Ascendis HEALTH

INTEGRATED ANNUAL REPORT **2016**

Contents



2016 in review

Revenue
▲ 39%
R3.9 billion

Normalised EBITDA
▲ 41%
R613 million

Headline earnings per share
▼ 30%
56 cents per share

Normalised HEPS
▲ 30%
121 cents per share

The integrated report is supplemented by additional information which is available online at www.ascendis.co.za/investors/

Financial and governance reporting

- Annual financial statements 2016
- Annual results 2016 presentation and announcement
- Application of King lll principles 2016

Annual general meeting

- Notice to shareholders
- Form of proxy



Total dividend

▲13%

21.5 cents per share

- Successful integration of first international acquisition (Farmalider in Spain)
- Acquired pharma company Akacia Healthcare with market-leading brands and production facility in Johannesburg
- Announced €430 million acquisition of European pharma business Remedica and sports nutrition company Scitec which are earnings accretive from August 2016
- Raised equity of R557 million to partially fund acquisitions
- 2016 results impacted by transaction costs for offshore acquisitions, which are only accretive in the new reporting period

Report Introduction

Ascendis Health is pleased to present its integrated annual report to shareholders for the 2016 financial year. This report builds on the content of the first two integrated reports published since our listing on the JSE in 2013 and aims to demonstrate how we create and sustain value for our shareholders.

Read more on the website

Available for download on the website

The report is focused primarily on our shareholders and the broader investor community locally and offshore. However, we recognise that several other stakeholder groups are very important for Ascendis Health and influence our business, including our customers, suppliers, regulators and employees both in South Africa and internationally.

REPORTING COMPLIANCE

This integrated report complies with the South African Companies Act and the JSE Listings Requirements. Reporting aligns with best practice and management has applied the King Code of Corporate Principles 2009 (King lll) and the guiding principles outlined in the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). Financial information is reported in accordance with International Financial Reporting Standards.

REPORT SCOPE AND BOUNDARY

The integrated report covers the financial and non-financial performance of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2015 to 30 June 2016.

MATERIALITY PRINCIPLE

The principle of materiality has been applied in determining the content and disclosure in the integrated report. This covers issues that the board and management believe could impact positively or negatively on the group's ability to create value and have a material impact on strategy, revenue and profitability. This excludes the disclosure of price-sensitive information or detail that could compromise the group's competitive position.

CAPITALS OF VALUE CREATION

The Integrated Reporting Framework identifies the different forms of capital resources used by businesses to create value, namely financial, manufactured, intellectual, human, social and relationship, and natural capital. While we have chosen not to apply the terminology or to structure our report according to the so-called 'six capitals', the group's activities and performance relating to these different types of capitals are covered throughout the integrated report.

EXTERNAL ASSURANCE

The content of the integrated report has been reviewed by the audit committee, management and internal audit and has not been externally assured. The external auditor, PricewaterhouseCoopers Inc, has reviewed the financial information contained in the integrated report and has provided assurance on the annual financial statements which are available on the group's website.

FORWARD-LOOKING STATEMENTS

The integrated report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

BOARD APPROVAL

The directors have reviewed the integrated report and collectively believe it is a fair representation of the integrated performance of the group. The audit committee, which has oversight for the integrity of the integrated report, recommended the report for approval by the board of directors who accordingly approved the 2016 integrated report for release to shareholders on 12 October 2016.

John Bester
Independent non-executive chairman

Dr Karsten Wellner
Chief executive officer

About Us

INTRODUCING ASCENDIS HEALTH

Ascendis Health is a South African-based health and care company which owns a portfolio of market-leading brands for people, plants and animals.

Founded in 2008 by investment company Coast2Coast Capital, the group has been listed in the healthcare sector on the JSE since 2013. The group aims to complement organic growth in the domestic health and care market through exports of its strong brands and international expansion, acquiring platform and bolt-on businesses and extracting synergies from these acquisitions (refer to Group strategy on page 12).

Ascendis Health has a distinctively entrepreneurial culture, from the founding partners to the executive management team, to the founder-owners of the businesses which have been acquired and integrated into the group over the past eight years. Ascendis Health offers these founder-owners the balance between entrepreneurial freedom and corporatisation including scale, shared services and corporate governance.

DIVERSE REVENUE STREAMS

The group's strength is based on its diverse revenue streams and the brands are housed in three product divisions:

CONSUMER BRANDS

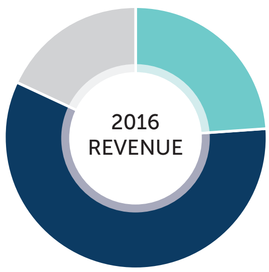
- Nutraceuticals
- Complementary medicines
- Sports nutrition
- Skin care products

PHARMA-MED

- Prescription drugs
- OTC medication
- Medical devices

PHYTO-VET

- Plant and animal health and care



Consumer Brands	24%
Pharma-Med	58%
Phyto-Vet	18%

INTRODUCING ASCENDIS HEALTH (continued)

MARKET-LEADING BRANDS

Ascendis Health owns some of the most highly recognised brands in the health and care market in South Africa. Owing to its high end market positioning certain brands are price setters rather than price takers. Many of these products have demonstrated their quality and customer satisfaction in markets outside South Africa including the European Union, Africa, the Middle East and Australia.

NO. 1 IN SA MARKET

Ascendis Health Wellness	Ascendis Health Direct Selling	Ascendis Health Pharma	Ascendis Health Medical	Ascendis Health Phyto
HEALTHY AGEING	NEUTRACEUTICALS	DISPENSING DOCTOR MARKET	SURGERY	
SOLAL HEALTHY AGING SPECIALISTS	SPORTRON INTERNATIONAL THE WELLNESS COMPANY	Brunazine Elixir Codomill Cough-Syrup Diphenamill Syrup Zinallerg AKACIA Reuterina FARMALIDER (Spainish market) farmalider GROUP	Surgical Innovations	Efekto Wonder

NO. 2 IN SA MARKET

Ascendis Health Wellness	Ascendis Health Sports Nutrition	Ascendis Health Pharma	Ascendis Health Medical	Ascendis Health Phyto	Ascendis Health Vet
PHARMA NATURA	TOTAL MARKET	COLD AND FLU	TOTAL MARKET		
vitaforce Be More HOMEOFORCE JungleVites For Kids on the Grow Bettaway	EVOX Advanced Nutrition supashape For the shape of your life SSN Scientific Sports Nutrition Muscle Junkie	Sinucon Sinuend	RCA The Scientific Group Surgical Innovations	AfriKelp Nature in balance	Marltons Your Pet's Choice

EXPANDING INTERNATIONAL PRESENCE

Ascendis Health is increasingly focused on international growth from its base in South Africa and completed its first offshore acquisition in August 2015 with the purchase of an initial 49% stake in Spanish pharma business, Farmalider.

Foreign revenue accounted for 22% of the group's total sales in the 2016 financial year. This includes revenue from Farmalider and export sales, mainly to Europe and other African countries, which grew by 45% in 2016.

Shortly after the 2016 reporting period Ascendis Health finalised the acquisitions of Remedica Holdings, a pharmaceutical manufacturer in Cyprus, and Scitec International, a leading European sports nutrition business. The total purchase consideration amounts to €430 million, of which €110 million is deferred for between one and three years.

Following these acquisitions, approximately half of the group's revenue will be generated in Euro and US Dollars, and products will be sold in over 140 countries across all continents.

BUSINESS MODEL

Ascendis Health grows and invests in robust, market-leading and defensible health and care brands, with a focus on owned brands.

Our business spans the value chain, from sourcing of raw materials, new product development and manufacturing, to marketing and selling products. We reach our consumers through a host of channels such as: retail, B2B, online channels, beauty salons and dermatologists, wellness stores, pharmacies, dispensing doctors, wholesale, hospitals, public tenders, network marketing and direct selling channels, plant nurseries, pet and veterinary shops.

Integrated back-office support is provided to the divisions as the group aims to combine entrepreneurial spirit with strict corporate governance standards. This enables the businesses to focus on their core skills of selling and marketing strong brands, while the back-office team extracts synergies vertically (along the value chain) and horizontally (between brands and even divisions) to enhance profitability and ensure a sustainable business model.

CONSUMER BRANDS

Wellness

Skin

Direct selling

Sports nutrition

ROUTE TO MARKET
Pharmacies, retailers, beauticians, doctors, direct selling, exports

BRANDS
Solal, Vitaforce, Menacal 7, Foodstate, Biobalance, Chela Mag, Junglevites, Beattaway, Chela-Fer, Osteo Flex, Homeoforce, Nimue, Sportron, Swissgarde, SSN, Supashape, Evox, Muscle Junkie, Nutrimax

MANUFACTURING
Manufacturing (GMP plant: PharmaNatura)

RAW MATERIALS
Raw materials supply (Chempure)

PHARMA-MED

Pharma

Medical

Ortho Clinical Diagnostics

ROUTE TO MARKET
Pharmacies, private hospitals, dispensing doctors, government

BRANDS
Pharmachem, Reuterina, Sinucon, Clonam, Phlexy, Surgical Innovations, RCA, The Scientific Group

MANUFACTURING
Manufacturing (GMP plant: PharmaNatura; Akacia plant - ex Roche)

RAW MATERIALS
Raw materials supply (Chempure)

PHYTO-VET

Phyto

Vet

ROUTE TO MARKET
Nurseries, exports, retailers, pet and vet shops

BRANDS
Efekto, Marltons, Avima, Klub M5, Afrikelp

MANUFACTURING
Manufacturing (Avima, Afrikelp)

RAW MATERIALS
Raw materials supply (Avima, Afrikelp)

INVESTMENT CASE

Ascendis Health aims to create wealth for shareholders through the successful execution of its organic, acquisitive, international and synergistic growth strategies. The group offers investors exposure to the high growth health and wellness sector with a diversified revenue and earnings base. This Investment Case for the group, following the transformative acquisitions of Remedica Holdings and Scitec International, should be evaluated in conjunction with the Group Strategy on page 12.

Health and care market	High growth sector locally and internationally Resilient and defensive markets Significant barriers to market entry
Sustained financial performance	111% compound growth in EBITDA since 2013 One of only a few companies on JSE with normalised EPS growth over 25% pa for past three consecutive years Created R8.8 billion in shareholder wealth since listing (growth in market capitalisation and dividends declared, excluding rights issue)
Market-leading brand portfolio	Long-established and defensible brands, with a focus on owned brands Number 1 or strong number 2 brands in all core health and care markets
Diversification	Revenue diversified across extensive brand portfolio, multiple health and care market segments and geographic regions Customer base: no single client dependency Earnings increasingly diversified into hard currencies
Organic growth supported by acquisitive growth	87% compound growth in revenue since listing in 2013 Over R10 billion invested in 30 acquisitions since founding, including Remedica and Scitec transactions Strict acquisition criteria applied: strong three-year profit growth; cash conversion rate of 60% - 100%; internal rate of return 25%; ROTNA 40%;
Synergistic growth	Proven ability to integrate acquisitions and extract efficiencies Margin enhancement opportunities through vertical integration within the value chain Total synergy savings of R80 million since 2013
Expanding international presence	Completed three international acquisitions: Farmalider; Remedica and Scitec Approximately half of revenue to be generated offshore from FY2017 Offshore earnings provide natural hedge against Rand volatility Products sold in over 140 countries across all continents Growth opportunities in Africa: currently export to over 50 countries in Africa
Strong acquisition pipeline	International: Focus on acquiring platform companies for wellness, medical devices and phyto-vet businesses in the medium term Seeking bolt-on opportunities for Remedica and Scitec South Africa: Bolt-on acquisitions in all divisions; acquire brands with strong export component
Management	Strong and stable leadership team Blend of company and industry experience locally and internationally Innovative and entrepreneurial culture
Shareholding (at 1 September 2016)	34% interest held by founding shareholders Coast2Coast 27% black economic empowerment shareholding 16% international shareholding 6% holding by Ascendis management

GROUP STRATEGY

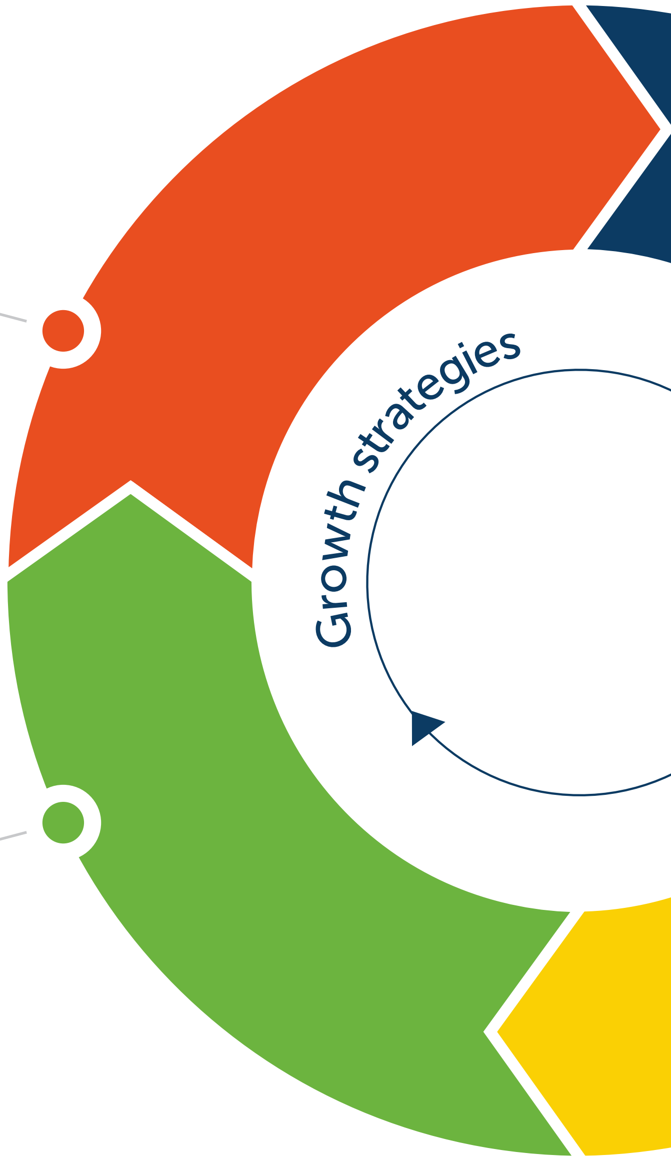
ACQUISITIVE

TARGETS

2016: 20% – 25% annual revenue growth

2017: 20% annual revenue growth

by purchasing complementary businesses, brands and dossiers



Performance against strategy in 2016

- 30% annualised revenue growth from acquisitions
- Major acquisitions
  - Farmalider (August 2015)
  - Afrikelp (February 2016)
  - Akacia Healthcare (April 2016)
- Acquisitions contributing profits in line with expectations

ORGANIC

TARGETS

2016: 10% - 15% annual revenue growth

2017: Low double digit revenue growth

from established, strong, resilient brands – focus on owned brands

Performance against strategy in 2016

- 8% organic revenue growth
- Continued focus on new product development and launches
- Strong organic growth from Nimue, Pharma and Medical division, and Phyto-Vet businesses not affected by drought in SA
- Organic growth impacted by the following:
  - Restructuring of sports nutrition business
  - Consumer sentiment in Nigeria impacting direct selling business
  - Drought which limited Phyto-Vet sales

SYNERGISTIC

TARGETS

2016: 5% annual profit growth

2017: unchanged

within the value chain (vertical) and via bolt-ons (horizontal)

Performance against strategy in 2016

- Implemented annual synergy savings totalling R28 million
- Major projects were sports nutrition warehouse and production consolidation; procurement and sales organisation changes in wellness; warehouse and administration consolidation in direct selling
- Restructuring changes generated annual savings of R17 million

INTERNATIONAL

TARGETS

2016: 30% of group revenue

2017: Over 50% of group revenue; in two years >60%

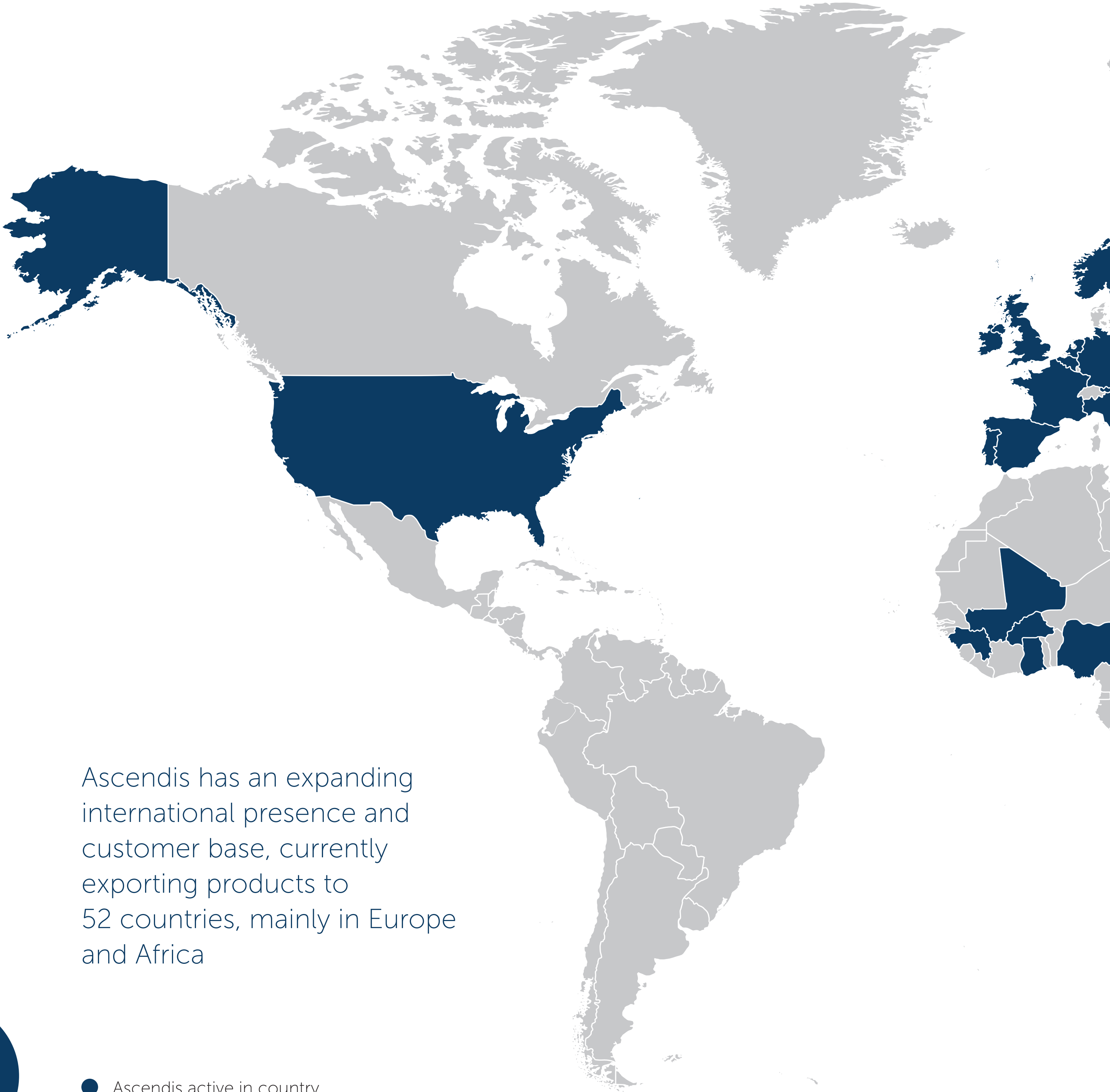
organically and acquisitively

Performance against strategy in 2016

- Foreign revenue increased 233% to R864 million
- Export sales grew 45%
- International sales 22% of revenue
- Integrated acquisition of Farmalider in Spain
- Foreign revenues cover 54% of imported cost of sales
- Most international brands: Afrikelp (80%), Swissgarde (63%), Avima (34%), Nimue (59%),
  The Scientific Group (36%)
- Acquisition of Remedica and Scitec post year end
- Approximately half of the group's revenue will be generated offshore in FY2017

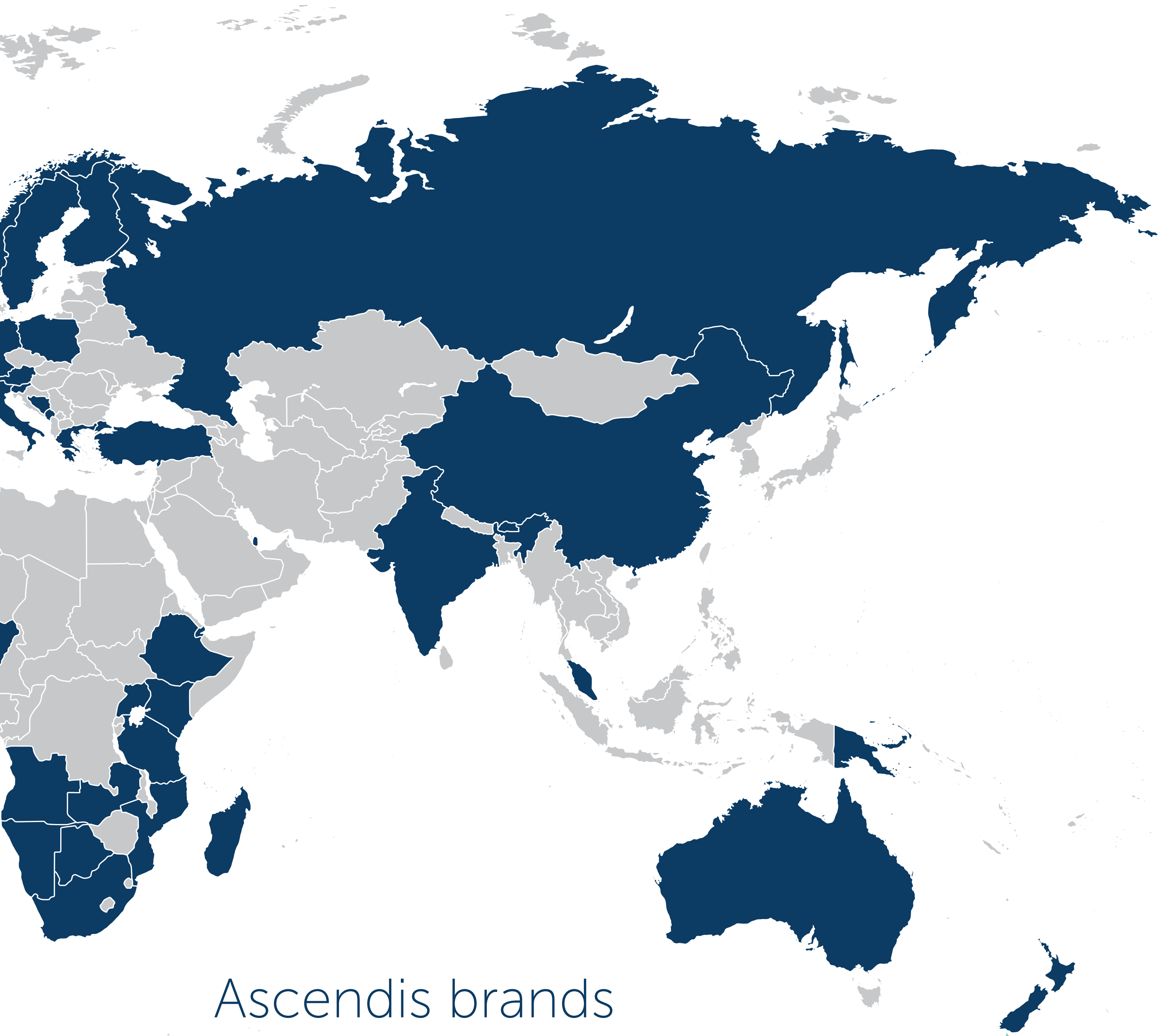
2017 targets have been revised following acquisitions of Remedica and Scitec.

GLOBAL REACH



Ascendis has an expanding international presence and customer base, currently exporting products to 52 countries, mainly in Europe and Africa

● Ascendis active in country



Ascendis brands currently sold in 52 countries

Leadership Review

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholders

In last year's integrated report we noted that our focus for 2016 would be on acquiring international companies, extracting cost efficiencies across the business and driving continued product innovation.

It is pleasing to report that the group has exceeded the board's expectations in delivering against these objectives in the past year. Cost savings of R28 million were extracted through synergy projects, slightly ahead of the targeted R27 million. Product innovation and exports were the main drivers of organic revenue growth while the group accelerated its strategy of becoming a global health and care business through acquisitions outside of South Africa.

The group's first international acquisition was completed early in the financial year with the R214 million purchase of a 49% stake in Spanish generic pharmaceutical products business, Farmalider. The group has the right to acquire the remainder of the business over the next five years.

Remedica Holdings and Scitec International are leading players in their respective pharmaceutical and sports nutrition markets

Farmalider has performed well in generating revenue of R487 million and contributing R55 million in after tax profit in its first 11 months in the group, and has promising growth prospects.

The management team and the group's advisers are to be congratulated on simultaneously concluding the acquisition of two international platform companies for R7.3 billion shortly after the year-end.

Remedica Holdings and Scitec International are leading players in their respective pharmaceutical and sports nutrition markets and these acquisitions will be game-changing for Ascendis Health as we know it today. These businesses are projected to increase group revenue by over 70% in the 2017 financial year while doubling normalised EBITDA. Details on these acquisitions and the group's international aspirations are covered in the chief executive's report on page 20.

The transactions were well received by shareholders and funders alike, with the R1.2 billion fully underwritten rights issue being three times oversubscribed and the R1.5 billion vendor placement also well-supported.

CHAIRMAN'S LETTER TO SHAREHOLDERS (continued)

Following the capital raising our international shareholding has increased to 16%. We have attracted the International Finance Corporation, a member of the World Bank Group, as an investor, which is an encouraging endorsement of our international growth strategy.

The group's black economic empowerment shareholding has increased to 27% at September 2016, which includes black female ownership of 11%. Our founding shareholders Coast2Coast hold 34% and executive management 6%.

Ascendis Health embodies the entrepreneurial spirit on which the business was founded some eight years ago. As a board we are committed to retaining this entrepreneurial ethos while ensuring that effective governance, compliance and risk management processes are in place to support the business.

The directors confirm that the board and its committees have met their oversight responsibilities in the past year, while the group has again, in all material respects, applied the principles of the King lll governance code.

Two executive directors were appointed to the board during the year while further changes to the non-executive component of the board will be effected at the forthcoming annual general meeting (AGM) in November 2016.

The group's black economic empowerment shareholding has increased to 27% at September 2016, which includes black female ownership of 11%

Cliff Sampson was appointed to the newly-created position of managing director of the South African operations in July 2015 and joined the board as an executive director in November 2015. Cliff has a wealth of operational and leadership experience in large listed companies, and has made an enormous contribution over the past year.

Kieron Futter was appointed as chief financial officer and as executive director from November 2015. We are already benefiting from Kieron's extensive local and international financial management experience and his knowledge of the international health care sector.

Phil Cunningham, who has served as an independent non-executive director since 2013, will be stepping down from the board at the upcoming AGM owing to his personal business commitments. Phil has been a valuable member of our board, also chairing the remuneration and social and ethics committees, and we thank him for his insightful contribution and participation over the past three years.

The directors have invited Dr Kinesh Pather (a director of Kefolile Health Investments) and Mary Bomela (CEO of the Mineworkers Investment Company) to join the board as non-executive directors and their appointments will be proposed to shareholders at the AGM on 10 November 2016.

Ascendis Health embodies the entrepreneurial spirit on which the business was founded some eight years ago

On behalf of the board I thank our executive team under the inspirational and energetic leadership of Dr Karsten Wellner, Cliff Sampson and Kieron Futter as well as our staff across the group, for their outstanding achievements. I also thank my fellow non-executive directors for their support and guidance.

2017 promises to be another year of attractive growth as management focuses on integrating the two new international acquisitions and creating synergies between the group's businesses and products both in Europe and South Africa. Thank you to our shareholders and funders who have supported Ascendis Health over the past year and through the new acquisitions, our customers for their loyalty and our employees for their dedication and commitment.

We look forward to again exceeding expectations in the year ahead.

Sincerely,

John Bester
Independent non-executive chairman

CHIEF EXECUTIVE'S REPORT

Q & A with CEO, Dr Karsten Wellner

New product development and innovation will be key to maintaining Ascendis Health's competitive advantage in the health and care markets both locally and internationally. We are totally committed to continuing to develop Ascendis Health into a truly integrated global health and care company.

Q 2016 has been a challenging year for many South African consumer companies owing to deteriorating economic conditions and socio-political instability. How has Ascendis Health performed in this environment?

A We operate in a sector which is relatively resilient and defensive to economic downturns as customers need health and wellness products regardless of the state of the economy. In this environment the group has delivered another strong performance with revenue growth of 39% driven by organic growth and supported by acquisitions concluded over the past year. Our international strategy diversifies our exposure and risk to the South African economy, and in particular the currency, and our foreign revenue increased by 233%.

The financial performance was impacted by once-off transaction costs of R143 million relating to the international acquisitions of Remedica and Scitec which were finalised after year end and will therefore only be accretive from August 2016. Operating profit, excluding these transaction costs, increased by 41% to R529 million with normalised headline earnings increasing by 37% to R336 million.

Q Looking at a slightly longer time horizon, how has Ascendis Health performed since listing on the JSE in 2013?

A Since 2013 our revenue has grown at an annual compound rate of 87% pa and normalised EBITDA by 111% pa. Normalised HEPS has grown ten-fold since 2013 to 121 cents per share. By September 2016 the group had created shareholder value of approximately R8.8 billion, including the growth in the market capitalisation together with dividends declared, and excluding the impact of the recent rights issue.

A statistic that puts our performance in context relative to the market is that Ascendis Health is one of only four companies on the JSE to achieve normalised EPS growth over 25% pa for the past three years.

Q Describe the progress made in the past year in delivering on your four pillars of the group's growth strategy.

A Our strategy is focused on the four pillars of organic, acquisitive, synergistic and international growth and we have made good progress in all areas.

We reported organic revenue growth of 8% with the strongest performances coming from Nimue, Pharma and the Medical division, as well as the businesses in Phyto-Vet businesses which were not affected by the drought conditions in South Africa. Innovation, new product development and exports remain the drivers of organic growth.

The group concluded its first international acquisition with the purchase of an initial 49% stake in the Spanish pharmaceutical business, Farmalider, for R214 million. The largest acquisition was the R387 million purchase of local pharmaceutical business Akacia Healthcare. We also made smaller bolt-on acquisitions in all areas of the business. These acquisitions collectively contributed R626 million to group revenue for the year.

Synergy projects in the past year generated annual savings of R28 million with the major projects being the sports nutrition warehouses and production sites consolidation, organisational changes in wellness and warehouse and administration consolidation in direct selling.

International sales now account for 22% of revenue, with export sales growing 45% and sales generated in foreign markets increasing by 233%, bolstered by the Farmalider acquisition.

Q What is the rationale for the increasing focus on the 'internationalisation' of Ascendis Health?

A Ascendis Health was founded with the aim of building a global integrated health and care brands company. After creating a solid foundation across our three businesses in South Africa we have been able to turn our attention to developing an international presence through our strong South African brands. We will be following a similar model in offshore markets by acquiring platform companies and complementing these with smaller bolt-on acquisitions over time.

The group is targeting to generate 50% of revenue outside South Africa in the 2017 financial year and aiming to increase this to over 60% in two years' time. This provides a natural hedge against imported inflation through Rand weakness.

Q Shortly after the 2016 year end Ascendis Health concluded two major international acquisitions. What makes these businesses attractive to Ascendis Health?

A Remedica Holdings provides a platform for Ascendis Health to expand internationally in both Europe and emerging markets. Remedica has been operating for over 50 years and supplies more than 300 products to 100 countries. Products are manufactured in their five state-of-the-art facilities in Cyprus. We were impressed by their infrastructure, quality products, strong financials, great entrepreneurial culture and their high calibre people. In addition Cyprus has a favourable tax regime with the corporate tax rate at 12.5%.

We have already initiated our first synergy projects in the group. Farmalider currently outsources approximately 80% of its production and we have the opportunity to move certain contract manufactured products to the Remedica facilities.

Scitec International is one of the top three leading sports nutrition brands across Europe, manufacturing over 300 products for functional fitness, strength training and wellbeing. The acquisition provides a platform for international

CHIEF EXECUTIVE'S REPORT (continued)

expansion in the sports nutrition and wellness sectors, while accelerating offshore opportunities for Ascendis sports nutrition brands Evox, Supsahape and SSN.

We are confident that these acquisitions will be highly accretive for Ascendis Health.

Q Why do you consider these acquisitions to be transformative for Ascendis Health?

A These acquisitions will create sizeable European and developing markets platforms and transform Ascendis Health into a global company, with our products being sold in over 140 countries in the future. We estimate that half of the group's revenue in the 2017 financial year will be generated in US Dollar and Euro. Following these acquisitions Ascendis Health is the second largest listed health company in Africa.

Q Would Ascendis Health consider further international acquisitions?

A Ascendis Health is an acquisitive company and this remains a key growth strategy. In the medium-term, once we have determined the impact of the two recent acquisitions on the business, our international expansion will focus on acquiring platform companies for the wellness, medical devices and phyto-vet businesses in Europe and in specific Eastern European and emerging markets. We will also seek bolt-on acquisitions for Remedica and Scitec to complement their organic growth.

Q What are the group's priorities for the new financial year?

A Our immediate priority is to integrate Remedica and Scitec into the group, extract synergies with our South African businesses and accelerate organic growth. This includes product manufacture, cross-licensing of products between the Ascendis pharma businesses, synergies in research and development, and establishing new routes to market in Europe and developing markets.

The group has R600 million available for acquisitions and we have a good pipeline in South Africa with bolt-on acquisition opportunities in all divisions, with a focus on businesses and brands with strong export potential.

Operationally we will focus on efficiencies and cost control to improve margins in the manufacture of pharma products.

New product development and innovation will be key to maintaining Ascendis Health's competitive advantage in the health and care markets both locally and internationally.

We are totally committed to continuing to develop Ascendis Health into a truly integrated global health and care company.

Dr Karsten Wellner
Chief Executive Officer

OUR CORE VALUES

SUCCESS

Recognising value and achieving results

Reward

compensation for efforts achieved

1. We are results-orientated and passionately contribute towards developing our people, our products, and our services on a daily basis.
2. We clarify our expectations of each individual and foster an environment that allows each person to excel in their role.

Performance

is a consequence of meeting and exceeding expectations

3. We demonstrate a drive to be the best we can be in all that we do. We acknowledge and reward success.
4. We actively build success stories by taking the initiative, leading by example and celebrating exceptional performance.

INTEGRITY

Demonstrating ethical, accountable and consistent behaviour

Trust

believing that we are safe in one another's hands

1. We conduct ourselves in a manner that builds trust through being accountable to one another and role modelling the right behaviour.
2. We build our reputation and our brand by responding to situations in an ethical and professional manner.

Consistency

repeating the same standards of excellence over time

3. We deliver on time and with quality.
4. We demonstrate genuine care in all of our day-to-day interactions with an external focus on specific social responsibility activities.

ENTREPRENEURIAL SPIRIT

Taking calculated risks, driven by innovative behaviour

Strategic

action plan in pursuit of anticipated outcomes

1. We encourage original thinking in our teams and take time to innovate in order to achieve improved results.
2. We ensure that the best commercially viable solution is achieved by promoting diverse perspectives, rather than suppressing them.

Innovative

translating creative ideas into action

3. We are optimistic to all possibilities and encourage our people to think dierently.
4. We take calculated risks in our pursuit of our shared strategy.

CHIEF FINANCIAL OFFICER'S REPORT

INTRODUCTION

Ascendis Health continued its strong growth trend since listing on the JSE as revenue increased by 39% to R3.9 billion while the group's international strategy gained momentum.

The financial performance for the 12 months was impacted by transaction costs of R143 million relating to the two international acquisitions of Remedica Holdings and Scitec International. The earnings from these acquisitions will only be included from August 2016, resulting in a misalignment of the costs and earnings relating to these acquisitions which has had a negative impact on reported earnings for the current reporting period.

Headline earnings for the year, after the transaction costs, declined by 26% to R154 million (2015: R209 million), with headline earnings per share (HEPS) 30% lower at 56 cents.

Headline earnings on a normalised basis, excluding acquisition and restructuring costs and amortisation, increased by 37% to R336 million (2015: R245 million). Normalised HEPS increased by 30% to 121 cents (2015: 93 cents).

A final dividend of 12 cents per share was declared, bringing the total dividend for the year to 21.5 cents per share, an increase of 13% over the previous year.

FINANCIAL PERFORMANCE

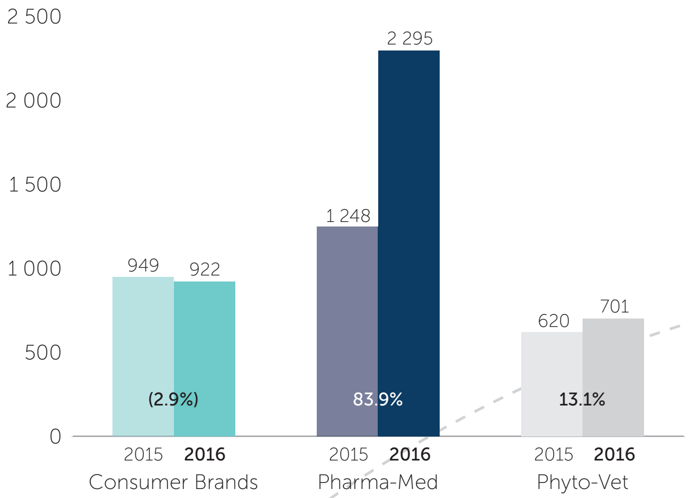
The review of the financial performance for the year ended 30 June 2016 focuses on key line items of the group's statements of comprehensive income and financial position. The following commentary should be read together with the audited summarised annual financial statements on pages 54 to 68. The audited annual financial statements are available on the website www.ascendis.co.za

STATEMENT OF COMPREHENSIVE INCOME

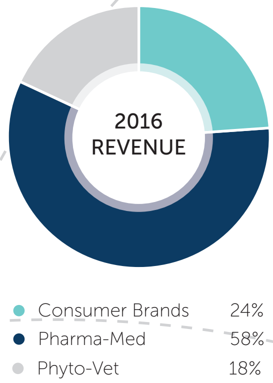
Group revenue increased by 39% to R3.9 billion (2015: R2.8 billion), driven by organic growth of 8% and supported by growth of 31% from acquisitions concluded over the past year. The acquisitive revenue growth of R626 million includes revenue from Farmalider in Spain (consolidated for eleven months) and Akacia Healthcare (consolidated for three months) as well as smaller bolt-on acquisitions across all segments.

Foreign revenue increased by 233% to R864 million, accounting for 22% of the group's total sales. This includes export sales from local operations of R376 million which were predominantly to other African countries and Europe.

TURNOVER



The breakdown of the segmental revenue reflects that Pharma-Med increased revenue by 45% to R1 808 million (46% of total revenue). Consumer Brands revenue declined by 3% to R922 million (24% of group revenue) owing to the impact of CAMS regulations on Solal, the restructuring of the sports nutrition business and the poor consumer environment in Nigeria which affected the direct selling business.



Phyto-Vet increased revenue by 13% to R701 million (18% of revenue) despite the impact of the drought in Southern Africa which limited sales of pesticides, insecticides and fertilisers by approximately R75 million. This impact was negated by two bolt-on acquisitions in the second half of the year. The International segment generated sales of R487 million (12% of revenue).

Ascendis Health's revenue is well diversified across currencies, markets, sales channels and customer groups, with no single customer accounting for more than 6% of sales.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

TURNOVER BREAKDOWN BY CUSTOMER

The group's gross margin at 39.9% (2015: 43.6%) was negatively impacted by increased government tender business which is at lower margins as well as the acquisition of Farmalider which operates at a lower gross margin. However, the impact on the bottom line was successfully mitigated through efficient cost control, growth in exports and above-inflation price increases.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 41% to R613 million before transaction costs, with the normalised EBITDA margin increasing 20 basis points to 15.6%.

Operating profit excluding the transaction costs increased by 41% to R529 million (2015: R375 million). Reported operating profit increased by 4% to R377 million (2015: R362 million).

Net finance costs rose by 79% in line with the higher gearing to fund acquisitions over the past year.

Taxation declined by 21% owing to the reduction in the group's effective rate to 24.4% (2015: 28.2%). This reflects the benefit of the acquisition of Farmalider which has a lower tax rate. The effective tax rate is expected to reduce further in the 2017 financial year owing to the favourable tax rate of 12.5% in Cyprus where Remedica is located.

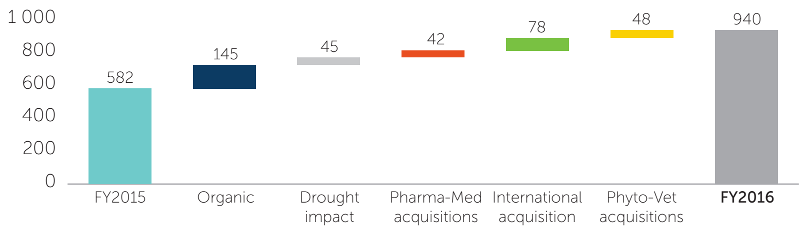
Profit attributable to shareholders after the transaction costs declined by 10% to R190 million, including R31 million attributable to minority shareholders of Farmalider.

BALANCE SHEET

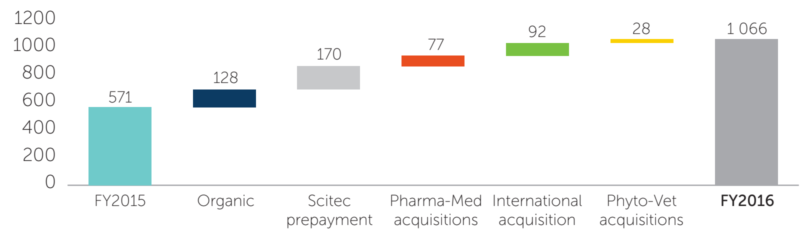
Total assets increased by 57% to R5.7 billion mainly due to the R948 million increase in goodwill and intangible assets, and the higher working capital, arising from businesses acquired during the year. As the group targets acquisitions with a high return on net assets with a focus on strong brands and intellectual property, this will always have the effect of increasing goodwill and intangibles.

Property, plant and equipment more than doubled to R365 million following the acquisition of the R100 million Akacia Healthcare manufacturing facility in Isando and production facilities valued at R33 million with the Farmalider acquisition.

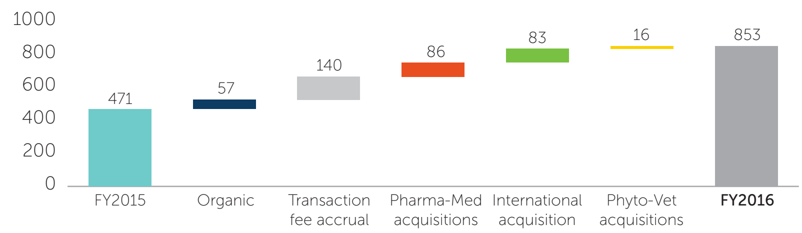
INVENTORIES



ACCOUNTS RECEIVABLE



ACCOUNTS PAYABLE



Net working capital increased by R471 million to R1 153 million with net working capital days up from 101 to 131 days. Excluding the impact of the Farmalider acquisition and IFRS adjustments, working capital days increased to 118 days.

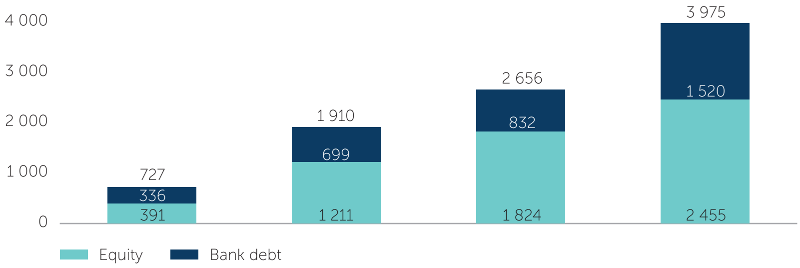
Inventory levels increased by R190 million in addition to R168 million from acquisitions. This was mainly due to new tender business for medical equipment in The Scientific Group; higher stock levels in sports nutrition to minimise sales interruptions during the consolidation of production facilities and warehouses; and inventory to service new government tenders. Goods in transit at year end amounted to R60 million. Phyto-Vet sales were impacted by the drought which resulted in higher inventory levels. However, this stock will be sold in the year ahead and poses no risk to the group.

Accounts receivable increased by R495 million due to acquisitions and a pre-payment related to a deposit of R170 million paid into escrow for the purchase of Scitec. A large portion of the increase in accounts payable relates to the accrual of the transaction costs for the Remedica and Scitec acquisitions.

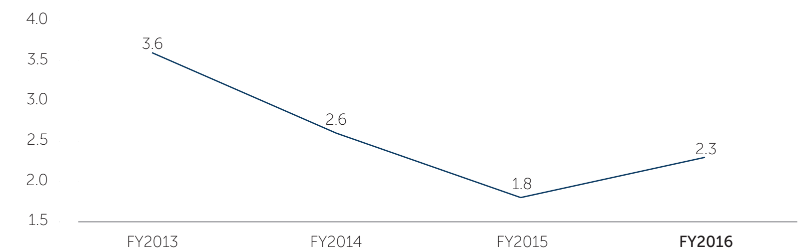
The group raised equity of R557 million through a share issue to fund the acquisitions of Akacia Healthcare, Afrikelp and smaller bolt-on businesses.

Cash generated by operations totalled R214 million compared to cash generated by operations of R94 million in the previous year owing to the higher working capital changes and increased interest paid.

BANK DEBT TO EQUITY



DEBT: EBITDA RATIO



Bank debt totalled R1 520 million at year end (2015: R832 million) with the debt to EBITDA ratio moving from 1.8 times to 2.3 times owing to the increased funding for acquisitions. Interest cover reduced from 4.8 times to 4.4 times.

The group's return on equity reduced from 15.9% to 14.3% owing mainly to the inclusion of the property, plant and equipment for Akacia and Farmalider referred to above.

The return on tangible net assets (ROTNA), which excludes goodwill and intangibles, declined from 37.2% to 35.1%. Management believes ROTNA is a key performance metric in an acquisitive company like Ascendis as it reflects the return of the underlying businesses by excluding the effects of the purchase price of the businesses acquired.

APPRECIATION

Thank you to our shareholders and funders for your support, and we welcome those who have invested in the group for the first time during the year. We also extend our thanks to analysts and fund managers locally and abroad for your ongoing engagement with the group. In closing I would like to thank the group finance team as well as the finance staff in our subsidiary companies for their support and commitment.

Kieron Futter
Chief Financial Officer

Operational Review

CONSUMER BRANDS

OVERVIEW

Ascendis Consumer Brands comprises a portfolio of market-leading mostly owned and agency brands targeting preventative health, health supplements, wellness, sports nutrition and skin care markets. The division comprises four business units.

Ascendis Wellness consists of a diverse range of premium, mainstream and value brands targeting nutraceutical, health supplement and homeopathic markets. Leading brands include Solal, VitaForce, JungleVites, Menacal 7, Chela Fer, Chela Mag, Foodstate and Bettaway. Products are sold through multiple distribution channels including retailers, pharmacies, wholesalers and health shops.

Ascendis Sports Nutrition manufactures, imports and markets category-leading muscle performance, healthy lifestyle, endurance, guilt-free snacking and sports performance brands Evox, SSN, Supershape, Muscle Junkie, Nutrimax and Quest. The business is capitalising on the growing consumer trend towards an exercise orientated lifestyle, where supplements, proteins, lifestyle, snack and meal replacement products provide solutions for consumers to look, feel and perform at their best.

Ascendis Skin specialises in advanced professional skincare to deliver results-driven brands, products and services. The current portfolio consists of three well-established brands: Nimue Technology, an advanced homecare and professional derma-cosmeceutical brand; Solal Skin, focusing on anti-aging solutions for the retail market; and pHFormula, an advanced professional skin resurfacing product range.

Ascendis Direct provides market-leading nutraceutical, wellness and beauty care brands to consumers through a network marketing structure that offers opportunities for entrepreneurs to earn an extra income. The interactive and social nature of this route to market allows for a specialised customer experience.

REVIEW OF 2016

The major focus in Wellness has been on reducing complexity within the business structure and driving synergy benefits. The management teams were aligned towards a common business strategy and stretching organic growth targets and future acquisitions. Operational synergies throughout the value chain were recognised through this structural integration. The performance of the nutraceutical and wellness brands was impacted by the depreciating Rand, complementary medicine regulations and inventory shortages of key brands.

The Sports Nutrition business was characterised by synergy projects to drive efficiencies. Three manufacturing sites were consolidated into one purpose-built powder blending factory next to the existing GMP accredited pharma plant in Wynberg, Johannesburg. Distribution efficiencies were achieved through warehouse consolidation. This has resulted in a more efficient supply chain and a factory structure which is compliant with the Department of Health's complementary medicines regulations.

While sales were disrupted during this consolidation process, this was very effectively countered by the lower operating costs. During 2016, the Nutrimax brand was added to the Sports Nutrition basket.

The Skin business unit has been very active in the professional and retail channel in South Africa. The business is increasingly focusing on strengthening its international relationship with distribution partners, developing sales, marketing and education tools to promote the brands in their respective markets. International markets represent 59% of turnover and this focus will continue in 2017 with the opening of new strategic markets in Europe and Asia.

Direct Selling delivered organic growth below expectations mainly due to negative consumer sentiment in the Nigerian market. Innovative promotional concepts to drive market excitement, coupled with enhanced innovation and the launch of a progressive new compensation plan delivered growth in the Southern African region.

CONSUMER BRANDS (continued)

FINANCIAL PERFORMANCE

Rm	%ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	(2.9%)	**922**	949	659
Adjusted revenue growth	2.4%			
EBITDA	25.9%	**207**	164	113
EBITDA margin		**22.4%**	17.3%	17.1%

Consumer Brands revenue declined by 2.9% owing to the impact of the CAMS regulations on Solal, the restructuring of the Sports Nutrition business and poor consumer environment in Nigeria which affected the direct selling business.

Nimue performed strongly, driven by market leading product innovation that included a unique new sun care range, market leading trans dermal serums, and unique seasonal product lines.

The EBITDA margin strengthened from 17.3% to 22.4% as a result of the successful integration projects undertaken in Wellness, Sports Nutrition and Direct Selling. EBITDA for the year increased by 25.9% and comprised 31% of the group EBITDA.

OUTLOOK FOR 2017

Consumer Brands is well positioned to benefit from the growing health, wellness and sports lifestyle trend with its range of market-leading brands. Organic growth is expected to be bolstered by refreshed branding and packaging design, innovative new product development as well as increased distribution within targeted channels, including exports. Further synergies will be realised following the robust restructuring of each business unit within this division. A dedicated International structure has been implemented with a strong focus on emerging, and some developed, markets. Ascendis Health Australia has been established to grow organically in this huge and growing wellness and sports nutrition market.

The focus will be on increasing the footprint in international markets with existing brands as well as leveraging from international acquisitions. Work has already commenced on sourcing synergies, route to export market and product innovation collaboration with Scitec, the recently acquired Sports Nutrition business in Europe. In addition, the business will continue to seek further synergistic bolt-on acquisitions.

PHARMA-MED

OVERVIEW

Ascendis Pharma-Med focuses on OTC (over the counter) products and generic pharmaceuticals, medical devices and hospital equipment to improve the quality of patient treatment.

Ascendis Pharma supplies OTC as well as generic pharmaceuticals to government hospitals on a tender basis, retail pharmacy, wholesale pharmaceutical groups, other pharmaceutical companies, dispensing doctors and independent pharmacy groups in South Africa and Europe.

Ascendis Medical, which includes Surgical Innovations (market leader in medical devices), Respiratory Care Africa (equipment for hospitals) and The Scientific Group (diagnostic products), offers high-tech products and turnkey solutions for specialist surgeons, laboratories, state and private hospitals through the supply of consumable and implantable products for clinical and diagnostic use.

REVIEW OF 2016

Ascendis Pharma continues to drive a high growth strategy through organic expansion and acquisitive growth. Two significant acquisitions were concluded during the year.

The group acquired a 49% interest in Farmalider in August 2015, founded 29 years ago, 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 resulted in Ascendis acquiring an additional 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.

The acquisition of leading pharma manufacturer and distributor, Akacia Healthcare, strengthens the market share in the retail pharmacy, dispensing doctor and public sector markets. In addition, the business has commenced commercial operations in the hospital channel and several export markets. Akacia's major brands include Reuterina, which is the leading probiotic in South Africa, and Sinucon, a well-known cough and cold OTC product. The Akacia manufacturing site is a legacy multinational facility specialising in high volume, low cost essential drugs and OTC formulations. The site is preparing for global accreditation to utilise capacity via increased tender volumes.

The Pharma product innovation pipeline was significantly boosted by the acquisition of MCC (Medicines Control Council) registered dossiers from Sandoz in the generic, OTC and public healthcare sectors, thereby shortening the market delivery timing to under two years.

Several synergies are being realised following significant operational restructuring in 2015. Short term synergies are centred on cross selling brands, medium term synergies relate to local manufacturing efficiencies and long term synergies aim to strengthen and deliver a product registration pipeline for the combined companies.

PHARMA-MED (continued)

The business now has critical mass in the therapeutic classes of Anti-infectives, Cardiovascular, Central Nervous System, Probiotics and Cough and Cold. The continued focus by the regulatory team of targeted pipeline products yielded two first to market generics, namely Clonam and Phlexy in the central nervous system category.

The Ascendis Medical African strategy has seen local offices open in Namibia, Botswana and Zambia. Continued success in equipment tenders in particular in Zambia has resulted in higher sales into the sub-Saharan African markets.

The successful execution of our export strategy has enabled a natural hedge in defence to the Rand's volatility and weakness.

FINANCIAL PERFORMANCE

Rm	%ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	83.9%	**2 295**	1 248	411
EBITDA	58.7%	**370**	233	103
EBITDA margin		**16.1%**	18.7%	25.1%

Revenue increased by 83.9%, benefiting from the consolidation of Farmalider for 11 months and Akacia for three months. Farmalider performed well ahead of expectations and contributed revenue of R439 million and Ascendis' 49% shareholding contributed profit after tax of R55 million. Ascendis Medical had another good year and achieved its target.

Higher value pharma tenders with lower margin increased sales in Pharma-Med by double digits but reduced the overall operating margin of the division from 18.7% to 16.1%. EBITDA performance was also aided by the sale of dormant dossiers in June 2016.

EBITDA increased by 58.7% and the division contributed 58% of the group's EBITDA.

OUTLOOK FOR 2017

The outlook for the Pharma-Med division is most encouraging. Following the completion of integration initiatives the business has emerged as a competitive force in the local market. Established long-term tenders will enhance margins through manufacturing capacity utilisation. The innovation pipeline is significant, with an active dossier cycle to drive short, medium and long term projects in strategic market sectors.

The Medical Devices businesses will continue to expand market share through the establishment of Ascendis Medical as a single identity and brand to both internal and external customers. Ascendis Medical represents quality in clinical care, education and product efficacy in the Medical Devices arena. Management will focus on acquiring new technologies and products in new therapeutic areas to expand the footprint to every sector of healthcare delivery.

PHYTO-VET

OVERVIEW

Phyto-Vet is an integrated biosciences business, leveraging expertise in the disciplines of entomology, horticulture, veterinary sciences and agronomy. The division provides solutions for companion and production animals, gardens, households, agriculture and environmental health.

The business aims to benefit the home, garden and plant nutrition sector, enhance the quality of life of animals and advance agricultural productivity, while remaining committed to our social and environmental responsibilities.

The division manufactures and supplies mainly its own market leading brands, such as Efekto Ant Trap, Rosecare, Fendona and Snail Ban. Wonder plant and lawn fertilisers and Marltons pet care products, which in aggregate comprise 3 500 different products supplied to over 4 500 retail stores throughout South Africa and to a further 22 Sub-Saharan African countries.

REVIEW OF 2016

Extreme environmental conditions proved challenging conditions and were experienced in most of the southern African markets in which Phyto-Vet operates. 2015 was the driest year in South Africa since 1904 and the El-Nino phenomenon also impacted key export markets including Namibia, Zimbabwe, Zambia, Malawi and Botswana.

Despite the impact of the drought, Phyto-Vet mitigated the impact to a certain extent by its patented crop protection products on irrigated export citrus crops as well as making inroads in its new agricultural plant growth stimulants extracted from seaweed which are predominantly exported to the northern hemisphere.

Afrikelp, a seaweed processing business, was acquired in February 2016 and provides Ascendis with a strong platform to grow its agricultural business both domestically and internationally. Afrikelp products are distributed to 70 countries.

Klub M5, acquired in May 2016, produces uniquely patented products for the crop sciences industry, and targets various agricultural sectors in Southern Africa.

FINANCIAL PERFORMANCE

Rm	%ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	13.1%	**701**	620	549
EBITDA	17.9%	**96**	82	49
EBITDA margin		**13.7%**	13.2%	8.9%

Phyto-Vet increased revenue by 13.1% despite the impact of the drought which limited sales of pesticides, insecticides and fertilisers in Efekto and Avima and by approximately R75 million. This impact was partially negated by product and geographical diversification, and the benefit of the bolt-on acquisitions of Afrikelp and Klub M5. Revenue growth was also driven by the animal health segment and export agricultural plant growth stimulants.

The EBITDA margin improved by 0.5% to 13.7%, mainly through successful synergy projects and ongoing product rationalisation in Efekto and Marltons. EBITDA for the period increased by 17.9%.

OUTLOOK FOR 2017

Phyto-Vet operates in an environment of ongoing seasonal and currency risks in countries of operation. Selective expansion into international markets and sub-Saharan Africa will continue to be a strategic focus and assist in mitigating risk.

The crop sciences businesses are well positioned in 2017 and will focus on increasing sales volumes and are confident of more encouraging planting conditions as the El-Nino weather phenomena dissipates.

Phyto-Vet will entrench its market position in future with a combination of product innovation, renewed branding and packaging design in existing categories, while exploring new product categories to develop additional revenue segments and new markets.

MARKET LEADING BRANDS

Listed in the healthcare sector on the JSE since November 2013, Ascendis owns some of the most highly recognised brands in South Africa's health and care industry. Solal, Reuterina, Surgical Innovations, Efekto, Wonder and Sportron are ranked number one in their respective market segments. Nimue, Pharma Natura, Ascendis Sports Nutrition, Ascendis Medical Devices, Sinucon, Afrikelp and Marltons all occupy the number two position in their respective markets.

Wellness

Skin

Sports nutrition

Direct Selling

Phyto

Vet

Pharma

Medical

Corporate Governance

CORPORATE GOVERNANCE REPORT

Ascendis Health is committed to following good corporate governance standards and ethical practices to ensure the sustainability of the business. The group's governance framework is founded on the fundamentals of risk management, regulatory compliance, governance and internal audit.

The board is responsible for ensuring compliance with legislation, regulation and governance codes while at the same time striving to maintain the entrepreneurial spirit on which the group was founded.

Ascendis subscribes to the spirit of good corporate governance outlined in the King Report on Corporate Governance (King lll). Effective governance processes have been implemented across the business and the directors confirm that the group has, in all material respects, applied the principles of King lll.

Application of King lll

The group's application of each King lll principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually, and is available on the group's website, www.ascendis.co.za.

The group envisages implementing King IV once this new code has been concluded and presented later this year.

BOARD OF DIRECTORS

Board charter

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives.
- Approving financial results as well as financial objectives and targets.
- Monitoring operational performance and management.
- Ensuring effective risk management and internal controls.
- Complying with legislative, regulation and governance codes.
- Oversight of the values and ethics of the group.
- Selection, orientation and evaluation of directors and chairman.
- Ensuring appropriate remuneration policies and practices.
- Review of terms, references and compositions of board committees.
- Assessment of board members, CFO and company secretary.
- Oversight of shareholder communications, stakeholder engagement and AGM resolutions.
- Determining dividend policy.

Board composition

Ascendis has a unitary board structure with five non-executive directors and two executive directors who are all independently-minded individuals.

Three of the non-executive directors, including the chairman, are classified as independent in terms of King lll and the JSE Listings Requirements. Gary Shayne and Cris Dillon are not considered to be independent, owing to their shareholding in Coast2Coast Capital, a material shareholder in Ascendis. However, this does not prevent these directors from exercising independent judgement at board level. The independence of all non-executive directors is reviewed on an ongoing basis.

Cliff Sampson was appointed as acting managing director of the South African operations in July 2015, and was appointed an executive director in November 2015.

Kieron Futter was appointed as chief financial officer (CFO) in September 2015 and an executive director in November 2015. He replaced Johan van Schalkwyk, a director of Coast2Coast Capital, who was appointed as interim CFO with effect from 24 April 2015.

The roles of the chairman, John Bester, and the chief executive officer (CEO), Dr Karsten Wellner, are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the nomination committee.

All non-executive directors are subject to retirement by rotation and re-election by the shareholders at least once every three years, as determined in the company's Memorandum of Incorporation.

Biographical details on the directors appear on page 42 and 43.

Board evaluation

The annual review of the performance of the board, the committees and individual directors was undertaken and the results presented to the nominations committee in May 2016. The outcome of the evaluation was favourable and no changes were proposed to the membership or to the functioning of the board or any of its committees.

Company secretary

The company secretary ensures that board procedures and all regulations and governance codes are applied. He provides guidance to directors on governance, compliance and their fiduciary duties, and assists in the appointment of directors to the board. Directors have unrestricted access to the advice and services of the company secretary.

The board undertook an annual formal evaluation of the company secretary in terms of the JSE Listings Requirements. The directors are satisfied that the company secretary has the competence, qualifications and experience to perform the role. The company secretary is not a director of the group and has an arm's length relationship with the board.

AUDIT COMMITTEE

Role and responsibilities

- Ensure the group has adequate and appropriate financial and operating controls.
- Maintain oversight for financial results, integrated reporting and monitor sustainability reporting.
- Confirm the adoption of the going concern premise.
- Ensure that significant business, financial and other risks are identified and managed.
- Ensure satisfactory standards of governance, reporting and compliance in conformance to King III guidelines.
- Review the findings and recommendations of the internal and external auditors.
- Determine and approve the audit fees for both internal and external audits.
- Nominate the external auditor for reappointment.
- Monitor the fraud and litigation register and reporting.
- Consider that the expertise and experience of the CFO and the finance department are appropriate.

Composition

Chair: Bharti Harie

The committee comprises three independent non-executive directors.

The audit committee is appointed by the board annually and approved by shareholders at the annual general meeting.

The external auditor, executive directors and finance management attend meetings by invitation.

RISK COMMITTEE

Role and responsibilities

- Ensure appropriate risk management policies are adopted by management.
- Measure the risk profiles of all business divisions and the group.
- Ensure management has implemented systems of internal control and an effective risk-based internal audit.
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies.
- Ensure appropriate insurance cover purchased on all material risks above pre-determined self-insured limits.
- Monitor effective disclosure of risks to shareholders.
- Review the combined assurance plan and business continuity plan.

Composition

Chair: Gary Shayne

The committee comprises two independent non-executive directors, a non-executive director and an executive director (CFO).

The CEO, chief risk officer (CRO), external and internal auditors attend by invitation, and the heads of the operational divisions attend when requested.

Refer to the corporate governance report on page 37.

REMUNERATION COMMITTEE

Role and responsibilities

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, and which are competitive in the market place.
- Review and approve remuneration of executive directors, non-executive directors and senior management.
- Review and approve payments in terms of annual bonus schemes and long-term incentive schemes.
- Propose fees for non-executive directors for approval at the annual general meeting.
- Determine a long-term strategy for retention and development of executives.
- Ensure that effective succession planning is in place for executives and senior management.

Composition

Chair: Phil Cunningham

The committee comprises two independent non-executive directors and a non-executive director

The CEO and the MD-South Africa attend by invitation and are recused for discussions that relate to their performance and remuneration.

Refer to the remuneration report on pages 46 to 49.

NOMINATIONS COMMITTEE

Role and responsibilities

- Ensure the board and committees have an appropriate balance of skills, experience and diversity.
- Identify and nominate candidates for appointment to the board and committees.
- Co-ordinate the annual board and committee evaluation process.
- Review the chairs of the board and committees.
- Assessments of CEO, MD, CFO, and company secretary annually.
- Oversight of the succession plan for executive management.
- Co-ordinate induction programme for new directors and continuing development for all directors.
- Recommendations to shareholders for annual re-election of directors by rotation, and appointment of audit committee members.

Composition

Chair: John Bester

The committee comprises two independent non-executive directors and a non-executive director.

The CEO attends by invitation.

SOCIAL AND ETHICS COMMITTEE

Role and responsibilities

- Assist the board in considering the impact of the business on the environment, society and the economy.
- Monitor the group's activities relating to social and economic development, the environment, and health and public safety.
- Advise the board on factors impacting on the long-term sustainability of the business.
- Monitor adherence to corporate citizenship principles and ethical behaviour.
- Ensure the group's interactions with stakeholders are guided by legislation and regulation.
- Provide guidance on empowerment and transformation, labour and employment.

Composition

Chair: Phil Cunningham

The committee comprises an independent non-executive director, a non-executive director and the CRO.

Executive and operational management attend at the invitation of the committee.

Refer to the social and ethics committee report on pages 50 to 52

RISK MANAGEMENT

The board is responsible for the oversight of the risk management process and is assisted in this process by the risk committee. The group's CRO is responsible for ensuring that an efficient and effective enterprise risk management process operates across the group and reports to the risk committee and board on risk management.

The implementation of the business strategy is dependent on management taking calculated risks that do not jeopardise the interests of stakeholders, and ensuring that adequate controls are in place to mitigate the level of risk. Sound management of risk will enable Ascendis to anticipate and respond to changes in the healthcare environment, as well as take informed decisions under conditions of uncertainty.

A risk management policy has been adopted to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed on a bi-annual basis in all key areas of the group's businesses. Information technology governance forms an integral part of the group's risk management process, with the risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal control and an effective risk-based internal audit aimed at:

- Safeguarding assets and reducing the risk of loss, error, fraud and other irregularities.
- Ensuring the accuracy and completeness of accounting records and reporting.
- Preparing timely and reliable financial statements and information in compliance with relevant legislation.
- Complying with generally accepted accounting policies and practices.
- Increasing the probability of anticipating unpredictable risk.

The board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year.

Key risks facing Ascendis

Risk	Mitigation plans
Human capital management – to attract, mentor and retain	Succession planning; competitive remuneration; training programmes; establishment of central HR department; active and effective remuneration committee function; benchmarking; annual salary surveys; development of long-term retention programmes.
B-BBEE status on government tenders and major retail trade agreements – impact of new codes on existing certified level	Increase B-BBEE ownership deals; top management endorsement to internal development projects; group skills development programmes; identify opportunities for preferential procurement; invest in supplier and enterprise development projects; implement HR policy on recruitment criteria to improve management control.
Exposure to highly regulated environment and changes	Reformulation and registration of products; frequent interaction with regulators; identify opportunities and barriers to entry; regulatory pharmacists; new product development outside of regulations.
Exchange rate exposure – impact on cost of imports	Build exports; forward cover strategy; international acquisitions; regular pricing rounds; localisation of product content.
Interest rate exposure – high gearing in the group's financials	Hedging of interest rates; quarterly sensitivity analyses; improvement in working capital management.

Accountability and compliance

Details of the internal audit function and systems of internal control, as well as the external audit function, are contained in the audit committee report in the audited annual financial statements for the year ended 30 June 2016, which are available on the group's website: www.ascendis.co.za.

Legislative compliance

Legislative and regulatory compliance is monitored by the company secretary and the group's internal legal department. A regulatory universe process has been implemented and is being managed with the divisional heads. There were no cases of material legislative or regulatory non-compliance and no penalties or sanctions were imposed on the group or any of its directors or officers during the year.

BOARD AND COMMITTEE MEMBER'S ATTENDANCE

	Board	Audit	Risk	Remun-eration	Nomi-nations	Social and ethics
Number of meetings	5	4	4	5	1	3
John Bester	5*	4	4	5	1*	1
Bharti Harie	5	4*	4			
Phil Cunningham	4	3		4*	1	2*
Cris Dillon	4			5	1	2
Gary Shayne	5		4*			
Karsten Wellner	5					
Cliff Sampson**	4					
Kieron Futter**	4		3			
Andy Sims						3

* Chairman

** Appointed 12 November 2015

BOARD OF DIRECTORS

From left to right: John Bester, Gary Shayne, Phil Cunningham, Bharti Harie

John Bester (70)

BCom (Hons), CA (SA), CMS (Oxon)
Independent non-executive director
Chairman of the board
Chairman of the nomination committee
Member of the audit, risk and remuneration committees
Appointed to the board in 2013

John spent 16 years in the accounting profession, including 10 years as a partner of Ernst & Young. He has been involved in commerce and industry for over three decades, holding a number of financial directorships during this time. He is a non-executive director of Personal Trust International, Clicks Group, Sovereign Food Investments, Tower Property Fund and Western Province Rugby Proprietary Limited, as well as a trustee of the Children's Hospital Trust.

Gary Shayne (45)

BCom, CA (Zim)
Non-executive director
Chairman of the risk committee
Appointed to the board in 2008

Gary is the co-owner and chief executive officer of Coast2Coast Capital and co-founded Ascendis in 2008 together with Cris Dillon. Gary has a 17-year proven track-record in both private equity and entrepreneurial ventures. Among his successes are the listing of Celsys, one of Zimbabwe's leading telecom companies, when he was 32 years old and the founding of Shayne Accounting Services, which went on to become one of the country's largest single-owned accountancy practices.

Phil Cunningham (46)

BAgric Man
Independent non-executive director
Chairman of the remuneration committee and the social and ethics committee
Member of the audit and nomination committees
Appointed to the board in 2013

Phil started his career in the agricultural sector before establishing an agricultural trading company in 1997, which was successfully expanded into Africa. In 2005 he followed his passion and invested the profits from the trading business into Sunrise Productions, a Cape Town-based animation studio and media company. Phil is also a major shareholder in an advertising agency. He serves on a number of school, provincial sports and non-profit organisation boards, chairing two of them.

Bharti Harie (46)

BA LLM
Independent non-executive director
Chairman of the audit committee
Member of the risk committee
Appointed to the board in 2013

Bharti spent 14 years at the Industrial Development Corporation of South Africa (IDC) where she worked in the legal department, and headed the corporate funding and international finance departments. At the IDC she gained experience in general corporate law, syndications and project and short-term finance. Bharti is an independent non-executive director on the boards of Bell Equipment, Lenmed Investments and the Mineworkers Investment Company.

From left to right: Cris Dillon, Dr Karsten Wellner, Cliff Sampson, Kieron Futter

Cris Dillon (46)

BSc (Hons) (Chem Eng), MBA
Non-executive director
Member of the remuneration, nomination and social and ethics committees
Appointed to the board in 2008

Cris is the joint owner and chief operating officer of Coast2Coast Capital and co-founded Ascendis in 2008 with Gary Shayne. He spent 11 years in investment banking, including three years in Standard Bank's corporate finance division. Cris is a serial entrepreneur who has mainly been involved in running his own companies, including Multipac, LALabel in Los Angeles, Reviva and Axiz Retail.

Dr Karsten Wellner (55)

PhD (Economics and Political Science)
Chief executive officer
Appointed to the Board in 2011

Karsten joined the group in 2011. He has over 20 years of experience in international and South African health markets. Before joining the group, he headed up Fresenius Kabi South Africa (including regional responsibility for Africa and Middle East) for eight years, the local subsidiary of Fresenius SE & Co. KGaA, which is listed on the Frankfurt Stock Exchange. Prior to that he ran Fresenius Switzerland for five years and had various responsibilities in pharma exports and developing markets.

Cliff Sampson (57)

Dip IMM, MBA (Henley), MAP
Managing director – South Africa
Appointed to the Board in 2015

Cliff has over 30 years' experience in the FMCG industry with over 20 years as a managing director. Prior to joining Ascendis he was managing director of Foodcorp for seven years, growing the group's business to more than R7 billion turnover. Cliff was managing director of National Brands for nine years and led the transformation of the group into a successful and highly profitable contributor to the AVI Group.

Kieron Futter (39)

BCom (Hons), HDip (Auditing), CIMA, CA(SA)
Chief financial officer
Appointed to the Board in 2015

Kieron Futter, CA(SA), serves as the chief financial officer of Ascendis Health Limited. Kieron's qualifications include CA (SA), having achieved a top ten position in the board exam, B. Com (Honours) and a Higher Diploma in Auditing at University of Johannesburg, and CIMA. Kieron has more than 20 years of experience in financial management in various industries, including five years at GlaxoSmithKline in Consumer Health Care (in the UK and Dubai), five years as CFO of TransUnion Group Africa incorporating 31 companies, with the international holding company being based in Chicago, USA, and most recently two years as CEO of Nando's company-owned restaurants with a major focus on the financial management of R1.2 billion revenues and 3 000 employees.

EXECUTIVE MANAGEMENT

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Chief executive officer
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Greg Anderson (57)

BSc (Chem Eng)
Managing director – Sports Nutrition and Supply Chain

Greg has over 25 years experience in production, engineering, procurement, research and development, and distribution. He was previously the CEO of PharmaNatura, which was acquired by Ascendis Health in 2014. Through this acquisition Greg was brought into the group to establish and manage the extended supply chain function. Prior to PharmaNatura, Greg held various senior supply chain positions during his 12 years, each with Unilever and Tiger Brands.

Justin Korte (41)

Dip IMM, BA Marketing
Managing director – Wellness

Justin has 20 years commercial experience working in both the FMCG and Pharmaceutical sectors across South Africa and sub-Saharan Africa. He spent the bulk of his career at Gillette (seven years) and GSK (10 years). His recent roles in GSK were as Sales Director, where he delivered industry-leading growth through driving ROI-focused trade investment strategies and as Africa Commercial Capability Director, where his focus was to ensure sound Route to Market strategies, building Distributor Management capabilities and developing full business entities in both Ghana and Angola.

Veronique Moreau (52)

Managing director – Skin

With a Master's degree in Marketing and Event Management, Véronique also has a wealth of experience in the dermaceutical industry.
Her focus has been specifically in the beauty salon market for the past 11 years, where she held various senior positions internationally, namely in France and Canada, with Dermalogica. She will integrate this valuable experience in the fields of brand communication, new market development and the implementation of national and international sales and marketing strategies.

Cornélle van Graan (51)

B.Compt
Managing director – Direct Selling

Cornélle spent the first 15 years of her career in the FMCG industry in finance, sales and marketing and moved into the direct selling industry in 2001 as the group CFO and then managing director of Avroy Shlain Cosmetics. Prior to joining Ascendis Health in 2011, Cornélle consulted extensively in the direct selling industry and is currently the vice chair of the Direct Selling Association in South Africa and an advisory committee member of the World Federation Direct Selling Association. In her role as managing director of direct selling for Ascendis, Cornélle has responsibility for the group's two direct selling brands, Sportron and Swissgarde.

José Luis Berenguer (70)

Graduated in Economics (CEU – University of Madrid); 3 years of Marketing at ESIC (Escuela Superior de Ingenieros Comerciales) and several management programmes
Chief Executive Officer of Farmalider

José Luis Berenguer is chief executive officer of Farmalider Group and a member of the company's board of directors. He founded Farmalider in 1986, bringing more than 30 years of Pharmaceutical Industry leadership, innovation and expertise, and executive management experience to his role with the company. Before joining

Farmalider, José Luis founded Laboratorio Lanzas, Laboratorio Beneline and Lineafarm company, holding a variety of management, operations, sales, and marketing roles, serving as the company's general manager, leading a successful effort to improve operational efficiency, strengthen the product line, and drive growth. Prior to that, he spent five years at Sofemasa, a Consulting Company. Since joining Farmalider, José Luis has served as chairman of the board, chief executive officer, and president of the company, where his focus on developing new ideas for customers, product innovation, improved operational efficiency, and execution excellence has led to significant company growth.

Tony Lowther (52)

Certificate of Medical Technology – RCS London

Managing Director – Medical devices

Anthony (Tony) Lowther has enjoyed a career spanning some 25 years in the Medical Devices arena – holding several Executive Leadership and General Management positions within Johnson & Johnson, Zimmer & Stryker in both local and International markets. His most recent position has been as managing director for Stryker South Africa where he doubled revenue in three years, established a state-of-the-art Johannesburg HQ facility for the company and introduced Orthopaedic Robotics into the continent of Africa. He has an extensive track record of growth and of people development. A former member of the UK NJR Steering Committee – he is now a member of the SAMED board and founded the OSIS committee for the Industry Association.

Jayen Pather (55)

BCompt (Hons)/CTA, HDip.Tax (Law), AGA (SA)

Managing director – Phyto-Vet

Jayen has over 20 years' experience in supply chain, operations and finance, and held various executive financial and operations positions with the diversified logistics groups, Unitrans and DHL. During this period Jayen managed mergers and acquisitions, divestitures and restructuring activities across varied sectors including FMCG, agriculture, automotive, technology and retail. Before joining Ascendis Health Jayen was managing director of Incolabs, a diversified FMCG company.

Viral Desai (41)

B Pharm, B Com

Managing director – Pharma

Viral has been active in the pharma industry for over 15 years. He has served in various executive roles spanning commercial and technical operations at Adcock Ingram. In the recent past his responsibilities covered the pharmacy and hospital generic businesses and prior to that the successful acquisition and integration of several businesses locally and internationally.

Julliette Morrison (49)

IMM, F Tech.Dip

Head of Marketing

Julliette has over 25 years experience in the South African FMCG industry. She has worked across many diverse categories including food, beverages, health and beauty, homecare and OTC pharmaceuticals. Juliette held numerous senior management positions in marketing and innovations at AVI for ten years, which included marketing director of Snackworx, and prior to joining Ascendis Health she was the marketing director of Foodcorp for seven years.

Chantal Burgers (30)

HRM.Dip , LL.Dip, PA.Dip

Group HR Manager

Chantal has 12 years commercial experience working in the FMCG, Pharmaceutical and Mining sectors across South Africa, sub-Saharan Africa and the USA. She is committed to serving as a thought partner with the Ascendis Health leaders to help them identify and remove barriers that get in the way of unlocking potential and achieving goals. Her strength is in working with diverse talent and complex work structures toward optimal levels of performance and engagement. Chantal has over her career been responsible for implementing national and international human capital strategies whilst driving the ROI for each company's most valuable asset staff.

Dave Meldrum (47)

Dip (Mech. Eng), MBA (Henley)

Group IT Manager

Dave has over 20 years' experience in information technology within engineering and project environments. Prior to joining Ascendis, he was IT manager for 13 years at engineering and petrochemical companies. Over his career Dave has overseen numerous IT network infrastructures, achieving over 99.5% availability of systems.

Andy Sims (61)

BAcc, CA (SA)

Company Secretary and Chief Risk Officer

After qualifying as a chartered accountant, Andy worked in the IT industry for over 20 years. He was the financial manager for international companies such as Hewlett Packard and Compaq. He also held the positions of financial director and managing director of subsidiaries in JSE listed IT groups Siltek and Computer Configurations Holdings. Prior to being appointed company secretary and chief risk officer, Andy was the financial director of five subsidiaries of Ascendis Health.

REMUNERATION REPORT

REMUNERATION PHILOSOPHY

The group's remuneration policy is based on a performance-related culture and strategy. The primary objective of this strategy is to motivate the employees to contribute to the group's strategic growth by achieving operational and financial objectives.

The philosophy of the remuneration policy is that the growth and sustainability of the group's business is dependent on its ability to attract, motivate, and retain employees with competent skills and commitment to their scope of responsibilities, and with a performance-based culture.

REMUNERATION PRINCIPLES

The key principles embedded in the remuneration policy are to:

- Align remuneration practices with the group's strategy.
- Ensure that executive reward schemes are in line with the shareholders' interests.
- Attract, develop, and retain employees in the health care industry who contribute to the group's sustained business growth.
- Recognise and reward employees by promoting a performance-based culture which incorporates both short-term and long-term objectives.
- Be competitively positioned in the market with the group's remuneration structures.
- Ensure internal equity amongst the employees.
- Remuneration packages to comprise annual guaranteed pay, performance-based bonuses and other benefits.
- Grant regular increases which are merit-based and in line with the job position.
- Encourage career path aspirations and succession planning within the group.
- Ensure compliance with all applicable legislation and regulatory codes.

REMUNERATION GOVERNANCE

The board carries ultimate responsibility for the remuneration policy, and has appointed a remuneration committee which has been delegated the responsibility of the group's remuneration practices. The membership of this committee comprises two independent non-executive directors and one non-executive director and conforms to the King III guidelines. The remuneration committee is governed by the remuneration committee charter as approved by the board.

The remuneration committee is scheduled to meet three times a year and on an *ad hoc* basis when required. The dates of these meetings are aligned to the review and approval of the budgeted remuneration for each, as well as the performance bonuses awarded to executives.

The executive directors are responsible for preparing and presenting the remuneration adjustments and incentive schemes to the remuneration committee for further review and approval.

The directors' fees for non-executive directors are reviewed annually by the remuneration committee and presented to the board for approval. These fees are then presented to the shareholders for approval at the annual general meeting.

The remuneration policy as formulated by the remuneration committee is tabled to shareholders for a non-binding advisory vote at the annual general meeting, in order to allow shareholders to express their views on the remuneration policy. The board is responsible for determining the remuneration of executive directors in accordance with the remuneration policy put to the shareholders' vote.

REMUNERATION POLICY

The remuneration policy incorporates the following key components:

Executive directors' remuneration

The remuneration structure of the executive directors is closely linked to the achievement of the group's operating and financial targets and is therefore aligned to the shareholders' interests.

The remuneration packages of the executive directors include the following components:

- Annual guaranteed pay.
- Company benefits.
- Cash-based bonuses which are based on monthly, quarterly, and annual financial performances.

Basic salaries are reviewed according to benchmarking of small- and medium-sized market capitalisation companies on the JSE Limited, and which recognises the group's business model, range of product and service offerings, and the regulatory environment within the health care sector that the group operates.

Cash-based performance bonus

The executive directors and senior management participate in a performance bonus scheme which is cash-based. Financial targets were determined by the board and set on annual EBITDA (earnings before interest, tax, depreciation and amortisation) and on RONA (return on net assets) and working capital management, as well as operational and business goals. These targeted bonuses are included in the annual budgets.

The incentive scheme for the executive directors and senior management is designed on both financial and non-financial measurements across operational, financial, customer, people and internal business process improvement metrics.

Other management and staff

The directors, senior managers and selected key staff receive an annual guaranteed salary, which includes certain retirement and health care benefits. Salaries may include premiums for resources that are scarce and critical. An annual salary increase is applied, which is performance-based as well as market related. They may also participate in an annual performance bonus scheme.

Independent non-executive directors

The independent non-executive directors are paid a quarterly fee for their services as directors as well as for serving as members on various board committees. The fees are determined and compared to similar listed companies and is based on an assessment of the independent non-executive director's participation in meetings as well as increased regulatory and governance responsibilities.

In conformance with best corporate governance practices, independent non-executive directors do not participate in the group's incentive schemes, nor do they have contracts with the group. No consultancy fees were paid to the independent non-executive directors during the year.

REMUNERATION REPORT (continued)

REMUNERATION

Directors' emoluments at 30 June 2016

	Basic salary R'000s	Travel allowances R'000s	Bonus and incentives R'000s	Retirement/ medical benefits R'000s	Other benefits R'000s	Directors' fees R'000s	Total R'000s
Executive directors							
Dr KUHH Wellner	3 414	143	318	68	106	–	4 049
CB Sampson*	3 000	–	–	–	32	–	3 032
K Futter*	1 875	–	–	–	20		1 895
Total executive directors	8 289	143	318	68	158	–	8 976
Non-executive directors							
JA Bester	–	–	–	–	–	390	390
B Harie	–	–	–	–	–	338	338
OP Cunningham	–	–	–	–	–	300	300
GJ Shayne	–	–	–	–	–	–	–
CD Dillon	–	–	–	–	–	–	–
Total non-executive directors	–	–	–	–	–	1 028	1 028
Total directors	8 289	143	318	68	158	1 028	10 004

* Appointed 12 November 2015

Directors' emoluments at 30 June 2015

	Basic salary R'000s	Travel allowances R'000s	Bonus and incentives R'000s	Retirement/ medical benefits R'000s	Other benefits R'000s	Directors' fees R'000s	Total R'000s
Executive directors							
Dr KUHH Wellner	3 161	26	2 700	64	62	–	6 013
RJ Taylor (resigned 11 May 2015)	2 598	–	836	28	1 525	–	4 987
Total executive directors	5 759	26	3 536	92	1 587	–	11 000
Non-executive directors							
JA Bester	–	–	–	–	–	342	342
OP Cunningham	–	–	–	–	–	259	259
B Harie	–	–	–	–	–	293	293
Total non-executive directors	–	–	–	–	–	894	894
Total directors	5 759	26	3 536	92	1 587	894	11 894

NON-EXECUTIVE DIRECTORS' FEES

Proposed for 2017 financial year

John Bester	R445 000
Bharti Harie	R372 000
Dr Kinesh Pather*	R330 000
Mary Bomela*	R330 000

* these proposed appointments (and fees) are to be approved by shareholders at the AGM in November 2016.

DIRECTORS AND ASSOCIATES' SHAREHOLDINGS

Directors and associates' shareholdings at 30 June 2016

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
John Bester	10 000	1 000	–	11 000
Bharti Harie	3 000	81 000	10 600	94 600
Phil Cunningham	–	1 000	–	1 000
Gary Shayne	214 500	103 846 650	1 632 756	105 693 906
Cris Dillon	861 647	18 325 880	1 392 000	20 579 527
Dr Karsten Wellner	2 612 054	1 500	–	2 613 554
Cliff Sampson	140 000	250 000	–	390 000
Kieron Futter	57 143	171 429	–	228 572
Total	3 898 344	122 678 459	3 035 356	129 612 159

Directors and associates' shareholdings at 30 June 2015

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
John Bester	10 000	1 000	–	11 000
Bharti Harie	3 000	81 000	600	84 600
Phil Cunningham	40 000	1 000	–	41 000
Gary Shayne	214 500	103 239 938	1 632 000	105 086 438
Cris Dillon	861 647	18 218 813	1 392 000	20 472 460
Dr Karsten Wellner	2 223 483	1 500	–	2 224 983
Total	3 352 630	121 543 251	3 024 600	127 920 481

SOCIAL AND ETHICS COMMITTEE REPORT

Ascendis Health is committed to promoting the highest standards of ethical behaviour and adopting good corporate citizenship practices across the business.

The board has established a social and ethics committee in terms of the Companies Act, operating as the transformation, social and ethics and sustainability committee ("the committee"). The committee has an independent role and is governed by a formal charter.

This report is prepared in compliance with the Companies Act.

ROLE OF THE COMMITTEE

The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to:

- Social and economic development
- Ethics practices
- Good corporate citizenship
- Consumer relationships
- Labour and employment
- Transformation and empowerment
- The impact of the group's products or services on the environment, society and the economy.

The committee also advises the board on any issues that may impact the long-term sustainability of the business.

COMPOSITION AND FUNCTIONING

The committee comprises of the independent non-executive director Phil Cunningham, who chairs the committee, non-executive director Cris Dillon and the chief risk officer Andy Sims. Executive and operational management attend meetings at the invitation of the committee.

Biographical details of the committee members appear on pages 42 to 45.

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

ACTIVITIES OF THE COMMITTEE

The committee met three times during the year and significant progress has been made by the committee and management in the development and implementation of social and ethics projects over the past year. The activities are summarised below.

NEW AND REVIEWED POLICIES

Additional HR policies have been developed and implemented which include Study Assistance policy, Recruitment and Selection policy, and Performance Management policy. As employees are the backbone of the organisation, their health and safety are of vital importance. An Employment Equity project and a Black Manager Development program have also been implemented. The committee reviews existing and new policies and programs on an ongoing basis to ensure they remain relevant to the group's activities and its social and ethics goals. The code of ethics was reviewed and updated and the hotline facility continued to be an active tool to the employees

ASCENDIS BURSARY AND LEARNERSHIP PROGRAMME

Education is the most powerful investment one can make in an individual's future. Education can make a lasting and sustainable difference in the lives of people putting them on a path towards good health, empowerment and employment. The Ascendis bursary programme offers Ascendis employees the opportunity to apply for financial assistance for their children's tertiary education covering tuition, books and accommodation. In 2015/2016 we were able to make a difference in 7 students' lives by awarding them with bursaries in various fields such as dentistry, accounting and the performing arts to mention a few.

In 2015/2016, Ascendis also launched its learnership academy with 23 learnerships awarded to Ascendis employees and 107 to unemployed individuals. The learnerships focused on areas such as Management, Business Administration and Chemical Operations. The learnerships include a practical component for two weeks every month which takes place at Ascendis and other companies we have partnered with,

CORPORATE SOCIAL INVESTMENT

Healthy home, healthy you, healthy life – this is not only our motto at Ascendis Health but it is part of our DNA. We care for bodies and minds and therefore readily invest in structured Social Corporate Responsibility programs focusing on a healthy lifestyle. Over the last year we have been involved a few projects. Below highlights just a few of these.

SPORTING CHANCE

This was the second year that Ascendis Health partnered with Sporting Chance to present Ascendis – Health of the Nation programme with its objectives as follows:

- Create a health awareness and educational campaign focused on the pillars of the 'Health of the Nation'
- Show children the value of leading a healthy lifestyle in building a positive future

SOCIAL AND ETHICS COMMITTEE REPORT (continued)

- Build a better understanding between different communities and cultures
- Promote and market specific sports codes and life-skills
- Identify and nurture raw and natural talent
- Provide employment opportunities and capacity building within sport environments

Ascendis - Health of the Nation programme is rolled out through three phases, namely an educational road show, a 50 hour sports challenge and follow up interventions with schools and communities.

UBUNTU SOCCER

Ubuntu Soccer's ultimate mission is to educate and mentor future leaders of South African society through soccer. For many South African children, especially in disadvantaged communities, soccer is their greatest passion. Through packaging education and leadership development together with an exciting football programme, Ubuntu Soccer is able to inspire and motivate the children they work with to excel in areas like education and integrity, which may not have been their priority before.

LEADOUT

In collaboration with LEADout, managed by the iconic South African road cyclist Malcolm Lange, the Ascendis Cycling Academy was born. After the ongoing successful two year sponsorship of two of South Africa's top female mountain bikers; Robyn de Groot and Jennie Stenerhag with Team Ascendis Health the company has now set its sights on the promotion of young road racing athletes from previously disadvantaged backgrounds.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

One of the primary roles of the committee is to assist the board in ensuring that Ascendis Health fulfils its roles and duties with regards to the B-BEEE codes as set out by the Department of Trade and Industry's Codes of Good Practice. The board recognises and supports the critical role of B-BEEE and transformation in the development and empowerment of historically disadvantaged individuals and communities in South Africa and that it is essential to the economic and social development and sustainability of the country.

Ascendis Health was rated again as a Level 6 B-BBEE contributor in its annual verification process undertaken in April 2016. The committee has set clear objectives and goals for each of the five pillars of the amended B-BBEE codes and will continue to monitor and evaluate all aspects of the group's B-BBEE strategies.

CONCLUSION

The committee believes the group is substantively addressing the issues required to be monitored in terms of the Companies Act, based on the size, resources and age of the business.

Phil Cunningham
Chairman
Social and ethics committee

Annual Financial Statements

AUDITED SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

	30 June 2016 R'000	30 June 2015 Restated R'000
ASSETS		
Non-current assets		
Property, plant and equipment	365 464	152 664
Intangible assets and goodwill	3 008 180	2 059 759
Investments accounted for using the equity method	386	–
Other financial assets	73 287	17 949
Deferred income tax assets	10 651	22 950
Derivative financial instruments	–	4 335
	3 457 968	2 257 657
Current assets		
Inventories	939 823	582 095
Trade and other receivables	1 065 454	571 450
Other financial assets	22 281	99 341
Current tax receivable	30 561	3 395
Derivative financial instruments	6 727	15 706
Cash and cash equivalents	198 905	125 428
	2 263 751	1 397 415
Total assets	5 721 719	3 655 072
Stated capital	2 138 684	1 576 730
Retained earnings	396 949	299 416
Other reserves	(259 892)	(51 909)
Equity attributable to equity holders of the parent	2 275 741	1 824 237
Non-controlling interest	179 302	–
	2 455 043	1 824 237
LIABILITIES		
Non-current liabilities		
Borrowings and other financial liabilities	1 052 266	798 258
Deferred income tax liabilities	224 358	134 938
Deferred vendor liabilities	207 184	36 758
Derivative financial instruments	45 801	4 890
Finance lease liability	3 932	–
	1 533 541	974 844
Non-current liabilities		
Trade and other payables	853 528	470 914
Derivative financial instruments	–	15 039
Borrowings and other financial liabilities	376 631	64 776
Current tax payable	38 031	–
Deferred vendor liabilities	222 707	281 048
Provision	17 493	–
Finance lease liabilities	3 444	–
Bank overdraft	221 301	24 214
	1 733 135	855 991
Total liabilities	3 266 676	1 830 835
Total equity and liabilities	5 721 719	3 655 072

AUDITED SUMMARISED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	30 June 2016 R'000	30 June 2015 R'000
Revenue	3 918 432	2 816 717
Cost of sales	(2 356 149)	(1 588 194)
Gross profit	1 562 283	1 228 523
Other income	85 872	27 476
Selling and distribution costs	(326 659)	(291 516)
Administrative expenses	(709 653)	(502 289)
Other operating expenses	(235 313)	(100 020)
Operating profit	376 530	362 174
Finance income	32 968	24 234
Finance expense	(163 477)	(93 300)
Gains/(losses) from equity accounted investments	5 625	(546)
Profit before taxation	251 646	292 562
Taxation	(61 565)	(82 575)
Profit for the year	190 081	209 987
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve	(54 125)	–
Effects of cash flow hedges	(37 009)	(949)
Items that will not be reclassified to profit and loss:		
Revaluation of property, plant and equipment	19 060	–
Income tax relating to items that may be reclassified	(5 337)	–
Other comprehensive income for the year net of taxation	(77 411)	(949)
Total comprehensive income for the year	112 670	209 038
Profit attributable to:		
Owners of the parent:	158 733	209 835
Non-controlling interest	31 348	152
	190 081	209 987
Total comprehensive income attributable to:		
Owners of the parent	69 403	208 886
Non-controlling interest	43 267	152
	112 670	209 038
Earnings (Restated)		
Basic and diluted earnings per share (cents)	57.13	79.61

AUDITED SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Foreign currency translation reserve R'000	Hedging reserve R'000
Group			
Balance at 1 July 2014	**1 108 036**	**188**	**–**
Profit for the year	–	–	–
Other comprehensive income	–	–	(949)
Total comprehensive income	**–**	**–**	**(949)**
Issue of shares	480 524	–	–
Purchased of own/ treasury shares	(10 771)	–	–
Raising fees capitalised	(1 059)	–	–
Dividends	–	–	–
Changes in ownership interest	–	–	–
Transactions with owners recognised directly in equity	**468 694**	**–**	**–**
Balance at 1 July 2015	**1 576 730**	**188**	**(949)**
Profit for the year	–	–	–
Other comprehensive income	–	(54 125)	(37 009)
Total comprehensive income for the year	**–**	**(54 125)**	**(37 009)**
Issue of shares	557 890	–	–
Purchase of own/treasury shares	4 722	–	–
Acquisition of a subsidiary	–	–	–
Raising fees capitalised	(658)	–	–
Dividends	–	–	–
Foreign translation of equity	–	(37 845)	–
Non-controlling interest option	–	–	–
Reallocation of reserves	–	–	–
Transactions with owners recognised directly in equity	**561 954**	**(37 845)**	**–**
Balance at 30 June 2016	**2 138 684**	**(91 782)**	**(37 958)**

Revaluation reserve R'000	Non-controlling interest put option R'000	Other reserves R'000	Retained earnings R'000	Total attributable to owners R'000	Non-controlling interest R'000	Total equity R'000
976	–	(57 283)	152 068	1 203 985	6 805	1 210 790
–	–	–	209 835	209 835	152	209 987
–	–	–	–	(949)	–	(949)
–	–	–	209 835	208 887	152	209 038
–	–	–	–	480 524	–	480 524
–	–	–	–	(10 771)	–	(10 771)
–	–	–	–	(1 059)	–	(1 059)
–	–	–	(62 487)	(62 487)	–	(62 487)
–	–	5 159	–	5 159	(6 957)	(1 798)
–	–	5 159	(62 487)	411 366	(6 957)	404 409
976	–	(52 124)	299 417	1 824 238	–	1 824 238
–	–	–	158 733	158 733	31 348	190 081
13 723	–	–	–	(77 411)	11 919	(65 492)
13 723	–	–	158 733	81 322	43 267	124 589
–	–	–	–	557 890	–	557 890
–	–	–	–	4 722	–	4 722
–	–	–	–	–	101 145	101 145
–	–	–	–	(658)	–	(658)
–	–	–	(57 066)	(57 066)	–	(57 066)
–	(17 927)	17 167	–	(38 605)	38 605	–
–	(99 817)	–	–	(99 817)	–	(99 817)
–	–	7 850	(4 135)	3 715	(3 715)	–
–	(117 744)	25 017	(61 201)	370 181	136 035	506 216
14 699	(117 744)	(27 107)	396 949	2 275 742	179 302	2 455 043

AUDITED SUMMARISED GROUP STATEMENT OF CASH FLOWS

	30 June 2016 R'000	30 June 2015 Restated R'000
Cash flows from operating activities		
Cash flows from operating activities	**(280 537)**	285 805
Interest income	**32 968**	24 234
Finance costs	**(163 477)**	(93 300)
Income taxes paid	**(95 167)**	(122 988)
Net cash from operating activities	**(506 213)**	93 751
Cash flows from investing activities		
Purchase of property, plant and equipment	**(95 881)**	(45 918)
Proceeds from sale of property, plant and equipment	**36 707**	16 646
Purchase of other intangible assets	**(83 003)**	(43 156)
Proceeds on the sale of intangible assets	**333**	–
Payment for the acquisition of subsidiaries – net of cash	**(440 160)**	(453 099)
Payment for acquisition of a joint venture	**–**	5 768
Repayments on deferred vendor liabilities	**(10 825)**	(13 511)
Repayment of loans advanced to related parties	**41 724**	54 000
Loans advanced to related parties	**–**	(14 748)
Advance made to acquire other financial assets	**(27 552)**	(9 009)
Net cash flows from investing activities: discontinued operations and non-current assets held for sale	**–**	5 616
Net cash from investing activities	**(578 657)**	(497 411)
Cash flows from financing activities		
Proceeds from issue of shares	**557 232**	479 465
Proceed on the sale of treasury shares	**6 049**	(10 771)
Proceeds from borrowings raised	**926 813**	850 000
Repayment of borrowings	**(475 062)**	(691 315)
Loans received from related parties	**–**	119
Loans advanced to related parties	**–**	(41 670)
Repayment of loans from related parties	**(116)**	–
Proceeds from shareholder loans	**–**	–
Finance lease payments	**(490)**	–
Dividends paid	**(57 066)**	(62 487)
Payment for the sale of shares in subsidiary to non-controlling interest where control is not lost	**–**	(12 500)
Net cash from financing activities	**957 360**	510 841
Net increase/(decrease) in cash and cash equivalents	**(127 510)**	107 180
Cash and cash equivalents at beginning of period	**101 215**	(5 965)
Effect of exchange difference on cash balances	**3 899**	–
Total cash at end of the year	**(22 396)**	101 215

GROUP SEGMENTAL ANALYSIS

Revenue	30 June 2016 R'000	30 June 2015 R'000
Revenue split by segment		
Consumer Brands	921 836	949 127
Phyto-Vet	700 895	619 568
Pharma-Med	1 808 204	1 248 022
International	487 497	–
Total revenue	3 918 432	2 816 717
Geographical revenue split		
South Africa	3 054 531	2 557 665
Foreign	863 901	259 052
Total revenue	3 918 432	2 816 717

The Group has an expanding international presence and currently exports products to 52 countries, mainly in Africa and Europe. The foreign revenue per the geographical split includes all revenue generated from a different geographic location, through export as well as foreign operations. During 2016, 14% of the foreign revenue was generated from the Spanish market. 34% of the Group's revenue is generated through the wholesale and retail market in South Africa (2015: 24%). In this market, 6% (2015:9%) of the total Group revenue is derived from a single customer.

EBITDA	30 June 2016 R'000	30 June 2015 R'000
Consumer Brands	206 753	164 262
Phyto-Vet	96 184	81 574
Pharma-Med	278 963	232 834
International	90 636	–
Total EBITDA	672 536	478 670
Head office adjusted expenses	(59 334)	(56 228)
Non-controlling interest proportionate share	(46 225)	–
Total EBITDA attributable to the parents	566 977	422 442
Reconciliation of EBITDA to consolidated results		
Consolidated operating profit	376 530	362 174
Total consolidated amortisation and depreciation	83 761	60 268
Restructuring and business combination cost	152 911	–
Non-controlling interest proportionate share	(46 225)	–
Total EBITDA attributable to the parents	566 977	422 442

Segmental assets	30 June 2016 R'000	30 June 2015 R'000
Consumer Brands	1 233 112	1 231 058
Phyto-Vet	900 856	525 689
Pharma-Med	2 223 203	1 753 288
International	704 628	–
Head office	659 920	145 037
Consolidated asset value	5 721 719	3 655 072
Segmental liabilities		
Consumer Brands	(85 861)	(535 684)
Phyto-Vet	(254 052)	(295 683)
Pharma-Med	(397 841)	(980 307)
International	(305 338)	–
Head-Office	(2 223 584)	(19 161)
Consolidated liability value	(3 266 676)	(1 830 835)

AUDITED SUMMARISED GROUP SEGMENTAL ANALYSIS

Earnings per share and headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 2 of 2015.

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

The Group raised R1.2 billion on 12 August 2016, through a rights offer to all current shareholders, to part settle the purchase consideration of the international acquisitions referred to in Subsequent events (note 7). In terms of the terms of the agreement, the subscription price for the shares was R22.00. The basic and diluted earnings per share figures for the current financial period, as well as the 2015 comparative period is represented in terms of IAS 33 on the basis of the new shares issued at no consideration. The total number of shares issued for no consideration is 3 million shares.

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

(a) Basic earnings per share	30 June 2016 R'000	30 June 2015 R'000
Profit attributable to owners of the parent	**158 733**	209 835
Weighted average number of ordinary shares in issue	**277 861 370**	263 581 520
Earnings per share (cents)	**57.13**	79.61

(b) Headline earnings per share	30 June 2016 R'000	30 June 2015 R'000
Profit attributable to equity holders of the parent	**158 733**	209 835
Loss/(profit) on the sale of the property, plant and equipment	**(943)**	(1 082)
Loss/(profit) on investment disposal	**(7 535)**	–
Non-controlling interest portion of the abovementioned loss/ (profit)	**3 055**	–
Tax effect	**1 062**	303
Headline earnings	**154 372**	209 056
Weighted average number of ordinary shares in issue	**277 861 370**	263 581 520
Headline earnings per share (cents)	**55.56**	79.31

(c) Normalised headline earnings per share

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

Cost excluded from normalised earnings include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the cost incurred to acquire and integrate the business combinations into the Group and the listed environment.

	30 June 2016 R'000	30 June 2015 R'000
Reconciliation of normalised headline earnings		
Headline earnings	154 372	209 056
Foreign business combination cost	143 005	–
Restructuring cost	22 605	–
Business combination cost	(12 699)	12 474
Tax effect	(6 329)	(3 493)
Amortisation	48 194	37 127
Tax effect	(12 796)	(10 395)
Normalised headline earnings	336 352	244 769
Weighted average number of shares in issue	277 861 370	263 581 520
Normalised headline earnings per share (cents)	121.05	92.86

NOTES TO THE AUDITED SUMMARISED GROUP FINANCIAL STATEMENTS

1. Corporate information

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

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

2. Going concern

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

3. Basis of preparation

The annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for annual reports, and the requirements of the Companies Act of 2008 applicable to annual financial statements. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the annual consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements for the year ended 30 June 2016 have been prepared under the supervision of Chief Financial Officer Kieron Futter CA(SA) and audited by PricewaterhouseCoopersInc. The auditor expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A copy of the auditors report on the summary consolidated financial statements and other the auditors report on the annual consolidated financial statement are available for inspection at the Company's registered office.

The auditors report does not necessarily report on all information contained in this announcement. Any reference to *pro forma* or future financial information included in this announcement has not been review or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Companies registered office.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value.

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

Items included in the annual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The annual financial statements are presented in Rand. This represents the presentation and functional currency of Ascendis Health Limited.

The Group owns the following entities which operate in primary economic environments which are different to the Group:

Farmalider – Spain
Avima Uganda – Uganda
Akusa – United States of America

Nimue UK – United Kingdom
Heritage Resources Limited – Isle of Man

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

4. Business combinations

Subsidiaries

During the period Ascendis Health Limited acquired the following businesses:

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

[1] *Included as part of "other" below.*

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

	Farmalider	Afrikelp	Akacia	Klub M5	Other	2016 R'000 Total	2015 R'000 Total
Cash	102 279	75 000	240 000	65 000	54 756	537 035	471 176
Transfers from joint ventures to subsidiaries	–	–	–	–	–	–	41 820
Equity instruments	–	91 463	117 706	–	4 347	213 516	25 719
Vendor loans	111 995	32 063	–	40 399	10 560	195 017	278 385
	214 274	198 526	357 706	105 399	69 663	945 568	817 100

Recognised amounts of identifiable assets acquired and liabilities assumed

	Farmalider	Afrikelp	Akacia	Klub M5	Other	2016 R'000 Total	2015 R'000 Total
Cash and cash equivalents	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Property, plant and equipment	32 802	8 756	102 895	2 115	120	146 688	55 610
Existing intangible assets within acquiree	293 884	53 491	98 359	61 799	29 327	536 860	141 875
Other financial assets	1 129	5 543	27 465	3 473	90	37 700	26 831
Inventories	61 769	7 473	31 195	25 853	10 055	136 345	84 270
Trade and other receivables	125 182	19 858	52 051	6 014	3 638	206 743	150 540
Provisions	(29 246)	–	–	–	(150)	(29 396)	(13 894)
Trade and other payables	(159 855)	(10 205)	(69 999)	(7 825)	(2 142)	(250 026)	(94 190)
Borrowings	(72 336)	(3 945)	(2 306)	(1 294)	(5 730)	(85 611)	(42 690)
Current tax payable/receivable	–	6	611	(1 282)	(5)	(670)	(8 678)
Provision for doubtful debt	(42 277)	–	–	–	–	(42 277)	–
Deferred tax assets/(liabilities)	(73 471)	(18 007)	(11 606)	(17 304)	(8 098)	(128 486)	3 773
Total identifiable net assets	203 691	74 358	219 261	92 046	35 389	624 745	321 524
Non-controlling interest	(103 880)	2 735	–	–	–	(101 145)	–
Resultant goodwill	114 463	121 433	138 445	13 353	34 274	421 968	495 576
Total cash paid for acquisitions	(102 279)	(75 000)	(240 000)	(65 000)	(54 756)	(537 035)	(471 176)
Cash available in acquired company	66 110	11 388	(9 404)	20 497	8 284	96 875	18 077
Cash flow relating to business combinations	(36 169)	(63 612)	(249 404)	(44 503)	(46 472)	(440 160)	(453 099)

NOTES TO THE AUDITED SUMMARISED GROUP FINANCIAL STATEMENTS

continued

Ascendis International platform acquisition – purchase 49% of Farmalider Group in Spain and obtaining effective control

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

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

The purchase consideration is R214 million (R102 million on 31 July 2015; 111,9 million payable on 1 December 2017). In addition to the acquisition of the 49% interest, Ascendis also has to option by means of a put-call option to acquire the remaining 51% interest for a further R99,8 million payable exercisable in 2018 (R50 million) and 2021 (R49,8 million) respectively (refer to statement of changes in equity).

The acquisition of a 49% interest in Farmalider in the current reporting period. The ultimate aim of the transactions is for the value of the Company to grow sustainably over the mid-term and for Ascendis to acquire 100% of the Company via the put option. The control assessment in terms of IFRS 10 of Farmalider is considered to be a key judgement.

- Management has considered the requirements of IFRS 10, the terms of the contractual arrangement and the substance of the transaction and concluded Ascendis has sufficient substantive voting rights which provides Ascendis with the power to direct the relevant activities and receive variable returns from Farmalider. Ascendis controls Farmalider in terms of IFRS 10, and has accounted for it accordingly.
- In addition to the above, management of Ascendis was required to assess the risks and rewards relating to the remaining 51% interest to which the parties to the contract are exposed to. Management concluded both Ascendis and the non-controlling interest party share in the risks and the rewards associated with the day-to-day business operations in relation to their proportionate shareholding. Based on the above the risks and rewards have not transferred to Ascendis. Ascendis has recognised the non-controlling interest (51%). Refer to note 12 for further details on the measurement of the put and call option.

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

The revenue included in the statement of comprehensive income since 1 August 2015 contributed by Farmalider was R439,1 million. Farmalider also contributed profit after tax of R54,7 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R486,8 million and R61,8 million respectively. The normalised EBITDA is R71,4 million.

Pharma-Med

Bolt-on acquisition – Akacia Healthcare Holdings

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

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

The purchase consideration is R357,7 million (R240 million on 1 April 2016, R117,7 million paid in shares).

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

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Akacia was R100,5 million. Akacia also contributed profit after tax of R12,2 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R320,6 million and R27 million respectively. The normalised EBITDA is R52 million.

Phyto-Vet

Bolt on acquisition – Afrikelp Holdings

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

Afrikelp is a bolt-on transaction that will add value and synergies to the existing Phyto-Vet segment as well as providing access to the US market.

Ascendis acquired 100% of the Afrikelp Group, within this Group we acquired a pre-existing immaterial non-controlling interest.

The purchase consideration is R198,5 million (R75 million on 1 February 2016, R32 million deferred payment and R91,4 million payable in shares).

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

The revenue included in the statement of comprehensive income since 1 February 2016 contributed by Afrikelp was R45,1 million. Afrikelp also contributed profit after tax of R13,1 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R71,2 million and R16 million respectively. The normalised EBITDA is R20,1 million.

Bolt-on acquisition – Klub M5

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

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

The purchase consideration is R105 million (R65 million on 1 April 2016, R40 million deferred payment). In addition, there is a R5 million loan from Klub M5 as a result of this acquisition.

NOTES TO THE AUDITED SUMMARISED GROUP FINANCIAL STATEMENTS

continued

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

The revenue included in the statement of comprehensive income since 1 April 2016 contributed by Klub M5 was R8 million. Klub M5 also contributed profit after tax of R2,2 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R85,4 million and R4,3 million respectively. The normalised EBITDA is R11,4 million.

Other acquisitions consists of the following:

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

The revenue included in the statement of comprehensive income since acquisition was R33,9 million. The other acquisitions also contributed profit after tax of R2,1 million over the same period.

IFRS 3 re-measurements:

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

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

5. Contingent liabilities

There are no additional contingent liabilities since the reporting period ended on 30 June 2016.

6. Final dividends

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

Additional information

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

The Company currently has 432 235 645 ordinary shares in issue. Its income tax reference number is 9810/017/15/3.

Shareholders are advised of the salient dates in respect of the final dividend:

- Last day to trade "*cum*" the dividend – Tuesday, 29 November 2016
- Shares trade "*ex*" the dividend – Wednesday, 30 November 2016
- Record date – Friday, 2 December 2016
- Payment to shareholders – Monday, 5 December 2016

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

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

By order of the board

Andy Sims
Company Secretary

13 September 2016

7. Events after reporting period

Acquisition related activities

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

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

The geographical diversification offered by these transactions and their predominant invoicing in US Dollar and Euro will create a natural Rand hedge, with approximately half of Ascendis' sales being generated by foreign operations post implementation. The conclusion of these transactions ensures that Ascendis maintains its defensive segment mix of over-the-counter and pharmaceutical operations while enhancing diversification of its sales portfolio across products, channels, geographies and currencies.

- **Scitec International ("Scitec")**

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

  The Group has acquired the entire share capital of Scitec, a European sports nutrition company. The purchase consideration of EUR170 million (R2,692.8 million at an illustrative ZAR: EUR exchange rate of 15.84:1) will be settled in cash as follows:

  – EUR150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.

  – EUR20 million, deferred for one year.

- **Remedica Holdings Limited ("Remedica")**

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

  The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between EUR260 million and EUR335 million (R4,118.4 – R5,306.4 million at an illustrative ZAR:EUR exchange rate of 15.84:1) will be settled as follows:

  – EUR170 million to be paid on completion which assumes a target working capital of EUR50 million and at least EUR5 million of surplus cash earmarked for future acquisitions.

- EUR90 million deferred for three years (present value of EUR80 million based on a pre-discount rate of 4%); and
- an amount to be determined based on the average EBITDA achieved for the three financial years post completion of the Remedica transaction subject to certain targets being achieved with the total payment limited to EUR75 million.

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

As per the *pro forma* financial results, Remedica reported a profit after tax of EUR16.5 million and net assets of EUR87 million for the year ended 31 December 2015 in its unaudited management accounts. Scitec reported a profit after tax of EUR10.6 million and net assets of EUR73.6 million for the 12 months ended 31 December 2015 in its audited annual financial statements.

Rights Offer

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

In respect of the Rights Offer, Ascendis announced on Thursday, 30 June 2016 that it intends to raise R1.2 billion equity capital by way of a Rights Offer to qualifying shareholders. 54, 545, 454 Rights Offer Shares were offered for subscription to the qualifying shareholders on the basis of 18.25 Rights Offer Shares for every 100 Ascendis Shares held, at a subscription price of R22.00 per Rights Offer Share. The Rights Offer was three times oversubscribed. The Rights Offer closed on 5 August 2016.

Debt facilities

Post year end and for the purpose of financing the Scitec and Remedica, Ascendis implemented a new debt structure arranged and underwritten by ABSA bank Ltd and HSBC Bank Plc. The total facilities amounted to EUR 204 million and R1,960 billion and included Acquisition finance, Working Capital finance in the form of a Revolving Credit Facility and facilities to refinance the existing ZAR facilities.

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

Vendor consideration placement

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

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

Related party

No material related party transactions occurred since year-end until final release on SENS.

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

Shareholder Information

SHAREHOLDER ANALYSIS

Public and non-public shareholders	Number of holders	% of holders	Number of shares	2016 % of shares
Public shareholders	3 495	98.12	168 995 312	56.54
Non-public shareholders				
– Directors and associates of the company	19	0.53	7 439 629	2.49
– Treasury shares (own holdings)	1	0.03	266 314	0.09
– Strategic holdings (more than 10%)	47	1.32	122 172 530	40.88
Shareholder analysis for 2016	**3 562**	**100.00**	**298 873 785**	**100.00**

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2016:

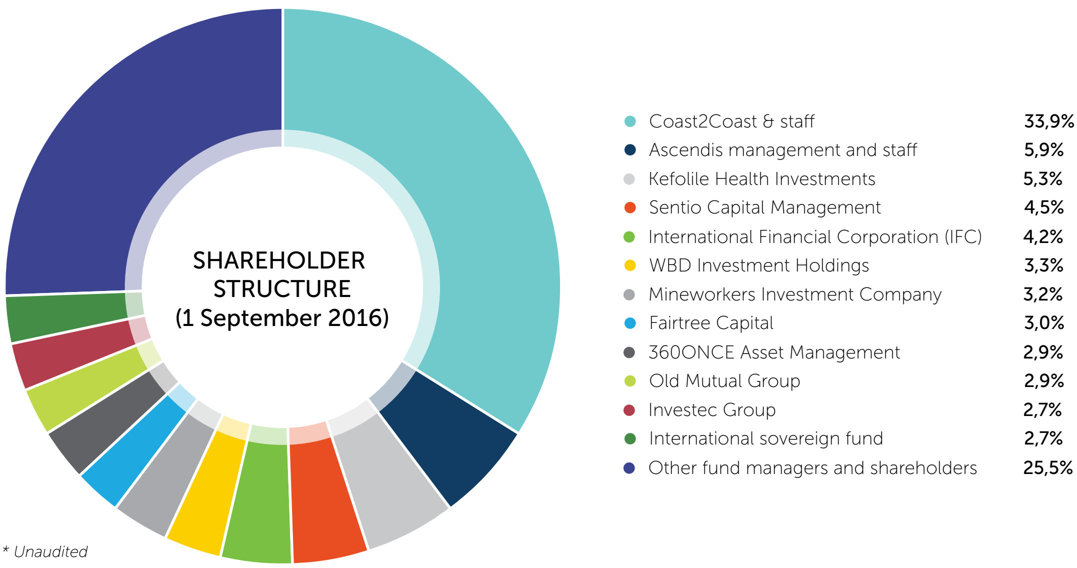
Major beneficial shareholders holding 2% or more	2016 % of shares
Coast2Coast	40.88
Government Employees Pension Fund	4.21
WBD Investment Holdings	4.06
Mineworks Investment Company	3.66
Investec	3.16
Sanlam	2.13
SBG Securities	2.08
Unemployment Insurance Fund	2.04
Major shareholders	**62.22**

Major fund managers managing 1% or more	2016 % of shares
Sentio Capital Management	6.08
Investec Asset Management	3.15
Praesidium Capital Management	2.15
SBG Securities	2.08
Steyn Capital Management	1.82
Mergence Investment Managers	1.71
Old Mutual Investment Group	1.38
Citibank (Custodian)	1.26
RMB Morgan Stanley	1.14
Northern Trust (Custodian)	1.02
Major fund managers	**21.79**

Classification for registered shareholdings	Number of holders	% of holders	Number of shares	% of shares
Bank/brokers	45	1.26	19 587 251	6.55
Close corporations	34	0.95	351 501	0.12
Endowment funds	25	0.70	595 801	0.20
Government	1	0.03	60 459	0.02
Hedge funds	15	0.42	10 974 019	3.67
Individuals	2 740	76.92	32 726 704	10.95
Insurance companies	24	0.67	10 319 009	3.45
Investment companies	2	0.06	141 660	0.05
Medical schemes	6	0.17	249 880	0.08
Mutual funds	55	1.54	21 470 052	7.18
Other corporation	31	0.87	710 778	0.24
Private companies	202	5.67	171 384 895	57.34
Public company	4	0.11	768 418	0.26
Retirement funds	41	1.15	17 667 667	5.91
Treasury stock	1	0.03	266 314	0.09
Trusts	336	9.43	11 599 377	3.88
	3 562	**100.00**	**298 873 785**	**100.00**

Distribution of registered shareholdings	Number of holders	% of holders	Number of shares	% of shares
1 – 1 000	1 525	42.81	602 795	0.20
1 001 – 10 000	1 440	40.43	5 312 532	1.78
10 001 – 100 000	376	10.56	12 660 609	4.24
100 001 – 1 000 000	158	4.44	56 282 536	18.83
1 000 001 shares and over	63	1.77	224 015 313	74.95
	3 562	**100.00**	**298 873 785**	**100.00**

The total number of ordinary shares in issue is 298 873 785. The percentage of issues share capital held beneficially by directors is 43.4%. Details of all dealings in Ascendis' shares by directors during the financial year are reported on SENS announcements and are recorded on the company website: www.ascendis.co.za.



** Unaudited*

SHAREHOLDER DIARY

4th Annual general meeting	10 November 2016
Results and reporting	
Interim results to December 2016	March 2017
Annual results to June 2017	September 2017
Publication of 2017 integrated annual report	September 2017
Ordinary dividend	
2016 final dividend	
Last day to trade "cum" the dividend	29 November 2016
Record date	2 December 2016
Dividend payment	5 December 2016

CORPORATE INFORMATION

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	22 Sloane Street, Bryanston, Gauteng, 2191
Postal address	PostNet Suite #252, Private Bag X21, Bryanston, 2021
Contact details	+27 (0)11 036 9600/info@ascendis.co.za
Sponsor	Investec Bank Limited
Auditors	PricewaterhouseCoopers Inc
Transfer secretaries	Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107
Company secretary	Andy Sims CA(SA)
Directors	J Bester (Chairman) * Dr K Wellner (CEO) OP Cunningham * CD Dillon # B Harie * GJ Shayne # K Futter (CFO) C Sampson (MD) ** Independent non-executive* *# Non-executive*

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