100 %	100 %	18 011 725	18 011 725	-	-	-	-
Bolus International Proprietary Limited	(2)	100 %	100 %	6 734 553	6 734 553	3 370	-	3 370	3 370
Coast2Coast Distribution Proprietary Limited	(2)	100 %	100 %	36 510 000	36 510 000	36 510 000	-	36 510 000	36 510 000
Chempure Proprietary Limited	(2)	100 %	100 %	83 209 938	83 209 938	83 209 938	-	83 209 938	83 209 938
Dealcor Forty Proprietary Limited	(2)	100 %	100 %	50 200 052	50 200 052	-	-	-	-
Dezzo Trading 392 Proprietary Limited	(3)	100 %	100 %	82 065 644	200	-	-	-	-
Efeko Care Proprietary Limited	(1)	100 %	100 %	5 800 383	456 905	-	-	-	-
Efeko Holdings Proprietary Limited	(1)	100 %	100 %	70 159 307	70 159 307	70 159 307	-	70 159 307	70 159 307
Elixr Brands Proprietary Limited	(5)	100 %	100 %	39 000	39 000	39 000	-	39 000	39 000
Halstrin Trading Proprietary Limited	(1)	100 %	100 %	441	441	-	-	-	-
Heritage Resources Proprietary Limited	(2)	100 %	100 %	14 542	14 542	14 542	-	14 542	14 542
Innovative Pest Management Proprietary Limited	(1)	100 %	100 %	100	100	-	-	-	-
Integrative Health Publications Proprietary Limited	(2)	100 %	100 %	-	120	-	-	-	-
Juniva Proprietary Limited	(2)	- %	78 %	-	2 970	2 970	-	2 970	2 970
K2012021382 Proprietary Limited	(2)	100 %	100 %	19 602 150	26 158 340	19 602 150	-	26 158 340	26 158 340
K2012179211 Proprietary Limited	(2)	100 %	100 %	79 106 652	74 423 271	79 106 652	-	79 106 652	79 106 652
K2012179383 Proprietary Limited	(2)	100 %	74 %	32 155 245	6 503 490	6 503 490	-	3 370	3 370
K2013195936 Proprietary Limited	(2)	100 %	100 %	3 880	3 880	3 880	-	3 880	3 880
K2013126231 Proprietary Limited	(4)	100 %	100 %	2 850	2 850	2 850	-	2 850	2 850
K2013197766 Proprietary Limited	(2)	100 %	100 %	2 850	2 850	2 850	-	2 850	2 850
Lavient Trading Proprietary Limited	(2)	100 %	100 %	50 206	50 206	50 206	-	50 206	50 206
Lexshell 155 General Trading Proprietary Limited	(3)	100 %	- %	100	-	-	-	-	-
Lexshell 834 Investments Proprietary Limited	(3)	100 %	- %	24 000 000	-	-	-	-	-
Marltons Pets and Products Proprietary Limited	(1)	100 %	100 %	18 843 035	100	-	-	-	-
Medicine Developers International Proprietary Limited	(3)	100 %	100 %	200	200	-	-	-	-
Nimue Bioscience Proprietary Limited	(2)	100 %	100 %	32 000 001	32 000 001	32 000 001	-	32 000 001	32 000 001
Nimue Skin Proprietary Limited	(2)	100 %	100 %	100	100	100	-	100	100
Nimue South Africa Proprietary Limited	(2)	100 %	100 %	100	100	100	-	100	100
One Vision Investments 381 Proprietary Limited (SSN)	(2)	100 %	100 %	1	1	1	-	1	1
Ortus Chemicals Proprietary Limited	(1)	100 %	- %	22 413 656	-	-	-	-	-
Pharmachem Proprietary Limited	(3)	100 %	100 %	199 600	1 000	-	-	-	-
Pharmadyne Proprietary Limited	(3)	100 %	100 %	200	200	-	-	-	-
PharmaNatura Proprietary Limited	(2)	100 %	100 %	80 005 940	80 005 940	-	-	-	-
Regal Nutrients Proprietary Limited	(2)	100 %	100 %	14 162 344	14 162 344	14 162 344	-	14 162 344	14 162 344
Respiratory Care Africa Proprietary Limited	(3)	100 %	- %	153 095 114	-	-	-	-	-

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### 7. Interests in subsidiaries including consolidated structured entities (continued)

Name of subsidiary	Nature of business	2015		2014		2015		2014	
		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)		
Reviva Technology Proprietary Limited	(2)	- %	100 %	-	3 318 958	-	-		
Small Pack Solutions Proprietary Limited	(1)	100 %	100 %	120	120	-	-		
Solal Africa Technologies Distributors Proprietary Limited	(2)	100 %	100 %	-	100	-	-		
Solal Technologies Fine Pharmaceuticals Proprietary Limited	(2)	100 %	100 %	-	3 000	-	-		
Southern African Academy of Healthy Ageing and Integrative Medicine Proprietary Limited	(2)	100 %	100 %	-	120	-	-		
Sportron International Proprietary Limited	(2)	100 %	100 %	4 886 113	4 886 113	4 886 113	4 886 113		
Sportron Properties Proprietary Limited	(2)	100 %	100 %	6 249 083	6 249 083	6 249 083	6 249 083		
Surgical Innovations Proprietary Limited	(3)	100 %	100 %	338 364 057	339 000 000	-	-		
The Compounding Pharmacy of South Africa Proprietary Limited	(3)	100 %	100 %	3 880	3 880	3 880	3 880		
The Integrative Medical Centre Proprietary Limited	(2)	100 %	100 %	-	100	-	-		
The Scientific Group Proprietary Limited	(3)	100 %	- %	327 226 492	-	-	-		
Toolworth Distribution Proprietary Limited	(2)	100 %	100 %	679 070	679 070	679 070	679 070		
Tronitype Proprietary Limited	(1)	100 %	100 %	100	100	-	-		
Umecom Proprietary Limited	(3)	100 %	100 %	15 814 913	-	-	-		
Zasvin Trading Proprietary Limited	(2)	100 %	100 %	1 000	1 000	1 000	1 000		
				<b>2 065 344 602</b>	<b>1 414 762 869</b>	<b>842 097 422</b>	<b>855 041 988</b>		

#### Legend:

- (1) - Phyto-Vet
- (2) - Consumer Brands
- (3) - Pharma-Med
- (4) - Head Office: Management services
- (5) - Head Office: Financial services

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

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### 8. 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 fully 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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date and called "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. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

#### Changes in ownership interests in subsidiaries without change in control

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

#### Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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## Notes to the Annual Financial Statements

### 8. Business combinations (continued)

#### Ascendis application of accounting policy

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. Ascendis would therefore like to use this note in our financial statements to introduce a new measure to investors called the "ASC measure principle." With this measure we aim to introduce our stakeholders to the advantages identified and the strategic decisions and positioning of each acquisition within the Ascendis family. "ASC" is the abbreviation used for our share on the Johannesburg Stock Exchange.

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.

#### Bolt-On:

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

For accounting purposes, management uses the following criteria to treat the purchase as a business combination or as an asset acquisition:

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.

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

	2015				2014	
	Consumer Brands: Arctic (Note a)	Pharma-Med: The Scientific Group	Pharma-Med: Respiratory Care Africa	Other (Note d)	Total	Total
Cash	121 000 000	158 330 040	95 447 950	96 398 032	471 176 022	727 350 253
Transfers from joint ventures to subsidiaries (Note b)	-	-	-	41 820 102	41 820 102	-
Equity instruments (Note c)	-	-	21 830 364	3 888 896	25 719 260	362 685 278
Vendor loans	30 000 000	192 896 552	35 816 900	19 671 841	278 385 293	56 823 232
	<b>151 000 000</b>	<b>351 226 592</b>	<b>153 095 214</b>	<b>161 778 871</b>	<b>817 100 677</b>	<b>1 146 858 763</b>

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## Notes to the Annual Financial Statements

### 8. Business combinations (continued)

#### Recognised amounts of identifiable assets acquired and liabilities assumed

	2015				2014	
	Consumer Brands: Arctic	Pharma-Med: The Scientific Group	Pharma-Med: Respiratory Care	Other	Total	Total
Cash and cash equivalents	-	15 145 000	(5 235 240)	8 166 891	18 076 651	36 727 480
Property, plant and equipment	-	7 362 689	3 994 487	44 252 536	55 609 712	76 423 428
Existing intangible assets within the acquiree	-	-	-	4 580 251	4 580 251	-
Other financial assets	-	-	387 632	26 443 212	26 830 844	(59 899)
Inventories	1 370 500	26 644 000	48 461 709	7 793 746	84 269 955	285 364 897
Trade and other receivables	-	59 575 000	83 550 253	7 414 445	150 539 698	240 944 157
Provisions	-	-	(13 894 348)	-	(13 894 348)	-
Trade and other payables	-	(48 165 000)	(39 554 215)	(6 471 117)	(94 190 332)	(344 017 957)
Borrowings	-	(24 000 000)	(27 999 847)	9 309 671	(42 690 176)	(141 031 439)
Current tax payable	-	(1 466 000)	(4 085 713)	(3 126 329)	(8 678 042)	(2 900 773)
Contingent liability	-	-	-	-	-	-
Deferred tax assets / (liabilities)	-	2 505 000	1 267 645	-	3 772 645	(2 306 862)
<b>Total identifiable net assets</b>	<b>1 370 500</b>	<b>37 600 689</b>	<b>46 892 363</b>	<b>98 363 306</b>	<b>184 226 858</b>	<b>149 143 032</b>
<b>Initial resultant goodwill</b>	<b>149 629 500</b>	<b>313 625 903</b>	<b>106 202 851</b>	<b>63 415 565</b>	<b>632 873 819</b>	<b>997 715 731</b>

Note a: The assets acquired in Arctic were purely stock and brands. Brands have been managed by the Group since acquisition.

Note b: This relates to control that was obtained over Atka, previously classified as a joint venture. Refer to Note 23 *Investments in joint ventures* for further details.

Note c: The fair value of the equity instruments have been determined using the listed share price on the date of transfer. The number of shares relating to the acquisition were 1 364 398.

Note d: This category consists of the following companies:

Atka Trading 46 Proprietary Limited - Consumer Brands Division

Ortus Chemicals Proprietary Limited - Phyto-Vet Division

Koi Country Proprietary Limited - Phyto-Vet Division

Umecom Proprietary Limited - Pharma-Med Division

	2015				2014	
	Consumer Brands: Arctic	Pharma-Med: The Scientific Group	Pharma-Med: Respiratory Care Africa	Other	Total	Total
Initial resultant goodwill	149 629 500	313 625 903	106 202 851	63 415 563	632 873 817	997 715 729
Total Intangibles on acquisition	(55 831 460)	(81 371 535)	(40 447 508)	(13 037 428)	(190 687 931)	(183 130 606)
Deferred tax	15 632 809	22 784 030	11 325 302	3 650 480	53 392 621	51 276 569
<b>Remaining goodwill</b>	<b>109 430 849</b>	<b>255 038 398</b>	<b>77 080 645</b>	<b>54 028 615</b>	<b>495 578 507</b>	<b>997 715 729</b>

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## Notes to the Annual Financial Statements

### 8. Business combinations (continued)

#### Intangibles assets identified from the business combination:

- Brand names and trademarks	12 786 280	-	-	797 739	13 584 019	43 063 980
- Client relationships	43 045 180	81 371 535	40 447 508	12 239 689	177 103 912	74 739 003
- Contractual agreements	-	-	-	-	-	12 937 906
- Drug master files	-	-	-	-	-	52 389 717
	<b>55 831 460</b>	<b>81 371 535</b>	<b>40 447 508</b>	<b>13 037 428</b>	<b>190 687 931</b>	<b>183 130 606</b>

#### PPA input assumptions:

All PPA Input assumptions are considered to be Level 3 fair value measurements.

#### Consumer Brands (CAMS)

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
Lifespan of intangible assets	10 - 20 years	Increase in lifespan
Building rating	Below average	Increase in building rating
Risk free rate	- Good	
Capitalisation rate	8.3%	Decrease in risk free rate
Inflation	10.5% - 11%	Increase in capitalisation rate
	5.9%	Increase in inflation

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	6.5% to 11.5%	Decrease in WACC
Royalty rate	5.1%	Increase in royalty rate

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

#### 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%	Decrease in risk free rate
Inflation	6.1%	Increase in inflation

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	11.5% to 12.5%	Decrease in WACC

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

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## Notes to the Annual Financial Statements

### 8. Business combinations (continued)

Phyto-Vet		
Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
Lifespan of intangible assets	10 -15 years	Increase in lifespan
Risk free rate	7.9%	Decrease in risk free rate
Inflation	5.8%	Increase in inflation

  

Unobservable inputs	Range of inputs	Sensitivity of inputs and fair value measurement (1)
WACC	6.6%	Decrease in WACC
Royalty rate	5.1%	Increase in royalty rate

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

#### Material prior period adjustments:

At 30 June 2014, the Surgical Innovations Purchase Price Allocation was provisional due to the complexity of the business. During the first quarter of the current financial year, R 107 million additional assets had been identified. The resulting deferred tax of R 30 million has been recognised. The identified intangible asset relates to customer lists assessed to have a useful life of 20 years. This was therefore recorded as a reallocation of Goodwill to intangibles. This also included the final valuation of complex medical equipment to the value of R 27 million which got reallocated out of Goodwill into its appropriate asset category.

At 30 June 2014, the valuation of PharmaNatura was provisional. Once the stock valuation had been completed, the Purchase Price Allocation was adjusted with R 17 million. The deferred tax implication amounted to R 5 million.

Refer to note 38 *Restatement of prior year comparatives* for further adjustments.

	2015				2014	
	Arctic	The Scientific Group	Respiratory Care Africa	Other	Total	Total
<b>Acquisition date fair value of consideration paid</b>						
Cash	121 000 000	158 330 040	95 447 950	96 398 032	471 176 022	727 350 253
<b>Cash flow on business combinations</b>						
Cash consideration paid	(121 000 000)	(158 330 040)	(95 447 950)	(96 398 032)	(471 176 022)	(727 350 253)
Cash acquired	-	15 145 000	(5 235 241)	8 166 891	18 076 650	36 727 480
	<b>(121 000 000)</b>	<b>(143 185 040)</b>	<b>(100 683 191)</b>	<b>(88 231 141)</b>	<b>(453 099 372)</b>	<b>(690 622 773)</b>

Vendor loan repayment reconciliation	June 2015	June 2014
Opening balance	52 931 931	-
Total vendor loans per above	278 385 293	56 823 232
Repayment of current year vendor loans	(13 511 426)	(3 891 301)
<b>Total Vendor Loans</b>	<b>317 805 798</b>	<b>52 931 931</b>

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

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### 8. Business combinations (continued)

#### Consumer Brands

##### Arctic Health Brands - August 2014

Ascendis purchased six supplement brands (vitamins and minerals) from Arctic Health. These are well-established products and brands that have shown solid growth annually and have a proven track record of over 15 years. The products enjoy excellent support from prescribing healthcare practitioners and have developed a credible reputation in this market. The Arctic brands are a perfect bolt-on for Ascendis, increasing the number of Consumer Brands products sold as well as increasing Ascendis' market penetration in the detailing market. Three of these products are amongst the market leaders in their particular category in the minerals market.

Due to the size and nature of this business, it is seen as a bolt-on to the Consumer Brands division, where it is complemented by our other successful Consumer Brands companies. The purchase consideration was R 151 000 000.

The revenue included in the statement of comprehensive income since August 2014 contributed by Arctic was R 62 989 787. Arctic also contributed profit after tax of R 28 180 008 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 67 506 977 and R 29 934 749 respectively.

##### PharmaNatura Manufacturing Facility - November 2014

PharmaNatura has a 12 000 sq.m manufacturing facility, supported by stringent C-GMP-certified systems and procedures. This allows PharmaNatura to produce high quality pharmaceutical products, consistently and reliably. In August 2015, the plant again passed an MCC inspection successfully.

The plant has the capacity to manufacture capsules (hard and soft gel), creams, liquids, quality pastes, tablets & teas. The laboratory is fully equipped to guarantee Quality Assurance and Quality Control. Due to the size and nature of this business, it is seen as being complementary to PharmaNatura's business which was acquired during the later part of the previous financial year and therefore forms part of the Consumer Brands division in Ascendis Health. The purchase consideration was R 40 600 000.

The properties include the following:

No 1 Carey Street c/o 5th Street, Marlboro, Sandton, Johannesburg	28 600 000
Erf 1114, Marlboro Ext 1, Johannesburg	12 000 000
<b>Total market value of properties</b>	<b>40 600 000</b>

The properties have been valued by a qualified valuer and Ascendis paid the market related price of these properties during the acquisition.

The revenue and profit since November 2014 contributed by PharmaNatura were all inter-company in nature, and therefore eliminated upon consolidation.

#### Pharma - Med Division

##### Respiratory Care Africa (RCA) - September 2014

Respiratory Care Africa, established in 1998, originally only focused on the areas of critical care, neonatology and pulmonary function testing. Over the past 15 years, RCA has also established itself as a market leader in the areas of pendant systems and theatre lights and has experienced significant growth in the areas of anaesthetics, patient monitoring, imaging, theatre tables and hospital beds. Today, RCA is capable of offering complete solutions for the operating theatre, all ICUs, trauma units, maternity, general wards and radiology. RCA is supplied by leading companies around the world, most of which are publicly listed entities.

During its history RCA has received in excess of 20 excellence awards, the most significant of which is the Critical Care Society of Southern Africa floating trophy, won twice in 5 years.

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### 8. Business combinations (continued)

Due to the nature of this business, it is seen as a bolt-on to the Pharma-Med division, where it will be complemented by other successful Medical Devices companies. The purchase consideration was R 153 095 214.

The revenue included in the statement of comprehensive income since September 2014 contributed by RCA was R 262 543 876. RCA contributed profit after tax of R 16 128 319.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R 324 789 944 and R 21 654 406 respectively.

The purchase price allocation that was performed for RCA is provisional. Management expects to complete this process within the first quarter of the new financial year, therefore within the 12 month allocation period as per IFRS 3, Business Combinations.

Trade receivables as included in the table above were made up as follows: gross trade receivables of R 96 852 236 and a provision for doubtful debt of R 13 302 236.

#### UMECOM - October 2014

UMECOM was established on 1 September 2011. The Company imports, sells and distributes medical devices, products and instruments, particularly in the field of urology and endo urology (minimally invasive urological surgical procedures).

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 other successful Medical Devices companies. The purchase consideration was R 15 814 913.

The revenue included in the statement of comprehensive income since October 2014 contributed by UMECOM was R 11 425 796. UMECOM contributed profit after tax of R 2 051 238 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 13 649 719 and R 2 137 880 respectively.

#### The Scientific Group - February 2015

Ascendis acquired the diagnostic portion of the business into Ascendis Medical and considers this entry into the medical diagnostics market as strategic for many reasons, including the global trend of health care towards preventative care where diagnostics plays a vital role. Similarly, there is an increasing demand for In-Vitro Diagnostics for the purposes of disease detection, particularly in response to increased investment in emerging market health care opportunities.

The purchase consideration was R 351 226 592 (initial consideration of R 276 460 237 and contingent consideration subject to the award of a tender of R 74 766 355).

The revenue included in the statement of comprehensive income since February 2015 contributed by The Scientific Group was R 136 734 884. The Scientific Group contributed profit after tax of R 18 024 824 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 328 403 994 and R 36 564 730 respectively.

#### Phyto-Vet

##### Koi Country - September 2014

Koi Country sells quality products that enhance the lives of companion animals. Koi has been in existence for more than 18 years and is known for its high quality animal brands, and long standing reputation in the pet care market.

Due to the size and nature of this business, it is seen as a bolt-on to the Phyto-Vet division, where it will be complemented by our other successful Phyto-Vet companies. The purchase consideration was R 12 570 000.

The revenue included in the statement of comprehensive income since September 2014 contributed by Koi Country was R 12 850 975. Koi Country contributed profit after tax of R 1 888 240.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R 15 690 922 and R 2 015 886 respectively.

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

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### 8. Business combinations (continued)

#### Ortus Chemicals - May 2015

Ortus is a bolt-on transaction that will add value and synergies to the existing business of Avima through some specialist solutions that will enhance synergies in the Phyto-Vet division. The purchase consideration amounted to R 22 413 656.

The revenue included in the statement of comprehensive income since May 2015 contributed by Ortus Chemicals was R 2 166 900. Ortus Chemicals contributed profit after tax of R 268 706.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R 36 106 366 and R 4 331 473 respectively.

Currently, all acquisition related costs are borne by Coast2Coast Investments Proprietary Limited. If Ascendis incurs any costs, it is of an operational nature to effect the acquisition within Ascendis.

Trade receivables as included in the table above were made up as follows: gross trade receivables of R 3 119 391 and a provision for doubtful debt of R 165 652.

#### Transactions with non-controlling interests

##### Swissgarde Proprietary Limited

During the year, Ascendis purchased the remaining minority interest of 26% in Swissgarde Proprietary Limited for an amount of R 12,5 million, increasing Ascendis' stake in Swissgarde to 100%. Swissgarde is a leading international network marketing company, specialising in a range of more than 150 health and beauty products, with over 50 000 distributors through-out its African footprint which includes Southern Africa and Nigeria. The company contributes to both the economy and aspiring distributors, by equipping distributors for success by providing free training in network marketing, the business opportunity and products. Swissgarde provides superior service and day to day support to distributors and depot owners from its Gauteng based head office. Swissgarde forms part of the Consumer Brands division where it complements the business of other Direct Selling offerings within the Group.

	2015	2014
Carrying amount of non-controlling interests acquired	(6 956 639)	399 970
Consideration paid for non-controlling interest	12 500 000	61 492 266
<b>Excess of consideration paid recognised in parent's equity</b>	<b>5 543 361</b>	<b>61 892 236</b>

##### Atka

During the year, Ascendis acquired the remaining 50% in Atka. The contract was effected at no consideration.

The fair value of the investment at the date of acquisition, amounted to R 41 820 102, which was equal to the carrying amount thereof. Refer to note 23.

Trade receivables as included in the table above were made up as follows: gross trade receivables of R 4 282 506 and a provision for doubtful debt of R 1 019 810.

##### Disposal of an immaterial subsidiary - Juniva

During the year, Ascendis ceded control of the development of the intellectual property in Juniva to a related party namely Coast2Coast Investments. Both parties feel that Coast2Coast will currently add more value and specialised skills to utilise the intellectual property to its fullest potential. Since the intellectual property is the only material asset within Juniva, control has been transferred, and Juniva de-consolidated. The Juniva website will continue to sell and distribute Ascendis, alongside other products.

Non-controlling interest of R 387 132 and an investment of R 2 970 has therefore been derecognised. This agreement was concluded for no consideration.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 9. Deferred income tax

#### Accounting policy:

##### - Current tax assets and liabilities:

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

##### - Deferred tax assets and liabilities

A deferred taxation liability is recognised for all temporary differences, at enacted or substantially enacted rates of taxation at the statement of financial position date, except differences relating to goodwill, initial recognition of assets and liabilities which affect neither accounting nor taxable profits or losses and investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

In respect of temporary differences arising on fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate as the temporary differences are anticipated to be recovered mainly through disposal.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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## Notes to the Annual Financial Statements

### 9. Deferred income tax (continued)

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

Deferred tax assets:	Group		Company	
	2015	2014	2015	2014
- Deferred tax assets to be recovered after more than 12 months	11 199 447	6 502 653	-	-
- Deferred tax assets to be recovered within 12 months	9 688 990	1 945 245	-	-
- Reclassification to deferred tax liabilities	-	(6 502 653)	-	-
	<b>20 888 437</b>	<b>1 945 245</b>	-	-
<b>Deferred tax liabilities:</b>				
- Deferred tax liabilities to be settled after more than 12 months	(134 881 055)	(85 983 967)	-	-
- Deferred tax liabilities to be settled within 12 months	(56 547)	(8 738 599)	-	-
- Reclassification from deferred tax assets	-	6 502 653	-	-
	(134 937 602)	(88 219 913)	-	-
<b>Deferred tax liabilities (net)</b>	<b>(114 049 165)</b>	<b>(86 274 668)</b>	-	-

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

	Group		Company	
	2015	2014	2015	2014
At 1 July	(86 274 667)	(11 580 416)	-	-
Acquisition of subsidiary	3 772 645	(2 306 862)	-	-
Acquired trademarks and other intangibles	(53 392 622)	(51 276 570)	-	-
Income statement charge	10 440 602	5 353 063	-	-
Measurement period adjustment	11 404 877	(25 980 936)	-	-
Non-current asset held for sale	-	(482 946)	-	-
<b>At 30 June</b>	<b>(114 049 165)</b>	<b>(86 274 667)</b>	-	-

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## Notes to the Annual Financial Statements

### 9. Deferred income tax (continued)

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	2015	2014
At 1 July 2013	(3 538 676)	(7 747 200)	(177 856)	(11 463 732)	-	-
Charged to the income statement	3 008 210	(1 791 881)	-	1 216 329	-	-
Acquisition of subsidiary	-	(49 949 963)	-	(49 949 963)	-	-
Measurement period adjustments	-	(25 980 936)	-	(25 980 936)	-	-
IFRS 5 held for sale	20 320	-	-	20 320	-	-
<b>At 30 June 2014</b>	<b>(510 146)</b>	<b>(85 469 980)</b>	<b>(177 856)</b>	<b>(86 157 982)</b>	-	-
Charged to the income statement	9 268 349	-	487 043	9 755 392	-	-
Acquisition of subsidiary	(34 545 519)	(53 392 621)	-	(87 938 140)	-	-
Measurement period adjustment	11 404 877	-	-	11 404 877	-	-
<b>At 30 June 2015</b>	<b>(14 382 439)</b>	<b>(138 862 601)</b>	<b>309 187</b>	<b>(152 935 853)</b>	-	-

Deferred tax assets	Group				Company	
	Provisions	Tax losses	Other	Total	2015	2014
At 1 July 2013	3 636 165	11 629 369	255 023	15 520 557	-	-
Charged to the income statement	(3 636 165)	(11 215 389)	8 282 162	(6 569 392)	-	-
IFRS 5 held for sale	-	-	(503 266)	(503 266)	-	-
<b>At 30 June 2014</b>	<b>-</b>	<b>413 980</b>	<b>8 033 919</b>	<b>8 447 899</b>	-	-
Charged to the income statement	1 485 180	(1 628 093)	828 123	685 210	-	-
Acquisition of subsidiary	3 454 056	-	318 589	3 772 645	-	-
<b>At 30 June 2015</b>	<b>4 939 236</b>	<b>(1 214 113)</b>	<b>9 180 631</b>	<b>12 905 754</b>	-	-

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## Notes to the Annual Financial Statements

Figures in Rand	Group		Company	
	2015	2014	2015	2014

### 10. Income tax expense

#### Accounting policy

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### Tax expenses

Tax expense for the period comprises current and deferred tax.

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.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

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").

#### Major components of the tax expense

##### Current

Local income tax - current period	94 796 539	53 467 623	-	1 352 786
Local income tax - recognised in current tax for prior periods	(1 780 476)	(2 194 444)	-	-
	<b>93 016 063</b>	<b>51 273 179</b>	<b>-</b>	<b>1 352 786</b>

##### Deferred

Originating and reversing temporary differences	(10 440 603)	(5 353 064)	-	-
Measurement period adjustments	-	(599 110)	-	-
Deferred tax attributable to discontinued operations	-	29 433	-	-
	<b>(10 440 603)</b>	<b>(5 922 741)</b>	<b>-</b>	<b>-</b>
<b>Income tax expense</b>	<b>82 575 460</b>	<b>45 350 438</b>	<b>-</b>	<b>1 352 786</b>

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## Notes to the Annual Financial Statements

Figures in Rand	Group		Company	
	2015	2014	2015	2014
<b>10. Income tax expense (continued)</b>				
<b>Reconciliation of the tax expense</b>				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28,00 %	28,00 %	28,00 %	28,00 %
Exempt income	(0,01)%	- %	- %	- %
Tax loss used	0,22 %	(3,46)%	- %	- %
Lower foreign tax rates	- %	0,13 %	- %	- %
Disallowable charges	0,62 %	0,80 %	- %	- %
Reversal of prior years deferred tax assets	- %	0,33 %	- %	- %
Discontinued operations	- %	0,08 %	- %	- %
Adjustment in respect of prior years	(0,61)%	(1,18)%	- %	- %
	<b>28,22 %</b>	<b>24,70 %</b>	<b>28,00 %</b>	<b>28,00 %</b>
<b>11. Tax paid</b>				
Balance at beginning of the year	(16 118 252)	(3 429 671)	(1 352 786)	-
Current tax for the year recognised in profit or loss	(94 796 555)	(53 467 623)	-	(1 352 786)
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	(8 678 042)	(2 900 772)	-	-
Balance at end of the year	(3 395 334)	16 118 252	(27 331)	1 352 786
	<b>(122 988 183)</b>	<b>(43 679 814)</b>	<b>(1 380 117)</b>	<b>-</b>

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## Notes to the Annual Financial Statements

### 12. Related parties

<b>Shareholder Analysis: 2015</b>				
<b>Public and non-public shareholders</b>	<b>Number of holders</b>	<b>Percentage of holders</b>	<b>Number of shares</b>	<b>Percentage of shares</b>
Public shareholders	2 033	98,45 %	142 045 446	52,27 %
Non-public shareholders:				
- Directors and related parties 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	15	0,73 %	121 458 751	44,70 %
Total non-public shareholders	32	1,55 %	129 684 036	47,73 %
	<b>2 065</b>	<b>100,00 %</b>	<b>271 729 482</b>	<b>100,00 %</b>

Note 1

<b>Shareholder Analysis: 2014</b>				
<b>Public and non-public shareholders</b>	<b>Number of holders</b>	<b>Percentage of holders</b>	<b>Number of shares</b>	<b>Percentage of shares</b>
Public shareholders	816	97,50 %	108 475 417	45,30 %
Non-public shareholders:				
- Directors and related parties of the company	21	2,50 %	130 987 964	54,70 %
Total non-public shareholders	21	2,50 %	130 987 964	54,70 %
	<b>837</b>	<b>100,00 %</b>	<b>239 463 381</b>	<b>100,00 %</b>

Note 1 - Total shares in issue at 30 June 2015 was 269 966 827. Total treasury shares at 30 June 2015 was 1 762 655, resulting in the total as per the disclosure above of 271 729 482.

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 2015:

<b>Major beneficial shareholders holding 2% or more</b>	<b>2015 Percentage of shares</b>
Coast2Coast Holdings Proprietary Limited	44,70 %
Investec Emerging Companies Fund	5,00 %
Peregrine Capital	2,33 %
	<b>52,03 %</b>

<b>Major fund managers managing 1% or more</b>	<b>2015 Percentage of shares</b>
Investec Asset Management	4,22 %
Peregrine Capital	2,41 %
Praesidium Capital Management	2,07 %
Mergence Investment Managers	1,85 %
Sentio Capital Management	1,71 %
Old Mutual Investment Group (South Africa)	1,66 %
RMB Morgan Stanley	1,38 %
SBG Securities	1,28 %
Bateleur Capital	1,07 %
	<b>17,65 %</b>

# Ascendis Health Limited

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Investment Companies	4	0,19 %	812 927	0,30 %
Individuals	1 545	74,82 %	39 114 722	14,39 %
Private companies	122	5,91 %	163 560 858	60,19 %
Trusts	214	10,36 %	13 213 480	4,86 %
Mutual funds	47	2,28 %	20 404 125	7,51 %
Hedge funds	24	1,16 %	8 485 473	3,12 %
Pension, provident and retirement funds	27	1,31 %	7 386 790	2,72 %
Insurance companies	11	0,53 %	6 909 617	2,54 %
Banks/Brokers	23	1,11 %	10 480 936	3,86 %
Other Corporations	27	1,31 %	222 651	0,08 %
Close Corporations	16	0,77 %	1 041 283	0,38 %
Endowment Funds	4	0,19 %	43 300	0,02 %
Public Companies	1	0,06 %	53 320	0,03 %
	<b>2 065</b>	<b>100,00 %</b>	<b>271 729 482</b>	<b>100,00 %</b>

Note 1

### Distribution of registered shareholdings

1 - 1 000	648	31,38 %	337 890	0,12 %
1 001 - 10 000	924	44,75 %	3 725 736	1,37 %
10 001 - 100 000	298	14,43 %	9 400 441	3,46 %
100 001 - 1 000 000	144	6,97 %	49 263 063	18,13 %
1 000 001 shares and over	51	2,47 %	209 002 352	76,92 %
	<b>2 065</b>	<b>100,00 %</b>	<b>271 729 482</b>	<b>100,00 %</b>

Note 1

### Directors' shareholdings at 30 June 2015

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
Dr KUHH Wellner	2 223 483	1 500	2 000	2 226 983
RJ Taylor - resigned 11 May 2015	-	-	-	-
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	18 218 813	1 392 000	20 472 460
GJ Shayne	214 500	103 239 938	1 632 000	105 086 438
	<b>3 352 630</b>	<b>121 543 251</b>	<b>3 026 000</b>	<b>127 921 881</b>

Note 1 - Total shares in issue at 30 June 2015 was 269 966 827. Total treasury shares at 30 June 2015 was 1 762 655, resulting in the total as per the disclosure above of 271 729 482.

### Change in interest between year-end and approval of the Annual Financial Statements

2 265 314 Ascendis shares were disposed of 11 August 2015 by Gane Holdings Proprietary Limited. These shares are classified under indirect beneficial shares as follows:

GJ Shayne - 1 925 517

CD Dillon - 339 797

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

#### Directors' shareholdings at 30 June 2014

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
Dr KUHH Wellner	2 133 080	-	-	2 133 080
RJ Taylor	1 609 500	-	20 000	1 629 500
JA Bester	1 000	-	-	1 000
OP Cunningham	41 000	-	-	41 000
B Harie	4 000	80 000	-	84 000
CD Dillon	976 000	18 335 533	1 392 000	20 703 533
GJ Shayne	214 500	104 549 351	1 632 000	106 395 851
	<b>4 979 080</b>	<b>122 964 884</b>	<b>3 044 000</b>	<b>130 987 964</b>

#### RJ Taylor resigned on 11 May 2015. The movement in his interest is as follows:

	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
Opening balance on 1 July 2013	-	-	-	-
Purchase of shares	1 609 500	-	20 000	1 629 500
Disposal of shares	-	-	-	-
Closing balance on 30 June 2014	1 609 500	-	20 000	1 629 500
<b>Closing balance on 30 June 2015</b>	<b>1 609 500</b>	<b>-</b>	<b>20 000</b>	<b>1 629 500</b>

### Related party balances and transactions

During the year, Group companies, in the ordinary course of business, entered into various intra-group purchase and sales transactions:

#### Loans to and from related parties

##### Relationships

Loans to related parties	Group		Company	
	2015	2014	2015	2014
<b>Loans to directors:</b>				
As at 01 July	207 020	-	-	-
Loans repaid during the year	(65 193)	-	-	-
Loans advanced during the year	7 292 119	207 020	-	-
Interest charged	9 349	-	-	-
<b>As at 30 June 2015</b>	<b>7 443 295</b>	<b>207 020</b>	<b>-</b>	<b>-</b>

The loans as at 30 June 2015 consist of:

- Ascendis Management Services Proprietary Limited to Dr KUHH Wellner - R 1 001 438
- Ascendis Management Services Proprietary Limited to C Sampson - R 3 507 911
- Dealcor Forty Proprietary Limited to A Angel - R 2 933 946 (director of a subsidiary)

Loans to directors bears interest at 7.5%, compounded annually.

Refer to note 25 *Other financial assets* for more detail regarding the loans to directors.

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

	Group		Company	
	2015	2014	2015	2014
<b>Loans to subsidiaries:</b>				
As at 01 July	-	-	307 586 527	307 586 527
Loans advanced during the year	-	-	507 856 708	-
<b>As at 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>815 443 235</b>	<b>307 586 527</b>

Loans to subsidiaries has no fixed repayments terms and bears interest at 7.03%.

	Group		Company	
	2015	2014	2015	2014
<b>Loans to company related to founding partners / main shareholders:</b>				
As at 1 July	102 794 985	85 794 860	-	-
Loans advanced during the year	14 747 619	-	-	-
Loans repaid during the year	(53 999 972)	-	-	-
Interest charged	15 259 022	17 000 125	-	-
<b>As at 30 June 2015</b>	<b>78 801 654</b>	<b>102 794 985</b>	<b>-</b>	<b>-</b>
<b>Total loans to related parties</b>	<b>86 244 949</b>	<b>103 002 005</b>	<b>815 443 235</b>	<b>307 586 527</b>

This is a loan to Coast2Coast Investments Proprietary Limited. It is unsecured, bears interest of 18% and has no fixed repayment terms. Coast2Coast Investments Proprietary Limited is a related party of Gane Holdings Proprietary Limited. The main shareholders of Gane Holdings Proprietary Limited are the founding partners GJ Shayne and CD Dillon.

#### Credit quality of loans to related parties

The credit quality of the loans to related parties have been assessed and management views the ability of the related parties to repay as high.

The maximum exposure to credit risk at the reporting date is the carrying value of the loan mentioned above. The Group does not hold any collateral as security. No amount is considered past due but not impaired.

#### Fair value of loans to related parties

The fair value of the loans is assessed as the face value of the amounts receivable on demand (shown as current assets being the same as the carrying value.)

	Group		Company	
	2015	2014	2015	2014
<b>Loans from related parties</b>				
<b>Loans from directors of subsidiaries:</b>				
As at 01 July	41 669 733	-	-	-
Loans advanced during the year	-	41 669 733	-	-
Loans repaid during the year	(41 669 733)	-	-	-
<b>As at 30 June 2015</b>	<b>-</b>	<b>41 669 733</b>	<b>-</b>	<b>-</b>

	Group		Company	
	2015	2014	2015	2014
<b>Loans from company related to founding partners / main shareholders:</b>				
As at 01 July	26 286 085	26 286 085	26 286 085	26 286 085
Loans advanced during the year	115 500	-	-	-
Other charges	3 966	-	3 966	-
<b>As at 30 June 2015</b>	<b>26 405 551</b>	<b>26 286 085</b>	<b>26 290 051</b>	<b>26 286 085</b>

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

An amount of R 26 290 051 is a loan from Gane Holdings Proprietary Limited and R 115 500 from Coast2Coast Investments Proprietary Limited.

These loans are unsecured, interest-free and have no fixed terms of repayment. The loans are recorded at cost as there is uncertainty as to the timing of future cash flows.

#### Fair value of loans from related parties

The fair value of these loans are assessed as the face value of the amounts payable on demand (shown as current liabilities) being the same as the carrying amounts.

	Group		Company	
	2015	2014	2015	2014
<b>Net loans to / (from) related parties:</b>				
Loans to Group companies - current	78 801 655	102 794 985	815 443 234	307 586 528
Loans from Group companies - current	(26 405 551)	(26 286 085)	(26 290 051)	(26 286 085)
	<b>52 396 104</b>	<b>76 508 900</b>	<b>789 153 183</b>	<b>281 300 443</b>
<b>Sale of business operation</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Sale of business operation - Reviva Proprietary Limited</b>				
Company related to directors of main board:	-	3 580 000	-	-
<b>Trade and other receivables / (payables)</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Amounts included in trade and other receivables/(payables) regarding related parties</b>				
Company related to directors of main board:	853 489	997 310	-	-
Subsidiaries	-	-	-	10 326 343
	<b>853 489</b>	<b>997 310</b>	<b>-</b>	<b>10 326 343</b>
<b>Rent expense</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Rent (paid to) / received from related parties</b>				
Company related to directors of main board:	(5 589 050)	2 436 473	-	-
<b>Expenses (paid to)/recovered from related parties</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Expenses (paid to)/recovered from related parties</b>				
Company related to directors of main board:	146 677	18 466 840	-	-
<b>Management fees</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Management and other administrative fees (paid to)/received from related parties</b>				
Company related to directors of main board:	377 197	1 180 000	-	-

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

Ordinary dividends	2015	2014	2015	2014
<b>Dividends (paid to)/received from related parties</b>				
Company related to directors of main board:	-	48 120 755	-	48 120 755

Interest (paid to)/received from related parties	2015	2014	2015	2014
Company related to directors of main board:	15 259 022	17 000 125	-	-

### Key management compensation

#### 2015

Directors emoluments	Basic salary	Travel allowances	Bonus and incentives	Retirement / medical benefits	Other benefits and costs	Directors' fees	Total
<b>Executive directors</b>							
Dr KUHH Wellner	3 160 500	25 760	2 700 025	64 401	61 534	-	6 012 220
RJ Taylor - resigned 11 May 2015	2 597 833	-	835 573	27 500	1 525 251	-	4 986 157
<b>Total executive directors</b>	<b>5 758 333</b>	<b>25 760</b>	<b>3 535 598</b>	<b>91 901</b>	<b>1 586 785</b>	<b>-</b>	<b>10 998 377</b>
Directors emoluments	Emoluments	Other benefits*	Pension paid or receivable	Compensation for loss of office	Gains on exercise of options	Directors' fees	Total
<b>Non-executive directors</b>							
JA Bester	-	-	-	-	-	342 375	342 375
OP Cunningham	-	-	-	-	-	259 375	259 375
B Harie	-	-	-	-	-	292 708	292 708
<b>Total non-executive directors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>894 458</b>	<b>894 458</b>
<b>Total directors emoluments</b>	<b>5 758 333</b>	<b>25 760</b>	<b>3 535 598</b>	<b>91 901</b>	<b>1 586 785</b>	<b>894 458</b>	<b>11 892 835</b>

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

2014

Directors emoluments	Basic salary	Travel allowances	Bonus and incentives	Retirement / medical benefits	Fair value of shares issued on listing	Directors' fees	Total
<b>Executive directors</b>							
Dr KUHH Wellner	2 700 000	40 130	621 667	58 467	15 000	-	3 435 264
RJ Taylor	2 600 000	18 176	516 667	30 000	15 000	-	3 179 843
<b>Total executive directors</b>	<b>5 300 000</b>	<b>58 306</b>	<b>1 138 334</b>	<b>88 467</b>	<b>30 000</b>	<b>-</b>	<b>6 615 107</b>
Directors emoluments	Emoluments	Other benefits*	Pension paid or receivable	Compensation for loss of office	Fair value of shares issued on listing	Directors' fees	Total
<b>Non-executive directors</b>							
JA Bester	-	-	-	-	11 000	247 500	258 500
OP Cunningham	-	-	-	-	11 000	187 500	198 500
B Harie	-	-	-	-	11 000	187 500	198 500
<b>Total non-executive directors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 000</b>	<b>622 500</b>	<b>655 500</b>
<b>Total directors emoluments</b>	<b>5 300 000</b>	<b>58 306</b>	<b>1 138 334</b>	<b>88 467</b>	<b>63 000</b>	<b>622 500</b>	<b>7 270 607</b>

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

#### Directors' interests in shares

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

30 June 2015	Number of shares			% of issued ordinary share capital
	Direct	Indirect	Total	
Dr KUHH Wellner	2 223 483	3 500	2 226 983	0,82 %
RJ Taylor - resigned 11 May 2015	1 609 500	20 000	1 629 500	0,60 %
JA Bester	10 000	1 000	11 000	- %
OP Cunningham	40 000	1 000	41 000	0,02 %
B Harie	3 000	81 000	84 000	0,03 %
CD Dillon	861 647	19 248 000	20 109 647	8,00 %
GJ Shayne	214 500	104 871 938	105 086 438	40,00 %
	<b>4 962 130</b>	<b>124 226 438</b>	<b>129 188 568</b>	<b>49,47 %</b>

  

30 June 2014	Number of shares			% of issued ordinary share capital
	Direct	Indirect	Total	
Dr KUHH Wellner	2 133 080	-	2 133 080	0,89 %
RJ Taylor	1 609 500	20 000	1 629 500	0,68 %
JA Bester	1 000	-	1 000	- %
OP Cunningham	41 000	-	41 000	0,02 %
B Harie	4 000	80 000	84 000	0,04 %
CD Dillon	976 000	19 727 533	20 703 533	8,65 %
GJ Shayne	214 500	106 181 351	106 395 851	44,45 %
	<b>4 979 080</b>	<b>126 008 884</b>	<b>130 987 964</b>	<b>54,73 %</b>

#### Notes:

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.

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## Notes to the Annual Financial Statements

### 12. Related parties (continued)

#### Remuneration of key management and prescribed officers

30 June 2015	Basic salary	Travel allowances	Bonus and incentives	Other Benefits	Fair value of deemed options granted BBBEE equity transaction	Commission	Total
Richard Crouse (prescribed officer)	2 834 000	-	899 232	75 477	-	-	3 808 709
Key managers*	12 286 639	838 000	2 261 481	1 167 571	-	8 000	16 561 691
<b>Total key managers and prescribed officers</b>	<b>15 120 639</b>	<b>838 000</b>	<b>3 160 713</b>	<b>1 243 048</b>	<b>-</b>	<b>8 000</b>	<b>20 370 400</b>

30 June 2014	Basic salary	Travel allowances	Bonus and incentives	Other Benefits	Fair value of deemed options granted BBBEE equity transaction	Commission	Total
Richard Crouse (prescribed officer)	2 420 000	-	266 666	60 703	-	-	2 747 369
Key managers*	5 496 559	210 000	835 231	320 586	90 000	-	6 952 376
<b>Total key managers and prescribed officers</b>	<b>7 916 559</b>	<b>210 000</b>	<b>1 101 897</b>	<b>381 289</b>	<b>90 000</b>	<b>-</b>	<b>9 699 745</b>

Name	Title	Date of Appointment
<b>Prescribed Officers</b>		
Richard Crouse	Group COO	01 April 2013

During the year ended 30 June 2015, reporting structures were changed and all managing directors reported to the Chief Operating Officer who in turn reports to the exco. For this reason, only the Chief Operating Officer is considered a prescribed officer in terms of the Companies Act.

\* Key managers' remuneration as disclosed above does not include the remuneration of executive directors.

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## Notes to the Annual Financial Statements

### 13. Trade and other receivables

#### Accounting policy

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

If collection is expected in one year or less, it is classified as current assets. If not, it is classified as non-current assets. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

	Group		Company	
	2015	2014	2015	2014
Trade receivables	524 646 432	411 631 813	-	41 000 749
Less: provision for impairment of trade receivables	(9 378 081)	(3 500 744)	-	-
Trade receivables - net	<b>515 268 351</b>	<b>408 131 069</b>	-	<b>41 000 749</b>
Employee costs in advance	1 219 320	-	-	-
Prepayments	36 583 251	12 990 249	-	-
Deposits	2 900 358	18 484 934	210 163	-
VAT	2 926 927	6 252 649	-	-
Claims	40 594	-	-	-
Accrued income	220 286	-	-	-
Other receivables	12 290 970	29 700 181	-	24 480 266
	<b>571 450 057</b>	<b>475 559 082</b>	<b>210 163</b>	<b>65 481 015</b>

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired are evaluated by management on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Refer to note 22 for disclosure of credit quality.

#### Fair value of trade and other receivables

Trade and other receivables are carried at amortised cost, with the fair value being approximated by such carrying value.

#### Trade and other receivables past due but not impaired

At 30 June 2015, R 285 744 330 (2014: R 120 038 287) was past due but not impaired.

These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2015	2014	2015	2014
Up to 3 months	196 182 821	65 874 307	-	-
3 to 6 months	89 561 509	54 163 980	-	-
	<b>285 744 330</b>	<b>120 038 287</b>	-	-

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## Notes to the Annual Financial Statements

### 13. Trade and other receivables (continued)

#### Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 9 378 081 (2014: R 3 500 744) were impaired and provided for.

It was assessed that a portion of the receivables is expected to be recovered.

The balance of the provision was R (9 378 081) as of 30 June 2015 (2014: R (3 500 744)).

The ageing of these receivables is as follows:

	Group		Company	
	2015	2014	2015	2014
3 to 6 months	2 108 176	3 500 744	-	-
Over 6 months	7 269 905	-	-	-
	<b>9 378 081</b>	<b>3 500 744</b>	-	-

The carrying amount of trade receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
UK pound	150 049	186 252	-	-
Euro	3 596 930	27 552 787	-	-
US dollar	72 607 805	46 886 828	-	-
ZAR	438 913 565	333 505 199	-	41 000 749
	<b>515 268 349</b>	<b>408 131 066</b>	-	<b>41 000 749</b>

#### Reconciliation of provision for impairment of trade and other receivables

	Group		Company	
	2015	2014	2015	2014
Opening balance	3 500 744	5 636 489	-	-
Provision for impairment	8 755 688	3 500 744	-	-
Amounts written off as uncollectable	(3 686 506)	(3 081 548)	-	-
Unused amounts reversed	(2 227 456)	(2 554 941)	-	-
Acquired through business combinations	3 035 611	-	-	-
	<b>9 378 081</b>	<b>3 500 744</b>	-	-

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (note 33). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Group does not hold any collateral as security.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 14. Cash and cash equivalents

#### Accounting policy

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. In the consolidated balance sheet, cash management balances are shown with cash and cash equivalents since there is a legally enforceable right with Standard Bank to offset and Ascendis has the intention to settle on a net basis.

	Group		Company	
	2015	2014	2015	2014
Bank balances	103 132 170	75 672 276	414 576	20 740
Short-term deposits	22 296 171	19 210 297	-	-
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b>125 428 341</b>	<b>94 882 573</b>	<b>414 576</b>	<b>20 740</b>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and cash equivalents	125 428 341	94 882 573	414 576	20 740
Current assets	125 428 341	94 882 573	414 576	20 740
Current liabilities	(24 213 625)	(100 847 706)	(71 771 319)	(44 153 991)
	<b>101 214 716</b>	<b>(5 965 133)</b>	<b>(71 356 743)</b>	<b>(44 133 251)</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash and cash equivalents, excluding cash on hand, can be assessed by the high credit standing of The Standard Bank of South Africa Limited, Nedbank Limited, ABSA Bank Limited and FirstRand Bank Limited. Refer to note 22.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 15. Non-current assets held for sale

#### Accounting policy

##### (i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale in its current condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards.

On initial recognition as held for sale, the non-current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification as held for sale are recognised in profit or loss.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

##### (ii) Discontinued operations

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced. The profit or loss includes operating results from this date as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised. Profits or losses in respect of the discontinued operations are included in attributable profits of the Group until date of discontinuance.

The results of discontinued operations are presented separately in the financial statements.

Reviva Technology Proprietary Limited was held for sale at year ended 30 June 2014 and all the conditions precedent relating to the sale of Group's 100% shareholding (indirect through Elixir Brands) were met after year end. Reviva Technology Proprietary Limited formed part of the Consumer Brands segment.

Non-current assets held for sale relate to minor assets held for sale in PharmaNatura and Atka. These sales are seen to be within the normal course of business and relates to an immaterial portion of the total assets of the companies.

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## Notes to the Annual Financial Statements

### 15. Non-current assets held for sale (continued)

Financial information relating to the discontinued operations for the year to the date of disposal is set out below:

Profit and loss	Group		Company	
	2015	2014	2015	2014
Revenue	-	18 320 100	-	-
Expenses	-	(18 410 891)	-	-
Net operating profit / (loss)	-	(90 791)	-	-
Interest income	-	123	-	-
Interest expense	-	(119 800)	-	-
Net profit / (loss) before tax	-	(210 468)	-	-
Tax	-	29 433	-	-
<b>Profit / (loss) for the year from discontinued operations</b>	-	<b>(181 035)</b>	-	-

Cash flows from discontinued operations	Group		Company	
	2015	2014	2015	2014
Cash flows attributable to operating activities	-	(2 978 425)	-	-
Cash flows attributable to investing activities	-	(78 899)	-	-
Cash flows attributable to financing activities	-	3 138 191	-	-
<b>Cash flow attributable to discontinued operations</b>	-	<b>80 867</b>	-	-

### Assets and liabilities

Non-current assets held for sale	Group		Company	
	2015	2014	2015	2014
Property, plant and equipment	425 497	-	-	-

Assets of discontinued operations	Group		Company	
	2015	2014	2015	2014
Property, plant and equipment	-	281 466	-	-
Inventories	-	9 728 299	-	-
Trade and other receivables	-	2 868 503	-	-
Deferred tax asset	-	482 946	-	-
	-	<b>13 361 214</b>	-	-
	<b>425 497</b>	<b>13 361 214</b>	-	-

Liabilities of disposal groups	Group		Company	
	2015	2014	2015	2014
Trade and other payables	-	6 410 373	-	-
Trade payable intercompany	-	132 456	-	-
Overdraft	-	777 372	-	-
	-	<b>7 320 201</b>	-	-

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 16. Stated capital

#### Accounting policy

#### Stated capital

Stated capital are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new stated capital or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business reduce the proceeds from the equity issue.

#### Treasury shares

Where the Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is on consolidation deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from Group profit for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

#### Authorised share capital

2,000,000,000 ordinary shares

Stated capital	Group	Company
<b>As at 30 June 2013</b>	<b>378 980 824</b>	<b>378 980 824</b>
Issue of ordinary shares	762 685 281	760 185 295
Listing fees capitalised against Stated capital	(19 036 740)	(19 036 740)
Movement in treasury shares on hand at year end	(14 593 677)	-
<b>As at 30 June 2014</b>	<b>1 108 035 688</b>	<b>1 120 129 379</b>
Issue of ordinary shares	480 524 003	480 524 003
Listing fees capitalised against Stated capital	(1 059 454)	(1 059 454)
Movement in treasury shares on hand at year end	(10 770 573)	-
<b>As at 30 June 2015</b>	<b>1 576 729 664</b>	<b>1 599 593 928</b>

The Group has successfully concluded a capital raise via a combination of a general issue of shares for cash and a vendor consideration placement in terms of irrevocable commitments. The cash issue was concluded at R15.00 per Ascendis share, which represented a 7% discount to the 30-day volume weighted average price of R16.14 as at 4 November 2014 and thus resulted in an additional 22 081 462 new Ascendis shares. The vendor placement was specifically allocated as partial settlement of the SG acquisition purchase consideration. The vendor placement was also concluded at R15.00 per Ascendis share, which resulted in an additional 5 297 017 new Ascendis shares to be issued in due course.

Further share issuances included R 50 million to WDB Investment Holdings Proprietary Limited and R 20 million in terms of the acquisition of Respiratory Care Africa Proprietary Limited.

Shares issued have the same rights as the other shares in issue.

Listing fees of R 1 059 454 have been capitalised. All shares issued were fully paid up.

Reconciliation of number of shares issued:	Group	Company
Reported as at 01 July 2014	239 463 381	166 616 000
Issue of shares – ordinary shares	32 266 101	72 847 381
Less: Treasury shares in issue	(1 762 655)	(95 596)
<b>As at 30 June 2015</b>	<b>269 966 827</b>	<b>239 367 785</b>

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### 17. Share based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including market performance condition
- excluding the impact of service and non-market conditions
- including the impact of any on-vesting conditions

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to stated capital.

The Group elected to put a share-based payment arrangement in place for executives and certain employees of the company and its subsidiaries during its first year of listing. The Group distributed shares to certain employees that were present on listing date. It was the intention of the Group to declare these shares as a token of appreciation for the work performed during the listing of the company.

The total fair value charge in respect of all the Ascendis share awards granted is as follows:

	Group		Company	
	2015	2014	2015	2014
Listing Bonus Rights (LBR)	-	13 233 000	-	-
Discontinued operations	-	(137 500)	-	-
<b>Total share-based payment expense</b>	<b>-</b>	<b>13 095 500</b>	<b>-</b>	<b>-</b>

The fair value of the awards was deemed to be the value at the date of listing (R 11 per share), since that is the event that caused management to make the decision to award the shares to staff.

Management elected to view the share price of the event that triggered the decision to award the shares to employees to be the fair value of that specific share based payment expense. The vesting date is seen to be the same as the event date, therefore no suspensive conditions are attached to the shares. The expense is disclosed in note 34.

Event that triggered the share-based payment	Amount of shares	Price	Group		Company	
			2015 Total	2014 Total	2015 Total	2014 Total
22 November 2013 - Listing Date	1 203 000	11	-	13 233 000	-	-

Reconciliation of shares with regards to the share-based payment:	Group		Company	
	2015	2014	2015	2014
Balance on 1 July	-	-	-	-
Shares unconditionally awarded during the year	-	1 203 000	-	-
Shares vested during the year	-	(1 203 000)	-	-
<b>Balance on 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Notes to the Annual Financial Statements

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### 18. Derivative financial instruments

#### Accounting policy:

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives are designated as either:

#### (a) Fair value hedges

Changes in the fair value of the derivative are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying of the hedged item for which the effective interest method is used is amortised to profit and loss over the period to maturity.

#### (b) Cash flow hedges

The effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. When a hedging instrument expires, or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### (c) Net investment hedges

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

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

The valuation of derivative financial instruments is based on the market situation at year-end. The net market 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. The present value of these net market values was then discounted using the appropriate currency specific discount curve. The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The 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.

#### Qualitative application of the accounting policy

##### Forward exchange contracts

The spot value of sales and purchases hedged by the outstanding forward exchange contracts at the end of the reporting period amounted to R 25 741 665 (2014: R 83 852 409).

The highly probable forecast transactions denominated in foreign currency are expected to occur at various dates over the next 12 months. Gains and losses recognised in the hedging reserve (equity) are recognised in the income statement in the period during which the forecast transaction affects the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

##### Interest rate swaps

In October 2014, the Risk Management Committee decided to hedge 33,3% of the bond notes, and entered into three interest rate swaps of R 50,000,000, each with a different bank.

The notional principal amounts of the outstanding interest rate swaps at 30 June 2015 were R 150,000,000 (2014: R nil).

At 30 June 2015, the fixed interest rate amounted to 6.98% and the main floating rate is JIBAR.

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### 18. Derivative financial instruments (continued)

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2015 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

#### Quantitative application of the accounting policy

	Year ended June 2015		Year ended June 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Derivative financial instruments</b>				
Foreign Exchange Contracts (FEC's)	12 576 769	11 508 942	-	1 371 134
Interest rate swap - cash flow hedge	7 464 733	8 420 434	-	-
Total	20 041 502	19 929 376	-	1 371 134
Less: non-current portion	(4 335 124)	(4 890 145)	-	-
<b>Current portion</b>	<b>15 706 378</b>	<b>15 039 231</b>	<b>-</b>	<b>1 371 134</b>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

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### 19. Offsetting financial assets and financial liabilities

#### (a) Financial assets

2015

Group	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Cash and cash equivalents	178 605 605	53 153 758	125 451 847	-	-

Company	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Cash and cash equivalents	414 576	414 576	-	-	-

#### (b) Financial liabilities

2015

Group	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Cash and cash equivalents	77 367 383	53 153 758	24 213 625	-	24 213 625

Company	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Cash and cash equivalents	71 771 319	414 576	71 356 743	-	71 356 743

### 20. Risk management

#### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the risk officer under policies approved by the board of directors. The risk officer identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. 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, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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## Notes to the Annual Financial Statements

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### 20. Risk management (continued)

#### Market risk

##### Definition

Market risk is the risk of adverse financial impacts due to changes in fair values or future cash flows of financial instruments from fluctuations in equity prices, interest rates and foreign currency exchange rates (as well as their associated volatilities).

The key components of market risk are as follows:

- **Equity risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of equity price and/or dividend changes;
- **Interest rate risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of interest rate changes;
- **Foreign exchange rate risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability because of changes in exchange rates. This risk can be in the form of a mismatch between currencies of assets and liabilities, on assets supporting capital, or the functional currency of the local entity being different to the reporting currency of the Group;
- **Credit spread risk** is the risk arising from changes in the credit spread on listed traded liquid debt instruments as a result of shifts in markets and or deterioration in credit quality of the issuers;
- **Property market risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of changes in property market prices and/or rental income and expense; and
- **Volatility risk** is the risk of adverse financial impact arising from fluctuations in the implied volatility of equity, currency, property and interest rates.

##### Management of market risk

The maximum amount of market risk assumed within the Group is defined by the Group risk appetite. Group risk targets are set within risk appetite. These targets guide the setting of market risk limits for asset/liability matching taking into account unmanaged market risks and the needs of the core business. The strategic asset allocation in the shareholder investment portfolio aims to optimise the utilisation of the residual risk appetite while retaining a conservative investment mandate.

The Group has a number of market risk exposures arising from asset/liability mismatches to which it does not wish to be exposed on a long-term strategic basis. As a result, it has chosen to mitigate these risks through a dedicated on-going hedging programme. The net market risk impact of these exposures is managed by utilising hedge instruments available in the market.

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## Notes to the Annual Financial Statements

### 20. Risk management (continued)

#### Foreign exchange risk

The Group operates predominantly in South Africa, but also operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro, the UK pound, Swiss Franc and the Yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Management 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. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group treasury's risk management policy is to hedge between 50% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 3 months.

At 30 June 2015, if the currency had weakened/strengthened by 10% against the US dollar, Euro, GBP and Yen with all other variables held constant, post-tax profit for the year would have been R 18 577 994 (2014: R 6 202 608) higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables, financial assets at fair value through profit or loss and foreign exchange losses or gains on translation of US dollar and Euro denominated borrowings.

The table below illustrates the foreign currency trade debtors and creditors for 2015 and 2014 respectively:

#### Foreign currency exposure at the end of the reporting period

June 2015	Foreign exchange rate at period end	Amount in foreign currency	Amount in Rands
<b>Current assets</b>			
UK pound	19,30	7 745	149 453
Euros	13,62	264 604	3 604 758
US dollar	12,28	5 904 598	72 492 518
<b>Current liabilities</b>			
UK pound	19,30	621 906	12 000 746
Euros	13,62	2 315 045	31 538 322
US dollar	12,28	11 093 963	136 203 918
AUS Dollar	9,40	106 803	1 003 816
YEN	0,10	3 969 143	396 993
<b>June 2014</b>	<b>Foreign exchange rate at period end</b>	<b>Amount in foreign currency</b>	<b>Amount in Rands</b>
<b>Current assets</b>			
UK pound	18,01	10 342	186 259
Euros	14,45	1 906 767	27 552 783
US dollar	10,58	4 431 647	46 886 825
YEN	0,10	2 377 180	237 718
<b>Current liabilities</b>			
UK pound	18,01	94 695	1 705 457
Euros	14,45	1 528 075	22 080 684
US dollar	10,58	6 890 697	72 903 574
YEN	0,10	54 724 490	5 472 449

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

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### 20. Risk management (continued)

#### Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 1% strengthening or weakening in the Rand against all other currencies, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Pound Sterling, Australian Dollar, Swiss Franc and Japanese Yen. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

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 2014.

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/ (decreased) profit before tax by the amounts shown below. The sensitivity analysis below was performed for all open foreign exchange contracts at 30 June 2015.

Currency	Changes in exchange rate	Weakening in functional currency 2015	Weakening in functional currency 2014
UK pound	1 %	34 693	(31 648)
Euros	1 %	34 180	(106 153)
US dollar	1 %	171 987	(700 723)
Swiss Franc	1 %	16 559	-
YEN	1 %	-	-
		<b>257 419</b>	<b>(838 524)</b>

A 1% strengthening in the Rand against the above currencies at 30 June 2015 would have the equal but opposite effect on profit before tax, on the basis that all other variables remain constant.

#### Exchange rates used for conversion of foreign items were:

	Spot rate		Average rate	
	2015	2014	2015	2014
UK pound	19,30	18,01	19,00	16,88
Euros	13,62	14,45	13,00	14,09
US dollar	12,28	10,58	12,00	10,38
Swiss Franc	13,14	-	13,00	-
YEN	0,10	0,10	0,10	0,10

#### Price risk

Apart from the nominal amount of treasury shares held by Ascendis, there is no other exposure to investments held in the stock market.

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### 20. Risk management (continued)

#### Interest rate risk

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.

At 30 June 2015, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 563 798 (2014: R -) (lower) / higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 683 190 (2014: R -) (lower) / higher mainly as a result of a higher/lower interest expense on floating rate borrowings.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, 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

The floating rate is the hedged item, and the fixed interest rate, the hedging instrument. The hedging relationship was effective throughout the period.

This interest rate swap will be in effect until June 2017. During the year, a loss on the hedging instrument was recognised in other comprehensive income, which amounted to R 949 002.

If the floating rate was increased with 1%, an amount of R 783 053 would be credited to other comprehensive income, and recognised as interest expense during the year.

#### Credit risk

##### Definition

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed. Credit risk arises out of taking risk exposure to third parties (credit default risk), through settlement processes when trading with third parties (settlement risk) and when there is a migration in the quality of the credit risk of third parties, to whom the Group is exposed (credit spread risk).

##### Management of credit risk

Ascendis is exposed to credit risk in a number of areas of its business.

Overall, the credit risk portfolio at 30 June 2015 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. The continued efforts of management together with asset manager mandates in line with core competencies, has resulted in a further level of diversification and improved returns for the credit risks being taken in the portfolio.

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 clients before standard payment and delivery terms and conditions are offered.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties beyond what was impaired.

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### 20. Risk management (continued)

#### Liquidity risk

##### Definition

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).

##### Management of liquidity risk

The likelihood and severity of outflows associated with these exposures are assessed individually and in combination and are managed by maintaining a suitable liquidity buffer in the form of high-quality liquid assets. Eligible asset types that form part of the liquidity buffer have been chosen based on their proven ability to generate liquidity under both normal and significantly stressed conditions.

Liquidity risk is also managed by matching liabilities with backing assets that are of 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.

As a result of the liquidity risk mitigation measures in place, the Group's exposure to liquidity risk is expected to be insignificant.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance 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 treasury.

Group Treasury invests surplus cash by choosing instruments with appropriate maturities and sufficient liquidity. At 30 June 2015, the Group had short term deposits of R 22 296 171 (2014: R 19 210 297) and bank balances of R 103 132 170 (2014: R 75 672 276) 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 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	(572 610)	36 848 112	(2 464 912)	793 308 980	26 354 517
Finance lease liabilities	485 412	1 610 061	2 343 454	1 882 195	1 544 852
Trading and net settled derivative financial instruments (interest rate swaps and foreign exchange contracts)	-	15 039 231	4 890 145	-	-
Deferred vendor liabilities	100 229 274	180 818 522	27 149 625	9 608 376	-
Loans from Group companies	-	26 405 550	-	-	-
Bank overdraft	-	76 547 608	-	-	-
Trade and other payables	352 092 405	101 303 246	-	-	-

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### 20. Risk management (continued)

At 30 June 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	33 931 564	268 746 629	348 711 179	127 949 144	-
Finance lease liabilities	899 846	810 258	1 329 355	753 347	3 162 661
Deferred vendor liabilities	-	16 508 699	36 423 232	-	-
Loans from Group companies	-	26 286 084	-	-	-
Bank overdraft	-	100 847 706	-	-	-
Trade and other payables	-	378 792 999	-	-	-

#### Company

At 30 June 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Deferred vendor liabilities	-	2 386 890	-	-	-
Loans from Group companies	-	26 290 050	-	-	-
Bank overdraft	-	71 771 319	-	-	-
Trade and other payables	-	2 809 268	-	-	-

At 30 June 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans from Group companies	-	26 286 084	-	-	-
Bank overdraft	-	44 153 991	-	-	-
Trade and other payables	-	24 286 398	-	-	-

#### Operational risk

##### Definition

Operational risk is the risk of loss caused by inadequate or failed internal processes, people and systems, or from external events and is pervasive across the business.

##### Management of operational risk

The Group's operational risk framework is embedded within the business to promote sound risk management practices that are cost effective and fit for purpose to suit the organisational maturity and the particular business environment.

Group internal audit services, as part of the Group's third line of defence, performs an independent review of operational risk management practices to ensure that they are implemented consistently across the Group.

Sources of operational risk in respect of which activities to reduce exposure take place include but are not limited to:

- Information technology;
- Process;
- Regulatory;
- Legal;
- Taxation;
- People;
- Investment mandate;
- Business continuity management;
- Customer complaints;
- Environmental;
- Internal and external fraud;
- Model; and
- Internal controls.

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### 20. Risk management (continued)

A comprehensive internal control process is embedded in the Group, actively managed by strong management review. No material losses due to a breakdown of these controls were reported in 2015.

#### Concentration risk

##### Definition

Concentration risk is the risk that the Group is exposed to financial loss which, if incurred, would be significant due to the aggregate (concentration) exposure the Group has to a particular asset, counterparty, customer or service provider.

##### Management of concentration risk

Concentration risk is monitored by the various Group risk management practices and has been commented on within the other major risk category sections where relevant.

#### 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 gearing ratio at 2015 and 2014 respectively were as follows:

		Group		Company	
		2015	2014	2015	2014
<b>Total borrowings</b>					
Loans to (from) Group companies	12	26 405 551	26 286 085	26 290 051	26 286 085
Borrowings and other financial liabilities	27	836 628 696	646 024 028	-	-
Deferred vendor liabilities	28	317 805 797	52 931 931	2 386 890	2 386 890
		<b>1 180 840 044</b>	<b>725 242 044</b>	<b>28 676 941</b>	<b>28 672 975</b>
Less: Cash and cash equivalents	14	101 214 716	(5 965 133)	(71 356 743)	(44 133 251)
Net debt		1 079 625 328	731 207 177	100 033 684	72 806 226
Total equity		1 824 237 530	1 210 790 276	1 554 935 199	1 132 051 010
<b>Total capital</b>		<b>2 903 862 858</b>	<b>1 941 997 453</b>	<b>1 654 968 883</b>	<b>1 204 857 236</b>
Gearing ratio		37 %	38 %	6 %	6 %

Refer to note 27 regarding the terms and conditions, securities and covenants applicable to the borrowings.

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## Notes to the Annual Financial Statements

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### 21. Fair value information

#### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value, by valuation method. The different levels are defined as follows:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at fair value through profit</b>				
Deferred vendor liabilities	-	-	115 484 621	115 484 621
<b>Derivatives used for hedging</b>				
- Interest rate swaps	-	10 811 067	-	10 811 067
<b>Financial liabilities at amortised cost</b>				
Borrowings - Other	-	-	447 690 406	447 690 406
Borrowings - Bond	-	387 267 234	-	387 267 234
	-	<b>398 078 301</b>	<b>563 175 027</b>	<b>961 253 328</b>

  

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit or loss</b>				
<b>Derivatives used for hedging</b>				
- Foreign exchange contracts	-	12 463 267	-	12 463 267
- Interest rate swaps	-	7 464 733	-	7 464 733
<b>Total assets</b>	-	<b>19 928 000</b>	-	<b>19 928 000</b>

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### 21. Fair value information (continued)

The following table presents the Group's financial assets and liabilities that are measured and disclosed at fair value at 30 June 2014:

Liabilities	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit</b>				
Deferred vendor liabilities	-	-	36 000 000	36 000 000
<b>Derivatives used for hedging</b>				
- Foreign exchange contracts	-	1 371 134	-	1 371 134
<b>Financial liabilities at amortised cost</b>				
Borrowings	-	-	646 024 028	646 024 028
	-	1 371 134	682 024 028	683 395 162

Reconciliation of level 3 category financial instruments	2015	2014
<b>Deferred vendor loans:</b>		
Opening balance	-	-
Opening balance	52 931 930	-
New vendor loans raised (note 8 Business Combinations)	278 385 293	56 823 231
Repayments of current year vendor loans during the year	(13 511 426)	(3 891 301)
Transfers (to) / from level 1 or 2	-	-
<b>Borrowings:</b>		
Opening balance	-	-
Opening balance	646 024 028	357 952 679
New loans raised	453 559 371	504 992 588
Capital repaid	(592 203 269)	(271 651 175)
Interest (paid) / accrued	(59 689 724)	54 729 936
Transfers (to) / from level 1 or 2	-	-
	765 496 203	698 955 958

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## Notes to the Annual Financial Statements

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### 22. Financial instruments

#### Accounting policy

#### Financial instruments by category

#### Loans to (from) Group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to and from Group companies are classified as financial instruments measured at amortised cost.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable might be impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of trade receivables and loans and receivables is calculated on an individual basis, based on payment history, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the individual receivable.

The following factors are taken into account when considering whether a debtor is impaired:

- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- industry-specific economic conditions
- credit terms specific to the customer; and
- general economic conditions.

#### Trade payables

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and other financial liabilities

Bank overdrafts and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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## Notes to the Annual Financial Statements

### 22. Financial instruments (continued)

The following table represents financial assets and financial liabilities by category:

#### Group

	Derivatives used for hedging	Assets at fair value through profit and loss	Other financial assets at amortised cost	Total
<b>Assets as per balance sheet</b>				
Trade and other receivables excl. prepayments and VAT	-	-	531 937 007	531 937 007
Other financial assets	-	-	38 487 101	38 487 101
Derivative financial instruments	7 464 733	12 576 769	-	20 041 502
Loans to Group companies	-	-	78 801 654	78 801 654
Cash and cash equivalents	-	-	125 428 341	125 428 341
<b>Total</b>	<b>7 464 733</b>	<b>12 576 769</b>	<b>774 654 103</b>	<b>794 695 605</b>

#### Company

	Derivatives used for hedging	Assets at fair value through profit and loss	Other financial assets at amortised cost	Total
<b>Assets as per balance sheet</b>				
Loans to Group companies	-	-	842 097 423	842 097 423
Cash and cash equivalents	-	-	414 576	414 576
<b>Total</b>	<b>-</b>	<b>-</b>	<b>842 511 999</b>	<b>842 511 999</b>

#### Group

	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>				
Other financial liabilities (excluding finance lease liabilities)	-	-	828 762 723	828 762 723
Deferred vendor liabilities	-	115 484 621	202 321 176	317 805 797
Loans from Group companies	-	-	26 405 551	26 405 551
Finance lease liabilities	-	-	7 865 973	7 865 973
Bank overdraft	-	-	24 213 625	24 213 625
Derivative financial instruments	8 420 434	11 508 942	-	19 929 376
Trade and other payables excluding non-financial liabilities	-	-	385 366 843	385 366 843
<b>Total</b>	<b>8 420 434</b>	<b>126 993 563</b>	<b>1 474 935 891</b>	<b>1 610 349 888</b>

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## Notes to the Annual Financial Statements

### 22. Financial instruments (continued)

Company				
	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>				
Deferred vendor liabilities	-	-	2 386 890	2 386 890
Loans from Group companies	-	-	26 290 050	26 290 050
Bank overdraft	-	-	71 771 319	71 771 319
Trade and other payables excluding non-financial liabilities	-	-	2 809 268	2 809 268
<b>Total</b>	<b>-</b>	<b>-</b>	<b>103 257 527</b>	<b>103 257 527</b>

2014

Group				
	Derivatives used for hedging	Assets at fair value through profit and loss	Other financial assets at amortised cost	Total
<b>Assets as per balance sheet</b>				
Trade and other receivables excl. pre-payments and VAT	-	-	456 316 183	456 316 183
Other financial assets	-	-	2 646 880	2 646 880
Loans to Group companies	-	-	102 794 984	102 794 984
Cash and cash equivalents	-	-	94 882 573	94 882 573
<b>Total</b>	<b>-</b>	<b>-</b>	<b>656 640 620</b>	<b>656 640 620</b>

Company				
	Derivatives used for hedging	Assets at fair value through profit and loss	Other financial assets at amortised cost	Total
<b>Assets as per balance sheet</b>				
Trade and other receivables excl. pre-payments and VAT	-	-	65 481 015	65 481 015
Loans to Group companies	-	-	307 597 647	307 597 647
Cash and cash equivalents	-	-	20 739	20 739
<b>Total</b>	<b>-</b>	<b>-</b>	<b>373 099 401</b>	<b>373 099 401</b>

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## Notes to the Annual Financial Statements

### 22. Financial instruments (continued)

Group	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>				
Other financial liabilities (excluding finance lease liabilities)	-	-	640 001 629	640 001 629
Deferred vendor liabilities	-	36 000 000	16 931 931	52 931 931
Loans from Group companies	-	-	26 286 084	26 286 084
Finance lease liabilities	-	-	6 022 398	6 022 398
Bank overdraft	-	-	100 847 706	100 847 706
Derivative financial instruments	-	1 371 133	-	1 371 133
Trade and other payables excluding non-financial liabilities	-	-	378 792 999	378 792 999
<b>Total</b>	<b>-</b>	<b>37 371 133</b>	<b>1 168 882 747</b>	<b>1 206 253 880</b>

### Company

Company	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>				
Loans from Group companies	-	-	26 297 204	26 297 204
Bank overdraft	-	-	44 153 991	44 153 991
Trade and other payables excluding non-financial liabilities	-	-	24 286 398	24 286 398
<b>Total</b>	<b>-</b>	<b>-</b>	<b>94 737 593</b>	<b>94 737 593</b>

### Credit quality of financial assets

The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group		Company	
	2015	2014	2015	2014
<b>Cash at bank and short-term bank deposits (Moody's)</b>				
Baa1	125 428 341	94 882 573	(71 356 742)	(44 133 251)
<b>Trade receivables</b>				
Group B	509 884 107	408 131 069	-	41 000 749
Group C	14 762 325	3 500 744	-	-
	<b>524 646 432</b>	<b>411 631 813</b>	<b>-</b>	<b>41 000 749</b>

Group A: New customers or related parties (less than 6 months)

Group B: Existing customers or related parties (more than 6 months) with no defaults in the past

Group C: Existing customers or related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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### 22. Financial instruments (continued)

None of the loans to related parties is past due but not impaired.

### 23. Joint arrangements

#### Accounting policy:

The Group has applied IFRS 11 to all joint arrangements as of 1 July 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investment. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures 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.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The cost of an investment in a joint venture 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 joint venture.

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

	Group		Company	
	2015	2014	2015	2014
Investments in joint venture	-	48 133 354	-	48 133 354

The amounts recognised in the statement of comprehensive income:

Losses from equity accounted investments	(545 665)	(683 000)	(545 665)	(683 000)
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#### Investment in joint venture

At 1 July	48 133 353	-	-	-
Investment made in joint venture	-	48 816 353	-	-
Adjustment due to reduction in deferred vendor liability	(5 767 587)	-	-	-
Share of profit / (loss)	(545 664)	(683 000)	-	-
Change in ownership and subsequent recognition as subsidiary	(41 820 102)	-	-	-
<b>At 30 June</b>	<b>-</b>	<b>48 133 353</b>	<b>-</b>	<b>-</b>

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

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### 23. Joint arrangements (continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Atka Trading 46 Proprietary Limited	Republic of South Africa	50	Note 1	Equity

Note 1: Atka Trading 46 Proprietary Limited trades in health products made from natural ingredients. The joint venture is a strategic partnership for the Group as it provides access to new markets and customers.

The Group acquired full control of Atka Trading 46 Proprietary Limited during the current financial year on 1 April 2015. The contract was effected at no consideration.

### Summarised financial information of material joint ventures

Summarised Statement of Profit or Loss and Other Comprehensive Income	Group	
	Until March 2015	2014
Revenue	24 735 397	22 862 625
Cost of sales	(10 684 034)	(10 191 905)
Depreciation and amortisation	(664 006)	(242 230)
Interest income	-	(49 749)
Other income	62 549	428 004
Operating expenses	(14 949 288)	(14 479 290)
Interest expense	(45 941)	(50 884)
Loss before tax	(1 545 323)	(1 723 429)
Tax expense	453 994	357 428
Loss from continuing operations	(1 091 329)	(1 366 001)
<b>Total comprehensive income</b>	<b>(1 091 329)</b>	<b>(1 366 001)</b>

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## Notes to the Annual Financial Statements

### 23. Joint arrangements (continued)

Summarised Statement of Financial Position	Group	
	2015	2014
<b>Assets</b>		
<b>Non-current</b>	-	4 952 701
<b>Current</b>		
Cash and cash equivalents	-	2 447 934
Other current assets	-	8 581 514
<b>Total current assets</b>	-	<b>11 029 448</b>
<b>Liabilities</b>		
<b>Non-current</b>		
Financial liabilities (excluding trade payables)	-	1 150 242
Other current liabilities (including trade payables)	-	9 564 098
<b>Total non-current liabilities</b>	-	<b>10 714 340</b>
<b>Current</b>		
Current financial liabilities (excluding trade payables and provisions)	-	1 503 812
<b>Total current liabilities</b>	-	<b>1 503 812</b>
<b>Total net assets</b>	-	<b>3 763 997</b>
<b>Reconciliation of net assets to equity accounted investments in joint ventures</b>		
Investment at beginning of period	48 133 353	-
Acquisitions	-	48 816 353
Share of profit	(545 665)	(683 000)
Adjustment due to reduction in deferred vendor liability	(5 767 586)	-
Derecognition of investment in joint venture	(41 820 102)	-
<b>Investment at end of period</b>	-	<b>48 133 353</b>

The summarised information presented above reflects the financial statements of the joint venture after adjusting for differences in accounting policies between the Group and the joint venture.

Atka became a wholly owned subsidiary on 1 April 2015 - refer to note 8 *Business combinations*.

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## Notes to the Annual Financial Statements

### 24. Inventories

#### Accounting policy

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

#### Provision for slow moving, damaged and obsolete stock

A provision for stock is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in expenses disclosed in note 33.

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.

#### Determination of net realisable value of inventories

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 significant 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.

	Group		Company	
	2015	2014	2015	2014
Raw materials, components	78 801 216	72 413 391	-	-
Work in progress	7 029 472	6 280 970	-	-
Finished goods	507 827 792	335 648 489	-	-
Goods in transit	7 323 674	12 553 865	-	-
	600 982 154	426 896 715	-	-
Inventories (write-downs)	(15 901 571)	(12 660 472)	-	-
	<b>585 080 583</b>	<b>414 236 243</b>	-	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to R 1 588 194 039 (2014: R 890 100 408).

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## Notes to the Annual Financial Statements

Figures in Rand	Group		Company	
	2015	2014	2015	2014
<b>25. Other financial assets</b>				
<b>At amortised cost</b>				
Previous owners of One Vision Investments 381 Proprietary Limited (1)	13 009 977	2 646 880	-	-
Previous owners of Avima Proprietary Limited (2)	102 941	-	-	-
Suppliers of Surgical Innovations Proprietary Limited (3)	1 205 626	-	-	-
Customers of Respiratory Care Africa Proprietary Limited (4)	452 109	-	-	-
Previous director of Dealcor Forty Proprietary Limited (5)	2 933 946	-	-	-
Previous owners of K2012021382 (South Africa) Proprietary Limited (6)	35 129	-	-	-
Distributors of Nimue Skin Proprietary Limited (7)	1 304 461	-	-	-
Directors of Ascendis Management Services Proprietary Limited (8)	4 509 349	-	-	-
Previous owners of Chempure t/a Solal Proprietary Limited (9)	12 280 695	-	-	-
Previous owners of ATKA Trading 46 Proprietary Limited (10)	734 783	-	-	-
Other	1 918 085	-	-	-
	<b>38 487 101</b>	<b>2 646 880</b>	-	-

### (1) Previous owners of One Vision Investments 381 Proprietary Limited (SSN)

The amount is recoverable from the following entities:

- R 5 090 449 from Scientific Sports Nutrition Proprietary Limited (Oldco)
- R 2 095 021 from Muscle Junkie Store Proprietary Limited
- R 5 824 507 from Consolidated Supplement Holdings Proprietary Limited

The amounts are unsecured and interest free. There are no fixed terms of repayment, but the amounts are fully recoverable through settlement by the previous owners from their final vendor payouts in 2018.

### (2) Previous owners of Avima Proprietary Limited

Penta Pacific Industrial Enterprises has a loan account of R 86 431, while R 16 510 relates to Kiva Capital.

### (3) Suppliers of Surgical Innovations Proprietary Limited

Surgical Innovations entered into a rental agreement for the Johannesburg, Durban and Cape Town offices. R 585 220 is the value of the deposit that was paid. Orb Diagnostics also owes Surgical Innovations R 620 406. Amounts are unsecured and interest free. There are no fixed terms of repayment.

### (4) Customers Respiratory Care Africa Proprietary Limited

The amount is owed by a client in Botswana relating to the purchase of stock.

### (5) Previous director of Dealcor Forty Proprietary Limited

Dealcor Forty has a previous shareholder loan to Alan Angel. The amount is unsecured and interest free. The date of repayment is 31 March 2016. Refer to note 12 *Related parties*.

### (6) Previous owners of K2012021382 (South Africa) Proprietary Limited

The amount relates to a loan to the sellers of Sceniwell Proprietary Limited. There are no fixed terms of repayment and the loan is interest free.

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Figures in Rand	Group		Company	
	2015	2014	2015	2014

### 25. Other financial assets (continued)

#### (7) Distributor of Nimue Skin Proprietary Limited

A two year loan has been made to Nimue Skin's distributor: Nimue Australia. The loan is denominated in Rands.

#### (8) Directors of Ascendis Management Services Proprietary Limited

An amount of R 3 507 911 is receivable from Cliff Sampson, Ascendis' South African MD. The loan was made on 19 June 2015, and bears interest at a rate of 7,5%, compounded annually. The loan will be repaid with a bullet payment after 3 years. An amount of R 1 001 438 is receivable from Dr Wellner, the CEO of Ascendis. The loan was made during June 2015, and bears interest at a rate of 7,5%, compounded annually. Both loans were made in compliance with the requirements of section 45 of the Companies Act. Refer to note 12 *Related parties*.

#### (9) Previous owners of Chempure t/a Solal Proprietary Limited

The following amounts are recoverable from previous owners: R 4 809 695 from the Solal Trust and R 1 000 from S A Academy. There is a legal matter in progress regarding a PAYE refund of R 7 470 000 with the previous directors.

#### (10) Previous owners of ATKA Trading 46 Proprietary Limited

The loan is to ATKA Pharma Proprietary Limited, bears no interest and is unsecured. This loan is the responsibility of the previous two main directors of ATKA Trading 46 Proprietary Limited, C Daly and CJ Thomas (R 367 392 each). The loan will be repaid on 30 June 2017.

#### (11) Other

Consists of immaterial loan receivable balances in various companies in the Group.

#### Non-current assets

Loans and receivables	17 948 550	-	-	-
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#### Current assets

Loans and receivables	20 538 551	2 646 880	-	-
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	<b>38 487 101</b>	<b>2 646 880</b>	-	-
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The carrying amounts of the financial assets are denominated in South African Rand.

#### Credit quality of other financial assets

The maximum exposure to credit risk at the reporting date is the carrying value of each of the loans mentioned above.

The Group does not hold any collateral as security.

#### Other financial assets past due but not impaired:

At 30 June 2015, R nil (2014: R nil) was past due but not impaired.

The total balance of R 38 487 101 (2014: R 2 646 880) is classified as Group B (existing customers or related parties with no defaults in the past).

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### 26. Finance income and costs

#### Accounting policy

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income for the Group comprises interest and dividends.

Dividends are recognised when the right to receive payment is established.

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within investment income and finance costs in profit or loss using the effective interest rate method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

#### Interest expense:

Finance leases	564 838	417 041	-	-
Other interest expenses	59 124 886	54 312 895	2 961 447	3 397 199
Total Debt Facilities	33 609 994	-	-	-
<b>Total finance costs</b>	<b>93 299 718</b>	<b>54 729 936</b>	<b>2 961 447</b>	<b>3 397 199</b>

#### Finance income

Interest - Coast2Coast Investments	15 231 985	17 000 125	-	-
Bank	3 893 825	8 354 854	2 844 516	-
Other interest	5 108 109	236 554	-	5 580 506
	<b>24 233 919</b>	<b>25 591 533</b>	<b>2 844 516</b>	<b>5 580 506</b>
<b>Finance income</b>	<b>24 233 919</b>	<b>25 591 533</b>	<b>2 844 516</b>	<b>5 580 506</b>
<b>Net finance costs</b>	<b>69 065 799</b>	<b>29 138 403</b>	<b>116 931</b>	<b>(2 183 307)</b>

### 27. Other financial liabilities

#### Accounting policy

Borrowings:

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

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

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### 27. Other financial liabilities (continued)

Finance leases:

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases:

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

### Ascendis Health Limited Group qualitative application of the accounting policy

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 refinance includes a Term Facility, 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") (collectively the "Debt Package").

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 ("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 R450 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 2015, additional general banking facilities amounting to R 210 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 functional currency.

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<b>27. Other financial liabilities (continued)</b>				
<b>Detailed Summary: Borrowings held at amortised cost:</b>				
Bond notes (1)	400 121 185	-	-	-
Bond registration costs (2)	(12 853 950)	-	-	-
<b>Term loans:</b>				
The Standard Bank of South Africa Limited	56 833 167	-	-	-
First National Bank Limited	56 833 167	-	-	-
Nedbank	56 833 167	-	-	-
<b>Revolving credit facility:</b>				
The Standard Bank of South Africa Limited	83 333 333	-	-	-
First National Bank Limited	83 333 333	-	-	-
Nedbank	83 333 333	-	-	-
Unsecured borrowings	19 103 868	-	-	-
Operating lease liabilities	1 671 056	-	-	-
Vehicle & Asset Finance	7 865 975	-	-	-
The Land and Agricultural Bank of South Africa - Other (1)	-	10 694 002	-	-
Instalment Sale Agreements (1)	221 062	6 022 398	-	-
The Standard Bank of South Africa Limited (1)	-	450 000 000	-	-
First National Bank Limited (1)	-	26 729 347	-	-
Stavros Vizirgianakis (1)	-	41 669 733	-	-
Nedbank - Loan A (1)	-	70 578 165	-	-
Nedbank - Loan B (1)	-	40 330 380	-	-
	<b>836 628 696</b>	<b>646 024 025</b>	-	-

(1) The combined debt of R 646 024 028 in the prior year was refinanced by the debt refinance program as described above.

(2) Bond registration costs totalling R 13 740 725 were capitalised against the cost of the instrument issued which is carried at amortised cost. These costs will be amortised to the statement of comprehensive income over the lifespan of the bond totalling 5 years. The current carrying amount at year end totals R 12 853 950.

At 30 June 2015, all covenants were complied with. Below are the covenant requirements:

- Debt Service Ratio (minimum) - 1.3
- Interest Cover ratio (minimum) - 3
- Leverage Ratio (maximum) - 3

The fair value of the term loans amount to R 170 499 502.

The fair value of all other borrowings approximates the carrying value as the interest rate is mostly limited to a floating market rate and the counterparties already discounted the Group credit risk. Borrowings are considered Level 3 on the fair value hierarchy, except when it relates to bond borrowings in which case it is considered level 2. During the year, there were no transfers between level 1, 2 and 3.

Unobservable inputs for level 2 and level 3 are the discounts rates for each class of borrowings. For level 3 borrowings, the valuation process used is amortised cost. Refer to note 20 *Risk management* for the sensitivity analysis performed.

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<b>27. Other financial liabilities (continued)</b>				
<b>Non-current liabilities</b>				
At amortised cost	798 257 720	415 285 874	-	-
<b>Current liabilities</b>				
At amortised cost	38 370 976	230 738 154	-	-
	<b>836 628 696</b>	<b>646 024 028</b>	-	-

The Group has the following undrawn facilities:

	2015	2014
Bank overdraft	125 786 374	149 222 628

The exposure to the Group's borrowings to interest rate changes and contractual re-pricing dates at the end of the reporting period is as follows:

	2015	2014
6 months or less	13 846 008	1 710 104
6 - 12 months	24 524 968	229 028 049
1 - 5 years	795 041 812	412 821 073
More than 5 years	1 544 852	2 464 800
	<b>834 957 640</b>	<b>646 024 026</b>

Refer to note 18 *Derivative* financial instruments for further details on 33,3% of the term loan that has been swapped to a fixed interest rate.

### Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

#### Gross finance lease liabilities– minimum lease payments:

No later than 1 year	2 745 809	1 710 104	-	-
Later than 1 year and no later than 5 years	4 922 680	2 082 702	-	-
Later than 5 years	1 638 548	3 162 661	-	-
	9 307 037	6 955 467	-	-
Future finance charges on finance lease liabilities	(1 441 064)	(933 070)	-	-
<b>Present value of finance lease liabilities</b>	<b>7 865 973</b>	<b>6 022 397</b>	-	-

#### The present value of finance lease liabilities is as follows:

No later than 1 year	2 095 473	1 645 069	-	-
Later than 1 year and no later than 5 years	4 225 648	1 912 528	-	-
Later than 5 years	1 544 852	2 464 800	-	-
	<b>7 865 973</b>	<b>6 022 397</b>	-	-

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 4 218 438 (2014:R 2 114 606)

The obligations under finance leases are secured by the lessor's charge over leased assets.

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<b>27. Other financial liabilities (continued)</b>				
<b>Fair value of finance lease obligations</b>				
The fair value of the finance lease obligation approximates its carrying amount as it bears interest at a market related rate.				
<b>28. Deferred vendor liabilities</b>				
<b>Accounting policy:</b>				
Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be remeasured at each reporting period to fair value with changes being recognised in the statement of comprehensive income. If the arrangement is classified as equity, then remeasurement is not allowed.				
Deferred consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. It is subsequently measured at amortised cost.				
Surgical Innovations Proprietary Limited (a)	28 609 912	36 000 000	-	-
Swissgarde Proprietary Limited (b)	800 000	6 423 232	2 386 890	-
Dealcor Forty Proprietary Limited (c)	1 000 000	3 842 031	-	-
Pharmachem Proprietary Limited (d)	-	6 666 668	-	-
Umecom Proprietary Limited (e)	7 563 487	-	-	-
Avima Proprietary Limited (f)	196 554	-	-	-
Respiratory Care Africa Proprietary Limited (g)	35 816 900	-	-	-
K201279383 Proprietary Limited / Swissgarde (h)	8 814 038	-	-	-
Arctic Healthcare Proprietary Limited (i)	30 000 000	-	-	-
The Scientific Group Proprietary Limited (j)	192 896 552	-	-	-
Ortus Proprietary Limited (k)	12 108 354	-	-	-
	<b>317 805 797</b>	<b>52 931 931</b>	<b>2 386 890</b>	<b>-</b>
Current	281 047 796	16 508 699	-	-
Non-current	36 758 001	36 423 232	2 386 890	-
	<b>317 805 797</b>	<b>52 931 931</b>	<b>2 386 890</b>	<b>-</b>

### (a) Surgical Innovations Proprietary Limited (R 28 609 912)

The company purchased equity from Surgical Innovations on 22 January 2014. The balance of the purchase price amounting to R 30 million shall be paid as follows:

- First tranche: R 15 million is payable within 10 business days of finalising the 2015 annual financial statements of Surgical Innovations provided that the EBIT exceeded the R 60 million target.
- Second tranche: R 15 million is payable within 10 business days of finalising the 2016 annual financial statements of Surgical Innovations provided that the EBIT exceeded the R 70 million target. If it is between R 61,55 million and R 70 million then the payment will be in line with a pre-determined formula; and if it is below R 61,55 million, no amount is payable.
- Top-up payment: If the aggregate EBIT for 2015 and 2016 exceeds R 130 million, but the second tranche payment payable in 2016 is less than R 15 million, it will be topped up to R 15 million.

This has been valued using the discounted cash flow method.

The potential undiscounted amount of all future payments is between R nil and R 30 million. The fair value of the contingent arrangement is R 28 609 912 based on the assumed probability of Surgical Innovations achieving the set targets.

This is a level 3 fair value measurement. The key unobservable assumptions in calculating the liability are:

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### 28. Deferred vendor liabilities (continued)

Assumption	Range
Gross profit %	32% - 38%
Contribution %	31% - 37%
EBITDA %	13% - 25%

#### (b) Swissgarde Proprietary Limited (R 800 000)

The company has purchased the equity from Swissgarde on 1 November 2013.

The balance due on the purchase price shall be paid to Swissgarde 10 days after the signed annual financial statements for 31 December 2015 are delivered to Ascendis. The fair value is determined to be R 800 000. This is a current liability.

#### (c) Dealcor Forty Proprietary Limited (R 1 000 000)

The company purchased equity (members' contribution) from Dealcor Forty on 1 November 2013.

The balance due on the purchase price shall be paid in cash to Dealcor Forty in quarterly payments with the final payment due on 1 January 2016. This is a current liability.

#### (d) Pharmachem (R nil)

The company purchased the equity from Pharmachem on 1 November 2013.

The balance due on the purchase price was paid to Pharmachem on 30 November 2014.

#### (e) Umecom Proprietary Limited (R 7 563 487)

On 18 July 2014, Surgical Innovations, a 100% owned subsidiary of the Ascendis Health Group, acquired the shares in Umecom. The remainder of the purchase price is payable as follows:

- R 540 000 in March 2016
- R 4 289 625 in September 2016
- R 360 000 in March 2017 and March 2018
- and R 2 841 300 in March 2019

The current portion of the liability equals R 540 000.

#### (f) Avima Proprietary Limited (R 196 554)

An amount of R 196 554 is payable to the previous owners of Avima Proprietary Limited. There are no fixed repayment terms. This is a current liability.

#### (g) Respiratory Care Africa Proprietary Limited (R 35 816 900)

Surgical Innovations, a 100% owned subsidiary of the Ascendis Health Group, acquired 100% of Respiratory Care Africa on 1 October 2014. Based on a core purchase price of R 135 810 105, the remainder of the liability of R 37 943 884 is settled as follows:

- R 19 943 884 in September 2015
- R 7 500 000 in December 2015
- R 10 500 000 in December 2017

The current portion of the liability equals R 19 943 884.

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### 28. Deferred vendor liabilities (continued)

#### (h) K201279383 Proprietary Limited / Swissgarde (R8 814 038)

K201279382 acquired 74% of Swissgarde. An amount of R 6 427 148 is payable to Sceniwell, the previous owners, in September 2015. Ascendis Health purchased the remaining interest for which an amount of R 2 386 890 is payable to the previous owners. This is a current liability.

#### (i) Arctic Healthcare Proprietary Limited (R 30 000 000)

On 1 July 2014, Ascendis Health acquired brands from Arctic Healthcare. R 121 000 000 of the purchase price was paid on the closing date. The remainder of the liability was R 30 000 000 settled on 1 July 2015. This is a current liability.

#### (j) The Scientific Group Proprietary Limited (R 192 896 552)

In March 2015, Ascendis bought 100% of the shares in Lexshell 834 Investments Proprietary Limited, the 100% holding company of The Scientific Group, a medical diagnostic business. The following payments have been made:

- R 153 383 500 on the closing date

- R 4 947 541 in June 2015

The remainder of the liability of R 205 403 342 is settled as follows:

- R 25 363 750 in August 2015

- R 73 890 000 in December 2015

- R 26 149 592 in February 2016

An amount of R 74 766 355 is payable within 12 months after year end, based on a tender that is expected to be awarded early in September 2015. The probability that the tender will be awarded to The Scientific Group is estimated by management to be between 60% and 80%. The fair value measurement is level 3 and a discount rate of 7% was used to determine the fair value..

The current portion of the liability equals R 192 896 552.

#### (k) Ortus Proprietary Limited (R12 108 354)

Marltons Pets & Products Proprietary Limited, a 100% subsidiary of the Ascendis Health Group, purchased 100% of the share capital in Ortus in May 2015.

The purchase price is a maximum of R 24 468 531. The first two payments totalling R 10 099 971 were settled. The third payment, a maximum of R 12 928 560, will be settled 15 business days after the release of management accounts for the period to February 2016. This is a current liability.

The maximum deferred vendor liability is recognised based on the fair value estimate thereof. Ascendis seeks to acquire leading business in their sector. The probability that the targeted thresholds will be met are therefore considered high. The fair value measurement is level 3.

The key unobservable inputs in calculating the liability is as follows:

Assumption	Range
EBIAT	R 4 300 000 - R 5 590 000

#### Fair value of vendor liabilities

The deferred vendor liabilities are carried at fair value and classified as level 3 financial instruments.

The payments have been discounted for the effects of time value of money at rates between 5% and 7%.

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#### 28. Deferred vendor liabilities (continued)

Should the discount rate change by 1%, the present value of deferred vendor liabilities will change by R 1 599 743.

Deferred vendor liabilities for the Group are classified as contingent and deferred consideration as follows:

Classification of deferred vendor liabilities	2015		2014	
	Contingent consideration	Deferred consideration	Contingent consideration	Deferred consideration
Surgical Innovations Proprietary Limited (a)	28 609 912	-	36 000 000	-
Swissgarde Proprietary Limited (b)	-	800 000	-	6 423 232
Dealcor Forty Proprietary Limited (c)	-	1 000 000	-	3 842 031
Pharmachem Proprietary Limited (d)	-	-	-	6 666 668
Umecom Proprietary Limited (e)	-	7 563 487	-	-
Avima Proprietary Limited (f)	-	196 554	-	-
Respiratory Care Africa Proprietary Limited (g)	-	35 816 900	-	-
K201279383 Proprietary Limited / Swissgarde (h)	-	8 814 038	-	-
Arctic Healthcare Proprietary Limited (i)	-	30 000 000	-	-
The Scientific Group Proprietary Limited (j)	74 766 355	118 130 197	-	-
Ortus Proprietary Limited (k)	12 108 354	-	-	-
	<b>115 484 621</b>	<b>202 321 176</b>	<b>36 000 000</b>	<b>16 931 931</b>

#### 29. Trade and other payables

##### Accounting policy

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables	358 537 953	305 445 350	2 809 268	24 286 398
Other payables	26 828 891	14 077 447	-	-
VAT	1 387 858	16 684 458	-	-
Accrued expenses	45 825 525	56 708 092	-	-
Accrued payroll expenses	30 431 126	34 173 916	-	-
	<b>463 011 353</b>	<b>427 089 263</b>	<b>2 809 268</b>	<b>24 286 398</b>

##### Fair value of trade and other payables

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, with the fair value being approximated by such carrying value.

Foreign currency trade payables have been disclosed in note 20 that deals with risk management.

#### 30. Provision for onerous contracts

##### Accounting policy:

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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### 30. Provision for onerous contracts (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

#### Qualitative application of the accounting policy

Dezzo and Pharmachem were acquired by the Group in November 2013 with the intention to create a pharmaceutical platform from which the Group could build its Pharma segment. During the due diligence process that preceded the purchase of these companies it was noted that the open tenders in these companies were onerous in nature due to the fluctuating Rand volatility against the US Dollar during the financial reporting period. Ascendis management valued these onerous liabilities during the purchase price allocation process as part of the assets and liabilities acquired during the purchase of the companies. The onerous contracts related to two tenders, namely the antibiotics and tablet tenders. Ascendis assessed the liabilities over the period remaining in the contract and have applied Rand/Dollar estimates as determined by the Group's Foreign Exchange Committee. Based on the nature and timing of the activities, Ascendis used a discount rate of 6.04% to discount the liabilities unutilised during the year, being the lowest cost of opportunity forfeited by the Group to acquire the two onerous contracts as part of the purchase of the two companies. Corrective actions have been taken by the Group changing the strategic focus of Ascendis Pharma and by implementing a Group Foreign Exchange committee and ensuring that appropriate hedging is applied against these specific revenue streams within the Group. Refer to risk management note 20.

#### Ascendis Health Limited Group quantitative application of the accounting policy

##### Onerous contracts

Opening balance	35 237 887	-	-	-
Acquisitions	-	74 367 309	-	-
Remeasurement adjustment	6 688 621	-	-	-
Utilization	(41 926 508)	(39 129 422)	-	-
<b>Closing balance</b>	<b>-</b>	<b>35 237 887</b>	<b>-</b>	<b>-</b>
Current	-	35 237 887	-	-

### 31. Revenue

#### Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of discounts, returns, and value added tax.

The Group recognises revenue when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- specific criteria has been met for each of the Group's activities as described below.

The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Sales of goods

The Group manufactures and sells a range of products in the wholesale market. 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.

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### 31. 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 breakdown of revenue from all activities is as follows:

#### Analysis of revenue by category:

Sale of goods - local	2 557 664 966	1 449 485 167	-	-
Sale of goods - international	259 051 885	186 781 418	-	-
Sale of goods attributable to discontinued operations	-	(18 320 100)	-	-
	<b>2 816 716 851</b>	<b>1 617 946 485</b>	-	-

The Group is domiciled in South Africa.

### 32. Cost of sales

#### Accounting policy

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. 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 related cost of providing goods recognised as revenue in the current period is included in cost of sales.

#### Sale of goods

Cost of goods sold	1 588 194 039	902 224 743	-	-
Cost of goods sold attributable to discontinued operations	-	(12 124 335)	-	-
	<b>1 588 194 039</b>	<b>890 100 408</b>	-	-

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<b>33. Expenses by nature</b>				
Accounting fees	-	-	12 928	103 872
Administration and management fees	27 877 061	18 910 959	175	-
Advertising and marketing	77 650 734	46 828 875	-	-
Auditors remuneration	10 334 457	9 567 938	2 709	178 638
Bad debts	-	2 973 501	-	-
Bank charges	6 289 426	5 434 829	456 954	16 211
Commission, consulting and professional fees	80 105 375	36 165 104	31 510	200 000
Depreciation, amortisation and impairments	55 268 558	32 740 450	-	46 950 763
Directors remuneration	2 115 887	7 270 607	-	-
Employee costs	389 859 605	230 991 666	-	-
Insurance	7 098 860	4 767 165	-	-
Loss on disposal of assets	-	192 864	-	-
Lease rentals on operating lease	44 634 030	30 037 624	-	-
Motor vehicle expenses	15 143 919	9 055 499	-	-
Other expenses	46 796 729	39 616 003	-	1 251 817
Regulatory expenses	2 280 392	1 270 998	-	-
Repairs and maintenance	6 028 498	2 119 593	-	-
Research and development costs	2 281 487	1 837 204	-	-
Share-based payment expense	-	13 095 500	-	-
Staff welfare and training expenses	6 340 700	4 176 026	-	-
Transport and freight	94 424 828	72 252 104	-	-
Travel costs	19 294 125	13 092 547	-	-
	<b>893 824 671</b>	<b>582 397 056</b>	<b>504 276</b>	<b>48 701 301</b>
<b>Expenses by function</b>				
Cost of sales	1 588 194 039	890 100 408	-	-
Selling and distribution expenses	291 515 894	46 828 874	-	-
Administrative expenses	502 288 618	502 890 915	504 276	48 701 301
Other operating expenses	100 020 159	32 677 267	-	-
	<b>2 482 018 710</b>	<b>1 472 497 464</b>	<b>504 276</b>	<b>48 701 301</b>

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Figures in Rand	Group		Company	
	2015	2014	2015	2014

### 34. Employee benefit expense

#### Accounting policy

#### a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

#### b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into account the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### c) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

The following items are included within employee benefits expense:

Wages and salaries	389 859 605	230 991 666	-	-
Directors emoluments	2 115 887	7 270 607	-	-
<b>Total employee benefit expense</b>	<b>391 975 492</b>	<b>238 262 273</b>	<b>-</b>	<b>-</b>

### 35. Other income

#### Accounting policy

Dividend income is recognised when the right to receive payment is established. All other income is recognised based on the accrual basis of accounting.

Profit on sale of assets - non-recurring	1 082 388	-	-	-
Profit on exchange differences - non-recurring	-	1 921 545	-	-
Administration fees received - non-recurring	1 077 225	12 704 978	-	-
Commissions received - non-recurring	-	3 583 052	-	-
Royalties received - recurring	1 158 364	2 301 519	-	-
Rental income - non-recurring	2 967 250	-	-	-
Recoveries - non-recurring	13 006 854	-	-	-
Other income - recurring	8 183 836	47 840 405	6 422 218	181 518
Dividend income	-	-	-	48 120 755
	<b>27 475 917</b>	<b>68 351 499</b>	<b>6 422 218</b>	<b>48 302 273</b>

### 36. Dividends paid

#### Accounting policy

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.

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	2015	2014	2015	2014
<b>36. Dividends paid (continued)</b>				
Dividends	(62 487 214)	-	(62 381 374)	-
Balance at end of the year	537 327	-	-	-
	<b>(61 949 887)</b>	<b>-</b>	<b>(62 381 374)</b>	<b>-</b>
<b>37. Cash generated from operations</b>				
Profit before income tax from continuing operations	292 562 594	183 979 117	5 801 011	1 784 279
<b>Adjustments for:</b>				
Depreciation and amortisation	60 268 119	32 740 450	-	-
Net (loss) profit on disposal of property, plant and equipment	(1 082 388)	192 863	-	-
(Profit) loss on foreign exchange	(11 065 706)	2 229 322	-	-
Income from equity accounted investments	545 665	683 000	-	-
Dividends received	-	-	-	(48 120 756)
Interest received - investment	(24 233 919)	(25 591 533)	(2 844 516)	(5 580 506)
Finance costs	93 299 718	54 729 936	2 961 448	3 397 199
Discontinued operations	-	(181 035)	-	-
Derivative	(1 483 260)	1 371 134	-	-
Movements in provisions	(21 343 539)	35 237 887	-	-
Share-based payment	-	13 233 000	-	-
Impairment loss	-	-	-	46 950 763
Deferred vendor loan	-	-	2 386 890	-
<b>Changes in working capital:</b>				
Inventories	(86 574 385)	13 613 012	-	-
Trade and other receivables	42 643 106	(64 697 898)	65 270 853	(34 016 323)
Trade and other payables	(57 730 916)	(71 620 731)	(21 477 130)	23 271 689
<b>Cash generated from operations</b>	<b>285 805 089</b>	<b>175 918 524</b>	<b>52 098 556</b>	<b>(12 313 655)</b>
Loss before income tax from discontinued operations	-	(210 469)	-	-
<b>Adjustments for:</b>				
Depreciation and amortisation	-	(179 306)	-	-
Loss (Profit) on sale of assets	-	23 756	-	-
Loss (profit) foreign exchange	-	416 404	-	-
Share options	-	137 500	-	-
Interest received	-	(122)	-	-
Finance costs	-	344 072	-	-
<b>Movement in working capital:</b>				
- Inventories	-	(3 450 345)	-	-
- Trade and other receivables	-	(777 987)	-	-
Trade and other payables	-	1 343 340	-	-
<b>Cash utilised in discontinued operations</b>	<b>-</b>	<b>(2 353 157)</b>	<b>-</b>	<b>-</b>

Refer to note 5 to the financial statements for more information regarding the disposal of property, plant and equipment as per the cash flow statement.

### 38. Restatement of prior year comparatives

The prior year comparative information for the cash flow statement has been restated due to purchase of treasury shares that have been reclassified from borrowings.

Prior year comparative information has been restated in accordance with IFRS 3, paragraph 49 due to the remeasurement of the provisional purchase price allocations. The purchase price allocations of Surgical Innovations and PharmaNatura were finalised during this financial year (within 12 months of the acquisition dates). The restatement has the following effect:

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### 38. Restatement of prior year comparatives (continued)

	<b>2014</b>
<b>Statement of Financial Position</b>	
Deferred income tax liabilities as previously stated	62 238 976
Remeasurement period adjustment	25 980 936
<b>Restated amount</b>	<b>88 219 912</b>
Goodwill as previously stated	1 047 708 072
Remeasurement period adjustment	(37 694 024)
<b>Restated amount</b>	<b>1 010 014 048</b>
Intangible assets as previously stated	251 337 101
Remeasurement period adjustment	110 636 846
<b>Restated amount</b>	<b>361 973 947</b>
Inventory as previously stated	431 515 849
Remeasurement period adjustment	(17 279 607)
<b>Restated amount</b>	<b>414 236 242</b>
Trade and other payables as previously stated	395 477 456
Remeasurement period adjustment	31 611 806
<b>Restated amount</b>	<b>427 089 262</b>
Retained earnings as previously stated	153 997 705
Remeasurement period adjustment	(1 929 527)
<b>Restated amount</b>	<b>152 068 178</b>
<b>Statement of Comprehensive Income</b>	
Income tax expense as previously stated	45 949 549
Remeasurement period adjustment	(599 110)
<b>Restated amount</b>	<b>45 350 439</b>
Amortisation expense as previously stated	20 355 512
Remeasurement period adjustment	2 139 682
<b>Restated amount</b>	<b>22 495 194</b>
<b>Earnings, Dilutive Earnings and Headline earnings per share</b>	
Earnings per share as previously stated	64,91
Remeasurement period adjustment	(0,73)
<b>Restated amount</b>	<b>64,18</b>
Diluted earnings per share as previously stated	64,91
Remeasurement period adjustment	(0,73)
<b>Restated amount</b>	<b>64,18</b>
Headline earnings per share as previously stated	64,98
Remeasurement period adjustment	(0,73)
<b>Restated amount</b>	<b>64,25</b>

Since these acquisitions were effective in the 2014 financial year, these restatements did not have any effect on the 2013 financial results nor the opening balance of retained earnings. Accordingly, no third balance sheet is presented.

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### 39. Commitments

#### Capital commitments

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

Already contracted for but not provided for	Group		Company	
	2015	2014	2015	2014
Property, plant and equipment	19 123 360	11 605 000	-	-
Investments in subsidiaries	-	312 080 000	-	-
<b>Total</b>	<b>19 123 360</b>	<b>323 685 000</b>	-	-

During the financial year, the Group negotiated the following acquisition:

#### 1) Farmalider

Ascendis International, domiciled in Malta (Europe), concluded a deal to acquire a 49% shareholding in Farmalider.

Farmalider provides a specialized service to pharmaceutical laboratories or sector companies, offering the concession of licenses for specialist, niche products, unique presentations and innovative products, as well as other patent-protected products.

The purchase price of R 100 million was hedged against fluctuations in the Rand, and is payable in July 2015.

The initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided.

#### 2) Bioswiss Proprietary Limited

The Group concluded a deal to acquire Bioswiss Proprietary Limited as a bolt-on company in the Pharma-Med division. A purchase consideration of R 17,9 million is payable on 1 July 2015.

The initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided.

#### 3) OTC Pharma South Africa Proprietary Limited

A deal was concluded to acquire OTC Pharma South Africa Proprietary limited as a bolt-on company in the Consumer Brands division for a purchase consideration of R 21,3 million, payable on 1 July 2015.

The initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided.

#### 4) Sandoz Dossiers

An amount of R 11 million is payable in August 2015 for the purchase of Sandoz Dossiers as a bolt-on to the Pharma-Med division, which will expand operations.

The initial accounting is incomplete and therefore no disclosure in terms of IFRS 3 has been provided.

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### 39. Commitments (continued)

#### 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		Company	
	2015	2014	2015	2014
- Within 1 year	12 049 623	18 775 267	-	-
- Between 1 and 2 years	12 005 616	51 614 915	-	-
- Between 2 and 5 years	1 513 590	7 274 825	-	-
<b>Total</b>	<b>25 568 829</b>	<b>77 665 007</b>	-	-

### 40. Events after the reporting period

#### Acquisition related activities:

##### First international acquisition in Spain – Farmalider

Farmalider, founded 29 years ago, is an established Spanish pharmaceutical group of companies involved in the development, registration, licensing and production of generic pharmaceutical products. It 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 € 23billion Spanish pharmaceutical market and lays the foundation to expand the Company'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, a wholly owned subsidiary of Ascendis, and the disposing shareholders have entered into an agreement in respect of the initial acquisition on 30 July 2015, as follows:

The purchase consideration for the initial acquisition of 49% of the Farmalider share capital is as follows:

- An amount of R100 165 433, settled in cash on 31 July 2015; and
- A further amount of R109 823 878 (applying an illustrative ZAR:EUR exchange rate of 13.5:1), payable on 31 January 2017.
- Warranties and indemnities applicable to the initial acquisition are standard for a transaction of this nature.

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.

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### 40. Events after the reporting period (continued)

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.

#### Pharma-Med bolt-on acquisition – Bioswiss Proprietary Limited

Ascendis Health Group acquired Bioswiss for a purchase consideration of R 17,9 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.

#### Consumer Brands bolt-on acquisition – OTC Pharma South Africa Proprietary Limited

Ascendis Health Group acquired OTC Pharma South Africa for a purchase consideration of R 21,3 million on 1 July 2015.

OTC Pharma South Africa (OTC) markets and distributes a range of internationally branded, high quality health care products, including leading brands such as: Marcus Rohrer Spirulina, Diabecinn, Picksan, Bye Wart, Bye Mouth Ulcer. OTC's products are sold through retail pharmacies and health shops throughout South Africa.

#### Sandoz dossiers

In August 2015, Pharmachem purchased dossiers for R 11 million (excluding VAT). This is a bolt-on to the Pharma-Med division and will expand operations.

#### Debt raise and funding related activities

##### Additional debt raised after year end until report signing date

On 1 July 2015 additional Senior Secured notes of R 125 million were issued under the Domestic Medium Term Note Programme ("DMTN"). R 62,5 million was used to reduce the existing Term Debt as was required in terms of the existing Term Facility Agreement.

In addition, new Term Facilities of R 200 million was raised on 14 August 2015 from Nedbank to fund bolt-on acquisitions and deferred vendor liabilities and additional working capital facilities of R 50 million were raised from Standard Bank for ongoing working capital needs.

##### Deferred vendor liabilities paid after year end

A total of R 55 671 352 was paid after year end with regards to Arctic Heath Brands, Dealcor Proprietary Limited and The Scientific Group vendor loans.

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

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## Notes to the Annual Financial Statements

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### 41. Reporting segments

#### (a). Ascendis Health Limited Group accounting policy:

The Group has three main reportable segments that comprise the structure used by the Group executive committee (exco) to make key operating decisions and assess performance. The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the products they manufacture and market (referred to as business segments). Each business utilises different technology, manufacturing and marketing strategies.

The Group evaluates the performance of its reportable segments based on operating profit after re-measurement items. The Group accounts for inter-segment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market related transaction.

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.

Operating segments are reported in a manner consistent with the internal reporting provided to the exco who is responsible for allocating resources and assessing performance of the operating segments.

#### (b). Ascendis Health Limited Group qualitative application of the segmental accounting policy

The exco is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the exco for the purposes of allocating resources and assessing performance.

The exco considers the business from both a geographic and product perspective. Geographically, management considers the performance within South Africa and Internationally. 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 three divisions across the full health spectrum, two of which cater for human health (Consumer Brands and Pharma-Med) and one for the plant and animal health sector (Phyto-Vet).

The three operating divisions are:

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

#### Consumer Brands Division

This division 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, dermaceuticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics.

The brands have been established in the South African market from six and forty-five years and are generally targeted at mid-to higher LSM customers. As a result this division has shown itself to be resilient in difficult economic times, hence its consistently strong historical financial performance.

#### Pharma-Med

This division 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 division, 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).

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## Notes to the Annual Financial Statements

### 41. Reporting segments (continued)

#### Phyto-Vet

The Phyto-Vet division supplies health and care products to the plant and animal markets. The Phyto-Vet division 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.

#### (c). Ascendis Health Limited Group quantitative application of the segmental accounting policy

##### (1) Statement of comprehensive income measures applied

Sales between segments are carried out at arm's length.

Revenue	2015 Revenue
<b>Revenue split by division</b>	
Consumer Brands	949 126 960
Phyto-Vet	619 568 307
Pharma-Med	1 248 021 584
<b>Total revenue</b>	<b>2 816 716 851</b>
<b>Geographical revenue split</b>	
<b>South Africa</b>	
Consumer Brands	852 180 258
Phyto-Vet	514 303 569
Pharma-Med	1 191 181 139
<b>Foreign</b>	
Consumer Brands	96 946 702
Phyto-Vet	105 264 738
Pharma-Med	56 840 445
<b>Total revenue</b>	<b>2 816 716 851</b>

Revenue	2014 Revenue
<b>Revenue split by division</b>	
Consumer Brands	658 387 945
Phyto-Vet	548 919 405
Pharma-Med	410 639 135
<b>Total revenue</b>	<b>1 617 946 485</b>
<b>Geographical revenue split</b>	
<b>South Africa</b>	
Consumer Brands	568 475 816
Phyto-Vet	459 557 079
Pharma-Med	403 132 109
<b>Foreign</b>	
Consumer Brands	89 912 129
Phyto-Vet	89 362 326
Pharma-Med	7 507 026
<b>Total revenue</b>	<b>1 617 946 485</b>

The Group has an expanding international presence and currently exports products to 52 countries, mainly in Africa and Europe.

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### 41. Reporting segments (continued)

During the financial year the Group made a total of R 259 051 885 (2014: R 186 781 418) in foreign sales (other African countries and Europe).

9% (2014: 15%) of the Group's total revenue is derived from a single customer in the retail environment in South Africa.

EBITDA	2015	2014
<b>Consumer Brands</b>		
Operating profits	139 984 646	97 005 019
Amortisation and depreciation	24 277 136	15 816 160
<b>EBITDA</b>	<b>164 261 782</b>	<b>112 821 179</b>
<b>Phyto-Vet</b>		
Operating profits	69 434 628	37 658 991
Amortisation and depreciation	12 139 668	10 966 860
<b>EBITDA</b>	<b>81 574 296</b>	<b>48 625 851</b>
<b>Pharma-Med</b>		
Operating profits	210 142 506	97 623 781
Amortisation and depreciation	22 691 584	5 460 113
<b>EBITDA</b>	<b>232 834 090</b>	<b>103 083 894</b>
Head office adjusted expenses	(56 227 991)	(18 202 285)
<b>Total EBITDA</b>	<b>422 442 177</b>	<b>246 328 639</b>
<b>Reconciliation of EBITDA to Consolidated Results</b>		
Consolidated operating profit	362 174 058	213 800 520
Total consolidated amortisation, depreciation and impairments	60 268 119	32 740 450
Head-office portions excluded from segmental analysis	-	(212 331)
<b>Total EBITDA</b>	<b>422 442 177</b>	<b>246 328 639</b>

EBITDA is a measure of a company's operating profitability. It equals earnings before interest, tax, depreciation and amortisation.

EBITDA provides a measurement criteria view of a segment's core profitability.

Finance income / (cost) per segment	2015	2014
<b>Consumer Brands</b>		
- Finance income	2 008 806	1 942 459
- Finance expense	(33 601 754)	(28 218 352)
<b>Phyto-Vet</b>		
- Finance income	398 823	531 519
- Finance expense	(25 932 842)	(23 149 706)
<b>Pharma-Med</b>		
- Finance income	1 032 069	567 806
- Finance expense	(30 449 281)	(3 361 877)
<b>Head-Office</b>		
- Finance income	17 478 380	22 549 747
<b>Total consolidated net finance cost</b>	<b>(69 065 799)</b>	<b>(29 138 404)</b>

Finance income and costs are managed centrally through the Group's finance vehicle, namely Ascendis Financial Services Limited.

All external interest is therefore incurred in Ascendis Financial Services, the exco evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

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## Notes to the Annual Financial Statements

### 41. Reporting segments (continued)

#### Other profit or loss disclosures:

Share of profits of associates	2015	2014
Consumer Brands	(545 655)	(683 000)

Depreciation and amortisation	2015	2014
Consumer Brands	(24 277 136)	(16 028 493)
Phyto-Vet	(12 139 669)	(10 966 860)
Pharma-Med	(22 691 584)	(5 460 113)
Head-Office	(1 159 730)	(284 984)
<b>Total consolidated depreciation and amortisation</b>	<b>(60 268 119)</b>	<b>(32 740 450)</b>

Tax expense per segment	2015	2014
Consumer Brands	(24 945 036)	(17 572 318)
Phyto-Vet	(8 590 291)	(9 550 711)
Pharma-Med	(47 683 721)	(17 060 344)
Head-Office	(1 356 409)	(1 167 063)
<b>Total consolidated tax expense</b>	<b>(82 575 457)</b>	<b>(45 350 436)</b>

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	June 2015			
	Total assets	Investments in associates and joint ventures	Additions to non-current assets	All other assets
Consumer Brands	1 231 058 015	-	255 252 181	77 793 232
Phyto-Vet	525 689 374	-	109 000 570	33 220 114
Pharma-Med	1 745 922 398	-	426 105 067	105 482 475
Head-Office net asset value	145 037 070	-	25 943 411	7 906 776
<b>Consolidated asset value</b>	<b>3 647 706 857</b>	<b>-</b>	<b>816 301 229</b>	<b>224 402 597</b>

Segmental assets	2014			
	Total assets	Investments in associates and joint ventures	Additions to non-current assets	All other assets
Consumer Brands	917 476 848	48 133 354	320 603 168	210 113 421
Phyto-Vet	500 506 844	-	200 343 295	114 159 603
Pharma-Med	903 943 247	-	342 084 914	194 926 804
Head-Office net asset value	290 309 737	-	116 205 421	66 216 165
<b>Consolidated asset value</b>	<b>2 612 236 676</b>	<b>48 133 354</b>	<b>979 236 798</b>	<b>585 415 993</b>

# Ascendis Health Limited

(Registration number 2008/005856/06)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 41. Reporting segments (continued)

Segmental liabilities	2015	2014
Consumer Brands	(535 684 358)	(588 743 657)
Phyto-Vet	(295 683 468)	(431 117 449)
Pharma-Med	(972 940 403)	(381 585 294)
Head-Office	(19 161 098)	-
<b>Consolidated liability value</b>	<b>(1 823 469 327)</b>	<b>(1 401 446 400)</b>

### 42. Earnings per share, Diluted earnings per share and Headline earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the dilutive effects of all share options granted to employees.

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 2 of 2013.

#### (a) Basic

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

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

	2015	2014
Profit from continuing operations	209 835 544	136 403 956
Profit from discontinued operations	-	(181 035)
<b>Total</b>	<b>209 835 544</b>	<b>136 222 921</b>
Weighted average number of ordinary shares in issue	260 526 784	212 227 595
Earnings per share (cents) Continuing Operations	80,54	64,27
Earnings per share (cents) Discontinued Operations	-	(0,09)

#### (b). Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Earnings	2015	2014
Profit from continuing operations	209 835 544	136 403 956
Profit used to determine diluted earnings per share	209 835 544	136 403 956
Profit from discontinued operations	-	(181 035)
	<b>209 835 544</b>	<b>136 222 921</b>
Weighted average number of ordinary shares in issue	260 526 784	212 227 595
Earnings per share (cents) Continuing Operations	80,54	64,27
Earnings per share (cents) Discontinued Operations	-	(0,09)

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 42. Earnings per share, Diluted earnings per share and Headline earnings per share (continued)

#### (c). Headline earnings per share

	2015	2014
Profit attributable to equity holders of the parent - continued operations	209 835 544	136 403 956
- Loss/(profit) on the sale of property, plant and equipment	-	-
Gross amount	(1 082 388)	192 863
Tax effect	303 068	(54 001)
<b>Headline earnings</b>	<b>209 056 224</b>	<b>136 542 818</b>
Weighted average number of shares in issue*	260 526 784	212 227 595
Headline earnings per share - continued operations	80,24	64,34
* After deduction of weighted treasury shares		
Profit attributable to discontinued operations	-	(181 035)
Weighted average number of shares in issue*	260 526 784	212 227 595
Headline earnings per share - discontinued operations	-	(0,09)

#### (d). Diluted Headline Earnings

Headline earnings	209 056 224	136 542 818
Weighted average number of shares for diluted earnings per share*	260 526 784	212 227 595
Diluted Headline earnings per share - continued operations	80,24	64,34

\*After deduction of weighted treasury shares.

# Ascendis Health Limited

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 42. Earnings per share, Diluted earnings per share and Headline earnings per share (continued)

#### (e). Normalised headline earnings per share

Normalised headline earnings per share is calculated by dividing the normalised headline earnings by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Ascendis and held as treasury shares.

Normalised headline earnings is calculated by excluding amortisation and once-off costs from earnings. Since Ascendis Health is a pharmaceutical company and not an investment entity, the income statement effect of fixed and intangible assets of its subsidiaries should be excluded.

#### Reconciliation of normalised headline earnings

Headline earnings	209 056 224	136 542 818
Other once off costs*	12 474 101	-
Tax effect thereof	(3 492 748)	-
Amortisation	37 127 244	22 495 194
Tax effect thereof	(10 395 628)	(6 298 654)
<b>Normalised headline earnings</b>	<b>244 769 193</b>	<b>152 739 358</b>
Weighted average number of shares in issue	260 526 784	212 227 595
Normalised headline earnings per share (cents)	93,95	71,97

\* Once off costs includes costs to streamline, rationalise and restructure companies in the group. This also includes initial integration costs and abnormal accounting and professional fees once acquisitions become part of a listed environment.

#### (f). Normalised diluted headline earnings per share

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.

Normalised headline earnings**	244 769 193	152 739 358
<b>Weighted average number of shares for diluted headline earnings per share</b>		
Weighted average number of shares in issue*	260 526 784	212 227 595
	<b>260 526 784</b>	<b>212 227 595</b>
Diluted normalised headline earnings per share (cents)	93,95	71,97

\* After deduction of weighted treasury shares.

\*\* None of the normalised headline earnings adjustments includes non-controlling interests.



# HEALTH & CARE BRANDS



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