



**Ascendis**  
HEALTH

# Annual financial statements 2018



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# Group secretary's certification

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

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



A Sims CA (SA)  
Company Secretary  
Johannesburg  
21 September 2018

## Directors' responsibilities and approval

The directors are responsible for the preparation, integrity and fair presentation of the Annual financial statements of Ascendis Health Limited ("Ascendis") and its subsidiaries.

The directors consider that in preparing the Annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards (IFRS) that they consider to be applicable have been followed. The directors are satisfied that the information contained in the Annual financial statements fairly presents the results of operations for the year and the financial position of the Group at year end. The directors also prepared the other information included in the Integrated report and are responsible for both its accuracy and its consistency with the Annual financial statements.

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

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

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

The going concern basis has been adopted in preparing the Annual financial statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, except for the discontinued operation (Note 20), based on forecasts and available cash resources. These Annual financial statements support the viability of the Company and the Group.

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

The Annual financial statements, as set out on pages 16 to 99, were prepared under the supervision of the chief financial officer, Kieron Futter (CA) SA and approved by the Board of Directors on 21 September 2018 and were signed on their behalf by:



JA Bester  
Chairman  
Johannesburg  
21 September 2018



T Thomsen  
Chief Executive Officer  
Johannesburg  
21 September 2018

# Audit committee report

## 1. Introduction

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

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

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

This report is presented to shareholders in compliance with the Companies Act and the King Report on Corporate Governance.

## 2. Purpose and activities of the committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ensure that the financial results are valid, accurate and fairly represent the Group’s performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the Board.
- Reviewed the Audit Committee and the Internal Audit Charter.
- Confirmed the terms of engagement of the external auditor.
- Monitored the implementation of the policy relating to non-audit services by the external auditor.
- Had oversight of the activities and co-ordination of the internal and external audits.
- Received assurances from management and internal audit on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Ensured that the scope of non-audit services did not compromise the independence of the external auditor.
- Reviewed the competence of the external and internal auditors.
- Nominated the external auditor for reappointment.
- Considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its plan.
- Determined and approved the audit fees for both internal and external audit.
- Reviewed the performance of the group against loan covenants.
- Confirmed that the adoption of the going-concern premise in the preparation of the financial results is appropriate.
- Reviewed the group’s policies and procedures on risk management and legal requirements.
- Monitored the Fraud and Litigation register on an ongoing basis.
- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up on matters arising from the 2017 audit management letter.
- Reviewed the combined assurance plan presented by KPMG. This annual process was handed over to the Chief Risk Officer to maintain, update and report on to the committee annually.
- Conducted an annual assessment of the committee and its members.
- Reviewed insurance cover in place and made recommendations for changes.
- Reviewed and updated the levels of authority framework.
- Considered the expertise and experience of the CFO and the finance department.



## *Independent auditor's report*

To the Shareholders of Ascendis Health Limited

### *Report on the audit of the consolidated and separate financial statements*

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#### *Our opinion*

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ascendis Health Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### **What we have audited**

Ascendis Health Limited's consolidated and separate financial statements set out on pages 16 to 98 comprise:

- the group statement of financial position and the company statement of financial position as at 30 June 2018;
- the group statement of profit and loss and other comprehensive income and company statement of profit and loss and other comprehensive income for the year then ended;
- the group statement of changes in equity and the company statement of changes in equity for the year then ended;
- the group cash flow statement and company cash flow statement for the year then ended;
- a summary of accounting policies;
- the notes to the group financial statements and the notes to the company financial statements; and
- Appendix A: Interests in subsidiaries and Appendix B: New standards.

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#### *Basis for opinion*

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

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

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T: +27 (0) 51 503 4100, F: +27 (0) 51 503 4299/4399, www.pwc.co.za*

Chief Executive Officer: T D Shango  
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk  
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



## Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

## Our audit approach

### Overview

	<p>Overall group materiality</p> <p><i>Overall group materiality: R34,086,650, which represents 5% of an adjusted profit before taxation</i></p>
	<p><b>Group audit scope</b></p> <p><i>The consolidated financial statements are a consolidation of 116 components. We performed full scope audits on 43 components due to their financial significance and audit risk.</i></p>
	<p><b>Key audit matters</b></p> <p><i>Goodwill and intangible assets impairment assessment</i></p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	<i>R34,086,650</i>
<i>How we determined it</i>	<i>5% of profit before taxation adjusted for once off costs.</i>
<i>Rationale for the materiality benchmark applied</i>	<p><i>We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</i></p> <p><i>We adjusted the profit before taxation for once off costs, including business combination costs, restructuring costs, Isando manufacturing operations loss and impairment of investment as disclosed in note 1 and goodwill and intangible asset impairment in continuing operations as disclosed in note 2 to the financial statements.</i></p> <p><i>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</i></p>

### **How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group owns a portfolio of brands within three core health care areas, namely Consumer Brands, Pharma-Med and Phyto-Vet, operating across various geographical locations including Africa and Europe. The consolidated financial statements are a consolidation of 116 components. We performed full scope audits on 43 components due to their financial significance and audit risk, and specified procedures in respect of certain transactions and balances at another 6 components. We performed analytical review procedures over the remaining insignificant components.

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



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b><i>Goodwill and intangible assets impairment assessment</i></b></p> <p>Due to the business acquisitions made by the Group in the current and prior years, the Group's net assets include a significant amount of goodwill (ZAR 5,36 billion) and intangible assets (ZAR 4,47 billion) as at 30 June 2018.</p> <p>Detail regarding this has been disclosed in Note 5 to the financial statements.</p> <p>In order to establish whether an impairment should be recognised for a cash generating unit ("CGU"), its recoverable amount (the greater of the fair value less cost to sell and value in use) needs to be compared to its carrying amount. Management determined the recoverable amounts of the CGUs using "value in use" per IAS 36: <i>Impairment of Assets</i>. This entailed calculating the discounted cash flows for each of the individual CGUs. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions applied in the valuation models are as follows: Revenue growth rate; and Discount rate (post tax).</p> <p>A total impairment of intangible assets and goodwill of ZAR 101.6 million was recorded during the year. This comprised an impairment of</p>	<p>We assessed impairment on goodwill and intangible assets by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We tested the mathematical accuracy of the valuation models and found this to be reasonable;</li> <li>• Utilising our valuation expertise, we assessed the approach adopted by management in the valuation models as well as the discount rates used. Based on the work performed, we found the approach to be consistent with market practice and the requirements of IAS 36: <i>Impairment of assets</i>; and</li> <li>• We assessed management's assumptions used in the valuation models by performing the following procedures: <ul style="list-style-type: none"> <li>○ Management's forecasts relating to revenue growth were agreed to approved budgets and brand plans;</li> <li>○ Management's budgeting process was assessed by comparing budgeted figures to actual prior year results. Where past results were not reflective of previously approved forecasts or where subsequent adjustments were made to the budgets, we obtained support e.g. brand plans and marketing projects;</li> </ul> </li> </ul>



<p>goodwill of ZAR 71.3 million relating to discontinued operations, impairment of goodwill of ZAR 25.2 million relating to continuing operations and an impairment of intangible assets of ZAR 5.1 million. The ZAR 71.3 million has been recognised in the loss from discontinued operations (refer to Note 20).</p> <p>The impairment assessment of goodwill and intangible assets was considered to be a matter of most significance to the current year audit due to: The significant judgements made by management regarding the discount rate, the revenue growth rates and other forecasts included in the analyses used to perform the impairment assessment. The magnitude of both of these balances, amounting to approximately 62% of the Group's total consolidated assets.</p>	<ul style="list-style-type: none"> <li>○ With the assistance of our valuation experts we independently calculated weighted average cost of capital discount rates, taking into account independently obtained data; and</li> <li>○ We also assessed the reasonability of management's assumed revenue growth rates, based on the history of the particular entity as well as the PwC UK Economics forecast.</li> </ul> <p>We found the valuations of the CGUs, as calculated by management, to be within reasonable ranges, based on our calculated discount rates and independently determined growth rates, with the exception of the Chempure CGU. Based on our calculations, an impairment of ZAR 25.2 million was required on the goodwill of the Chempure CGU, in addition to impairments already recognised by management. This impairment amount is included in the total ZAR 101.6 million impairment recognised for the year.</p> <p>We performed sensitivity analyses on the value-in-use calculations for the CGUs that management identified as not being impaired and focused on the discount rates and the revenue growth rates for the reportable segments. The sensitivity analyses were performed to determine the maximum decline that would result in the recoverable amounts being equal to their carrying amounts. Our results were compared to that of management in terms of identifying those operations considered sensitive or for which the recording of impairment charges were required. No material exceptions were noted.</p>
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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the *Ascendis Health Annual financial statements 2018*, which includes the Directors' report, the Audit committee report and the Group secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the Ascendis Health Integrated Annual Report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the consolidated and separate financial statements*

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the consolidated and separate financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered



material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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### *Report on other legal and regulatory requirements*

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ascendis Health Limited for 5 years.

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*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.  
Director: Louis Rossouw  
Registered Auditor  
Bloemfontein  
21 September 2018

# Audit committee report (continued)

## 3. Composition of the audit committee

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

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

B Harie (chairman)	BA LLB (Natal), LLM (Wits)
JA Bester	BCom (Hons), CA (SA), CMS (Oxon) (resigned in May 2018 and continues to attend as an invitee)
Dr KS Pather	BDS (Wits), MBA (UK)
MS Bomela	B Com (Hons), CA (SA), MBA (appointed in May 2018)

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

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

## 4. External auditor

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

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

Meetings were held with the auditor where management was not present and no matters of concern were raised. The committee has reviewed the performance of the external auditor and has assessed the suitability of PwC as auditors based on the documents presented to it in terms of paragraph 3.84 (g)(iii) and section 22.15(h) of the JSE Listings Requirements. Accordingly, the committee nominates for approval at the annual general meeting, PwC, as the external auditor for the 2019 financial year.

This is the last year that Louis Rossouw acts as the external audit partner at Ascendis and the committee extends its gratitude and appreciation for his efforts in this and the previous audits that he has managed. Subject to the approval of PwC at the annual general meeting, Tanya Rae will be taking over as audit partner as from the 2019 audit.

## 5. External audit: Key audit matter

The committee notes the following Key audit matter set out in the independent auditor's report:

### *Goodwill and intangible assets impairment assessment*

This is a repeat of the Key audit matter raised by the independent auditors for the 2017 financial year end and has been ascribed to business acquisitions made by the Group in the current and prior years where the Group's net assets included a significant amount of goodwill (R5.36 billion) and intangible assets (R9.83 billion). We acknowledge this as being a factor of the sector (pharmaceuticals) in which the Group operates.

As an audit committee we are acutely aware of, and closely monitor impairments as part of our ongoing oversight role. We acknowledge with concern the total impairment of goodwill and intangible assets of R101.6 million, comprising impairments of goodwill relating to discontinued and continued operations and impairments of intangible assets of R71.3 million, R25.2 million and R5.1 million respectively. Whilst we are never comfortable with impairments, we take note of management's disposal strategy of certain poor performing and non-core assets, which should reduce such impairments going forward. A detailed account of intangible assets and goodwill, as well as impairment tests for goodwill are contained in Note 5 to the Notes to the Annual financial statements. These have in turn, been rigorously tested by the independent auditors prior to them concluding on there being no exceptions being noted.

# Audit committee report (continued)

In addition, the audit committee also acknowledges the decline in the company's share price, resulting in a market capitalisation of R5.3 billion versus a net asset value of R6.8 billion. Outside of business operations, we attribute the decline in the share price partly to the impact of generally low market sentiment in emerging markets and local political uncertainties.

## 6. Non-audit services

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

The committee is satisfied with the independence of the external auditors, based on the size and type of non-audit services rendered. At year end the percentage of non-audit services relative to the financial year 2018 budget was 8.8% (2017: 2.1%). This is a significant increase from the previous year and is due to an increase in the scope of work recorded. Services related to tax, legal and compliance matters are now accounted for, in addition to company secretarial work. Some work conducted in FY17 was also only billed by PwC in FY18, due to its system conversion.

## 7. Internal audit

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

## 8. Evaluation of the chief financial officer

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

## 9. Application of King IV

The committee reviewed the progress made by Ascendis against the various principles of King IV. Being a young company, whilst we have progressed against some measures, we regard this as a journey and we aim to continue to make progress over the next few years. The latest King IV schedule has been published on our website. Ascendis is committed to complying with each of the 16 principles of King IV code in its business operations.

## 10. Conclusion

The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that it has functioned in accordance with its terms of reference for the 2018 financial year. The committee further confirms that this report to shareholders has been approved by the Board.



B Harie  
*Chairman of the Audit Committee*  
Johannesburg  
21 September 2018

# Directors' report

The directors are pleased to submit their report on the annual financial statements of Ascendis Health Limited and the Group for the year ended 2018.

## 1. Review of financial activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB and the interpretations as issued by the IFRIC and comply with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements and the requirements of the Companies Act 71 of 2008.

The accounting policies have been applied consistently compared to the prior year.

The Group reported net profit after tax from continuing operations for the year ended 2018, ("the period") of R 496 million, an increase of 36% on the prior year's R 364 million (restated).

Group revenue from continuing operations increase by 21% from R 6.4 billion (restated) in the prior year to R 7.7 billion for the year.

Full details of the consolidated financial results are set out in these annual financial statements and accompanying notes for the year ended 30 June 2018.

## 2. Stated capital

The Group raised R750 million equity capital by way of a rights offer to qualifying shareholders that concluded in December 2017. 37.5 million shares were offered for subscription to the qualifying shareholders on the basis of 8.365 rights offer shares for every 100 shares held, at a subscription price of R20.00 per rights offer share. The Group also raised further capital through the general issuance of shares through private placements. Refer to note 21 Stated capital for additional details.

<b>Authorised</b>	<b>2018</b>	<b>2017</b>
	<b>Number of shares</b>	
Ordinary shares	2 000 000 000	2 000 000 000

  

<b>Issued</b>	<b>2018</b>	<b>2017</b>
	<b>Number of shares</b>	
Ordinary shares	489 469 959	435 939 348

Refer to note 21 for detail on the movement of authorised and issued share capital.

## 3. Fair value of intangible assets

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

# Directors' report

## 4. Directorate

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

Directors	Office	Designation	Changes
TB Thomsen	Chief executive officer	Executive	Appointed 1 March 2018
Dr KUUH Wellner	Chief executive officer	Executive	Resigned 29 June 2018
K Futter	Chief financial officer	Executive	
JA Bester	Chairman	Independent non-executive	
Dr KS Pather	Member	Independent non-executive	
MS Bomela	Member	Independent non-executive	
B Harie	Member	Independent non-executive	
Dr NY Jekwa	Member	Non-executive	Appointed 22 June 2018
CB Sampson	Member	Non-executive	Resigned 29 June 2018
GJ Shayne	Member	Non-executive	
CD Dillion	Member	Non-executive	Resigned 22 June 2018

In terms of the Group's Memorandum of Incorporation B Harie and MS Bomela retire by rotation at the 6th AGM and are eligible for re-election.

## 5. Directors' interests in shares

As at 30 June 2018, the directors of the Group held direct and indirect beneficial interests in 29% (2017: 30%) of its issued ordinary shares, as set out in note 21.

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

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

Directors	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
Dr KUUH Wellner	2 887 307	1 500	-	<b>2 888 807</b>
CB Sampson	211 175	250 000	-	<b>461 175</b>
K Futter	296 286	-	-	<b>296 286</b>
JA Bester	16 200	-	-	<b>16 200</b>
Dr KS Pather	24 650	20 000	-	<b>44 650</b>
B Harie	3 548	95 782	12 535	<b>111 865</b>
CD Dillion	1 018 900	20 768 238	1 032 000	<b>22 819 138</b>
GJ Shayne	253 647	117 686 681	1 632 756	<b>119 573 084</b>
<b>Total</b>	<b>4 711 713</b>	<b>138 822 201</b>	<b>2 677 291</b>	<b>146 211 205</b>

Refer to note 32 on the directors' interest in shares as at 30 June 2017 and 30 June 2018.

There has been no change in the directors' interest between the financial year end (30 June 2018) and the date of approval of these annual financial statements.

## 6. Interests in subsidiaries

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

Refer to note 4 Business Combinations for the acquisition made during the year ended 30 June 2018.

## 7. Events after the reporting period

During the 2018 financial year, Ascendis acquired 100% of shares in the Kyron Group. Deferred consideration payable of R100 million was settled on 18 August 2018. The amount was recognised as part of the deferred vendor liability balance as at 30 June 2018. The liability was initially due on 1 September 2018 hence an early settlement discount of R1 million was granted, resulting in a net amount paid of R99 million.

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

## 8. Acquisition

### Phyto-Vet

#### *Kyron Group*

The Kyron Group acquisition of 100% of the share capital of Kyron Laboratories Proprietary Limited, Kyron Animal Health Proprietary Limited and Kyron Prescriptions Proprietary Limited, effective 1 March 2018, is an excellent strategic fit for Ascendis Animal Health as the business covers complementary therapeutic areas. Ascendis Phyto-Vet, which incorporates Ascendis Animal Health, leverages expertise in the areas of entomology, horticulture, veterinary sciences and agronomy to drive its competitive advantage. This acquisition places Ascendis Animal Health as one of the leading local holistic animal healthcare players in the South African market, offering a wide range of prescription and OTC medicines, health and grooming products and surgical equipment for both the farming and companion animal markets.

The Group has acquired the entire share capital of Kyron, a specialist vertically-integrated animal health company. The purchase consideration of R380.8 million will be settled in cash as follows:

- R156.9 million was paid on completion of the transaction;
- R100 million was deferred and settled in August 2018 with a discount of R1 million (refer to point 7 above);
- R7.3 million, payable after 1 year if the performance target for a specific division for the period is achieved;
- R97.9 million, payable after 18 months if the performance target for the period is achieved;
- R18.7 million, payable after 2 years if the performance target for a specific division for the period is achieved.

## 9. Auditors

PricewaterhouseCoopers Inc. will continue in office as auditors for the Company and its subsidiaries for 2019 as recommended to the shareholders at the upcoming AGM.

## 10. Secretary

The company secretary is A Sims CA (SA).

## 11. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2018.

## 12. Special Resolutions

The following special resolutions were approved at the AGM held on 9 November 2017:

- Special Resolution Number 1 – Approval of independent non-executive directors' remuneration
- Special Resolution Number 2 – General Authority to repurchase shares in the Company
- Special Resolution Number 3 – Approval of financial assistance in terms of section 44 of the Companies Act
- Special Resolution Number 4 – Approval of financial assistance in terms of section 45 of the Companies Act
- Special Resolution Number 5 – Amendment to the Company's Memorandum of Incorporation to discontinue using dividend cheques as a distribution to shareholder

# Group statement of financial position

## at 30 June 2018

		2018 R'000	Restated 2017 R'000
Property, plant and equipment	19	1 126 632	1 059 988
Intangible assets and goodwill	5	9 833 747	9 172 174
Investments accounted for using the equity method	25	1 621	-
Derivative financial assets	8	114	2 760
Other financial assets	31	55 751	29 168
Deferred income tax assets	33	91 700	40 109
<b>Non-current assets</b>		<b>11 109 565</b>	<b>10 304 199</b>
Inventories	17	1 619 441	1 597 726
Trade and other receivables	14	1 871 775	1 881 591
Other financial assets	31	1 112	32 761
Current tax receivable	35	116 781	39 824
Derivative financial assets	8	30 848	53 012
Cash and cash equivalents	16	767 924	634 719
Assets held for sale	20	359 625	-
<b>Current assets</b>		<b>4 767 506</b>	<b>4 239 633</b>
<b>Total assets</b>		<b>15 877 071</b>	<b>14 543 832</b>
Stated capital	21	6 512 930	5 447 899
Other reserves		(626 225)	(782 088)
Retained income		745 889	475 645
<b>Equity attributable to equity holders of parent</b>		<b>6 632 594</b>	<b>5 141 456</b>
Non-controlling interest		161 515	154 886
<b>Total equity</b>		<b>6 794 109</b>	<b>5 296 342</b>
Borrowings and other financial liabilities	9	4 554 138	4 002 769
Deferred income tax liabilities	33	491 908	459 289
Deferred vendor liabilities	11	876 386	1 497 139
Put-option on equity instrument	12	14 309	113 055
Derivative financial liabilities	8	-	6 444
Finance lease liabilities	30	26 976	20 486
Long term employee benefits	24	4 714	15 188
Investments accounted for using the equity method	25	-	1 066
<b>Non-current liabilities</b>		<b>5 968 431</b>	<b>6 115 436</b>
Trade and other payables	13	1 321 784	1 250 209
Derivative financial liabilities	8	4 711	38 156
Borrowings and other financial liabilities	9	939 272	1 027 037
Current tax payable	35	83 128	21 239
Deferred vendor liabilities	11	422 969	651 374
Put-option on equity instrument	12	78 108	-
Provisions	13	92 854	26 595
Finance lease liabilities	30	15 099	9 900
Long-term employee benefits	24	12 180	-
Bank overdraft	16	81 301	107 544
Current liabilities held for sale	20	63 125	-
<b>Current liabilities</b>		<b>3 114 531</b>	<b>3 132 054</b>
<b>Total liabilities</b>		<b>9 082 962</b>	<b>9 247 490</b>
<b>Total equity and liabilities</b>		<b>15 877 071</b>	<b>14 543 832</b>

# Group statement of profit and loss and other comprehensive income

## for the year ended 30 June 2018

		2018 R'000	Restated 2017 R'000
Revenue	18	7 736 552	6 408 819
Cost of sales		(4 267 091)	(3 747 329)
<b>Gross Profit</b>		<b>3 469 461</b>	<b>2 661 490</b>
Other income	29	34 412	60 323
Selling and distribution costs	36	(769 056)	(555 934)
Administrative expenses	36	(1 341 600)	(1 052 620)
Other operating expenses	36	(453 455)	(379 027)
<b>Operating profit</b>		<b>939 762</b>	<b>734 231</b>
Finance income	10	16 422	40 579
Finance expenses	10	(394 836)	(347 152)
Gain/(loss) from equity accounted investments	25	2 687	(1 452)
<b>Profit before taxation</b>		<b>564 035</b>	<b>426 206</b>
Tax expense	34	(68 471)	(62 361)
<b>Profit from continuing operations</b>		<b>495 564</b>	<b>363 845</b>
Loss from discontinuing operations	20	(193 409)	(56 525)
<b>Profit for the year</b>		<b>302 155</b>	<b>307 320</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit and loss net of tax</b>			
Foreign currency translation reserve		128 924	(255 101)
Effects of cash flow hedges		4 495	27 803
Fair value adjustments		(1 617)	27 803
Recycled to profit and loss		6 112	-
<b>Items that will not be reclassified to profit and loss net of tax</b>			
Revaluation of property, plant and equipment		(4 196)	1 149
<b>Other comprehensive income for the year net of tax</b>		<b>129 223</b>	<b>(226 149)</b>
<b>Total comprehensive income for the year</b>		<b>431 378</b>	<b>81 171</b>
<b>Profit attributable to:</b>			
Owners of the parent		277 171	283 131
Non-controlling interest		24 984	24 189
		<b>302 155</b>	<b>307 320</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		412 937	110 907
Non-controlling interest		18 441	(29 736)
		<b>431 378</b>	<b>81 171</b>
<b>Earnings per share from continuing operations</b>			
Basic and diluted earnings per share (cents)	2	101.9	82.4
<b>Total earnings per share</b>			
Basic and diluted earnings per share (cents)	2	60.0	68.7

# Group statement of changes in equity

## for the year ended 30 June 2018

	Stated Capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Total other reserves	Retained Income	Total attributable to equity holders of the	Non-controlling interest	Total Equity
<b>Balance as at 1 July 2016</b>	<b>2 138 684</b>	<b>(91 782)</b>	<b>14 699</b>	<b>(37 958)</b>	<b>(117 744)</b>	<b>(26 706)</b>	<b>396 949</b>	<b>2 276 142</b>	<b>179 302</b>	<b>2 455 444</b>
Profit for the year	-	-	-	-	-	-	283 131	283 131	24 189	307 320
Other comprehensive income	-	(108 068)	1 149	27 803	-	-	(93 108)	(172 224)	(53 925)	(226 149)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(108 068)</b>	<b>1 149</b>	<b>27 803</b>	<b>-</b>	<b>-</b>	<b>190 023</b>	<b>110 907</b>	<b>(29 736)</b>	<b>81 171</b>
Issue of ordinary shares	3 432 245	-	-	-	-	(450 114)	-	2 982 131	-	2 982 131
Raising fees capitalised	(24 309)	-	-	-	-	-	-	(24 309)	-	(24 309)
Net movement of treasury shares	(98 721)	-	-	-	-	-	-	(98 721)	-	(98 721)
Dividends	-	-	-	-	-	-	(112 758)	(112 758)	13 384	(99 374)
Foreign currency translation reserve	-	(10 473)	-	-	5 950	254	-	(4 269)	4 269	-
Reclassification of reserves into retained earnings	-	-	-	-	-	(13 280)	13 280	-	-	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	24 182	(11 849)	12 333	(12 333)	-
<b>Total contributions by and distributions to owners of the Group recognised directly in equity</b>	<b>3 309 215</b>	<b>(10 473)</b>	<b>-</b>	<b>-</b>	<b>5 950</b>	<b>(438 958)</b>	<b>(111 327)</b>	<b>2 754 407</b>	<b>5 320</b>	<b>2 759 727</b>
<b>Balance as at 30 June 2017</b>	<b>5 447 899</b>	<b>(210 323)</b>	<b>15 848</b>	<b>(10 155)</b>	<b>(111 794)</b>	<b>(465 664)</b>	<b>475 645</b>	<b>5 141 456</b>	<b>154 886</b>	<b>5 296 342</b>
Profit for the year	-	-	-	-	-	-	277 171	277 171	24 984	302 155
Other comprehensive income	-	135 467	(4 196)	4 495	-	-	-	135 766	(6 543)	129 223
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>135 467</b>	<b>(4 196)</b>	<b>4 495</b>	<b>-</b>	<b>-</b>	<b>277 171</b>	<b>412 937</b>	<b>18 441</b>	<b>431 378</b>
Issue of ordinary shares	1 040 505	-	-	-	-	-	-	1 040 505	-	1 040 505
Raising fees capitalised	(1 388)	-	-	-	-	-	-	(1 388)	-	(1 388)
Net movement in treasury shares	25 914	-	-	-	-	-	-	25 914	-	25 914
Dividends	-	-	-	-	-	-	-	-	(7 879)	(7 879)
Foreign currency translation reserve	-	-	(141)	-	(2 856)	9 625	-	6 628	2 609	9 237
Acquisition of non controlling interest	-	-	-	-	-	(667)	-	(667)	667	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	14 136	(6 927)	7 209	(7 209)	-
<b>Total contributions by and distributions to owners of the Group recognised directly in equity</b>	<b>1 065 031</b>	<b>-</b>	<b>(141)</b>	<b>-</b>	<b>(2 856)</b>	<b>23 094</b>	<b>(6 927)</b>	<b>1 078 201</b>	<b>(11 812)</b>	<b>1 066 389</b>
<b>Balance as at 30 June 2018</b>	<b>6 512 930</b>	<b>(74 856)</b>	<b>11 511</b>	<b>(5 660)</b>	<b>(114 650)</b>	<b>(442 570)</b>	<b>745 889</b>	<b>6 632 594</b>	<b>161 515</b>	<b>6 794 109</b>

# Group cash flow statement

## for the year ended 30 June 2018

		2018 R'000	Restated 2017 R'000
Cash generated from operations	28	1 232 723	787 383
Cash generated from operations - discontinued operations		(52 553)	21 812
Interest income received		16 422	40 734
Finance costs paid		(381 904)	(299 172)
Income taxes paid		(128 790)	(160 232)
<b>Net cash inflow from operating activities</b>		<b>685 898</b>	<b>390 525</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	19	(255 407)	(117 885)
Proceeds on the sale of property, plant and equipment		6 315	3 623
Purchase of other intangibles assets	5	(163 837)	(119 062)
Proceeds on the sale of intangible assets		-	767
Payment for acquisition of subsidiaries - net of cash	4	(96 268)	(5 454 161)
Repayments on deferred vendor liabilities	11	(1 220 305)	(246 343)
Payments for the settlement of financial instruments		(120 229)	(119 513)
Repayment of loans advanced to related parties	31	16 445	46 932
Loans advanced to related parties	31	(18 446)	(9 199)
Loans advanced to external parties	31	-	(16 854)
Repayment of loans advanced to external parties	31	-	14 072
Proceeds from disposal of other financial assets		7 844	-
Net cash from investing activities - discontinued operations		(67 142)	(4 974)
<b>Net cash utilised in investing activities</b>		<b>(1 911 030)</b>	<b>(6 022 597)</b>
<b>Cash flows from financing activities</b>			
Proceed from issue of shares	21	1 039 117	2 981 281
Proceed on the sale of treasury shares		67 357	37 888
Payments made to acquire treasury shares		(44 163)	(137 678)
Proceeds from borrowings raised	9	449 362	5 140 675
Repayment of borrowings	9	(288 688)	(1 663 244)
Repayment of loans from related parties	9	-	(26 290)
Finance lease movement	30	10 695	(1 803)
Dividends movement	22	-	(112 758)
Net cash from financing activities - discontinued operations		115 588	(6 686)
<b>Net cash inflow from financing activities</b>		<b>1 349 268</b>	<b>6 211 385</b>
<b>Net increase in cash and cash equivalents</b>		<b>124 136</b>	<b>579 313</b>
Net decrease in cash and cash equivalents - discontinued operations		(4 107)	(10 152)
<b>Cash and cash equivalents at beginning of year</b>		<b>527 175</b>	<b>(22 396)</b>
Effect of exchange difference on cash balances		39 419	(19 590)
<b>Cash and cash equivalents at end of year</b>	16	<b>686 623</b>	<b>527 175</b>

# Accounting policies

## Corporate information

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

These consolidated group financial results as at 30 June 2018 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments.

## Going concern

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

## Basis of preparation

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

The audited Group financial statements for the year ended 30 June 2018 have been prepared under the supervision of chief financial officer, Kieron Futter (CA) SA. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The financial statements are prepared on the going concern basis using accrual accounting.

All the amounts have been rounded off to the nearest thousand Rand unless otherwise stated.

Items included in the annual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The annual financial statements are presented in Rand. This represents the presentation and functional currency of Ascendis. The Group owns the following entities which operate in primary economic environments that are different to the Group:

- Farmalider – Spain
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness – Romania
- Ascendis International – Malta

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

# Accounting policies (continued)

## Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out in the related notes to the consolidated financial statements. The principal accounting policies are applied consistently with those adopted in the prior year, unless otherwise stated. Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the consolidated financial statements.

## Judgement and estimates

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

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

### Significant estimates and judgements:

- The useful lives and residual values of property, plant and equipment and intangible assets. (Note 19 and 5)
- Impairment testing and allocation of cash-generating units. (Note 5)
- Estimation of fair value in business combinations. (Note 4)
- Estimated goodwill impairment. (Note 5)
- Estimation of fair values of land and buildings. (Note 19)
- Control assessments of investments in other entities acquired. (Note 4 and Appendix B)

# Notes to the group financial statements

## 1. Group Segmental Analysis

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

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

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

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

(a) *Statement of profit and loss and other comprehensive income measures applied*

	2018 R'000	Restated 2017 R'000
<b>Revenue split by segment</b>		
Consumer Brands	2 491 331	1 927 313
Africa	549 764	499 441
Europe	1 941 567	1 427 872
Phyto-Vet	1 265 414	922 991
Pharma-Med	3 979 807	3 558 515
Africa	2 095 296	2 093 176
Europe	1 884 511	1 465 340
<b>Total revenue</b>	<b>7 736 552</b>	<b>6 408 819</b>
Revenue generated by geographical location		
South Africa	3 998 613	3 659 304
Cyprus	1 325 308	987 762
Spain	559 203	477 578
Other Europe	1 853 135	1 284 175
Other	293	-
<b>Total revenue</b>	<b>7 736 552</b>	<b>6 408 819</b>

# Notes to the group financial statements (continued)

## 1. Group Segmental Analysis (continued)

### (a) Statement of profit and loss and other comprehensive income measures applied (continued)

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

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

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

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

51% of the Group's revenue is generated through the wholesale and retail market (2017: 51%). In this market, 1% (2017: 4%) of the total Group revenue is derived from a single customer and 9% of the Group's revenue is generated from government institutions (local and international), (2017: 12%)

The Group evaluates the performance of its reportable segments based on normalised EBITDA (earnings before interest, tax, depreciation and amortisation) and further adjusted for business combinations, integration and restructuring costs. The financial information of the Group's reportable segments is reported to the EXCO for purposes of making decisions about allocating resources to the segment and assessing its performance.

The percentage disclosed represents the EBITDA/revenue margin.

Normalised EBITDA split by segment	2018		Restated 2017	
	R'000	%	R'000	%
Consumer Brands	303 582	12%	298 816	16%
Africa	67 785	12%	119 989	24%
Europe	235 797	12%	178 827	13%
Phyto-Vet	204 995	16%	140 543	15%
Pharma-Med	913 737	23%	768 384	22%
Africa	394 478	19%	366 191	17%
Europe	519 259	28%	402 193	27%
Head office	(82 889)		(75 746)	
<b>Total normalised EBITDA</b>	<b>1 339 425</b>		<b>1 131 997</b>	
Non-controlling interest proportionate share	(39 087)		(39 502)	
<b>Total normalised EBITDA attributable to the parent</b>	<b>1 300 338</b>		<b>1 092 495</b>	

Reconciliation of normalised EBITDA to Consolidated Results	2018 R'000	2017 R'000
Consolidated operating profit	939 762	734 231
Total impairment, amortisation and depreciation	344 767	251 336
Business combination costs *	29 655	89 722
Restructuring costs *	7 150	19 066
Isando manufacturing operations loss *	45 602	37 641
Put/call option measurement *	(32 532)	-
Impairment of investment *	5 021	-
Non-controlling interest proportionate share	(39 087)	(39 502)
<b>Total normalised EBITDA attributable</b>	<b>1 300 338</b>	<b>1 092 495</b>

\*These reconciling items are excluded from EBITDA for performance measurement purposes.

# Notes to the group financial statements (continued)

## 1. Group Segmental Analysis (continued)

	2018 R'000	Restated 2017 R'000
<b>Net finance cost split by segment</b>		
<b>Consumer Brands Africa</b>		
Finance income	1 236	1 294
Finance expense	(872)	(11 765)
<b>Consumer Brands Europe</b>		
Finance income	(4 220)	2 952
Finance expense	(145 683)	(84 753)
<b>Phyto-Vet</b>		
Finance income	1 632	1 320
Finance expense	(10 879)	(11 751)
<b>Pharma-Med Africa</b>		
Finance income	3 576	3 890
Finance expense	(803)	(2 300)
<b>Pharma-Med Europe</b>		
Finance income	601	418
Finance expense	(24 174)	(41 216)
<b>Head-Office</b>		
Finance income	13 598	30 705
Finance expense	(212 426)	(195 367)
<b>Total consolidated net finance cost</b>	<b>(378 414)</b>	<b>(306 573)</b>

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

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

	2018 R'000	Restated 2017 R'000
<b>Tax expense split by segment</b>		
<b>Consumer Brands</b>	(9 099)	(1 372)
Africa	(2 610)	3 926
Europe	(6 489)	(5 298)
<b>Phyto-Vet</b>	(16 059)	(8 992)
<b>Pharma-Med</b>	(43 313)	(50 457)
Africa	(32 688)	(42 352)
Europe	(10 625)	(8 105)
<b>Head office</b>	-	(1 540)
<b>Total consolidated tax expense</b>	<b>(68 471)</b>	<b>(62 361)</b>

# Notes to the group financial statements (continued)

## 1. Group Segmental Analysis (continued)

(b) Statement of financial position measures applied

Assets and liabilities split by segment	2018 R'000		2017 R'000	
	Assets	Liabilities	Assets	Liabilities
Consumer Brands	3 995 797	(3 769 271)	5 615 514	(4 551 437)
Africa	998 954	(238 246)	1 583 870	(808 640)
Europe	2 996 843	(3 531 025)	4 031 644	(3 742 797)
Phyto-Vet	1 494 074	(385 120)	1 508 258	(474 651)
Pharma-Med	7 801 857	(2 703 076)	7 405 499	(2 433 957)
Africa	2 643 263	(504 276)	2 620 118	(555 912)
Europe	5 158 594	(2 198 800)	4 785 381	(1 878 045)
Head office	2 585 343	(2 225 495)	14 561	(1 787 445)
<b>Total consolidated assets and liabilities</b>	<b>15 877 071</b>	<b>(9 082 962)</b>	<b>14 543 832</b>	<b>(9 247 490)</b>

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

Fixed assets per geographic location	2018	Restated 2017
	R'000	R'000
South Africa	266 900	346 524
Cyprus	572 600	499 447
Other Europe	287 132	214 017
<b>Fixed assets per geographic location</b>	<b>1 126 632</b>	<b>1 059 988</b>

## 2. Earnings per share, Diluted earnings per share and Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and the SAICA Circular 4/2018.

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

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

# Notes to the group financial statements (continued)

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

	2018 R'000			Restated 2017 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<b>Basic earnings per share</b>						
(a) Profit attributable to owners of the parent	470 580	(193 409)	277 171	339 656	(56 525)	283 131
<b>Earnings</b>	<b>470 580</b>	<b>(193 409)</b>	<b>277 171</b>	<b>339 656</b>	<b>(56 525)</b>	<b>283 131</b>
Weighted average number of ordinary shares in issue			461 996 223			412 323 054
<b>Basic Earnings per share (cents)</b>	<b>101.9</b>	<b>(41.9)</b>	<b>60.0</b>	<b>82.4</b>	<b>(13.7)</b>	<b>68.7</b>
<b>Headline earnings per share</b>						
(b) Profit attributable to owners of the parent	470 580	(193 409)	277 171	339 656	(56 525)	283 131
Adjusted for:						
Net (loss)/profit on the sale of property, plant and equipment	(739)	–	(739)	937	–	937
Loss on investment disposal	580	–	580	165	–	165
Goodwill and intangible asset impairment	30 269	71 319	101 588	48 590	–	48 590
IFRS 3 bargain purchase Put-option remeasurement	–	–	–	(1 938)	–	(1 938)
Impairment of investment	(32 532)	–	(32 532)	–	–	–
Non-controlling interest portion allocation	5 021	–	5 021	–	–	–
Tax effect thereof	–	–	–	(340)	–	(340)
	9 128	–	9 128	(269)	–	(269)
<b>Headline earnings</b>	<b>482 307</b>	<b>(122 090)</b>	<b>360 217</b>	<b>386 801</b>	<b>(56 525)</b>	<b>330 276</b>
Weighted average number of shares in issue			461 996 223			412 323 054
<b>Headline earnings per share (cents)</b>	<b>104.4</b>	<b>(26.4)</b>	<b>78.0</b>	<b>93.8</b>	<b>(13.7)</b>	<b>80.1</b>

# Notes to the group financial statements (continued)

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

### (c) Normalised headline earnings per share

Since Ascendis is a health and care company and not an investment company, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings. The Group's effective tax rate is applied to normalised earnings adjustments except if a specific item relates to a specific country, then that tax jurisdiction's tax rate is used. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the costs incurred to acquire and integrate the business combinations into the Group and the listed environment. A normalised earnings adjustment is also made for operations that will not form part of the future of the Group that have not been recognised as a discontinued operation in terms of IFRS.

During 2017 financial period, the Group adjusted its normalised headline earnings for interest on deferred vendor liabilities. Upon further consideration and following engagement with various stakeholders, management has concluded that though the interest on deferred vendor liabilities does not result in the flow of cash to vendors, it is similar in nature to the finance costs of debt raised with financial institutions. Therefore normalised earnings should not be adjusted for this cost. The restatement affects June 2017 by R47.6 million.

	2018 R'000			Restated 2017 R'000		Total
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	
<b>Reconciliation of normalised headline earnings</b>						
Headline earnings	482 307	(122 090)	360 217	386 801	(56 525)	330 276
Adjusted for						
Business combination costs	29 655	–	29 655	89 722	–	89 722
Refinancing costs	–	–	–	27 730	–	27 730
Isando manufacturing operation loss	45 602	–	45 602	37 641	–	37 641
Restructuring costs	7 150	17 000	24 150	19 066	–	19 066
Tax effect thereof	–	–	–	(6 272)	–	(6 272)
Amortisation	196 453	–	196 453	115 857	–	115 857
Tax effect thereof	(23 221)	(4 760)	(27 981)	(23 328)	–	(23 328)
<b>Normalised headline earnings</b>	<b>737 946</b>	<b>(109 850)</b>	<b>628 096</b>	<b>647 217</b>	<b>(56 525)</b>	<b>590 692</b>
Weighted average number of shares in issue			461 996 223			412 323 054
<b>Normalised headline earnings per share (cents)</b>	<b>159.7</b>	<b>(23.8)</b>	<b>136.0</b>	<b>157.0</b>	<b>(13.7)</b>	<b>143.3</b>

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

### 3. Events after reporting period

During the 2018 financial year, Ascendis acquired 100% of shares in Kyron Group. Deferred consideration of R100 million was settled on 18 August 2018. The amount was recognised as part of the deferred vendor liability balance as at 30 June 2018. The liability was initially due on 1 September 2018 hence an early settlement discount of R1 million was granted, resulting in a net amount paid of R99 million.

There are no other material events which occurred after the reporting date and up to the date of this report.

## 4. Business Combinations

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

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

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

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

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

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

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

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

### **Platform company**

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

### **Bolt-on**

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

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

# Notes to the group financial statements (continued)

## 4. Business Combinations (continued)

(a) The inputs acquired include:

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

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

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

On 1 March 2018 Ascendis acquired 100% of the share capital in the Kyron Group which comprises of Kyron Laboratories Proprietary Limited, Kyron Animal Health Proprietary Limited and Kyron Prescriptions Proprietary Limited.

A purchase price allocation has been performed for the business acquisition which has been included in the financial results.

The following table illustrates the consideration paid and net assets for the current year acquisition. All assets and liabilities are measured at fair value on the date of acquisition. No goodwill amount recognised is deductible for tax purposes.

	2018 R'000	Restated * 2017 R'000
Cash	156 899	5 976 121
Foreign exchange hedging loss	–	119 513
Equity instruments	–	24 332
Vendor loans	223 908	2 106 951
<b>Consideration paid</b>	<b>380 807</b>	<b>8 226 917</b>
Cash and cash equivalents	60 631	521 960
Property, plant and equipment	3 897	730 675
Intangible assets within the acquired entity	152 760	3 241 781
Other financial assets	–	42 578
Inventories	27 698	640 863
Trade and other receivables	16 333	681 128
Provisions	(1 592)	227
Trade and other payables	(8 316)	(327 423)
Finance leases	–	(24 813)
Borrowings	(3 312)	(144 682)
Dividend Payable	(70 000)	–
Current tax payable	(4 314)	1 138
Provision for doubtful debt	–	–
Deferred tax liabilities	(42 259)	(304 097)
<b>Total identifiable net assets</b>	<b>131 526</b>	<b>5 059 335</b>
<b>Non-controlling interest</b>	<b>–</b>	<b>(476)</b>
<b>Resultant goodwill</b>	<b>249 281</b>	<b>3 168 058</b>
Total cash paid for acquisitions	(156 899)	(5 976 121)
Cash available in acquired company	60 631	521 960
<b>Cash flow relating to business combinations</b>	<b>(96 268)</b>	<b>(5 454 161)</b>

\* The 2017 numbers relating to the acquisitions in 2017 have been restated as a result of a measurement period adjustment. Refer to Note 6 for further details.

# Notes to the group financial statements (continued)

## 4. Business Combinations (continued)

The goodwill was recognised in relation to the assembled and trained workforce which was obtained as a result of the acquisition. In addition, it adds value to the strategy of the Group as a result of its expansion in Animal Health. The key observable inputs included in the purchase price allocation is considered to be the risk-free rate. The unobservable inputs are the useful life and the WACC. The sensitivity analysis below demonstrates the change in the fair value of the identified intangible asset valuation should any of the key inputs change:

		Change in key assumption	
		Increase	Decrease
Phyto-Vet		R'000	R'000
<b>Observable inputs: Risk-free rate</b>	<b>A change of 0.25%</b>		
Brands and trademarks		122	(116)
Customer contracts		222	(214)
Contract based intangibles		363	(348)
<b>Unobservable inputs</b>			
<b>Useful life</b>	<b>A change of 5 years</b>	<b>Increase</b>	<b>Decrease</b>
		<b>R'000</b>	<b>R'000</b>
Brands and trademarks		838	(1 789)
Customer contracts		10 825	(16 830)
Contract based intangibles		7 705	(10 825)
<b>WACC</b>			
	<b>A change of 0.5%</b>	<b>Increase</b>	<b>Decrease</b>
		<b>R'000</b>	<b>R'000</b>
Brands and trademarks		304	(292)
Customer contracts		551	(538)
Contract based intangibles		902	(874)

### African bolt-on acquisition – Kyron Group (1 March 2018)

The Kyron Group acquisition, with effective date of 1 March 2018, is an excellent strategic fit for Ascendis Animal Health as the Business covers complementary therapeutic areas. Ascendis Phyto-Vet, which incorporates Ascendis Animal Health, leverages expertise in the areas of entomology, horticulture, veterinary sciences and agronomy to drive its competitive advantage. This acquisition places Ascendis Animal Health as one of the leading local holistic animal healthcare players in the South African market, offering a wide range of prescription and OTC medicines, health and grooming products and surgical equipment for both the farming and companion animal markets.

The Group has acquired the entire share capital of Kyron, a specialist vertically-integrated animal health company. The purchase consideration of R380.8 million will be settled in cash as follows:

- R156.9 million was paid on completion of the transaction;
- R100 million was deferred and settled in August 2018 with a discount of R 1 million (refer to note 3);
- R7.3 million, payable after 1 year if the performance target for a specific division for the period is achieved;
- R97.9 million, payable after 18 months if the performance target for the period is achieved;
- R18.7 million, payable after 2 years if the performance target for a specific division for the period is achieved;

R10.5 million of the business combination costs relate to the Kyron acquisition.

The fair value and the gross amount for trade receivables is R16.3 million.

The revenue included in the consolidated statement of profit or loss since 1 March 2018 from Kyron is R60.4 million. Kyron also contributed profit after tax of R11.5 million over the same period.

Had the subsidiary been acquired on the first day of the financial year, revenue and profits for the year would have been R158.3 million and R37.4 million respectively.

## 5. Intangible assets and goodwill

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

### (a) Goodwill

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

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

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

### (b) Research and development:

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

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

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

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

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

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

# Notes to the group financial statements (continued)

## 5. Intangible assets and goodwill (continued)

### (c) Other intangible assets:

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

Intangible assets with definite useful lives are amortised using the straight line method. The useful lives are reviewed on an annual basis.

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

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

The 2017 intangible assets and goodwill numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement Note 6 for more detail.

Group	2018			2017		
	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and impairment	Carrying value
<b>R'000</b>						
Goodwill	5 496 124	(134 614)	5 361 510	5 058 029	(38 079)	5 019 950
Brands and trademarks	2 209 556	(145 904)	2 063 652	2 044 141	(62 356)	1 981 785
Licence and computer software	55 901	(22 895)	33 006	41 938	(15 395)	26 543
Intangible assets under development	24 651	-	24 651	20 252	-	20 252
Customer relationships	1 068 389	(194 327)	874 062	998 722	(120 471)	878 251
Contractual	335 107	(21 687)	313 420	263 855	(15 571)	248 284
Drug master files	1 241 242	(77 796)	1 163 446	1 040 959	(43 850)	997 109
<b>Total</b>	<b>10 430 970</b>	<b>(597 223)</b>	<b>9 833 747</b>	<b>9 467 896</b>	<b>(295 722)</b>	<b>9 172 174</b>

# Notes to the group financial statements (continued)

## Reconciliation of Intangible assets and goodwill - 2018

R'000	Opening balance cost/valuation	Opening balance accumulated amortisation and	Additions	Transfer to discontinued operation	Assets transfers	Additions through business combination	Disposals	Foreign exchange movements	Amortisation and Impairment	Carrying value
Goodwill	5 058 029	(38 079)	-	(46 948)	-	249 281	-	235 762	(96 535)	5 361 510
Brands and trademarks	2 044 141	(62 356)	24 802	(6 568)	-	18 652	-	128 570	(83 589)	2 063 652
Licence and computer software	41 938	(15 395)	12 787	(25)	-	-	-	1 201	(7 500)	33 006
Intangible assets under development	20 252	-	4 857	(460)	-	-	-	2	-	24 651
Customer relationships	998 722	(120 471)	-	(26 853)	-	59 537	-	37 038	(73 911)	874 062
Contractual agreements	263 855	(15 571)	-	(8 886)	-	74 571	-	5 645	(6 194)	313 420
Drug master files	1 040 959	(43 850)	121 391	-	-	-	(1 167)	80 058	(33 945)	1 163 446
<b>Total</b>	<b>9 467 896</b>	<b>(295 722)</b>	<b>163 837</b>	<b>(89 740)</b>	<b>-</b>	<b>402 041</b>	<b>(1 167)</b>	<b>488 276</b>	<b>(301 674)</b>	<b>9 833 747</b>

## Reconciliation of Intangible assets and goodwill - 2017

R'000	Opening balance cost/valuation	Opening balance accumulated amortisation and	Additions	Transfer to discontinued operation	Assets transfers	Additions through business combination	Disposals	Foreign exchange movements	Amortisation and Impairment	Carrying value
Goodwill	2 016 590	-	-	-	-	3 170 035	-	(128 596)	(38 079)	5 019 950
Brands and trademarks	257 133	(41 020)	52 800	-	15 969	1 750 216	(6)	(31 971)	(21 336)	1 981 785
Licence and computer software	33 354	(13 993)	4 991	-	-	3 713	(124)	4	(1 402)	26 543
Intangible assets under development	15 969	-	20 252	-	(15 969)	-	-	-	-	20 252
Customer relationships	464 957	(66 557)	-	-	-	554 652	-	(20 887)	(53 914)	878 251
Contractual agreements	90 565	(3 352)	-	-	-	184 603	-	(11 313)	(12 219)	248 284
Drug master files	294 206	(6 354)	41 018	-	-	748 608	(637)	(42 236)	(37 496)	997 109
<b>Total</b>	<b>3 172 774</b>	<b>(131 276)</b>	<b>119 061</b>	<b>-</b>	<b>-</b>	<b>6 411 827</b>	<b>(767)</b>	<b>(234 999)</b>	<b>(164 446)</b>	<b>9 172 174</b>

A total of R13.3 million for research costs has been expensed to the statement of comprehensive income for the year ended 30 June 2018, please refer to note 36.

Total impairment of intangible assets and goodwill of R101.6 million was recorded during the year. This comprises of an impairment of goodwill of R71.3 million relating to the discontinued operations, impairment of goodwill of R25.2 million relating to continuing operations and an impairment of intangible assets of R5.1 million. The R71.3 million has been recognised in the loss from discontinued operations (Note 20). Amortisation of R196.7 million has been included in Expense by nature (Note 36).

# Notes to the group financial statements (continued)

## 5. Intangible assets and goodwill (continued)

### Impairment tests for goodwill

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

The Group performed the annual impairment assessments on all goodwill balances as at 30 June 2018. As a result, the Group recognised impairment on goodwill of R96.5 million relating to the Consumer Brands Africa segment, R71.3 million of the total goodwill impairment relate to the discontinued operations which has been included as part of the loss from the discontinued operations (Note 20). The following is a summary of goodwill allocation for each reporting segment.

Reconciliation of Goodwill 2018 R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Brands Africa	528 150	-	(96 535)	(46 948)	-	384 667
Consumer Brands Europe	1 264 760	-	-	-	105 232	1 369 992
Phyto-Vet	523 544	249 281	-	-	-	772 825
Pharma-Med Africa	1 067 130	-	-	-	-	1 067 130
Pharma-Med Europe	1 636 366	-	-	-	130 530	1 766 896
<b>Total</b>	<b>5 019 950</b>	<b>249 281</b>	<b>(96 535)</b>	<b>(46 948)</b>	<b>235 762</b>	<b>5 361 510</b>

Reconciliation of Goodwill 2017 R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Brands Africa	566 229	-	(38 079)	-	-	528 150
Consumer Brands Europe	-	1 293 951	-	-	(29 191)	1 264 760
Phyto-Vet	292 044	231 500	-	-	-	523 544
Pharma-Med Africa	990 620	76 510	-	-	-	1 067 130
Pharma-Med Europe	167 697	1 568 074	-	-	(99 405)	1 636 366
<b>Total</b>	<b>2 016 590</b>	<b>3 170 035</b>	<b>(38 079)</b>	<b>-</b>	<b>(128 596)</b>	<b>5 019 950</b>

The key assumptions used for value-in-use calculations in 2018 are as follows:

	Consumer Brands Africa	Consumer Brands Europe	Phyto-Vet	Pharma-Med Africa	Pharma-Med Europe
Revenue growth rate	5% - 14%	3%	5% - 8%	6% - 10%	2% - 3%
Discount rate	10.9% - 12.7%	7.1% - 9.1%	11.4% - 12.5%	12.6% - 13.2%	8.5% - 10.6%

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

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

# Notes to the group financial statements (continued)

## 5. Intangible assets and goodwill (continued)

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

	Consumer Brands Africa	Consumer Brands Europe	Phyto-Vet	Pharma-Med Africa	Pharma-Med Africa
Change in discount rate	7.2%	6.0%	7.0%	8.2%	6.3%
Change in growth rate	7.2%	6.0%	7.0%	7.7%	3.0%

Carrying value and remaining useful life	Reporting Segment	Carrying Value		Remaining useful life	
		R'000	R'000	2018	2017
Scitec brand name	Consumer Brands	1 022 528	952 259	Indefinite	Indefinite
Sunwave brands and trademarks	Consumer Brands	737 928	723 386	19	20
Remedica Customer Relationships	Pharma-Med Europe	720 852	695 290	28	29
Remedica dossiers	Pharma-Med Europe	549 592	462 477	28	29
Farmalider drug master files	Pharma-Med Europe	264 229	214 586	27	28
Scitec contractual relationships	Consumer Brands	107 895	108 210	13	14
Surgical Innovations customer relationships	Pharma-Med Africa	83 197	88 397	16	17
Scientific Group customer relationships	Pharma-Med Africa	67 565	71 539	17	18
Farmalider contractual agreements	Pharma-Med Europe	66 450	65 524	17	18
Cipla contractual agreements	Phyto-Vet	*	*	*	15
Akacia contractual agreements	Pharma-Med Africa	54 790	57 172	23	24
Cipla customer relationships	Phyto-Vet	*	*	*	13
Farmalider brands and trademarks	Pharma-Med Europe	86 158	-	17	-
Kyron customer relationships	Phyto-Vet	57 552	-	10	-
Kyron contractual agreements	Phyto-Vet	72 914	-	15	-

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

\* The amounts have been restated as a result of the finalisation of the purchase price allocation, refer to Note 6 Restatements.

## 6. Restatement

### IFRS 3 Re-measurement

At 30 June 2017, the purchase price allocation for Cipla and Sun Wave Pharma acquisitions was provisional due to the timing of the acquisition and the complexity of the businesses. The purchase price allocation was completed in the current year and the following measurement period adjustments were identified and corrected in the current financial period.

### Cipla Group

On completion of the acquisition, take on working capital assessments and the finalisation of the purchase price allocation, the following adjustments to the initial day one take-on balances as disclosed in the June 2017 financial statements were required. Goodwill increased by R27.9 million, intangible assets reduced by R30.5 million, deferred tax liability reduced by R8.5 million and deferred vendor liability increased by R6 million.

### Sun Wave Pharma

The contingent consideration was revised in the current year due to a performance target as stipulated in the purchase agreement being achieved. The revised contingent consideration resulted in an increase in the deferred vendor liabilities by €3.7 million (ZAR59.8 million). Goodwill increased by the same amount.

The restatement has no material impact on the prior period income statement. The table below illustrates the impact of the restatement to 2017 reported amounts.

	<b>2017</b>
	<b>R'000</b>
<b>Non-current</b>	
Goodwill	87 680
Intangible Assets	(30 465)
Deferred Vendor Liabilities	(65 745)
Deferred Tax	8 530
<b>Net impact on group statement of financial position</b>	<b>-</b>

### Normalised headline earnings: Interest on deferred vendor liabilities

During 2017 financial period, the Group adjusted its normalised headline earnings for interest on deferred vendor liabilities. Upon further consideration and following engagement with various stakeholders, management has concluded that though the interest on deferred vendor liabilities does not result in the flow of cash to vendors, it is similar in nature to the finance costs of debt raised with financial institutions. Therefore normalised earnings should not be adjusted for this cost. The restatement affects June 2017 by R47.6 million.

## 7. Financial instruments

### 7.1 Financial risk management

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

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

The Group treasury risk management policy is to hedge between 50% and 100% of the anticipated cash flows (mainly export sales and purchases of inventory) in each major foreign currency for the subsequent nine months. The forward exchange contracts acquired by Group treasury are treated as economic hedges. Please refer to the fair value hierarchy (Note 8) and the sensitivity on foreign currency exposure (Note 15) for the quantification of the instruments.

Forming part of the financials and disclosed in separate notes are the following financial assets and liabilities: derivative financial assets (Note 8), other financial assets (Note 31), trade and other receivables (Note 14), cash and cash equivalents (Note 16), borrowings and other financial liabilities (Note 9), deferred vendor liabilities (Note 11), derivative financial liabilities (Note 8), finance lease liabilities (Note 30), trade and other payables (Note 13) and bank overdraft (Note 16).

### 7.2 Liquidity risk

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

The Group seeks to minimise its exposure to liquidity risk by balancing its exposure to interest rate risk and refinancing risk by seeking to borrow at the most advantageous finance cost available in the market. The Group has a centralised Treasury function. Group Treasury regularly reviews the maturity profile of its financial liabilities and seeks to avoid concentration of maturities through the regular replacement of facilities, by managing maturity dates and by matching liabilities to assets with a similar maturity, duration and risk nature.

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

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

At year end the Group had short-term deposits of R106 million (2017: R 14.2 million) and bank balances of R661 million (2017: R 619.1 million) to manage liquidity risk. Additionally, undrawn revolving credit facilities of €17 374 (R277 993) exist at 30 June 2018, (30 June 2017: €10.9 million).

# Notes to the group financial statements (continued)

## 7. Financial instruments (continued)

### 7.2 Liquidity risk

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

<b>2018</b> <b>R'000</b>	<b>3 months</b>	<b>3 months and 1 year</b>	<b>1 and 2 years</b>	<b>2 and 5 years</b>	<b>Over 5 years</b>
Borrowings and other financial liabilities	294 112	645 160	648 682	3 905 456	–
Finance lease liabilities	2 669	12 737	13 000	13 482	–
Deferred vendor liabilities	285 017	138 363	932 792	–	–
Put-option on equity accounted investment	–	78 108	14 309	–	–
Long-term employee benefit liabilities	12 180	–	4 714	–	–
Bank overdraft	27 419	–	53 882	–	–
Trade and other payables	1 010 009	311 775	–	–	–
<b>Total</b>	<b>1 631 406</b>	<b>1 186 143</b>	<b>1 667 379</b>	<b>3 918 938</b>	<b>–</b>

  

<b>2017</b> <b>Restated</b> <b>R'000</b>	<b>3 months</b>	<b>3 months and 1 year</b>	<b>1 and 2 years</b>	<b>2 and 5 years</b>	<b>Over 5 years</b>
Borrowings and other financial liabilities	193 988	833 049	671 126	3 293 692	37 951
Finance lease liabilities	2 524	7 376	9 580	10 906	–
Deferred vendor liabilities	389 146	262 228	112 042	1 385 097	–
Put-option on equity accounted investment	–	–	113 055	–	–
Long-term employee benefit liabilities	–	–	3 500	11 688	–
Bank overdraft	6 624	100 920	–	–	–
Trade and other payables	923 434	326 775	–	–	–
<b>Total</b>	<b>1 515 716</b>	<b>1 530 348</b>	<b>909 303</b>	<b>4 701 383</b>	<b>37 951</b>

# Notes to the group financial statements (continued)

## 7. Financial instruments (continued)

### 7.3 Capital risk management

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

The Group manages its capital by either maintaining or adjusting the amount of the dividends paid to the shareholders, return capital to shareholders or issue new shares.

In addition, The Group has long term and short-term borrowings in place to meet the anticipated funding requirements. Borrowings are managed based on the gearing ratio. Consistent with others in the industry, the Group monitors borrowings on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The table below serves to illustrate the Group's gearing ratio at 2018 and 2017.

		<b>2018</b>	<b>Restated</b>
		<b>R'000</b>	<b>2017</b>
		<b>R'000</b>	<b>R'000</b>
Derivative financial instruments	8	(26 251)	11 171
Borrowings and other financial liabilities	9	5 493 410	5 029 806
Deferred vendor liabilities	11	1 299 356	2 148 513
Put-option on equity accounted investment	11	92 417	113 055
<b>Total borrowings</b>		<b>6 858 932</b>	<b>7 302 545</b>
Cash and cash equivalents	16	(686 623)	(527 175)
<b>Net debt</b>		<b>6 172 309</b>	<b>6 775 370</b>
Total equity		6 794 109	5 296 464
<b>Total capital</b>		<b>12 966 418</b>	<b>12 071 834</b>
Gearing ratio		<b>48%</b>	56%

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

## 7. Financial instruments (continued)

### 7.3 Capital risk management (continued)

#### Foreign exchange risk

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

The Group treasury function has set up a policy requiring Group companies to manage their respective foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward contracts, transacted with Group treasury. Refer to the note 15 for disclosure on foreign exposure.

The Group's foreign operations foreign currency exposure is not hedged, since the foreign liabilities are expected to be settled from receipts generated by the same foreign operations in matched currencies to their respective exposures.

#### Interest rate risk

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

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

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Swaps relating to South African borrowings have been designated as cash flow hedges. Refer to the finance income and cost note (Note 10). At 30 June 2018, 26% of long term borrowings were hedged. Refer to note 9 for disclosure on borrowings and other financial liabilities.

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

#### Credit risk

The Group is exposed to credit risk in a number of areas of its business. Overall, the credit risk portfolio at 30 June 2018 has changed significantly from the 2017 financial period. Previously the credit risk portfolio of the Group was heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. Due to the international acquisitions in the prior year and refinancing, Group's credit risk portfolio is spread across different African and European counterparties with better credit ratings of which a large portion relates to government institutions and top tier banks.

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

Customer credit risk exposure will be addressed in trade and other receivables (Note 14).

All cash balances and derivative instruments counter parties are financial institutions Group is also exposed to credit risk through transactions with financial institutions, please refer to cash and cash equivalents (Note 16) for the financial institutions credit risk rating.

The credit risk associated with receivable balances from related parties and other financial assets are considered immaterial. Please refer to the note 32 on related parties and note 31 for disclosure on other financial assets.

## 8. Fair value hierarchy

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All gains and losses from the changes in the fair value of derivatives that qualify as cash flow hedges are recognised in other comprehensive income and recycled to profit or loss in the period when the asset or liability acquired affects the profit or loss. All gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

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

The following table presents the Group's financial assets and liabilities that are measured and disclosed at fair value at 30 June 2018:

2018		Level 1	Level 2	Level 3	Total
R'000					
<b>Financial liabilities at fair value through profit and loss</b>					
Deferred vendor liabilities	11	-	-	532 175	532 175
<b>Derivatives designated as a cash flow hedge</b>					
Interest rate swap		-	4 711	-	4 711
<b>Total liabilities</b>		-	<b>4 711</b>	<b>532 175</b>	<b>536 886</b>
<b>Financial assets at fair value through profit and loss</b>					
Foreign exchange contract		-	30 848	-	30 848
Interest rate swaps		-	114	-	114
<b>Total assets</b>		-	<b>30 962</b>	-	<b>30 962</b>

# Notes to the group financial statements (continued)

## 8. Fair value hierarchy (continued)

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

<b>Restated 2017 R'000</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at fair value through profit and loss</b>					
Deferred vendor liabilities	11	-	-	385 630	385 630
Foreign exchange contracts		-	22 290	-	22 290
Foreign exchange options		-	-	13 104	13 104
<b>Derivatives designated as a cash flow hedge</b>					
Interest rate swap		-	9 206	-	9 206
<b>Total liabilities</b>		<b>-</b>	<b>31 496</b>	<b>398 734</b>	<b>430 230</b>
<b>Financial assets at fair value through profit and loss</b>					
Foreign exchange contract		-	49 658	-	49 658
Contract for difference		-	2 300	-	2 300
Interest rate swaps		-	3 814	-	3 814
<b>Total assets</b>		<b>-</b>	<b>55 772</b>	<b>-</b>	<b>55 772</b>

# Notes to the group financial statements (continued)

## 8. Fair value hierarchy (continued)

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

	Current R'000	Non-current R'000
<b>Derivative financial instrument liabilities</b>		
<b>2018</b>		
Interest rate swaps - cash flow hedge	4 711	-
	<b>4 711</b>	<b>-</b>
<b>Derivative financial instrument liabilities</b>		
<b>2017</b>		
Foreign exchange contracts	22 290	-
Foreign exchange contracts options	13 104	-
Interest rate swaps - cash flow hedge	2 762	6 444
	<b>38 156</b>	<b>6 444</b>
<b>Derivative financial instrument assets</b>		
<b>2018</b>		
Foreign exchange contracts	30 848	-
Interest rate swap	-	114
	<b>30 848</b>	<b>114</b>
<b>Derivative financial instrument assets</b>		
<b>2017</b>		
Foreign exchange contracts	49 658	-
Contract for difference	2 300	-
Interest rate swap	1 054	2 760
	<b>53 012</b>	<b>2 760</b>
	<b>2018</b>	<b>Restated 2017</b>
	<b>R'000</b>	<b>R'000</b>
<b>Reconciliation of level 3 category instruments</b>		
<b>Deferred vendor loans:</b>		
Opening balance	385 630	117 423
New vendor loans raised	123 908	(67 502)
Repayments during the year	(10 956)	263 897
Re-measurement	-	59 359
Foreign currency translation difference	19 473	7 390
Interest charged	14 120	5 063
	<b>532 175</b>	<b>385 630</b>
<b>Forward exchange contract option:</b>		
Opening balance	13 104	6 523
New financial asset raised	-	13 104
Fixed assets disposed	(13 104)	(6 523)
	<b>-</b>	<b>13 104</b>

# Notes to the group financial statements (continued)

## 8. Fair value hierarchy (continued)

	2018	2017
	R'000	R'000
Reconciliation of matured cash flow hedge		
Opening balance	-	37 009
Fair value adjustment	-	82 504
Settlement loss	-	(119 513)
Closing balance	-	-

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

## 9. Borrowings and other financial liabilities

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

In terms of the existing debt structure, the total facilities drawn down on amounts to R1 600 million and €215 million.

### International loans

The Group has a €180 million secured term facility which matures in August 2021, the outstanding balance as at year end amounts to €169 million. The debt balance consists of the ZAR translated amount of R2 661 million net of debt capitalisation costs of R59.5 million. Capital repayments commenced on 30 June 2017 on a bi-annual basis. Interest is charged at 4% per annum and is repayable quarterly. The Group also has access to a €47 million revolving credit facility.

### Syndicated South African facility

The secured syndicated facility is administered through ABSA Bank with various local registered financial institutions. The Group has two facilities of R850 million and R810 million, as at year end R850 million and R581.2 million was outstanding from the two facilities respectively. The R850 million facility matures in 2021 with the full capital amount due at maturity date. Interest is charged at JIBAR plus 4.2% per annum and is payable quarterly. The R810 million facility is payable bi-annually with a maturation date of December 2020. Interest is charged at JIBAR plus 3.75% per annum and is payable quarterly. Included with this balance are debt capitalisation fees of R42.2 million. Additional facilities relating to letters of credit and performance guarantees exist.

Borrowings are recognised initially at fair value net of transaction costs incurred and thereafter at amortised cost. The fair value (determined using the discounted cash flow model) approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (observable) and credit risk (unobservable), making this a level 2 fair value assessment. The above facilities are subject to financial covenants based on key financial ratios. For the year ended 30 June 2018, the lenders required that the Group maintain a normalised leverage ratio below 4.0, a minimum of 1.2 cash cover ratio and a minimum of 3.0 interest cover ratio. None of these were breached during the period.

# Notes to the group financial statements (continued)

## 9. Borrowings and other financial liabilities (continued)

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

	2018 R'000	2017 R'000
<b>Borrowings at amortised cost</b>		
Term loan - South Africa debt	1 390 291	1 537 366
Term loan - European debt	2 660 853	2 588 437
Cyprus loan facility <sup>(1)</sup>	158 271	-
Revolving credit facility	758 922	533 586
Farmalider debt	143 112	119 240
Short-term loans with financial institutions	297 000	247 000
<b>Other financial liabilities at amortised cost</b>		
Other South African borrowings	38 013	4 177
Other European borrowings	46 948	-
	<b>5 493 410</b>	<b>5 029 806</b>

(1) Cyprus loan facility is secured by buildings with a fair value of €6 million (R96 million).

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

	2018 R'000	2017 R'000
Non-current	4 554 138	4 002 769
Current liabilities	939 272	1 027 037
	<b>5 493 410</b>	<b>5 029 806</b>

### Reconciliation of borrowings:

	2018 R'000	2017 R'000
Capital portion of loan outstanding at beginning of year	5 029 806	1 425 133
Business combinations	3 312	144 682
New loans raised net of debt capitalisation fees		
Syndicated facility term loans	-	1 597 549
EURO facility	-	2 622 542
EURO revolving credit facility	169 284	533 586
Cyprus facility loan	158 271	-
Farmalider loans with financial institutions	23 871	131 434
Farmalider government finance	-	4 387
Overdraft banking facility	50 000	247 000
Other financial liabilities	47 936	4 177
Capitalised borrowing costs amortised	12 497	36 054
Capital repaid	(288 688)	(1 689 534)
Amounts owing to discontinued operations	37 918	-
Foreign currency translation	239 738	(29 414)
<b>Capital portion of loan outstanding at year end</b>	<b>5 483 945</b>	<b>5 027 596</b>
Interest accrued	9 465	2 210
<b>Total loan balance outstanding at year end</b>	<b>5 493 410</b>	<b>5 029 806</b>

# Notes to the group financial statements (continued)

## 10. Finance income and costs

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

	2018 R'000	Restated 2017 R'000
<b>Finance cost</b>		
Finance leases	1 463	990
Interest on term debt facilities	303 971	232 150
Interest on terminated debt facilities	-	25 630
Interest rate swap expense	10 245	2 805
Interest on deferred vendor liabilities	42 002	47 556
Other finance costs	37 155	38 021
<b>Total finance cost</b>	<b>394 836</b>	<b>347 152</b>
<b>Finance income</b>		
Bank interest	11 229	8 217
Interest received on Leases	20	23 866
Other finance income	5 173	8 496
<b>Total finance income</b>	<b>16 422</b>	<b>40 579</b>
<b>Net finance costs</b>	<b>378 414</b>	<b>306 573</b>

The Group entered into interest rate swaps with various financial institutions to maintain a cover profile by matching long-term debt at variable interest rates with fixed interest rates. Interest rate swaps related to the European debt pool are economically hedged while those swaps entered into to cover volatility on the South African debt pool have been designated as cash flow hedges. The notional principal amounts of the outstanding interest rate swaps at 30 June 2018 were R4.7 million. The maturity profile of the interest rate swaps match those of the interest repayment schedule.

At year-end, the fixed interest rate weighted average amounted to 4.29%, and the floating rate was equal to 3 month JIBAR, ranging from 6.867% to 7.129%. At year end, the interest rate swap was in-the-money, please refer to the fair value hierarchy for the interest rate swap value recognised (Note 8).

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

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

	Interest expense R'000	Change in interest	Impact on financial results R'000
Interest rate swap	10 245	1%	102
<b>Net impact on profit and loss</b>	<b>10 245</b>		<b>102</b>

## 11. Deferred vendor liabilities

The Group structures its acquisitions to include contingent and deferred consideration that is included in the cost of the business combination at the fair value on the date of the acquisitions. Subsequent changes in the fair value of contingent consideration is recognised in profit and loss. Deferred consideration is subsequently measured at amortised cost. All deferred vendor liabilities raised relate to business combinations, please refer to the Business Combination note (Note 4) for a detailed description of the 2018 business acquisitions.

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

	2018 R'000	Restated 2017 R'000
Remedica Group	614 388	1 245 288
Scitec Group	-	298 009
Sun Wave Pharma Group	353 267	323 643
Cipla Group	50 000	138 709
Ortho-Xact	-	68 400
Klub M5 Proprietary Limited	55 000	51 032
Ortus Proprietary Limited	-	10 956
Afrikelp Group	-	9 408
Umecom Proprietary Limited	2 792	3 068
Kyron Group	223 908	-
	<b>1 299 355</b>	<b>2 148 513</b>
Current	422 969	651 374
Non-current	876 386	1 497 139
	<b>1 299 355</b>	<b>2 148 513</b>
Deferred consideration	767 180	1 762 883
Contingent consideration	532 175	385 630
	<b>1 299 355</b>	<b>2 148 513</b>

The Group acquired the **Kyron Group** on 1 March 2018. The remaining purchase consideration consists of a deferred and a contingent portion.

- R100 million deferred consideration was paid in August 2018 with a discount of R1 million (refer to note 3);
- R7.3 million contingent consideration, payable after 1 year if the performance target for a specific division for the period is achieved;
- R97.9 million contingent consideration, payable after 18 months if the performance target for the period is achieved;
- R18.7 million contingent consideration, payable after 2 year if the performance target for a specific division for the period is achieved.

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

# Notes to the group financial statements (continued)

## 11. Deferred vendor liabilities (continued)

<b>Key unobservable input</b>	<b>Range</b>	<b>Change in margin</b>	<b>Impact on fair value</b>
Performance Target: EBIT Margin	38.2% - 43.3%	5%	2 027
		-5%	(2 027)

The Group acquired the **Sunwave Group** in June 2017. The contingent consideration of R263.9 million is based on the performance of the acquired business.

- €5 million in July 2018 since the EBITDA exceeded €6.5 million;
- €8 million in June 2020 if EBITDA equals or exceeds €7 million for the period;
- €6 million in June 2021 if EBITDA equals or exceeds €7.5 million for the period;
- A potential additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum. At acquisition management's forecast did not indicate that the target is likely to be achieved. However based on the 2018 performance the target is likely to be achieved. The liability as presented in the June 2017 audited results has been restated as a result of an IFRS 3 measurement period adjustment with R59.8 million (€3.7 million), for more information please refer to the restatement (Note 6).

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

<b>Key unobservable input</b>	<b>Range</b>	<b>Change in margin</b>	<b>Impact on fair value</b>
EBITDA Margin	18% - 21%	2%	4 740
		-2%	(7 702)

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

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

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

<b>Key unobservable input</b>	<b>Target</b>	<b>Change in margin</b>	<b>Impact on fair value</b>
PBIAT Margin	18%	20%	16 448
		-20%	(24 672)

## 11. Deferred vendor liabilities (continued)

In February 2016 the Group acquired the **Afrikelp Group**. The remaining consideration payable is classified as deferred consideration of R10 million and was settled in December 2017. (R9.4 million represents the discounted value).

The Group acquired **Umecom** in July 2014. The remainder of the deferred consideration of R 2.8 million will be settled in March 2019.

The Group acquired the **Remedica Group** in August 2016. The initial deferred consideration of €90 million (R1 200 million) which was payable in August 2019 was amended following renegotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million became payable in August 2017 and the remaining €40 million will be settled in August 2019. The total consideration also includes a contingent consideration component, however based on the managements best estimate of the expected performance of the business it is highly unlikely the performance target will be achieved and the fair value is considered to be zero.

The Group acquired the **Scitec Group** in August 2016. The deferred consideration of €20 million (R298 million) was settled in August 2017.

The Group acquired **Ortus** in May 2015. The final settlement of the contingent consideration of R11 million was paid in December 2017.

In April 2017 the Group acquired the **Cipla Group**. R73.2 million of the remaining consideration was paid in July 2017. The liability as presented in the June 2017 audited results has been restated as a result of an IFRS 3 measurement period adjustment with R 6 million, for more information please refer to the restatement note (Note 6).

In April 2017 the Group acquired the **Ortho Xact** business. The remaining consideration payable was classified as deferred consideration, and has since been settled in May 2018.

**Restatement:** The liability balance as presented in the June 2017 financial statements have been restated. Please refer to the restatement note (Note 6) for more information.

## 12. Put-option on equity instrument

The Group acquired 49% controlling interest in **Farmalider Group** in August 2015. The deferred consideration represents the discounted value of the future cash flows relating to the put-call option to acquire the remaining 51% interest for a further R92.4 million payable exercisable in 2018 (R78.1 million) and 2021 (R14.3 million) respectively.

The table below includes a breakdown of the put-option liability and the movement for the year:

	2018 R'000	2017 R'000
Current	78 108	-
Non-current	14 309	113 055
<b>Total</b>	<b>92 417</b>	<b>113 055</b>
Opening balance	113 055	120 971
Interest	3 522	3 282
Re-estimated cash flows adjustment	(32 532)	-
Foreign exchange movements	8 372	(11 198)
<b>Closing balance</b>	<b>92 417</b>	<b>113 055</b>

# Notes to the group financial statements (continued)

## 12. Put-option on equity instrument (continued)

The put option is recognised as a financial liability which is initially measured at the present value of the redemption amount. Subsequently, the liability is measured at amortised cost using the effective interest method. The Group views EBITDA as a non-financial variable specific to the contract and as a result the put-option liability is recognised at amortised cost. During the current year, the carrying amount of the put-option liability was revised to R92.4 million to reflect the re-estimated cash flows resulting from the recent actual performance of Farmalider.

### Fair Value

The initial day one measurement of the redemption amount is a level 3 measurement. The key unobservable inputs being the annualized risk-free rate, compounded annual growth rate and the performance multiple.

The fair value of the put-option liability for the 2018 financial year has been revised in order to reflect the re-estimated cash flows resulting from the recent actual performance of Farmalider. The fair value as at 30 June 2018 is R92.4 million.

The table below serves to illustrate the impact on the fair value of the instrument should one of the unobservable inputs change assuming that all the other factors remain constant.

Key unobservable input	P/E Multiple	Change in margin	Impact on fair value
Annualised risk free rate		1%	924
		-1%	(924)
Compound annual growth rate		5% or -5%	4 621
Performance multiple	9.2	5% or -5%	1 605

## 13. Trade and other payables

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

	2018 R'000	2017 R'000
Trade payables	876 757	823 751
Other payables	117 198	99 277
VAT	20 805	14 887
Accrued expenses <sup>(1)</sup>	187 001	194 677
Accrued payroll expenses <sup>(1)</sup>	112 447	116 211
Dividends payable	7 576	1 406
<b>Trade and other payables</b>	<b>1 321 784</b>	<b>1 250 209</b>
Provisions	92 854	26 595
	<b>1 414 638</b>	<b>1 276 804</b>

(1) Accrued expenses mostly consist of immaterial individual balances owed by entities within the Group. Included in these balances are: Commission payable R20.3 million (2017: R24.7 million) and GRV accruals R11.3 million (2017: R33.9 million). Included in accrued payroll expenses are bonus accruals R41.4 million (2017: R22.2 million) and leave pay provisions R30.1 million (2017: R29.6 million).

# Notes to the group financial statements (continued)

## 14. Trade and other receivables

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

	2018 R'000	2017 R'000
Trade receivables	1 728 867	1 758 035
Less: provision for impairment of trade receivables	(41 191)	(69 670)
Less: provision for settlement discounts and credit notes	(23 083)	(31 905)
<b>Trade receivables - net</b>	<b>1 664 592</b>	<b>1 656 460</b>
Prepayments	29 466	56 139
Deposits	10 675	9 577
VAT	131 792	98 688
Other receivables <sup>(1)</sup>	35 250	60 727
	<b>1 871 775</b>	<b>1 881 591</b>

(1) Included in other receivables is R13.4 million relating to royalty income receivable for Farmalider.

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

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

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

	2018 R'000	2017 R'000
Group A	226 674	208 978
Group B	1 299 616	1 486 502
Group C	191 032	62 555
Group D	11 545	-
	<b>1 728 867</b>	<b>1 758 035</b>

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

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

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

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

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

The customer credit risk is mitigated by the fact that there is no specific concentration risk in terms of a specific individual customer. Overall, the credit risk portfolio at 30 June 2018 has changed significantly from the 2017 financial period. Previously the credit risk portfolio of the Group was heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. Due to the international acquisitions in the prior years and refinancing the Group's credit risk portfolio is spread across different African and European counterparties with better credit ratings of which a large portion relates to government institutions and top tier banks.

# Notes to the group financial statements (continued)

## 14. Trade and other receivables (continued)

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

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

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

	2018 R'000	2017 R'000
Up to three months	1 464 870	49 540
Three to six months	161 304	207 509
Over six months	102 693	220 127
	<b>1 728 867</b>	<b>477 176</b>

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

	2018 R'000	2017 R'000
Up to three months	2 327	505
Three to six months	6 943	13 778
Over six months	31 921	55 387
	<b>41 191</b>	<b>69 670</b>

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

	2018 R'000	2017 R'000
Opening balance	69 670	55 043
Provision for impairment	33 067	21 142
Acquired as part of business combinations	(149)	227
Amounts written off as uncollectable	(28 361)	(3 995)
Unused amounts reversed	(33 036)	(2 747)
	<b>41 191</b>	<b>69 670</b>

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

### Transferred receivables:

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, receivables of R37 million have been transferred to the factorer in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as part of trade and other payables.

## 15. Foreign exchange exposure

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

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have impacted profit before tax by the amounts shown below. The sensitivity analysis below was performed for all open foreign exchange contracts as at 30 June 2018. The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2017.

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

UK pound sterling	18.09
Euros	16.00
US dollar	13.70
Australian Dollar	10.14
Swiss Franc	13.81
Japanes Yen	0.12
Romanian leu	3.43

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

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2018 financial period.

<b>Foreign denominated balances held by the Group at year end:</b>	<b>R'000</b>	<b>Change in exchange rate</b>	<b>Impact on financial results R'000</b>
<b>Current assets</b>			
UK Pound	45	7%	3
Euros	5 245	7%	387
US Dollars	70 609	5%	3 540
YEN	351	8%	28
<b>Current liabilities</b>			
UK Pound	(50)	7%	(3)
Euros	(17 048)	7%	(1 258)
US Dollars	(93 995)	5%	(4 713)
Swiss Franc	(5 835)	1%	(73)
YEN	(93)	8%	(7)
<b>Net impact from foreign denominated balances</b>	<b>(40 771)</b>		<b>(2 097)</b>
<b>Foreign operations (majority denominated in Euros):</b>			
Current assets	1 521 313	7%	112 261
Current liabilities	(1 156 931)	7%	(85 372)
<b>Net impact from foreign denominated balances:</b>	<b>364 382</b>		<b>26 889</b>
<b>Net impact of foreign exposure on profit/loss:</b>	<b>323 611</b>		<b>24 792</b>
<b>Forward exchange contracts</b>			
Euros	(500)	7%	(35)
US dollar	5 093	5%	255
<b>Net impact including economic hedges on profit/loss</b>	<b>4 593</b>		<b>221</b>

During the current year, there are no current liabilities and assets impacting equity directly.

## 15. Foreign exchange exposure (continued)

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

## 16. Cash and cash equivalents

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

Cash and cash equivalents consist of the following:

	2018 R'000	2017 R'000
Cash on hand	1 022	1 345
Rand denominated bank balances	383 647	233 478
Foreign denominated bank balances	276 906	385 659
Short-term deposits	106 349	14 237
<b>Cash and cash equivalents</b>	<b>767 924</b>	<b>634 719</b>
Bank overdraft	(81 301)	(107 544)
<b>Cash and cash equivalents per the cash flow statement</b>	<b>686 623</b>	<b>527 175</b>

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

Given these credit ratings, management does not expect any counterpart to fail to default on its obligations.

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

### Offsetting disclosure

The Group has a centralised cash pooling arrangement where the bank balances in the subsidiaries within the Group are offset against Treasury bank balance in order to optimise interest received or paid. Treasury regularly transfers amounts between the bank accounts which form part of the notional pooling structure (which could be in a cash positive or overdraft position). The Group expects and intends to settle the balances on a net basis, however since the cash balances were not swept at year end the Group did not meet the requirements for net presentation in accordance with IAS 32 paragraph 42(a).

# Notes to the group financial statements (continued)

## 16. Cash and cash equivalents (continued)

<b>2018 R'000</b>	<b>Gross financial instrument</b>	<b>Gross financial instrument set off</b>	<b>Net financial instrument presented</b>	<b>Related amounts not offset</b>	<b>Net amount</b>
Cash and cash equivalents	767 924	-	767 924	-	767 924
Bank overdraft	(81 301)	-	(81 301)	-	(81 301)
	<b>686 623</b>	<b>-</b>	<b>686 623</b>	<b>-</b>	<b>686 623</b>

  

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

## 17. Inventories

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to an entity. Solal, Ascendis Health Direct, Ascendis Sports Nutrition, Ascendis Supply Chain, Sportron Namibia and the Pharma division use standard costing.

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

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The write down is included in expenses disclosed in note 36.

	<b>2018 R'000</b>	<b>2017 R'000</b>
Raw materials, components	347 280	247 871
Finished goods	1 055 008	1 178 806
Drug master files held for sale	-	4 850
Work in progress	202 258	141 119
Goods in transit	37 700	48 010
	<b>1 642 246</b>	<b>1 620 656</b>
Inventories provision for obsolete stock	(22 805)	(22 930)
	<b>1 619 441</b>	<b>1 597 726</b>

## 18. Revenue

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

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

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

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

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

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

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

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

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

Revenue is presented net of indirect taxes, estimated returns and trade discounts and rebates.

# Notes to the group financial statements (continued)

## 18. Revenue (continued)

The breakdown of revenue from all activities is as follows:

	<b>2018</b>	<b>Restated</b>
	<b>R'000</b>	<b>2017</b>
		<b>R'000</b>
Sale of goods - in-country	5 100 674	3 406 262
Sale of goods - export	2 548 722	2 926 340
Sale of drug master files	27 343	16 500
Rendering of services	36 062	32 337
Royalty income	23 751	27 380
	<b>7 736 552</b>	<b>6 408 819</b>

## 19. Property, plant and equipment

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

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

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

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

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

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

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

Leased assets have been assessed and are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value and carried at cost less accumulated depreciation. Land is not depreciated.

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

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

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

Refer to note 6 and 20 for details regarding 2017 representation of property, plant and equipment.

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

# Notes to the group financial statements (continued)

## Reconciliation of property, plant and equipment - 2018

R'000	Land and buildings	Plant and machinery - owned	Office furniture	Motor vehicles - owned	Leased Assets	Computers	Leasehold improvements	Capital work in progress <sup>(1)</sup>	Total
<b>Opening balance</b>									
Cost or revaluation	576 679	376 464	42 874	39 083	28 309	48 157	33 355	36 606	1 181 527
Accumulated depreciation and impairment	(10 661)	(57 055)	(16 179)	(3 639)	(3 912)	(11 390)	(18 944)	241	(121 539)
<b>Net book value at 1 July 2017</b>	<b>566 018</b>	<b>319 409</b>	<b>26 695</b>	<b>35 444</b>	<b>24 397</b>	<b>36 767</b>	<b>14 411</b>	<b>36 847</b>	<b>1 059 988</b>
Additions	6 261	153 615	18 412	5 712	18 563	24 718	14 704	13 421	255 407
Revaluation	(4 611)	-	-	-	-	-	-	-	(4 611)
Additions through business combinations	-	2 710	506	487	-	194	-	-	3 897
Disposals and scrapping	-	(2 551)	(887)	(862)	(327)	(507)	(36)	(1 884)	(7 054)
Transfers between asset categories <sup>(2)</sup>	318	21	(10 063)	(23 741)	16 593	(1 153)	19 691	1 803	3 468
Transferred to disposal group classified as discontinued operations	(87 000)	(26 122)	(1 532)	(1 124)	-	(2 100)	(1 482)	-	(119 360)
Foreign exchange movements	51 975	18 571	4 887	339	(10 005)	2 273	(13 336)	(1 764)	52 940
Depreciation	(14 530)	(64 518)	(6 469)	(4 421)	(9 577)	(14 084)	(4 444)	-	(118 043)
<b>Net book value at 30 June 2018</b>	<b>518 431</b>	<b>401 135</b>	<b>31 549</b>	<b>11 834</b>	<b>39 644</b>	<b>46 108</b>	<b>29 508</b>	<b>48 423</b>	<b>1 126 632</b>
Made up as follows:									
Cost or revaluation	531 354	547 692	54 128	15 676	41 753	72 826	80 224	48 182	1 391 835
Accumulated depreciation and impairment	(12 921)	(146 558)	(22 579)	(3 842)	(2 109)	(26 718)	(50 716)	241	(265 203)
	<b>518 433</b>	<b>401 134</b>	<b>31 549</b>	<b>11 834</b>	<b>39 644</b>	<b>46 108</b>	<b>29 508</b>	<b>48 423</b>	<b>1 126 632</b>

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

(2) The R3.5 million transfer between categories relates to assets transferred from inventory to Property, Plant and Equipment during the year.

# Notes to the group financial statements (continued)

## Reconciliation of property, plant and equipment - 2017 (Restated)

R'000	Land and buildings	Plant and machinery - owned	Office furniture	Motor vehicles - owned	Leased Assets	Computers	Leasehold improvements	Capital work in progress	Total
<b>Opening balance</b>									
Cost	170 868	128 115	26 488	11 511	5 499	18 930	25 470	13 082	399 963
Accumulated depreciation and impairment	(2 992)	(20 366)	(10 925)	(2 557)	(2 509)	(7 955)	(4 436)	-	(51 740)
<b>Net book value at 1 July 2016</b>	<b>167 876</b>	<b>107 749</b>	<b>15 563</b>	<b>8 954</b>	<b>2 990</b>	<b>10 975</b>	<b>21 034</b>	<b>13 082</b>	<b>348 223</b>
Additions	46 203	30 899	7 579	8 538	-	18 998	1 762	3 906	117 885
Revaluation	-	-	-	-	-	-	-	-	-
Additions through business combinations	353 938	265 869	24 240	4 083	24 778	21 056	9 054	27 657	730 675
Disposals and scrapping	-	(3 020)	(617)	(1 699)	-	(243)	(20)	241	(5 358)
Transfers between asset categories	43 030	(23 301)	(14 257)	380	-	65	1 226	(7 142)	1
Foreign exchange movements	(37 530)	(6 527)	2 722	21 434	(1 968)	(2 078)	(12 322)	(897)	(37 166)
Depreciation	(7 499)	(52 260)	(8 535)	(6 246)	(1 403)	(12 006)	(6 323)	-	(94 272)
<b>Net book value at 30 June 2017</b>	<b>566 018</b>	<b>319 409</b>	<b>26 695</b>	<b>35 444</b>	<b>24 397</b>	<b>36 767</b>	<b>14 411</b>	<b>36 847</b>	<b>1 059 988</b>
Made up as follows:									
Cost or revaluation	576 679	376 464	42 874	39 083	28 309	48 157	33 355	36 606	1 181 527
Accumulated depreciation and impairment	(10 661)	(57 055)	(16 179)	(3 639)	(3 912)	(11 390)	(18 944)	241	(121 539)
	<b>566 018</b>	<b>319 409</b>	<b>26 695</b>	<b>35 444</b>	<b>24 397</b>	<b>36 767</b>	<b>14 411</b>	<b>36 847</b>	<b>1 059 988</b>

# Notes to the group financial statements (continued)

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

### Fair value of land and buildings

An independent valuation of the Group's land and buildings was performed in the previous year by valuers to determine the fair value of the land and buildings. Valuations are performed with sufficient regularity at least every 3 years to ensure that the fair value of revalued assets does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the assets.

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

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

	Phyto-Vet		Consumer Brands		Pharma-Med		Consumer Brands Europe		Pharma-Med Europe	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	30 613	27 700	66 660	58 300	82 759	82 700	229 967	-	522 718	-
Business combinations	-	864	-	114	-	319	-	204 130	-	525 247
Additions since purchase/valuation	-	3 753	-	13 222	-	2 898	-	49 870	-	28 523
Transferred to assets held for sale	-	-	-	-	(79 601)	-	-	-	-	-
Revaluation losses	-	-	-	-	-	-	(4 611)	-	-	-
Depreciation for the year	(1 704)	(1 704)	(4 976)	(4 976)	(3 158)	(3 158)	(24 033)	(24 033)	(31 052)	(31 052)
	28 909	30 613	61 684	66 660	-	82 759	201 323	229 967	491 666	522 718

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

Property	Rent/m <sup>2</sup>	Vacancy rate	Capitalisation rate	Carrying amount
Phyto-Vet-Erf 649	R33.12	3%	10.50%	22 978
Phyto-Vet-Erf 1719 & 1839	R19.24	2%	10%	2 515
Consumer Brands-Erf 514	R117.95	2.50%	10%	2 911
Consumer Brands-Erf 1114 & 1115	R3479 - R3535	2.50%	10% - 10.75%	39 247
Pharma-Med-Erf 426	R34.67	5%	10.50%	27 172

A valuation of properties, Erf 1114 and 1115 situated on 1-3 Carey Street, Marlboro, Gauteng was performed on 30 June 2016 by an independent valuator, W.J. Hewitt, a professional associated valuator (Reg 12) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach, using a capitalisation rate of 10% and 10.75% respectively.

A valuation of the remaining properties as detailed below was performed on 30 June 2017 by an independent valuator, T. Behrens, a professional associated valuator (Reg 3206/5) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach.

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

# Notes to the group financial statements (continued)

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

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

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

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

## 20. Discontinued operations

Ascendis initiated a strategic business review in March 2018 following the appointment of Thomas Thomsen as chief executive officer (“CEO”). The strategic review is primarily aimed at creating a leading market position for the business, accelerating organic growth across the Group following the completion of several local and international acquisitions, improving cash generation and enhancing profitability.

As a result of the above-mentioned strategic review, the board decided to dispose of certain non-core assets. The following disclosures relate to discontinued operations for the financial period ended June 2018:

### Supply chain manufacturing – Change of plan

In May 2017 the Ascendis management made a decision to dispose of the Group’s Supply Chain business with its manufacturing plant in Wynberg. This was disclosed as a discontinued operation, and as a result, the relevant assets and liabilities were classified as being held for sale. However, following key changes in management and consequently a strategic review of the business, the Group has undertaken to retain its good manufacturing practice (“GMP”) approved pharmaceutical manufacturing facility located in Wynberg, Johannesburg, rather than the Isando facility as initially planned.

As a result of the change in the strategic direction of the business, the discontinued operation as disclosed during the 2017 financial year, will no longer be disposed of and the losses are included in continuing operations. The comparatives have been represented.

### 20.1 Discontinued Operations

The following operations have been disclosed as discontinued operations in the current year:

#### Ascendis Direct

Ascendis Direct (“AD”) is the Group’s direct selling and network marketing business selling Sportron and Swissgarde products, operating in Southern Africa and Nigeria. AD has limited integration with Ascendis as it operates its own management structure, head office and supply chain. The AD business model is not applied anywhere else in the Group. AD has been sold as a going concern, effective 10 September 2018.

## 20. Discontinued operations (continued)

### Ascendis Sports Nutrition

Following a review of the Sports Nutrition business the Group has decided to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The Group therefore no longer plans to offer its portfolio of sports nutrition brands in the South African and Australian market. The Group concluded the sale of the business, which includes Evox, SSN, Supashape, Muscle Junkie and Nutrimax, effective 1 August 2018.

A buyer has been identified and the transaction was completed on 1 August 2018.

### 20.2 Held for sale

#### Isando manufacturing

The Group plans to dispose of the Isando pharmaceutical manufacturing operations and its 23 000 m<sup>2</sup> GMP pharmaceutical manufacturing facility. The manufacturing facility was acquired through the Group's purchase of Akacia Healthcare during the June 2016 financial period.

The Group's diverse manufacturing facilities within South Africa are not interchangeable due to the facility layout, capabilities and regulatory environment required by certain product types. Although the Ascendis Group will continue to manufacture within South Africa, given its diverse business operations, the type of products and the different regulatory requirements relating to these products, the Group considers Ascendis Pharma to be a separate line of business.

Going forward the Group will manufacture its pharmaceutical products, currently manufactured at Isando through a third-party manufacturing agreement since the other manufacturing facilities within South Africa do not meet the relevant requirements. The manufacturing facility did not qualify to be classified as a discontinued operation in terms of IFRS 5. However, the assets and liabilities have been reclassified to assets and liabilities held for sale.

The Group is in the final stages of concluding a sale agreement.

Comparative information has been restated for the discontinued operations and segmental reporting in note 1 has also been restated to reflect comparative information relating to continuing operations.

# Notes to the group financial statements (continued)

## 20. Discontinued operations (continued)

### Financial performance and cash flow information

Financial performance and cash flow information of the discontinued operation presented for the year ended 30 June 2018:

	2018			Total	2017			Total
	Ascendis Direct	Ascendis Sport Nutrition	R'000		Ascendis Direct	Ascendis Sport Nutrition	R'000	
Revenue	89 824	128 609	218 433	84 455	150 801	235 256		
Expenses	(96 546)	(232 923)	(329 469)	(95 895)	(208 473)	(304 368)		
Loss before impairments	(6 722)	(104 314)	(111 036)	(11 440)	(57 672)	(69 112)		
Impairments	(12 000)	(59 319)	(71 319)	-	-	-		
Loss before tax	(18 722)	(163 633)	(182 355)	(11 440)	(57 672)	(69 112)		
Tax	(4 384)	(6 670)	(11 054)	1 223	11 364	12 587		
<b>Loss after income tax expense of discontinued operation</b>	<b>(23 106)</b>	<b>(170 303)</b>	<b>(193 409)</b>	<b>(10 217)</b>	<b>(46 308)</b>	<b>(56 525)</b>		
Other comprehensive income	-	-	-	-	-	-		
<b>Total comprehensive income</b>	<b>(23 106)</b>	<b>(170 303)</b>	<b>(193 409)</b>	<b>(10 217)</b>	<b>(46 308)</b>	<b>(56 525)</b>		
Net cash outflow from operating activities	(17 013)	(35 540)	(52 553)	19 735	2 077	21 812		
Net cash outflow from investing activities	(10 011)	(57 131)	(67 142)	(5 475)	501	(4 974)		
Net cash inflow from financing activities	31 117	84 471	115 588	(19 506)	12 820	(6 686)		
<b>Net (decrease)/increase in cash generated by discontinued operation</b>	<b>4 093</b>	<b>(8 200)</b>	<b>(4 107)</b>	<b>(5 246)</b>	<b>15 398</b>	<b>10 152</b>		

### Assets and liabilities classified as held for sale

The following assets and liabilities were classified as held for sale in the current year:

	2018			Total
	Isando	Ascendis Direct	Ascendis Sport Nutrition	
Property, plant and equipment	113 037	6 025	298	119 360
Intangible assets & Goodwill	-	48 688	39 160	87 848
Deferred tax asset	14	2 582	137	2 733
Inventories	9 300	14 379	31 776	55 455
Current Income tax receivable	-	840	832	1 672
Trade and other receivables	418	28 956	3 663	33 037
Cash and cash equivalents	125	2 585	704	3 414
Other financial assets	-	56 006	100	56 106
<b>Assets held for sale</b>	<b>122 894</b>	<b>160 061</b>	<b>76 670</b>	<b>359 625</b>
Borrowings	-	(18 270)	-	(18 270)
Finance lease liabilities	-	(326)	(76)	(402)
Deferred tax liability	(14 648)	(942)	(638)	(16 228)
Trade and other payables	(3 078)	(14 630)	(2 373)	(20 081)
Provisions	(1 637)	(2 279)	(2 294)	(6 210)
Current Income tax payable	(226)	(1 707)	(1)	(1 934)
<b>Liabilities held for sale</b>	<b>(19 589)</b>	<b>(38 154)</b>	<b>(5 382)</b>	<b>(63 125)</b>

# Notes to the group financial statements (continued)

## 20 Discontinued operations (continued)

The representation the Wynberg facility as a continuing operation has the following impact on the 2017 reported financial information:

	2017 R'000
<b>Statement of Profit and Loss</b>	
Revenue	209 049
Expenses	(292 832)
Income tax	12 807
<b>Net Impact</b>	<b>(70 976)</b>
	2017 R'000
<b>Statement of Financial Position</b>	
Property, plant and equipment	68 320
<b>Net Impact</b>	<b>68 320</b>

## 21. Stated capital

	2018 R'000	2017 R'000
<b>Opening balance</b>		
Issue of ordinary shares	5 447 899	2 138 684
Raising fees capitalised to stated capital	1 040 505	3 432 245
Movement in treasury shares on hand	(1 388)	(24 309)
	25 914	(98 721)
<b>Closing balance</b>	<b>6 512 930</b>	<b>5 447 899</b>

### General issue of shares for cash

The Group raised R750 million equity capital by way of a rights offer to qualifying shareholders that concluded in December 2017. 37.5 million shares were offered for subscription to the qualifying shareholders on the basis of 8.365 rights offer shares for every 100 shares held, at a subscription price of R20.00 per rights offer share.

The Group also raised further capital through the general issuance of shares through private placements. The Group used a 30-day volume weighted average price to determine the discount at which the shares were issued. The total number of shares issued during the course of the financial period was 16 million shares, issued at a share price of R17.78 per share.

The total number of shares issued as part of the above mentioned transactions was 53.5 million raising a total of R1 040 million in equity capital.

### Treasury shares

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

All shares issued were fully paid up.

	2018 '000	2017 '000
<b>Reconciliation of number of shares in issue:</b>		
Opening balance reported	431 344	298 608
Issue of shares – ordinary shares	53 531	137 066
Treasury shares		
Held at the beginning of the period	4 596	266
Held at the end of period	(3 970)	(4 596)
<b>Closing balance</b>	<b>485 500</b>	<b>431 344</b>

# Notes to the group financial statements (continued)

## 22. Dividends paid

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

No dividend per share has been declared in the 2018 financial period (2017: 11 cents).

	2018 R'000	2017 R'000
Balance at the beginning of the year	(1 406)	(2 295)
Dividends	-	(112 758)
Balance at the end of the year	7 576	1 406
<b>Dividend movement</b>	<b>6 170</b>	<b>(113 647)</b>

## 23. Employee benefit expense

The remuneration policy varies from one entity to the other within the Group. The employee benefit expense relates to short-term benefits such as salaries or wages. The Group does not contribute to medical aid or pension funds for any of its employees, except for the individual amounts disclosed in related parties (Note 32).

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

The following items are included within employee benefits expense:

	2018 R'000	2017 R'000
Wages and salaries	1 071 723	849 207

# Notes to the group financial statements (continued)

## 24. Long-term employee benefits

Ascendis has implemented an incentive scheme to retain and remunerate key staff members in the form of a lump sum payable after a specified term of employment. Ascendis' net obligation is the amount of future benefit that the key staff members have earned in return for their service in the current and prior periods

Should all key staff members remain employed with Ascendis, all long term employee benefits will be payable within the periods 2019 to 2023.

	2018 R'000	2017 R'000
Current	12 180	-
Non-current	4 714	15 188
<b>Long-term employee benefit liability</b>	<b>16 894</b>	<b>15 188</b>

To determine the day one fair value of the long-term employee benefit, the key assumptions are the risk free rate of 8.63% as well as the probability of pay-out. Re-measurements are recognised in the profit or loss in the period in which they arise. During the current period, R600 000 was recognised as part of the salaries and wages in the income statement which related to the re-measurement of the liability. Interest expense that was capitalised to the liability amounted to R1.1 million in the current period.

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

## 25. Investments accounted for using the equity method

The Group has assessed the nature of its investments and considered whether the entity has significant influence over the investments. Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The associates in the current year are individually immaterial.

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

	2018 R'000	2017 R'000
Investment in associate accounted at cost	1 621	(1 066)

The amounts recognised in the statement of comprehensive income.

	2018 R'000	2017 R'000
Gain/(loss) from equity accounted investments	2 687	(1 452)

# Notes to the group financial statements (continued)

## 26. Summarised financial information of material non-controlling interests

Set out below is summarised financial information for the material non-controlling interest in Farmalider (Spain) in which the Group holds a 49% controlling interest. The remaining non-controlling interest is not considered material for the Group and it relates to the investment in Afrikelp, therefore no further disclosure is considered necessary in terms of IFRS12. Refer to the statement of changes in equity for the detailed reconciliation of non-controlling interest.

<b>Summarised Statement of Profit and Loss and Other Comprehensive income</b>	<b>2018 R'000</b>	<b>2017 R'000</b>
Revenue	559 203	473 873
Profit before tax	102 240	82 917
<b>Total comprehensive income</b>	<b>98 337</b>	<b>74 952</b>
	<b>2018 R'000</b>	<b>2017 R'000</b>
<b>Summarised statement of financial position</b>		
Non-current assets	386 187	216 089
Current assets	320 672	242 465
<b>Total assets</b>	<b>706 859</b>	<b>458 554</b>
Non-current liabilities	49 596	57 411
Current liabilities	332 227	184 818
<b>Total liabilities</b>	<b>381 823</b>	<b>242 229</b>
<b>Total net assets</b>	<b>325 036</b>	<b>216 325</b>

## 27. Commitments

### Operating lease commitments – Group company as lessee

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

Finance lease commitments are included separately, refer to note 30.

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

<b>Minimum lease payments due</b>	<b>2018 R'000</b>	<b>2017 R'000</b>
- Within one year	27 500	26 751
- In second to fifth year inclusive	41 789	81 526
- Later than 5 years	-	2 974
<b>Total</b>	<b>69 289</b>	<b>111 251</b>

# Notes to the group financial statements (continued)

## 28. Cash generated from operations

	2018 R'000	Restated 2017 R'000
<b>Profit after tax</b>	<b>302 155</b>	<b>307 320</b>
<b>Adjustments for:</b>		
Tax from continuing operations	79 525	49 774
Depreciation and amortisation	318 129	210 129
Impairment on intangible assets	101 588	48 590
Bargain purchase (IFRS 3)	-	(1 938)
Net loss on sale of assets	739	(341)
Net profit on disposal of investment	(580)	165
Net loss/(profit) on foreign exchange	1 555	(23 075)
Put-option remeasurement	(32 532)	-
Fair value measurement of financial assets and liabilities	14 520	(3 756)
Movement in provisions	70 140	10 935
Finance income	(16 422)	(40 734)
Finance expense	394 836	347 965
Remeasurement of deferred vendor liabilities	-	5 398
Income from equity accounted investments	(2 687)	1 452
Long term incentive adjustment	1 706	-
<b>Changes in working capital:</b>		
Inventories	10 292	(40 095)
Trade and other receivables	85 885	(191 786)
Trade and other payables	(96 126)	107 380
<b>Cash generated from operations</b>	<b>1 232 723</b>	<b>787 383</b>

### Net Debt

	2018 R'000	2017 R'000
Cash and cash equivalents	767 924	634 719
Debt repayable within one year including bank overdrafts	(1 548 931)	(1 795 855)
Debt repayable after one year	(5 476 522)	(5 648 636)
<b>Net Debt</b>	<b>(6 257 529)</b>	<b>(6 809 772)</b>
Cash and cash equivalents	767 924	634 719
Gross Debt - fixed interest rate	(5 635 162)	(5 907 125)
Gross Debt - variable interest rate	(1 390 291)	(1 537 366)
<b>Net Debt</b>	<b>(6 257 529)</b>	<b>(6 809 772)</b>

# Notes to the group financial statements (continued)

## Net debt reconciliation - 2018

R'000	Cash and cash equivalents	Repayable within 1 year				Repayable after 1 year				Total
		Finance leases	Borrowings	Deferred vendor liabilities	Other	Finance leases	Borrowings	Deferred vendor liabilities	Other	
<b>Net Debt as at 30 June 2017</b>	<b>527 175</b>	<b>(9 900)</b>	<b>(1 027 037)</b>	<b>(651 374)</b>	-	<b>(20 485)</b>	<b>(4 002 769)</b>	<b>(1 497 139)</b>	<b>(128 243)</b>	<b>(6 809 772)</b>
Cashflows	120 029	(5 199)	288 688	1 217 918	-	(6 491)	(449 363)	2 387	-	1 167 969
Foreign exchange adjustments	39 419	-	117 464	-	-	-	(51 591)	(111 366)	(8 427)	(14 501)
Other non-cash movements	-	-	(318 387)	(989 514)	(90 288)	-	(50 415)	729 732	117 647	(601 225)
<b>Net Debt as at 30 June 2018</b>	<b>686 623</b>	<b>(15 099)</b>	<b>(939 272)</b>	<b>(422 970)</b>	<b>(90 288)</b>	<b>(26 976)</b>	<b>(4 554 138)</b>	<b>(876 386)</b>	<b>(19 023)</b>	<b>(6 257 529)</b>

# Notes to the group financial statements (continued)

## 29. Other income

Dividend income is recognised when the right to receive payment is established. All other income is recognised based on the accrual basis of accounting.

	2018 R'000	Restated 2017 R'000
Rental income	427	886
Cost recoveries	-	3 765
Bad debt recoveries	42	1 410
Legal settlement	975	12 317
Marketing and management fees	5 704	7 053
Investment income	-	3 441
Bargain purchase recognised as part of a business combination	-	1 929
Profit on the disposal of property, plant and equipment	3 538	7 856
Profit on the disposal of investments	-	311
Other income	10 820	1 694
Additional charges to customers	8 063	-
Skin sale of brand to USA	3 288	-
Foreign exchange gains	1 555	19 661
	<b>34 412</b>	<b>60 323</b>

## 30. Finance lease liabilities

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

	2018 R'000	2017 R'000
<b>Minimum lease payments due</b>		
-within one year	15 405	10 367
-in second to fifth year inclusive	27 482	20 843
-later than five years	-	-
	<b>42 887</b>	<b>31 210</b>
less: future finance charges	(812)	(824)
<b>Present value of finance lease liabilities</b>	<b>42 075</b>	<b>30 386</b>
<b>Present value of minimum lease payments due</b>		
-within one year	15 099	9 900
-in second to fifth year inclusive	26 976	20 486
	<b>42 075</b>	<b>30 386</b>

The remaining finance lease obligation is repayable over a period of time that ranges up to five years, bearing interest at 3.5% – 11% and is secured by plant and machinery to the value of R24 million. (2017:R 20 million).

# Notes to the group financial statements (continued)

## 31. Other financial assets

	2018 R'000	2017 R'000
<b>Financial assets measured at amortised cost</b>		
Health-on-the-Go	-	6 014
Previous owners of Chempure t/a Solal	9 521	9 521
Directors of Ascendis	3 618	16 197
Loans to key management	4 212	8 078
Initial Stock Value - Scitec	14 926	-
Other financial assets	6 140	8 163
Previous owners of One Vision Investments	-	13 956
Loans to external parties	18 446	-
	<b>56 863</b>	<b>61 929</b>
Current other financial assets	1 112	32 761
Non-current other financial assets	55 751	29 168
<b>Other financial assets</b>	<b>56 863</b>	<b>61 929</b>

All other financial assets are initially measured at fair value and subsequently at amortised cost. Other financial assets are regarded as a level 3 on the fair value hierarchy.

**Previous owners of Chempure t/a Solal:** Relates to amounts paid on behalf of the previous owners, including PAYE on retrenchments, restraint of trade.

**Initial Stock Value – Scitec:** Scitec's domestic customers require initial stock to start their business relationship. This initial stock is considered as a loan to external parties as this balance remains outstanding until the contract terminates. This period is normally not definite, but assumption can be around 5-7 years.

**Loans to directors of Ascendis:** An amount of R3.6 million is receivable from the directors of Ascendis Management Services. The loans bear interest at 7.5% – 9.0% compounded annually and are all repayable within two to five years. All loans were made in compliance with the requirements of section 45 of the Companies Act. Refer to the Related parties section (Note 32) for disclosure on related parties. The fair value of the directors' loans approximate the carrying value.

- Kieron Futter: R3 million issued in December 2015.

**Loans to key management:** An amount of R4.2 million is receivable from key management of Ascendis Management Services. The loans bear interest at 9% compounded annually and are repayable after 2020. All loans were made in compliance with the requirements of section 45 of the Companies Act. Refer to the Related parties section (Note 32) for disclosure on related parties.

**Loans to External Parties:** Consist of loans to previous Ascendis Directors (R13.8 million) and Key management staff (R4.6 million) who have since left Ascendis.

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

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

# Notes to the group financial statements (continued)

## 32. Related parties

	Number of shares	Percentage of shares
<b>Public and non-public shareholders - 2018</b>		
Public shareholders	339 288 119	69.3%
Non-public shareholders		
- Directors and associates of the company	7 756 286	1.6%
- Treasury shares (own holdings)	3 970 635	0.8%
- Strategic holdings (more than 10%)	138 454 919	28.3%
<b>Total shareholders</b>	<b>489 469 959</b>	<b>100.0%</b>
<b>Public and non-public shareholders - 2017</b>		
Public shareholders	299 735 108	68.8%
Non-public shareholders		
- Directors and associates of the company	7 553 286	1.7%
- Treasury shares (own holdings)	4 595 847	1.0%
- Strategic holdings (more than 10%)	124 055 107	28.5%
<b>Total shareholders</b>	<b>435 939 348</b>	<b>100.0%</b>

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 2018:

	Percentage of shares	2018 Number of shares
<b>Major beneficial shareholders holding 2% or more</b>		
Coast2Coast	28.3%	138 454 919
Government Employees Pension Fund	7.2%	35 210 163
Kefolile Health Investments (Pty) Ltd	6.8%	33 414 481
WDB Investment Holdings (Pty) Ltd	5.2%	25 318 760
Mineworkers Investment Company	4.5%	22 250 435
International Finance Corporation	3.7%	18 207 462
GIC Private Limited	2.5%	12 020 443

# Notes to the group financial statements (continued)

## 32. Related parties (continued)

Major fund managers managing 2% or more	2018	
	Percentage of shares	Number of shares
Public Investment Corporation	4.4%	21 596 334
Blakeney Management	3.8%	18 698 971
Laurium Capital	3.8%	18 434 183
Sentio Capital Management	3.6%	17 715 659
Jupiter Asset Management	3.5%	16 959 349
Mazi Capital	2.5%	12 243 911
GIC Private Limited (PKA Government of Singapore Investment Corporation)	2.5%	12 020 443
Old Mutual Investment Group	2.0%	9 841 034

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Banks/Brokers	53	1.4%	93 680 480	19.1%
Close Corporations	30	0.8%	318 484	0.1%
Endowment Funds	11	0.3%	289 057	0.1%
Individuals	3 157	83.0%	29 702 849	6.1%
Insurance Companies	28	0.7%	11 548 224	2.4%
Investment Companies	6	0.2%	3 888 504	0.8%
Medical Schemes	2	0.1%	492 215	0.1%
Mutual Funds	168	4.4%	61 941 828	12.6%
Private Companies	111	2.9%	229 694 112	46.9%
Retirement Funds	43	1.1%	44 191 567	9.0%
Treasury Stock	1	0.0%	3 970 635	0.8%
Trusts	192	5.1%	9 752 004	2.0%
	<b>3 802</b>	<b>100.0%</b>	<b>489 469 959</b>	<b>100.0%</b>

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 - 1 000	1 988	52.3%	605 971	0.1%
1 001 - 10 000	1 247	32.8%	4 276 662	0.9%
10 001 - 100 000	326	8.6%	10 275 121	2.1%
100 001 - 1 000 000	157	4.1%	50 489 643	10.3%
1 000 001 shares and over	84	2.2%	423 822 562	86.6%
	<b>3 802</b>	<b>100.0%</b>	<b>489 469 959</b>	<b>100.0%</b>

# Notes to the group financial statements (continued)

## 32. Related parties (continued)

### Directors' interest in shares

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

	Number of shares		
	Direct	Indirect	Total
JA Bester	16 200	-	16 200
B Harie	3 548	108 317	111 865
MS Bomela	-	-	-
Dr KS Pather	24 650	20 000	44 650
GJ Shayne	253 647	119 319 437	119 573 084
CD Dillon - resigned 22 June 2018	1 018 900	21 800 238	22 819 138
Dr KUHH Wellner - resigned 29 June 2018	2 887 307	1 500	2 888 807
CB Sampson - resigned 29 June 2018	211 175	250 000	461 175
TB Thomsen - appointed 01 March 2018	-	-	-
K Futter	296 286	-	296 286
<b>30 June 2018</b>	<b>4 711 713</b>	<b>141 499 492</b>	<b>146 211 205</b>
JA Bester	16 200	-	16 200
B Harie	3 548	108 317	111 865
MS Bomela - appointed 10 November 2017	-	-	-
DR KS Pather - appointed 10 November 2017	11 650	-	11 650
GJ Shayne	253 647	107 079 597	107 333 244
CD Dillon	1 018 900	19 640 266	20 659 166
Dr KUHH Wellner	2 743 307	1 500	2 744 807
CB Sampson	211 175	250 000	461 175
K Futter	270 286	-	270 286
<b>30 June 2017</b>	<b>4 528 713</b>	<b>127 079 680</b>	<b>131 608 393</b>

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

### Loans to and from related parties

	2018 R'000	2017 R'000
<b>Loans to Directors of subsidiaries:</b>		
As at 1 July	16 197	15 067
Loans repaid during the year	(12 838)	-
Interest charged	259	1 130
<b>As at 30 June</b>	<b>3 618</b>	<b>16 197</b>
<b>Loans to Key Management:</b>		
As at 1 July	8 078	-
Loans advanced during the year	-	8 078
Loans repaid during the year	(4 224)	-
Interest charged	358	-
<b>As at 30 June</b>	<b>4 212</b>	<b>8 078</b>

Please refer to the disclosure in Other financial assets (Note 31) for more information on the counter parties and terms of the loans making up the balance disclosed above.

# Notes to the group financial statements (continued)

## 32. Related parties (continued)

	2018	2017
	R'000	R'000
<b>Loans to Ascendis shareholder:</b>		
As at 1 July	-	46 932
Loans repaid during the year	-	(46 932)
Other charges	38	-
<b>30 June 2018</b>	<b>38</b>	<b>-</b>

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

This was a loan to Coast2Coast Capital Proprietary Limited. Refer to Other financial assets (Note 31) for more information.

	2018	2017
	R'000	R'000
<b>Transactions with related parties</b>		
Interest received from Coast2Coast	-	9 765
Expenses recovered from Coast2Coast	5 680	10 389
Rent paid to Coast2Coast	(11 178)	(8 182)
Advisory fees and Accrued income to Coast2Coast	(20 336)	(25 209)
Rent paid to Chempure (Pty) Ltd	(8 912)	-
Rent paid to Ascendis Skin and Body (Pty) Ltd	(460)	-
Nimue sales with Ascendis Skin and Body (Pty) Ltd	20	-

### Balances with related parties

Ascendis Management Services (Pty) Ltd:		
Trade Payable	(14 228)	-
Trade Receivable	14 019	-
Ascendis Skin & Body (Pty) Ltd:		
Trade Receivable	1	-

# Notes to the group financial statements (continued)

## 32. Related parties (continued)

### Key management compensation 2018

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Retirement medical benefits	Other benefits and costs *	Long service award	Directors' fees	Total
<b>Executive directors</b>								
Dr KUHH Wellner - resigned 29 June 2018	5 200	177	1 404	88	296	13 680		20 845
CB Sampson - resigned 29 June 2018	3 850	-	800	-	49	3 500		8 199
TB Thomsen - appointed 1 March 2018	2 246	-	106	-	-	-		2 352
K Futter	3 119	-	800	81	42	-		4 042
<b>Total executive</b>	<b>14 415</b>	<b>177</b>	<b>3 110</b>	<b>169</b>	<b>387</b>	<b>17 180</b>		<b>35 438</b>
Key management	36 684	503	3 534	2 649	270	-		43 640
<b>Total executive and key management</b>	<b>51 099</b>	<b>680</b>	<b>6 644</b>	<b>2 818</b>	<b>657</b>	<b>17 180</b>		<b>79 078</b>
<b>Non-executive directors</b>								
JA Bester							875	875
B Harie							495	495
MS Bomela							353	353
Dr KS Pather							475	475
<b>Total non-executive</b>							<b>2 198</b>	<b>2 198</b>
<b>Total</b>								<b>81 276</b>

# Notes to the group financial statements (continued)

## 32. Related parties (continued)

### Key management compensation 2017

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

\*SDL & UIF legislative costs

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

# Notes to the group financial statements (continued)

## 33. Deferred Tax

Deferred tax is provided in full at currently enacted or substantively enacted tax rates in operation at year end, that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Full provision is made for all temporary differences between the tax base of an asset or liability and its statement of financial position carrying value.

No deferred tax asset or liability is recognised in those circumstances, other than a business combination, where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

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

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

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

Deferred tax is calculated in full on temporary differences under the statement of financial position method using a principal tax rate of 28% (2017: 28%).

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

	2018 R'000	Restated 2017 R'000
<b>Deferred tax assets:</b>		
– Deferred tax assets to be recovered after more than 12 months	44 247	31 952
– Deferred tax assets to be recovered within 12 months	47 453	8 157
– Deferred tax asset reclassified to DTL/DTA	-	-
	<b>91 700</b>	40 109
<b>Deferred tax liabilities:</b>		
– Deferred tax liabilities to be recovered after more than 12 months	(487 513)	(446 904)
– Deferred tax liabilities to be recovered within 12 months	(4 395)	(12 385)
– Deferred tax liability reclassified to DTL/DTA	-	-
	<b>(491 908)</b>	<b>(459 289)</b>
<b>Deferred tax liabilities (Net)</b>	<b>(400 208)</b>	<b>(419 180)</b>

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

	2018	Restated 2017
At 1 July	(419 180)	(226 206)
Acquisition of subsidiary	(42 259)	(321 157)
Charged to the income statement	49 565	55 590
Measurement period adjustment	14 908	24 640
Foreign exchange difference	(3 242)	47 953
<b>At 30 June</b>	<b>(400 208)</b>	<b>(419 180)</b>

# Notes to the group financial statements (continued)

## 33. Deferred tax (continued)

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

<b>Deferred tax liabilities</b>	<b>Capital allowances</b>	<b>Intangible assets</b>	<b>Other</b>	<b>Total</b>
At 1 July 2016	(53 865)	(223 988)	(3 786)	(281 639)
Acquisition of subsidiary	(82 584)	(221 560)	-	(304 144)
Charged to the income statement	24 971	8 123	1 180	34 274
Measurement period adjustment	(4 959)	-	-	(4 959)
<b>At 30 June 2017</b>	<b>(116 437)</b>	<b>(437 425)</b>	<b>(2 606)</b>	<b>(556 468)</b>
Acquisition of subsidiary	-	(42 259)	-	(42 259)
Charged to the income statement	(7 361)	47 407	1 316	41 362
Foreign exchange difference	-	(3 241)	-	(3 241)
Measurement period adjustment	-	14 922	-	14 922
<b>At 30 June 2018</b>	<b>(123 798)</b>	<b>(420 596)</b>	<b>(1 290)</b>	<b>(545 684)</b>
<b>Deferred tax assets</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Deferred</b>	<b>Total</b>
At 1 July 2016	43 494	11 825	114	55 433
Charged to the income statement	(762)	34 778	(114)	33 902
Foreign exchange difference	47 953	-	-	47 953
<b>At 30 June 2017</b>	<b>90 685</b>	<b>46 603</b>	<b>-</b>	<b>137 288</b>
Exchange differences	-	-	-	-
Charged to the income statement	14 307	(4 170)	(1 934)	8 202
Measurement period adjustment	-	(14)	-	(14)
<b>At 30 June 2018</b>	<b>104 992</b>	<b>42 419</b>	<b>(1 934)</b>	<b>145 476</b>

The 2017 deferred tax liability numbers have been restated as a result of a measurement period adjustment. Please refer to the restatement note 6 for more detail.

## 34. Income tax expense

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

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

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

# Notes to the group financial statements (continued)

## 34. Income tax expense (continued) Major components of the tax expense

	2018 R'000	Restated 2017 R'000
<b>South African Taxation</b>		
<b>Current Tax</b>		
Current tax on profits for the period	76 665	92 637
Recognised in current tax for prior periods	(3 815)	3 882
	<b>72 850</b>	<b>96 519</b>
<b>Deferred</b>		
Originating and reversing temporary differences	(15 552)	(27 880)
(Increase)/utilisation of tax loss	(8 633)	(38 726)
Measurement period adjustment	3 075	-
	<b>(21 110)</b>	<b>(66 606)</b>
<b>South African income tax expense</b>	<b>51 740</b>	<b>29 913</b>
<b>Foreign Taxation</b>		
<b>Current Tax</b>		
Current tax on profits for the period	48 930	42 679
Fiscal tax credits	(3 744)	(13 002)
Recognised in current tax for prior periods	-	(8 245)
	<b>45 186</b>	<b>21 432</b>
<b>Deferred</b>		
Originating and reversing temporary differences	(16 858)	(1 622)
Utilisation of tax loss	41	51
Measurement period adjustment	(584)	-
	<b>(17 401)</b>	<b>(1 571)</b>
<b>Foreign income tax expense</b>	<b>27 785</b>	<b>19 861</b>
<b>Total income tax expense</b>	<b>79 525</b>	<b>49 774</b>
<b>Income tax expense attributable to:</b>		
Profit from continuing operations	68 471	62 361
Loss from discontinued operations	11 054	(12 587)
	<b>79 525</b>	<b>49 774</b>
<b>Tax at the South Africa tax rate</b>		
	<b>28.00%</b>	<b>28.00%</b>
Amortisation and impairments	0.66%	8.89%
Disallowable charges - consulting / legal fees	0.02%	5.43%
Disallowable charges - donations / sponsorships	0.88%	1.73%
Effect of prior year	-0.68%	3.49%
Exempt dividend income	0.00%	0.00%
Fines and penalties	0.18%	0.15%
(Utilisation of) increase in tax losses	1.47%	-6.77%
Local tax incentives	-0.41%	-1.13%
Foreign tax incentives	-5.17%	-11.00%
Lower foreign tax rates	-6.11%	-14.61%
Other disallowable charges	0.31%	1.49%
Other exempt income	0.00%	-0.37%
Unrealised gains on revaluation of foreign loans	-7.02%	0.00%
<b>Average effective tax rate</b>	<b>12.14%</b>	<b>15.30%</b>

### Reduction in effective tax rate

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

# Notes to the group financial statements (continued)

## 35. Tax paid

	2018 R'000	2017 R'000
Balance at the beginning of the year	18 585	(7 470)
Current tax for the year recognized in profit or loss	(118 036)	(117 951)
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	4 314	1 138
Balance at the end of the year	(33 653)	(18 585)
Current tax receivable	(116 781)	(39 824)
Current tax payable	83 128	21 239
<b>Tax paid</b>	<b>(128 790)</b>	<b>(142 868)</b>

## 36. Expenses by nature

	2018 R'000	Restated 2017 R'000
Administration costs	262 793	176 659
Advertising and promotions	251 620	116 732
Bad debt	(14 630)	(881)
Depreciation and amortisation	270 765	174 720
Distribution costs	206 456	186 105
Employee benefit expenses	1 071 723	849 207
Fair value adjustment losses	4 275	-
Impairments	35 290	72 272
Loss on disposal of assets	5 748	8 578
Occupancy costs	148 850	98 095
Once off costs	4 273	121 486
Other expenses	138 853	39 310
Research and development	13 293	36 256
Selling costs	164 802	109 044
	<b>2 564 111</b>	<b>1 987 582</b>

This note excludes expenses relating to discontinued operations.

# Appendix A: Interests in subsidiaries

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

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

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

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

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

Name of subsidiary	Nature of business	2018	2017	2018	2017	2018	2017
		Ordinary shares held by the Group (%)	Ordinary shares held by the Group (%)	Investment value for Group (direct and indirect investments)	Investment value for Group (direct and indirect investments)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
Afrikelp Holdings (Pty) Ltd	(1)	100%	100%	-	-	-	-
Afrikelp (Pty) Ltd	(1)	100%	100%	210 055	210 055	-	-
Afrikelp Investments (Pty) Ltd	(1)	100%	100%	7 562	7 562	-	-
Akacia Healthcare Holdings (Pty) Ltd	(3)	100%	100%	0.1	0.1	-	-
Akacia Healthcare (Pty) Ltd	(3)	100%	100%	367 590	370 590	-	-
Alliance Pharma (Pty) Ltd	(3)	100%	100%	0.1	0.1	-	-
A-Med Medical Supplies (Pty) Ltd	(1)	49%	49%	0.1	0.1	-	-
Agro-Serve (Pty) Ltd	(1)	100%	100%	5 348	5 348	-	-
Agro-Serve Namibia (Pty) Ltd	(1)	100%	100%	4	4	-	-
Akusa Inc. (USA)	(6)	100%	100%	551	551	-	-
Anti-Aging Technologies (Pty) Ltd	(2)	100%	100%	0.1	0.1	-	-
Ascendis Financial Services Ltd	(5)	100%	100%	3	3	3	3
Ascendis Health International (Pty) Ltd	(4)	100%	100%	4	4	4	4
Ascendis Health International Holdings Ltd	(6)	100%	100%	16	16	16	16
Ascendis Management Services (Pty) Ltd	(4)	100%	100%	4	4	4	4
Ascendis Medical (Pty) Ltd	(3)	100%	100%	303 754	303 754	303 754	303 754
Ascendis Pharma (Pty) Ltd	(3)	100%	100%	143 303	143 303	143 303	143 303
Ascendis Health UK Ltd	(6)	100%	100%	-	-	-	-
Atka Trading 46 (Pty) Ltd *	(2)	0%	100%	-	41 820	-	41 820
Avima (Pty) Ltd	(1)	100%	100%	54 821	54 821	54 821	54 821
Avima Uganda Ltd	(1)	100%	100%	4	4	-	-
Goldbond Trading and Investments Ltd	(6)	100%	100%	122 405	122 405	-	-
Brilata Ltd	(6)	100%	100%	2 318 485	2 318 485	-	-
Bolus Distribution (Pty) Ltd	(2)	100%	100%	18 015	18 015	18 015	18 015
Bolus International (Pty) Ltd	(2)	100%	100%	2 731	6 731	0	3
Nimue Distribution (Pty) Ltd	(2)	100%	100%	36 510	36 510	36 510	36 510
Chempure (Pty) Ltd	(2)	100%	100%	83 210	83 210	83 210	83 210

# Appendix A: Interests in subsidiaries (continued)

Name of subsidiary	Nature of business	2018	2017	2018	2017	2018	2017
		Ordinary shares held by the Group (%)	Ordinary shares held by the Group (%)	Investment value for Group (direct and indirect investments)	Investment value for Group (direct and indirect investments)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
Dealcor Forty (Pty) Ltd	(2)	100%	100%	50 200	50 200	-	-
Dezzo Trading 392 (Pty) Ltd	(3)	100%	100%	82 066	82 066	-	-
Efekto Care (Pty) Ltd	(1)	100%	100%	457	457	-	-
Ascendis Biosciences (Pty) Ltd	(1)	100%	100%	70 159	70 159	70 159	70 159
Elixr Brands (Pty) Ltd	(5)	100%	100%	39	39	39	39
Ascendis Animal Health (Pty) Ltd	(1)	100%	100%	160 056	160 056	-	-
Ascendis Vet (Pty) Ltd	(1)	100%	100%	272 528	272 528	-	-
Farmalider S.A.	(6)	49%	49%	2 277 050	2 277 050	-	-
Ascendis Wellness S.RL	(6)	100%	100%	40 378	40 378	-	-
Pernbrook Ltd	(6)	100%	100%	3 460 296	3 460 296	-	-
Heritage Resources Ltd	(6)	100%	100%	-	15	-	15
Juniva (Pty) Ltd	(2)	100%	100%	3	3	-	-
Innovative Pest Management (Pty) Ltd	(1)	100%	100%	0.1	0.1	0.1	0.1
K2013197766 (South Africa) (Pty) Ltd	(2)	100%	100%	9	9	3	3
Integrative Health Publications (Pty) Ltd	(2)	100%	100%	0.1	0.1	0.1	0.1
Klub M5 (Pty) Ltd	(1)	100%	100%	110 420	110 420	-	-
K2012021382 (Pty) Ltd	(2)	100%	100%	19 602	19 602	19 602	19 602
K2012179211 (Pty) Ltd	(2)	100%	100%	4 565	79 107	4 565	79 107
Dealworth Ltd	(6)	100%	100%	30	30	-	-
Swissgarde (Pty) Ltd	(2)	100%	100%	32 155	32 155	-	-
Ascendis Consumer Brands (Pty) Ltd	(2)	100%	100%	6	6	6	6
Ascendis Pharma-Med (Pty) Ltd	(4)	100%	100%	3	3	3	3
Lavient Trading (Pty) Ltd	(2)	100%	100%	50	50	50	50
Lexshell 155 General Trading (Pty) Ltd	(3)	100%	100%	0.1	0.1	0.1	0.1
Lexshell 834 Investments (Pty) Ltd	(3)	100%	100%	24 000	24 000	-	-
Marltons Pets and Products (Pty) Ltd	(1)	100%	100%	18 843	18 843	18 843	18 843
Medicine Developers International (Pty) Ltd	(3)	100%	100%	0.2	0.2	0.2	0.2
Nimue Bioscience (Pty) Ltd	(2)	100%	100%	32 000	32 000	32 000	32 000
Ascendis Skin & Body (Pty) Ltd	(2)	100%	100%	0.1	0.1	0.1	0.1
Nimue Skin (Southern Africa) (Pty) Ltd	(2)	100%	100%	100	100	100	100
Ascendis Sports Nutrition (Pty) Ltd	(2)	100%	100%	-	-	-	-
Ortus Chemicals (Pty) Ltd	(1)	100%	100%	22 414	22 414	-	-
Pharmachem Pharmaceuticals (Pty) Ltd	(3)	100%	100%	200	200	-	-
Pharmadyne Healthcare (Pty) Ltd	(3)	100%	100%	0.2	0.2	0.2	0.2
Ascendis Supply Chain (Pty) Ltd	(2)	100%	100%	80 000	80 000	-	-
Regal Nutrients (Pty) Ltd *	(2)	0%	100%	-	14 162	-	14 162

# Appendix A: Interests in subsidiaries (continued)

Name of subsidiary	Nature of business	2018	2017	2018	2017	2018	2017
		Ordinary shares held by the Group (%)	Ordinary shares held by the Group (%)	Investment value for Group (direct and indirect investments)	Investment value for Group (direct and indirect investments)	Investment value for Ascendis (direct investments)	Investment value for Ascendis (direct investments)
Remedica Ltd	(6)	100%	100%	179 491	179 491	-	-
Respiratory Care Africa (Pty) Ltd	(3)	100%	100%	153 095	153 095	-	-
Rotaq Luederitz (Pty) Ltd	(1)	100%	100%	223	223	-	-
RCA Pharma (Pty) Ltd	(3)	100%	100%	-	-	-	-
Small Pack Solutions Specialists (Pty) Ltd	(1)	100%	100%	0.1	0.1	-	-
Solal Africa Technologies Distributors (Pty) Ltd	(2)	100%	100%	0.1	0.1	-	-
Solal Technologies Fine Pharmaceuticals (Pty) Ltd	(2)	100%	100%	3	3	-	-
Scitec kft (HUN)	(6)	100%	100%	2 543 228	2 543 228	-	-
Southern African Academy of Healthy Aging and Integrative Medicine (Pty) Ltd	(2)	100%	100%	0.1	0.1	-	-
Ascendis Health Direct (Pty) Ltd	(2)	100%	100%	4 886	4 886	4 886	4 886
Sportron Properties (Pty) Ltd	(2)	100%	100%	6 249	6 249	6 249	6 249
Surgical Innovations (Pty) Ltd	(3)	100%	100%	338 364	338 364	-	-
The Compounding Pharmacy of South Africa (Pty) Ltd	(2)	100%	100%	4	4	4	4
Taurus Chemicals Cape Kelp (Pty) Ltd	(1)	41%	41%	1 520	1 520	-	-
Taurus Chemicals Namibia (Pty) Ltd	(1)	92.5%	92.5%	477	477	-	-
The Integrative Medical Centre (Pty) Ltd	(2)	100%	100%	0.1	0.1	0.1	0.1
The Scientific Group (Pty) Ltd	(3)	100%	100%	328 963	328 963	-	-
Toll Manufacturing Services S.L	(6)	49%	49%	49	49	-	-
Toolworth Distribution (Pty) Ltd	(2)	100%	100%	679	679	679	679
Tronitype (Pty) Ltd *	(1)	0%	100%	-	0.1	-	-
Umecom (Pty) Ltd	(3)	100%	100%	15 815	15 815	-	-
Zasvin Trading (Pty) Ltd *	(2)	0%	100%	-	1	-	1
Ascendis Health Australia (Pty) Ltd	(6)	100%	0%	10	-	-	-
Kyron Laboratories (Pty) Ltd	(1)	100%	0%	380 807	-	380 807	-

## Legend:

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

\* - Entities deregistered

# Appendix B: New standards

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

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
<p>IFRS 15 – Revenue from contracts with customers</p> <p><i>Effective 1 January 2018</i></p>	<p>The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS15 replaces revenue standards and their related interpretations.</p> <p>This standard sets out the requirements for recognising revenue that applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.</p> <p>The core principle is that revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfer to the customer.</p>	<p>The Group has engaged external accounting experts to assist in the development of a tool to assess the accounting treatment of all revenue contracts under IFRS 15. Based on the current assessment it is unlikely that there will be a significant impact on the overall profit of the Group, with the biggest impact expected in the Pharma-med segment. The performance indicators of the Group are being assessed due to potential changes in classification between revenue and interest. More quantitative disclosures are required under the new standard in respect of disaggregation of revenue into appropriate categories, the remaining performance obligations and the amount of the transaction price that is allocated to the remaining obligations in a contract, and the changes in contract asset, liabilities and costs.</p>
<p>IFRS 9 Financial Instruments</p> <p><i>Effective 1 January 2018</i></p>	<p><b>Classification and measurement of financial assets:</b></p> <p>IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classifications categories: amortised cost and fair value.</p> <p>Financial assets will be classified and measured on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial asset. Fair value adjustments, depending on the model can be categorised through profit or loss or through other comprehensive income (OCI).</p> <p><b>Derecognition of financial liabilities</b></p> <p>The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss.</p> <p><b>Hedge accounting</b></p> <p>The revised general hedge accounting requirements are better aligned with an entity's risk management activities. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p>	<p>We are in the process of assessing the Group's business model and the appropriate accounting under IFRS 9. The Group has engaged external accounting experts to assist in the development of a tool to raise an appropriate provision for doubtful debt in terms of the requirements of IFRS 9. One of the Groups business units has been selected test the tool. This process is being reviewed by the Groups auditors for its appropriateness and compliance with IFRS 9. The tool will be rolled out to all business units within the Group. Based on the assessment performed in the pilot business unit, no material change in the overall profit of the Group is expected.</p>

# Appendix B: New standards (continued)

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
<p>IFRS 16–Leases</p> <p><i>Effective 1 January 2019</i></p>	<p>The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the existing leases standard and the related interpretations.</p> <p><b><i>Lessor accounting</i></b></p> <p>Substantially, lessor accounting has remained unchanged. Accordingly, a lessor continues to classify its leases as operating or finance leases and to account for those two types of leases differently.</p> <p><b><i>Lessee accounting</i></b></p> <p>The model reflects that, at the start of a lease, the lessee obtains expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).</p> <p>A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.</p>	<p>The Group is in the process of assessing the impact of IFRS 16. As the Group is mainly a lessee, this development is expected to significantly impact the Group on performance indicators such as return on tangible net assets as well as EBITDA.</p>

# Company statement of financial position

## at 30 June 2018

		2018 R'000	2017 R'000
Investments in subsidiaries	1	1 106 264	842 097
<b>Non-current assets</b>		<b>1 106 264</b>	<b>842 097</b>
Loans to related parties	2	5 289 742	4 047 713
Current tax receivable	8	70	70
Trade and other receivables	6	332	-
Cash and cash equivalents	3	706	821
<b>Current assets</b>		<b>5 290 850</b>	<b>4 048 604</b>
<b>TOTAL ASSETS</b>		<b>6 397 114</b>	<b>4 890 701</b>
Stated capital	7	6 136 358	5 097 240
Retained income		11 703	(265 370)
<b>Equity</b>		<b>6 148 061</b>	<b>4 831 870</b>
Deferred vendor liability		116 571	-
<b>Non-current liabilities</b>		<b>116 571</b>	<b>-</b>
Trade and other payables	5	407	485
Loans from related parties	2	24 738	58 346
Deferred vendor liability		107 337	-
<b>Current liabilities</b>		<b>132 482</b>	<b>58 831</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6 397 114</b>	<b>4 890 701</b>

# Company statement of profit and loss and other comprehensive income for the year ended 30 June 2018

		2018 R'000	2017 R'000
Revenue	9	194 234	30 000
Cost of sales		-	-
<b>Gross Profit</b>		<b>194 234</b>	<b>30 000</b>
Other income	10	208 964	15 406
Other operating expenses	12	(130 730)	(123 292)
<b>Operating profit/(loss)</b>		<b>272 468</b>	<b>(77 886)</b>
Finance income	11	7 647	13 565
Finance expenses	11	(3 041)	(4 375)
<b>Profit/(loss) before taxation</b>		<b>277 074</b>	<b>(68 696)</b>
Taxation	13	-	-
<b>Profit/(loss) for the year</b>		<b>277 074</b>	<b>(68 696)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>277 074</b>	<b>(68 696)</b>

# Company statement of changes in equity

## for the year ended 30 June 2018

	Stated capital	Accumulated (loss)/retained income	Total equity
<b>Balance as at 1 July 2016</b>	<b>2 156 826</b>	<b>(96 408)</b>	<b>2 060 418</b>
Loss for the year	-	(68 696)	(68 696)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(68 696)</b>	<b>(68 696)</b>
Issue of ordinary shares	2 964 723	-	2 964 723
Listing fees	(24 309)	-	(24 309)
Dividends paid	-	(100 266)	(100 266)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	<b>2 940 414</b>	<b>(100 266)</b>	<b>2 840 148</b>
<b>Balance as at 30 June 2017</b>	<b>5 097 241</b>	<b>(265 371)</b>	<b>4 831 870</b>
Profit for the year	-	277 074	277 074
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>277 074</b>	<b>277 074</b>
Issue of ordinary shares	1 040 505	-	1 040 505
Listing fees	(1 388)	-	(1 388)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	<b>1 039 117</b>	<b>-</b>	<b>1 039 117</b>
<b>Balance as at 30 June 2018</b>	<b>6 136 358</b>	<b>11 703</b>	<b>6 148 061</b>

# Company cash flow statement

## for the year ended 30 June 2018

		2018 R'000	2017 R'000
Cash flows from operating activities	14	626 498	(78 395)
Interest income received	11	7 647	13 565
Finance costs paid	11	(3 041)	(4 375)
Income taxes paid		-	(2 215)
Profit on exchange differences realised	10	34	-
Loss on exchange differences realised	12	(19)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>631 119</b>	<b>(71 420)</b>
<b>Cash flows from investing activities</b>			
Loans advanced to related parties		(1 316 593)	(2 796 671)
Acquisition of subsidiary		(320 151)	-
<b>Net cash outflow from investing activities</b>		<b>(1 636 744)</b>	<b>(2 796 671)</b>
<b>Cash flows from financing activities</b>			
Loans received from related parties		-	53 909
Proceed from issue of shares		1 039 117	2 940 414
Dividends paid		-	(100 266)
Loans repaid from related parties		(33 607)	(26 290)
<b>Net cash inflow from financing activities</b>		<b>1 005 510</b>	<b>2 867 767</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(115)</b>	<b>(324)</b>
Cash and cash equivalents at beginning of period		821	1 145
<b>Cash and cash equivalents at end of period</b>	<b>3</b>	<b>706</b>	<b>821</b>

# Notes to the company financial statements

## 1. Investments in subsidiaries

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

Name of subsidiary	2018	2017	2018	2017
	% of ordinary shares held	% of ordinary shares held	R'000 Investment value	R'000 Investment value
Ascendis Financial Services Ltd	100%	100%	3	3
Ascendis Management Services (Pty) Ltd	100%	100%	4	4
Chempure (Pty) Ltd	100%	100%	83 210	83 210
Nimue Distribution (Pty) Ltd	100%	100%	36 510	36 510
Ascendis Skin & Body (Pty) Ltd	100%	100%	-	-
Ascendis Sports Nutrition (Pty) Ltd	100%	100%	-	-
K2012179240 South Africa (Pty) Ltd	100%	100%	3	3
Regal Nutrients (Pty) Ltd	100%	100%	-	14 162
Ascendis Health Direct (Pty) Ltd	100%	100%	4 886	4 886
Sportron Properties (Pty) Ltd	100%	100%	6 249	6 249
Ascendis Health International Holdings (Pty) Ltd	100%	100%	16	16
Ascendis Biosciences (Pty) Ltd	100%	100%	70 159	70 159
Swissgarde (Pty) Ltd	100%	100%	6 503	6 503
K2012021382 South Africa (Pty) Ltd	100%	100%	19 602	19 602
K2012179211 South Africa (Pty) Ltd *	100%	100%	4 561	79 107
Atka Trading 46 (Pty) Ltd	100%	100%	-	41 821
Elixr Brands (Pty) Ltd	100%	100%	39	39
Heritage Resources Ltd *	100%	100%	-	15
Ascendis Pharma Holdings (Pty) Ltd	100%	100%	143 303	143 303
Ascendis Pharma-Med (Pty) Ltd *	100%	100%	-	3
Juniva (Pty) Ltd	100%	100%	3	3
Ascendis Consumer Brands (Pty) Ltd	100%	100%	4	4
Anti-Ageing Technologies (Pty) Ltd	100%	100%	4	4
Ascendis Medical (Pty) Ltd	100%	100%	303 754	303 754
K2013197766 South Africa (Pty) Ltd	100%	100%	3	3
Ascendis Health International (Pty) Ltd	100%	100%	4	4
Lavient Trading (Pty) Ltd	100%	100%	50	50
Nimue Bioscience (Pty) Ltd	100%	100%	32 000	32 000
Nimue Skin Southern Africa (Pty) Ltd	100%	100%	-	-
Toolworth Distribution (Pty) Ltd	100%	100%	679	679
Zasvin Trading (Pty) Ltd	100%	100%	-	1
Ascendis Health Australia	100%	100%	13 908	-
Kyron Laboratories (Pty) Ltd	100%	100%	380 807	-
<b>Total</b>			<b>1 106 264</b>	<b>842 097</b>

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

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

\* Investments impaired during the year.

# Notes to the company financial statements

(continued)

## 2. Loans to/(from) related parties

### Loans receivable

	2018	2017
	R'000	R'000
Ascendis Financial Services Ltd	1 535 632	1 221 296
Avima (Pty) Ltd	91 463	91 463
Chempure (Pty) Ltd	30 008	30 008
Ascendis Biosciences (Pty) Ltd	10 326	10 326
Elixir Brands (Pty) Ltd	9 425	9 425
K2012021382 (South Africa) (Pty) Ltd	11 776	11 776
Ascendis Pharma (Pty) Ltd	22 308	22 308
K2012179211 (South Africa) (Pty) Ltd	1 882	1 882
Bolus International (Pty) Ltd	393	393
K2013126193 (South Africa) (Pty) Ltd	62 152	62 152
K2013126231 (South Africa)(Pty) Ltd	3	3
Ascendis Consumer Brands (Pty) Ltd	25 656	15
The Compounding Pharmacy of South	17	17
Ascendis Medical (Pty) Ltd	6 120	6 120
K2013197766 (South Africa) (Pty) Ltd	41 000	41 000
Ascendis Health International (Pty) Ltd	55	55
Marltons Pets & Products (Pty) Ltd	3 000	3 000
Ascendis Skin & Body (Pty) Ltd	889	889
Pharmachem Pharmaceuticals (Pty) Ltd	35 473	35 475
Respiratory Care Africa (Pty) Ltd	9 766	9 766
The Scientific Group (Pty) Ltd	127 706	127 706
Scitec	4 972	-
Ascendis International Holdings Ltd	3 199 720	2 362 638
Kyron Laboratories	60 000	-
	<b>5 289 742</b>	<b>4 047 713</b>

	2018	2017
	R'000	R'000
<b>Loans to subsidiaries:</b>		
As at 1 July	4 047 713	1 251 041
Loans advanced during the year	1 242 029	2 816 607
Loans repaid during the year	-	(19 935)
<b>As at 30 June</b>	<b>5 289 742</b>	<b>4 047 713</b>

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

### Loans payable

	2018	2017
	R'000	R'000
<b>Loan to Related Parties:</b>		
Ascendis Management Services (Pty) Ltd	7 994	9 208
Dezzo Trading 392 (Pty) Ltd	2 195	2 196
Nimue Skin (Pty) Ltd	2 241	2 241
Kyron Laboratories	12 308	-
Remedica Holdings	-	44 701
	<b>24 738</b>	<b>58 346</b>

	2018	2017
	R'000	R'000
<b>Loans to/(from) related party:</b>		
As at 1 July	58 346	30 727
Loans advanced during the year	12 308	53 909
Loans repaid during the year	(45 916)	(26 290)
<b>As at 30 June</b>	<b>24 738</b>	<b>58 346</b>

# Notes to the company financial statements

## (continued)

### 3. Cash and cash equivalents

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

Cash and cash equivalents consists of:

	2018 R'000	2017 R'000
Bank current account	554	578
Bank call account	2	-
Bank CFD accounts	150	243
<b>Cash and cash equivalents per the cash flow statement</b>	<b>706</b>	<b>821</b>

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

	Short term
Standard Bank South Africa	BBB-

### 4. Financial risk management

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

#### Liquidity risk

The company is not exposed to significant liquidity risk.

#### Capital risk management

The company is not exposed to significant capital risk.

#### Interest rate risk

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

#### Foreign exchange risk

The company is exposed to foreign exchange risk arising from the transactions of related party loans denominated in Euros and Australian Dollars.

### 5. Trade and other payables

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

	2018 R'000	2017 R'000
Dividends payable	407	485
<b>Trade and other payables</b>	<b>407</b>	<b>485</b>

### 6. Trade and other receivables

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

	2018 R'000	2017 R'000
Trade receivables	332	-
<b>Trade and other receivables</b>	<b>332</b>	<b>-</b>

# Notes to the company financial statements

(continued)

## 7. Stated capital

	2018 R'000	2017 R'000
<b>Opening balance</b>	5 097 241	2 156 826
Issue of ordinary shares	1 040 505	2 964 723
Listing fees capitalised to Stated Capital	(1 388)	(24 309)
<b>Closing balance</b>	<b>6 136 358</b>	<b>5 097 240</b>

### General issue of shares for cash

The Company raised R750 million equity capital by way of a Rights Offer to qualifying shareholders that concluded in December 2017. 37.5 million shares were offered for subscription to the qualifying shareholders on the basis of 8.365 Rights Offer Shares for every 100 shares held, at a subscription price of R20.00 per rights offer share.

The company also raised further capital through the general issuance of shares through private placements. The company used a 30-day volume weighted average price to determine the discount at which the shares were issued. The total number of shares issued during the course of the financial period was 16 million shares, issued at a share price of R17.78 per share.

The total number of shares issued as part of the above mentioned transactions were 53.5 million raising a total of R1 040 million in equity capital.

## 8. Tax paid

	2018 R'000	2017 R'000
Balance at the beginning of the year	(70)	2 147
Current tax for the year recognised in profit and loss	-	-
Less: payment of previous year's liability	-	(2 145)
Less: 1st provisional payment	-	(72)
Balance at the end of the year	(70)	(70)

# Notes to the company financial statements

(continued)

## 9. Revenue

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

	2018 R'000	2017 R'000
Dividends received	194 234	30 000
	<b>194 234</b>	<b>30 000</b>

## 10. Other income

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

	2018 R'000	2017 R'000
Once-off income*	208 929	-
Profit on exchange differences	34	15 406
	<b>208 963</b>	<b>15 406</b>

\* Once-off income comprise of revaluation gains of foreign related parties loans and business combination transaction costs.

## 11. Finance income and costs

	2018 R'000	2017 R'000
<b>Finance costs</b>		
Other finance costs	(3 041)	(4 375)
Total finance cost	<b>(3 041)</b>	<b>(4 375)</b>
<b>Finance income</b>		
Bank	7 647	13 565
Total finance income	<b>7 647</b>	<b>13 565</b>
<b>Net finance</b>	<b>4 606</b>	<b>9 190</b>

## 12. Other operating expenses

	2018 R'000	2017 R'000
Accounting and secretarial fees	-	(5)
Bank charges	(163)	(211)
Loss on exchange differences	(19)	(2 255)
Once-off costs *	-	(120 821)
Impairment of Investments	(74 564)	-
Loss on Investment Disposal	(55 983)	-
	<b>(130 729)</b>	<b>(123 292)</b>

\* Once-off costs comprise of revaluation losses of foreign related parties loans and business combination transaction costs.

# Notes to the company financial statements

(continued)

## 13. Income tax expense

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

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

### Major components of the tax expense

	2018 R'000	2017 R'000
<b>Current Tax</b>		
Current tax on profits for the period	-	-
<b>Income tax expense</b>	-	-
Tax at the South Africa tax rate	28.00%	28.00%
<b>Average effective tax rate</b>	<b>28.00%</b>	<b>28.00%</b>

## 14. Cash flow from operating activities

	2018 R'000	2017 R'000
Profit/(loss) before tax	277 074	(68 696)
Adjustments for:		
Net Finance	(4 606)	(9 190)
Foreign exchange differences	(15)	(13 151)
Realised foreign exchange gains/losses	-	13 149
Loss on investment disposal	55 983	-
Impairment of Investments	74 564	-
Remeasurement on deferred vendor liabilities	223 908	-
Changes in working capital:		
Increase in trade and other receivables	(332)	-
Decrease in trade and other payables	(78)	(507)
<b>Cash generated from/(utilised by) operations</b>	<b>626 498</b>	<b>(78 395)</b>

# Administration

<b>Country of Incorporation and domicile</b>	South Africa
<b>Registration number</b>	2008/005856/06
<b>Income tax number</b>	9810/017/15/3
<b>JSE share code</b>	ASC
<b>ISIN</b>	ZAE000185005
<b>Registered office</b>	31 Georgian Crescent East Bryanston Gauteng 2191
<b>Postal address</b>	PostNet Suite # 252 Private Bag X21 Bryanston 2021
<b>Contact details</b>	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
<b>JSE sponsor</b>	Questco Corporate Advisory (Pty) Ltd
<b>Auditors</b>	PricewaterhouseCoopers Inc.
<b>Transfer secretaries</b>	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107 Telephone: +27 (0)11 370 5000
<b>Company secretary</b>	A Sims CA (SA) andy.sims@ascendishealth.com
<b>Directors</b>	JA Bester (Chairman)* MS Bomela* K Futter (Chief Financial Officer) B Harie* Dr NY Jekwa# Dr KS Pather* GJ Shayne# TB Thomsen^ (Chief Executive Officer)  * Independent non-executive # Non-executive ^ Danish



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