Ascendis HEALTH

INTEGRATED ANNUAL REPORT

2019

Review of 2019

Extremely challenging year with disappointing financial and operational performance

Performance impacted by impairments totalling R4.2 billion

Revenue up 1% to R5.6 billion

Normalised operating profit R58 million (2018: R514 million)

Normalised loss after tax from continuing operations R459 million (2018: profit of R93 million)

Normalised HEPS from continuing operations (99.9) cps (2018: 21.7 cps)

Decisive action taken by board and management to clean up balance sheet

Governance structures overhauled and new chairman and CEO appointed

Improved to level 1 B-BBEE rating from level 5 in 2018

Remedica negotiations with preferred bidder at an advanced stage

Introducing our integrated report

Ascendis Health presents its 2019 integrated annual report to appraise shareholders of operational, financial and governance developments and to outline the challenges encountered in a turbulent year for the group.

The directors believe that good governance is the foundation for sustainable value creation, with the group's reporting being based on the governance principles of accountability, transparency, ethical standards and compliance. We are committed to effective governance across the business and over the past year our board governance practices were significantly enhanced, as detailed in the Chairman's letter and the Corporate Governance report.

Our integrated annual report is focused primarily on our shareholders, the primary providers of our financial capital, and the wider investor community locally and offshore. We also recognise that several other stakeholder groups are important to Ascendis Health and influence our ability to create value, including our customers, consumers, suppliers, funders, regulators and employees.

Reporting scope and boundary

The integrated annual report covers the financial and non-financial performance of Ascendis Health and its subsidiaries (the group) for the financial year 1 July 2018 to 30 June 2019. The report is supplemented by the annual financial statements which are available on the website: www.ascendishealth.com.

The company has operations in South Africa, Hungary, Romania, Cyprus and Spain, and the reportable segments have been changed for the 2019 financial year to align more closely with the structure of the group. These operational segments are as follows: Consumer Health, Pharma, Medical and Animal Health.

Reporting compliance

This integrated annual report complies with International Financial Reporting Standards and the South African Companies Act, and as a listed company we comply with the JSE Listings Requirements.

The group has applied the principles of the King Code of Corporate Principles (King IV) throughout the 2019 financial year and the directors confirm that the group has in all material respects applied the principles of the code. A schedule outlining the group's application of King IV is available on our website.

The guiding principles of the International Integrated Reporting Council's Framework have also been applied in preparing this report.

Materiality of disclosure

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

Independent assurance

The content of the integrated annual report has been reviewed by the board, the audit and risk committee, management and the group's corporate sponsor but has not been externally assured. Accredited service providers have measured and provided assurance on selected non-financial information contained in the report.

The group's independent auditor, PricewaterhouseCoopers Inc. (PwC), has provided assurance on the annual financial statements.

Forward-looking statements

Shareholders will note that the integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct and shareholders are advised to exercise caution in this regard.

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

Board approval

The directors have reviewed the integrated annual report and collectively believe it is a fair representation of the group's performance, material issues, risks, strategy and growth prospects. The audit and risk committee, which has oversight for the integrity of the integrated annual report, recommended the report for approval by the board of directors who subsequently approved the 2019 integrated annual report for release to shareholders.

Andrew Marshall
Independent non-executive chairman

Kieron Futter
Chief financial officer

30 October 2019

Introducing Ascendis Health

Ascendis Health is a health and wellness company marketing a portfolio of leading brands and products.

Founded in 2008 and listed in the healthcare sector on the main board of the JSE since 2013, the group has supplemented its organic growth by buying complementary healthcare businesses and strong brands.

From its base in South Africa, Ascendis Health owns three businesses in Europe: Farmalider in Spain (pharmaceuticals and over-the-counter (OTC) medicine), Scitec in Hungary (sports nutrition) and Sun Wave Pharma in Romania (nutraceuticals).

The business currently operates in four related areas of healthcare:

Consumer health
(sports nutrition, wellness, health supplements, skincare)

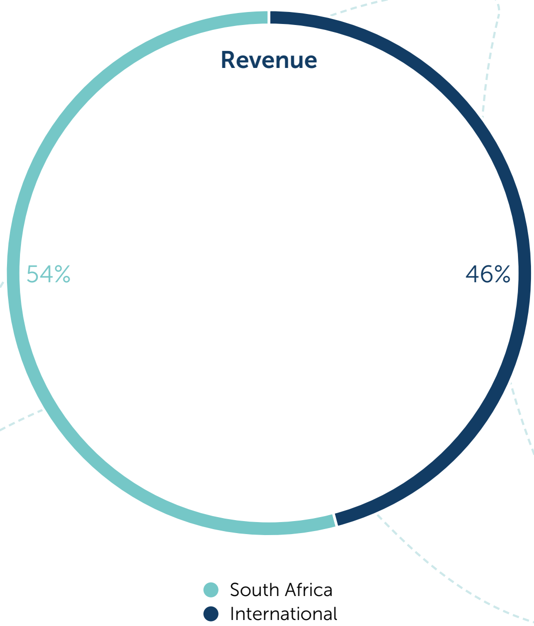
Pharma
(generic and OTC pharmaceutical products)

Medical
(clinical and diagnostic medical devices)

Animal health
(veterinary sciences and animal health products)

Over the past year, the group has divested selected assets, namely the sports nutrition business in South Africa, the pharmaceutical manufacturing facility in Isando, Gauteng, and the Afrikelp, Efekto and Marltons businesses within the Biosciences division. Negotiations for the disposal of Remedica in Cyprus are at an advanced stage.

Today Ascendis Health's products are sold to more than 120 countries across all continents, with 46% of annual revenue generated outside of South Africa.



Market-leading brand portfolio

PHARMA

- Reuterina is the number one prescribed[1] and dispensed[2] range of probiotics in South Africa
- Sinucon and Sinuend have the highest and second highest unit sales in oral solid preparations in the cold preparation market[3]
- Canex T and Canex V are ranked number one in unit sales in their respective classes[3]
- Ranked first in the anti-diarrhoeal market and third in cold preparations market in South Africa[3]
- Leading business-to-business supplier in pain management in Spain

References:
1. Centrix
2. Impact RX
3. IMS

OLYMPUS

QIAGEN

Fisher & Paykel HEALTHCARE

ORTHOFIX

MEDICAL

- Leading supplier of solutions across medical devices, in vitro diagnostics and life sciences
- Partner of choice to multinational suppliers including Olympus, Qiagen, Fisher & Paykel Healthcare and Orthofix
- Provides market leading technologies and in-market service in the orthopaedic trauma market
- Leading distributor of technology and solutions across therapeutic areas
- Supplies and supports the African clinical diagnostic and life science market with high-tech instrumentation and consumables, and general laboratory consumables

Market-leading brand portfolio

CONSUMER HEALTH

- Second largest vitamin, mineral and supplement (VMS) supplier in South Africa* with Solal, Vitaforce and Bettaway being among the most established and recognisable brands in the VMS market
- Solal and Vitaforce are the two biggest brands in the stress supplement category*
- MenaCal.7 is the number one scripted calcium supplement**
- Chela-Preg is the number two pregnancy supplement brand*
- Chela-Preg Trimester is the only trimester specific pregnancy supplement in South Africa
- Chela-Fer is the number two iron supplement brand*
- Nimue Skin Technology is a major player in professional skincare in South Africa and is sold in 28 countries around the world
- Scitec is a leading European sports nutrition brand with products available in 90 countries globally
- Sun Wave Pharma is the number one nutraceutical company in Romania and in the top five participants in the over-the-counter market in Romania

* IRI (Retail frontshop) defined categories
** Impact RX

ANIMAL HEALTH

- Major player to both the production animal and companion animal markets in South Africa
- Preferred supplier in all agricultural co-op groups in South Africa

Production animal market

- Industry leader in both long- and short-acting injectable tetracyclines
- Number one in injectable endectocides
- Number two in injectable vitamin and mineral supplements

Companion animal veterinary market

- Ranked number one in the skin supplement and joint supplement categories^
- Number two in the non-steroidal pain, antibiotics and deworming categories^

^ SAAHA (South African Animal Health Association)

Material issues and risks

Material issues are identified annually by the board and management which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and to create sustainable value for stakeholders.

In determining these material issues the directors consider several internal and external factors, including the group's strategy, trading and economic environments in the countries of operation, competitor landscape, external opportunities and threats, legislation and regulation, and the needs, expectations and concerns of primary stakeholders.

1 CASH FLOW AND LIQUIDITY MANAGEMENT

The sustainability of the business is dependent on efficient cash flow management and long-term liquidity.

Related risks

- Lack of liquidity to fund growth
- Inability to service long-term debt
- Breach of lenders' covenants
- Limited capacity to meet vendor payment obligations
- Inaccurate cash flow forecasts
- Delays in creditor payments
- Adverse trading terms and limited supply of goods and services
- Default on payment of salaries and taxes
- Trading under distressed financial conditions

Risk mitigation

- Assessment of long-term gearing and funding opportunities together with consortium of lenders
- Divestment of selected assets, with the priority on non-core assets
- Moratorium on acquisitions until gearing and liquidity is within acceptable limits
- Reduction in head office cost structure
- Regular and accurate measuring of cash flow forecasts
- Weekly and monthly working capital management targets and tracking
- Free cash flow targets for each business unit
- Management of the dividend policy within the constraints of the group's liquidity and cash flow

2 REVISED GROUP STRATEGY AND CHANGE MANAGEMENT

The recent disposal of businesses and the potential disposal of further assets have resulted in the need to revise the group's strategy and operating structure. During this period of change and uncertainty it is critical to continue to manage business performance to ensure effective levels of service and competitive returns to stakeholders.

Related risks

- Management's focus on major projects, disposals and restructuring is potentially distracting and can negatively impact operational and financial performance
- Uncertainty over future strategy could result in investors disposing of shares or being reluctant to make further investments
- Key staff loss during transition period
- Delay in new strategy being developed on completion of disposals and restructuring

Risk mitigation

- Commit resources to manage business performance during critical period of change management
- Proactive communications and engagement with shareholders and the investment community to provide regular updates on strategic projects and developments
- Engage key staff to support retention during period of change
- Ensure new strategy is developed and ready to be communicated internally and externally as soon as possible after completion of disposals and restructuring

3

EXCHANGE RATE EXPOSURE

As 46% of the group's revenue is generated in foreign currencies, the group is exposed to the volatility and fluctuation of the Rand against major currencies.

Related risks	Risk mitigation
• Imported raw materials, semi-finished and finished products can be exposed to rising forex related input costs (transaction effects) • Foreign revenues being converted into the reporting currency Rand could impact negatively on margin and profitability (translation effects) • Balance sheet exposure to currency fluctuations	• Offshore earnings in hard currencies provide a natural hedge against Rand volatility • Forward cover hedging policy: – All foreign commitments 100% hedged in the short-term – Long-term forecast commitments partially hedged • Oversight by Group Treasury

4

HUMAN CAPITAL

Attracting and retaining scarce and skilled talent in the healthcare sector is key to the sustainability of the group and the delivery of its strategy, and this has been compounded by the group's recent under-performance and negative market sentiment.

Related risks	Risk mitigation
• Healthcare staff are in high demand both locally and internationally • Skills shortage in healthcare increases employee mobility • High level of staff turnover • Loss of key people and challenge of attracting and retaining staff in current climate of uncertainty and change within the company • Incentive schemes are currently not attractive owing to below targeted performance and share price under-performance affecting the long-term incentive scheme • Lack of transformation and diversity in the South African operations could impact on ability to attract and retain business, and also cause reputational damage	• Assess competitiveness of remuneration packages for key personnel • Conduct annual salary benchmarking surveys • Increased investment in leadership training and development • Introduce retention plan for key staff • Monitoring of staff turnover statistics • Revised incentive schemes being developed to attract and retain key personnel • Extend notice periods • Efforts to enhance diversity in the group at all levels

Material issues and risks (continued)

5 ECONOMIC AND TRADING ENVIRONMENT

Economic and trading conditions in the group's countries of operation could negatively impact on revenue and profitability growth.

Related risks	Risk mitigation
• Poor economic conditions in South Africa reducing consumer spending and impacting the group's organic growth • Unfavourable cycles, for example, climatic conditions, impacting a particular sector • Political instability • Increase in raw material costs	• Healthcare markets in which the group operates are resilient and defensive • Preventative care (such as wellness, nutraceuticals and sports nutrition) being promoted worldwide via health insurance providers, governments and through consumer choice • Geographic diversification of countries of operation, product groups, markets, routes to market and sources of revenue provide a hedge against poor economic and trading conditions

6 REGULATION

Ascendis Health supports the regulation of healthcare markets to ensure compliance and product safety for consumers as well as protection of the environment.

Related risks	Risk mitigation
• Regulation could impact on revenue and margin due to legislated price intervention • Regulation could reduce consumer choice • Restrictive regulations could limit the ability to sell and bring new products to market, for example complementary and alternative medicine regulations in South Africa • Restrictions on sales into sanctioned countries	• Ongoing engagement with regulators in all countries of operation • Focus on high quality of products and production processes • Reformulation and registration of product dossiers if required • Dynamic new product development • Established regulatory departments in key business units across the group with synergies and knowledge sharing

7 PRODUCT INTEGRITY

As a healthcare business it is essential that products are manufactured to the highest standards to ensure product safety, customer satisfaction, and trust in the brands.

Related risks	Risk mitigation
• Poor product quality could cause negative side-effects at consumer or patient level • Customer claims from product failure could result in financial losses and reputational damage • Product recalls owing to poor standards would negatively impact on trust in the brand as well as profitability of the group	• Outsourced manufacturing to Good Manufacturing Practice (GMP) compliant third parties • GMP focus, certification and quality assurance programmes at all in-house manufacturing facilities • Ensure suppliers comply with international quality, health and safety standards, and ethical practices • Regular site visits and audits of third-party supplier facilities • Adequate insurance cover for product recalls and possible product liability

8 TECHNOLOGY AND DATA SECURITY

Leading-edge information systems are critical for the efficient operation of the business, with effective processes required to limit the risk of breaches of data security and customer privacy.

Related risks	Risk mitigation
• Inadequate data protection • Breaches of stakeholder privacy and loss of stakeholder data • Legal liability and reputational damage arising from cyber crime • Loss of intellectual property • Poor systems architecture • Late and unreliable internal reporting • Lack of a single ERP system across the group	• Policies implemented to address data security risks • Robust IT security governance and processes; user awareness • Data security and IT audits • Secure data management and control processes • Enterprise appropriate and secure group systems readily available and high levels of management and control processes in place • IT steering committee determines IT strategic initiatives • Cyber insurance cover • Centralisation of IT controls and systems

Managing stakeholder engagement

Proactive and ongoing interaction with key stakeholders supports sustainable value creation and allows the group to identify and address risks and opportunities. While the group engages with an extensive range of stakeholders who have a direct or indirect impact on the business, the engagement programme focuses on seven stakeholder groups who are most likely to have a material influence on the business.

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2019	ADDRESSING ENGAGEMENT ISSUES IN 2019
SHAREHOLDERS Strategic institutional and private investors, as well as fund managers and analysts in South Africa and offshore.	• Gearing/debt levels and liquidity • Inability to meet scheduled vendor payments • Cash and working capital management • Divestment of non-core assets • Disposal of Remedica • Uncertainty over group strategy post-disposal of assets • Termination of CEO employment contract and appointment of new CEO • Board changes, including appointment of new chairman • Low levels of organic growth and underperformance of Scitec • Share price weakness and forced selling of shares by Coast2Coast	Investor expectations and concerns addressed through ongoing engagement with investors: • Annual and interim results presentations, webcast of results presentations, and integrated annual report • Post-results investor roadshows • Participation in broker-hosted conferences • Regular Stock Exchange News Service (SENS) announcements on corporate activity • Investor relations consultancy advises on investor engagement strategy
LENDERS AND FUNDERS Local and international financial institutions who provide capital to facilitate growth.	• Gearing/debt levels and funding • Inability to meet scheduled vendor payments • Re-financing of existing facilities • Adherence to covenants • Cash and working capital management • Progress on divestment of assets • Share price weakness • Governance and risk management	• Appointed Alix Partners to assess and advise on optimal capital structure • Ongoing engagement with funders and lenders for short-term support and consideration of re-financing of longer-term debt • Reporting on covenants and forward projections provided to lenders and funders • Implementation of cash, capital and investment governance process
CUSTOMERS Multiple customer channels including retail, beauty salons, pharmacies, dispensing doctors, wholesale, hospitals, agents and distributors, state entities via tenders, pet and veterinary stores and online.	• Product quality and effectiveness • Pricing and payment terms • Product innovation • Product availability • Service levels	• Key account management • Customer conferences • Interaction with purchasing departments • Monitoring and improvements of in-fill rates and other service level indicators • Ongoing search for suitable new agents and distributors • Product education
CONSUMERS End users of products and brands.	• Product quality and effectiveness • Product safety • Competitive pricing • Product availability	• Marketing and brand awareness • New product launches • Usage advice and guidance

STAKEHOLDER	ENGAGEMENT ISSUES, NEEDS AND CONCERNS IN 2019	ADDRESSING ENGAGEMENT ISSUES IN 2019
SUPPLIERS Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services.	• Reviewing and renewal of contracts • Security of supply • Compliance with health and safety and ethical procurement standards • Fair pricing structure and timely payments • Transparent tender process	• Supplier site visits • Audits of supplier production facilities • Engagement on regulatory matters • Development of BEE suppliers in South Africa
REGULATORS Department of Health and other government departments, regulatory bodies and local authorities in all jurisdictions. As a company listed in South Africa, Ascendis Health is regulated by the JSE.	• Registration of products and licences to trade • Inspection and registration of production facilities • Legislative and regulatory compliance • Submission of statutory returns	• Ongoing engagement with healthcare regulatory bodies in all jurisdictions • Audit and site inspections by regulatory authorities • Engagement with financial and tax authorities in new countries of operation • Membership of industry associations • Training on regulatory, compliance and governance developments • Established group environmental, health and safety function
EMPLOYEES Ascendis management and staff across all countries of operation.	• Competitive remuneration and benefits • Career path planning and development • Fair labour practices with equal opportunities • Retention rates • Employee communication and engagement	• Implementation of a revised remuneration, leadership and development and performance management framework • Talent assessments conducted with associated personal development plans • Employment equity candidates accounted for 71% of new recruits • R4 million invested in training and skills development • Learnership programmes for 97 employees and 70 unemployed individuals, funded through SETA • 100 Youth Employment Services (YES) programme participants employed on a fixed-term basis • Staff turnover 6.7% (2018: 8.3%) • Critical staff engagement programme initiated • New LTI scheme will be proposed to shareholders for approval at the annual general meeting in February 2020

Chairman's letter

Dear Shareholders

The past year has been extremely challenging for Ascendis Health. Our results were impacted by the tough macro-economic and consumer environment in South Africa, high debt levels, liquidity constraints and related supply challenges, higher operating expenses and significant once-off costs. These factors also contributed to impairments totalling R4.2 billion being raised across all the group's operating units.

An analysis of the financial performance as well as detail on the group's debt and funding arrangements is outlined in the chief financial officer's report on pages 18 to 21.

In May 2019 John Bester retired as chairman of Ascendis Health. John served as the independent non-executive chairman since shortly before the company's listing in 2013 and we thank him for his contribution and wish him a healthy and fulfilled retirement.

Following my appointment to succeed John as chairman, the board has taken decisive action to enhance governance standards and to address shareholder concerns.

An area of particular concern to investors was the operational involvement and perceived influence of the group's founding shareholder, Coast2Coast Capital, and the related conflicts of interest. The board ended any further participation by Coast2Coast in the group's affairs while the resignation of non-executive director Gary Shayne in March 2019 ended Coast2Coast's representation on the Ascendis Health board.

The employment contract of our CEO, Thomas Thomsen, was terminated with effect from 23 May 2019 and I assumed the joint role of chairman and acting CEO while we initiated a search for a new candidate.

The board also terminated the group's costly European based head office structure to improve operating efficiencies, with the senior staff being retrenched to reduce operating expenditure.

To strengthen board governance processes we created the position of lead independent non-executive director. Bharti Harie, the chair of the audit and risk committee, was appointed to fulfil this role. George Sebulela was appointed as an independent non-executive director in October 2018, ensuring the board had a majority of independent directors.

The board also undertook a review of its committee structure. An investment committee was established primarily to advise the board on disposals and other corporate transactions and to consider the impact of these transactions on the business. At the same time the remuneration and nominations committee was renamed the human capital committee to more accurately reflect the mandate of the committee, while the role of the social and ethics committee was expanded to the social, ethics and transformation committee.

Our ongoing commitment to transformation is reflected in the group achieving a verified level 1 broad-based black economic empowerment (B-BBEE) rating for 2019, improving from level 5 in 2018. The increase was driven by an enhanced performance across the skills development, preferential procurement, supplier development and socio-economic development pillars of the B-BBEE scorecard, while the company also benefited from its participation in the government's YES youth employment programme.

The group's B-BBEE shareholding is now 30.7% (2018: 31.8%), with black female ownership at 14% (2018: 14.4%).

Our board gender and race diversity policy affirms our commitment to transformation in the boardroom, and currently 38% of the directors are female and 62% are black.

The group's asset disposal programme, which started late in the 2018 financial year, has continued, with the Efekto, Marltons and Afrikelp businesses in the Biosciences division being sold for R480 million with effect from 31 July 2019. The two remaining Biosciences businesses are currently being considered for sale.

In January the group received an unsolicited offer for the sale of Remedica, our pharmaceutical business in Cyprus. This culminated in an auction process where two bidders were shortlisted.

The sale of Remedica represents a significant opportunity to substantially deleverage the business. An exclusivity agreement was entered into with the preferred bidder in late October. Negotiations are at an advanced stage and we expect to make a further announcement in due course.

After the end of the reporting period we were pleased to appoint Mark Sardi as CEO and an executive director of the group, with effect from 14 October 2019. Mark is a seasoned corporate leader with a proven track record in senior management roles in large listed and unlisted companies. His experience is particularly relevant to Ascendis Health, having held positions as joint head and managing director of investment banking at Nedbank Capital, CFO of Truworths International and deputy CEO at Cipla SA. Mark was most recently the CEO of the retail brand business, House of Busby.

Looking ahead to the 2020 financial year, the immediate priorities of the management team will be to conclude the Remedica disposal, follow a 'back to basics' strategy to turn around the group's performance and create an efficient capital structure post the Remedica sale.

In the months ahead the group will intensify its focus on revenue growth, cost control, cash and working capital management, while restoring investor confidence following the disappointment of 2019.

Once the Remedica disposal has been completed and the business is financially stable with sustainable growth prospects, the board and management will develop the group's new strategy.

In closing, I thank my fellow non-executive directors, my executive colleagues and our staff in South Africa and Europe for their support in an extremely challenging year. On behalf of the board, I thank our external stakeholders for their support, including our shareholders, lenders, customers, suppliers and regulators.

Sincerely

Andrew Marshall

Independent non-executive chairman
(and acting CEO from 23 May until 14 October 2019)

Board of directors

Andrew Marshall (64)

BCom (Hons)
Independent non-executive chairman
Member of human capital, social, ethics and transformation, and investment committees
Appointed to the board in May 2019

Andrew is a highly experienced corporate executive and former CEO of JSE listed companies, having spent 10 years with the Oceana Group and then five years with Nampak. He currently serves as the executive chairman of Ster-Kinekor Theatres.

Mark Sardi (50)

BBusSc (Hons), CA(SA)
Executive director and chief executive officer
Member of investment committee
Appointed to the board in October 2019

Mark has a strong track record in senior strategic, operational and financial management roles in large listed and unlisted companies. He was joint head and managing director of investment banking at Nedbank Capital, CFO of Truworths International and deputy CEO at Cipla SA. Mark was most recently the CEO of the House of Busby before joining Ascendis Health in October 2019.

Mary Sina Bomela (46)

BCom (Hons), CA(SA), MBA
Independent non-executive director
Chairman of social, ethics and transformation committee, and member of audit and risk committee
Appointed to the board in 2016

Mary is the CEO of the Mineworkers Investment Company and has held senior executive positions across the resources, media, utilities and financial services sectors. Her directorships include FirstRand Group, Primedia, Metrofile Holdings, Peermont Global Holdings and Kumba Iron Ore.

Kieron Futter (42)

BCom (Hons), HDip (Auditing), CA(SA)
Executive director and chief financial officer
Member of investment committee
Appointed to the board in 2015

Kieron has over 20 years' experience in financial management across a range of industries, including five years at GlaxoSmithKline Consumer Healthcare in the UK and Dubai, five years as CFO at TransUnion Group Africa and two years as CEO of Nando's Company-owned Restaurants Division. He joined Ascendis Health in 2015.

Bharti Harie (49)

BA, LLB, LLM

Lead independent non-executive director

Chairman of audit and risk committee, and member of investment committee

Appointed to the board in 2013

Bharti spent 14 years at the Industrial Development Corporation of South Africa where she headed the corporate funding and international finance departments. She is a director of Bell Equipment Sales SA, Mineworkers Investment Company, Lenmed Investments and Stefanutti Stocks.

Dr Yoza Jekwa (44)

MB BCh (Wits), MBA

Independent non-executive director

Chairman of investment committee, and member of audit and risk committee

Appointed to the board in June 2018

Yoza has 13 years' experience in the financial services industry where she has held senior positions at Rand Merchant Bank and Nedbank Capital. Before entering corporate finance, she worked in the medical field in South Africa and in the UK. Yoza is a non-executive director of Northam Platinum.

Dr Kinesh Pather (54)

BDS (Wits), MBA

Independent non-executive director

Chairman of human capital committee and member of audit and risk, and social, ethics and transformation committees

Appointed to the board in 2016

Kinesh is the chairman of Kilimanjaro Capital and a director of Kefolile Health Investments, Bataung Energy Holdings, Tsiko Group, Tosaco Group and numerous other companies. He has extensive experience in the trade union investment arena and has been instrumental in several significant B-BBEE transactions in the healthcare and pharmaceutical sectors.

George Sebulela (49)

BA (Com)

Independent non-executive director

Member of human capital and investment committees.

Appointed to the board in October 2018

George has many years of experience in business strategy and execution and investment banking in South Africa and internationally. He is a director of numerous companies, including Aerosud Holdings, Avuke Energy Group, Sanlam Private Wealth and Caprivi Capital.

Chief financial officer's report

Continuing operations

2019 has proved to be the group's most challenging year since its listing on the JSE six years ago.

Lower sales in South Africa caused by liquidity constraints and related supply challenges as well as the weak consumer environment resulted in earnings declining in all businesses except Animal Health.

In Europe, Sun Wave Pharma performed well while both Scitec and Farmalider reported lower earnings.

Impairments of goodwill, intangible assets and property, plant and equipment were raised on the group's operating units, totalling R4.2 billion.

Normalised operating profit fell 89% from R514 million to R58 million and the group reported a loss after tax for the year of R459 million (2018: profit of R93 million). The normalised headline loss was R484 million with headline earnings per share reducing from 21.7 cents to (99.9) cents.

The group's earnings per share measures have been impacted by a 4.9% increase in the weighted average number of shares in issue during the reporting period.

No dividends were declared or paid during the year under review or during the previous financial year.

Discontinued operations

The following businesses have been classified as discontinued operations and are therefore not included in the group's results for the 2019 financial year:

- Ascendis Sports Nutrition South Africa, sold effective 1 September 2018
- Ascendis Direct Selling, where the original sale did not materialise and negotiations with a new potential buyer are continuing
- Afrikelp, Efekto and Marltons businesses in the Biosciences division, with a sale completed on 31 July 2019.
- The remaining businesses in the Bioscience division, namely Avima and Klub M5, are also being held for sale.
- Remedica, the group's pharmaceutical business in Cyprus, is in the process of being disposed of and at the date of this report, negotiations with a preferred bidder were at an advanced stage.

The comparative information for the 2018 financial year has been restated.

Financial performance

The following review of the financial performance for the year ended 30 June 2019 focuses on the key line items of the group's statement of profit or loss and comprehensive income. Retained earnings opening balance as at 30 June 2019 have been restated following adoption of these new accounting standards. The following commentary should be read together with the summarised annual financial statements on pages 45 to 96. The audited annual financial statements are available on the website: www.ascendishealth.com.

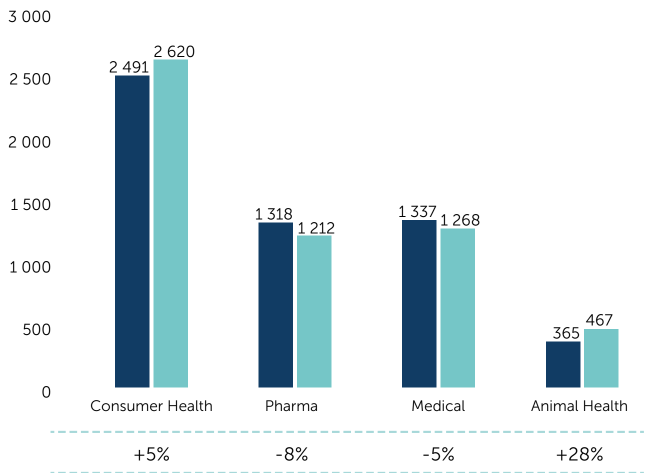
The group reports normalised results from continuing operations which have been adjusted for one-off transaction-related and restructuring costs in the current and prior reporting period to better reflect the group's operational performance.

The group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the 2019 financial year. Returned earnings opening balance as at 30 June 2019 have been restated following adoption of those new accounting standards. The gross impact of the adoption of IFRS 9 and IFRS 15 on retained earnings was R27.8 million before tax and R10.5 million after tax respectively.

Statement of comprehensive income (continuing operations)

Group revenue increased by 1% to R5.6 billion (2018: R5.5 billion). International revenue increased by 8% to R2.6 billion and accounts for 46% of the group's total sales. Revenue generated in South Africa declined by 4% to R3.0 billion.

Revenue growth FY2018 – FY2019 (R'm)



Consumer Health is the largest contributor to group revenue at 47%, followed by Medical at 23%, Pharma at 22% and Animal Health accounting for 8% of revenue. Refer to the operational review on pages 22 to 28 for information on the segmental performance.

The group's revenue is well diversified across currencies, markets, sales channels and customer groups, with no single customer accounting for more than 3% of sales.

The group's gross margin declined from 46.0% to 42.9% owing mainly to the following issues: inventory write-offs in South Africa and Europe, a shift in sales mix due to stock shortages and cash constraints, deterioration in the Scitec margin owing to increased competition from online retailers and the implementation of the European Union serialisation directive which negatively impacted Farmalider.

Operating expenses grew by 19%, excluding once-off transaction and restructuring costs of R120 million (R37 million in the prior period). These costs related mainly to the restructuring of the senior lender debt and the costs of the proposed bond issue which was not launched owing to weak market conditions (R81 million); disposal costs for the Biosciences business unit and the proposed disposal of Remedica (R26 million), and other operational restructuring and retrenchment costs (R13 million).

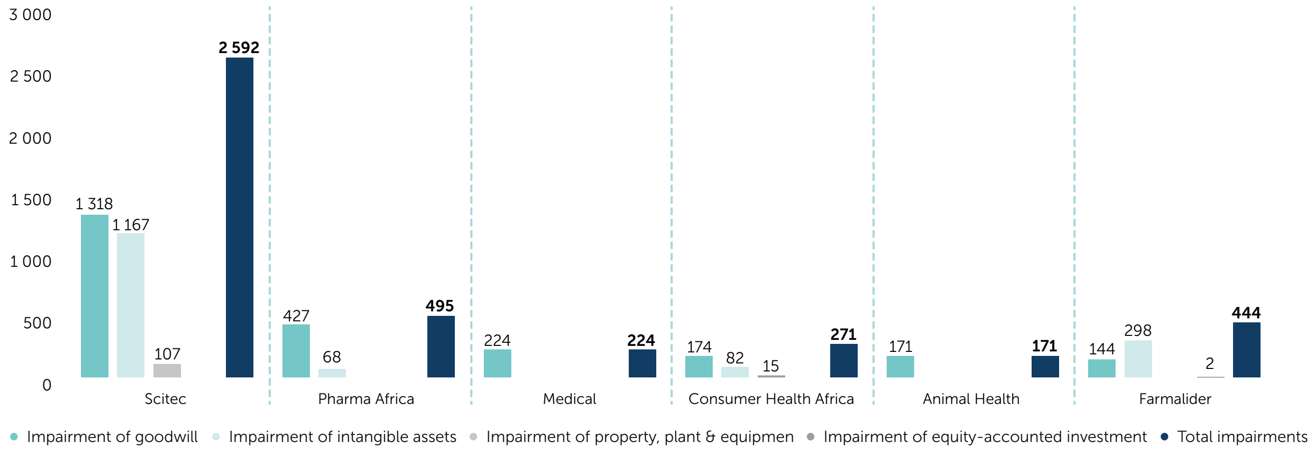
A project has been initiated to substantially reduce head office costs over the next two years. This will include downscaling the group marketing and procurement functions and a review of support functions across the group. Warehousing and distribution facilities will be consolidated to reduce the group's fixed cost base.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) reduced by 63% to R279 million (2018: R752 million). The EBITDA margin contracted to 5.0% (2018: 13.6%) due to the higher operating expenses.

Impairments totalled R4.2 billion, with Scitec and the SA Pharma business' goodwill and intangible assets being fully impaired. The impairments were triggered by the significant reduction in the group's share price together with the adverse trading conditions. The weighted average cost of capital discount rate applied in determining the impairments was increased from 10.3% in 2018 to 15.1% in 2019 due to the higher cost of equity, the change in the group's debt/equity structure and an increased SA risk premium.

Chief financial officer's report (continued)

Impairments (R'm)



Net finance costs increased by 6% to R373 million. Tax expense increased by 75% to R123 million. The group's average effective tax rate reduced to (2.7%) mainly as a result of the impairment of various intangible assets and the non-deductibility of expenses incurred by non-trading entities.

Statement of financial position

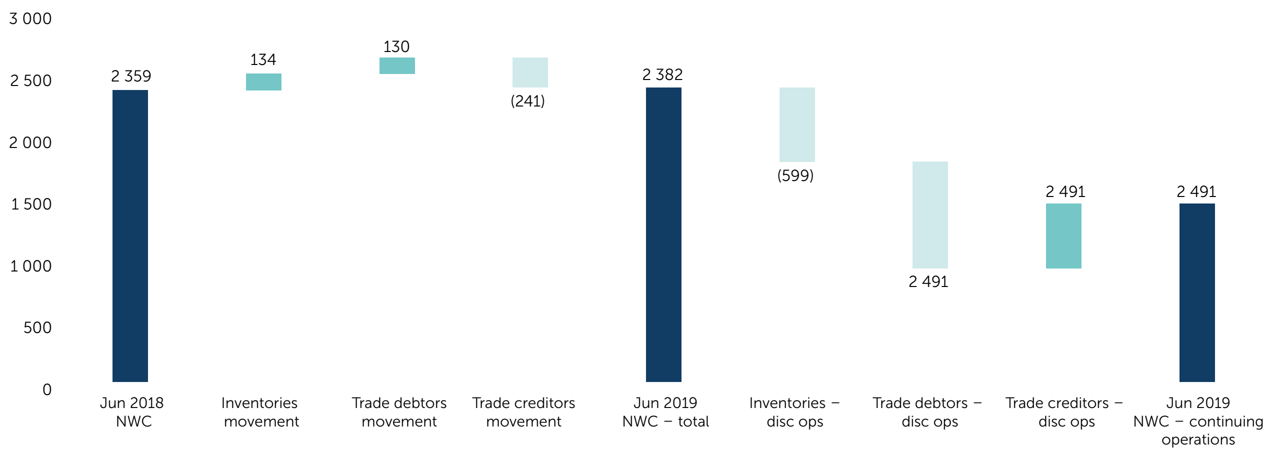
The group has been focused on improving the net working capital position and has seen a substantial reduction in long outstanding government debt versus the prior year.

There has been an investment in inventory to increase safety stock levels of API in Remedica; addition of a new Medical Device agency and for the recovery of the planting season for Agri businesses post the drought.

A SKU rationalisation project across all Business Units is in progress (300 SKU's in Scitec). The group has also negotiated extended supplier payment terms in Europe and South Africa.

At year-end cash and cash equivalents totalled R265 million. The group invested R392 million in capital expenditure and settled vendor liabilities of R230 million. The sale of non-core businesses generated R158 million.

Net working capital (NWC) FY2019 (R'm)



The covenants relating to the facilities and the senior bank loan, with an outstanding balance of R5.5 billion at 30 June 2019, were breached as a result of poor trading conditions and higher debt levels. The bank loan has, as a result, been classified as a current liability. Our financiers are, however, assessing conditions on a continuous basis and are committed to work closely with management to ensure that the facilities are maintained. The group has negotiated an Interim Stability Agreement (ISA) with its Lender Consortium in May 2019 to allow the Remedica disposal to be completed without any debt capital payments having to be made. The ISA was particularly drafted to ensure that no defaults were outstanding for the group facility which would in turn trigger the repayment of the bilateral facilities. The ISA includes an absolute waiver of any relevant defaults and has provided for a deferral of the capital payment which originally fell due on 30 June 2019, subject to certain terms and conditions. As a result, no bank or lender (for the bilateral facilities or the group facilities) has a right to call for repayment of their debt. The ISA period has been extended to 30 November 2019 and consent will be sought from the lenders to extend to the end of January 2020.

There was an increase in debt levels in Europe and South Africa to support the net working capital requirements and payment of deferred vendor liabilities. A bridge loan of R360 million was repaid in July 2019 post the Bioscience 1 sale.

IFRS 16 Leases

The group will adopt IFRS 16 Leases during the 2020 financial year. The impact of the new standard will result in an increase in EBITDA due to operating lease payments falling away and replaced by an increase in depreciation and interest paid. The group expects to recognise a right-of-use asset and lease liability of R160.6 million.

Appreciation

Thank you to our shareholders for their continued support over the past year as well as the broader investment community for their interaction with management. We also thank our lenders and funding institutions for their support and engagement in a challenging year. In closing, I thank our group finance team as well as the finance teams in our subsidiary companies in South Africa and offshore for their commitment and contribution.

Kieron Futter
Chief financial officer

Pharma (South Africa)

Ascendis Pharma (South Africa) develops, procures, sells and distributes generic pharmaceuticals and over-the-counter (OTC) products to government hospitals, non-governmental organisations, private hospital groups, other pharmaceutical companies, pharmaceutical wholesalers, dispensing doctors, pharmacy groups and independent pharmacies in South Africa, other SADC countries, West and East Africa.

REVIEW OF 2019

Ascendis Pharma (South Africa) continued to build its established brands in OTC and generic therapeutic areas of cough and cold, pain, gastrointestinal and anti-infective medication.

Growth in the private sector business was driven by a strong performance in key brands (Reuterina and Sinucon) in cough and cold, gastrointestinal and pain. In the public sector, the business experienced a decline in sales due to the group's strategy to discontinue low margin tender products, and as a result of third party suppliers experiencing regulatory and technical constraints. The division's export business grew strongly, primarily in SADC countries, by maximising tender opportunities.

In line with the division's strategy to focus on brands, the company disposed of its pharmaceutical manufacturing facility in Isando, Gauteng, to leading global pharmaceutical manufacturer Mylan for R130 million in January 2019.

FINANCIAL PERFORMANCE

R'm	June 2019	June 2018	% change
Revenue	732	895	(18%)
EBITDA	(2)	34	(106%)
EBITDA margin	(0.3%)	3.8%	

Revenue and EBITDA were negatively impacted by stock shortages, factory and supplier issues that affected both the private and public sector businesses. The business continued to exit lower margin products and rationalised tail-end and dormant dossiers which strengthened the gross profit margin. The disposal of the Isando manufacturing facility will result in significant cost savings in future.

OUTLOOK FOR 2020

Ascendis Pharma (South Africa) will continue to focus on driving sales of higher margin key OTC brands, improving margins and supply reliability, and plans to launch new products in the next two years as further dossier registrations are approved by the South African Health Products Regulatory Authority (SAHPRA). The expansion of exports into Africa is also expected to continue growing as a result of dossier registrations in SADC countries and West Africa.

Farmalider

Farmalider develops, licences and manufactures mainly generic pharmaceutical products targeting pain management. Located in Spain, Farmalider has marketing authorisations and DCPs (Dossier Centralised Processes) with updated dossiers of a range of pharmaceutical products in different European countries.

REVIEW OF 2019

Farmalider maintained its market leading position in the Ibuprofen and Paracetamol markets in Spain.

While the global Ibuprofen API shortage has steadily increased raw material cost prices over the last two years, the impact has been partially mitigated by the strategic decision to build up a safety stock of Ibuprofen API to ensure security of supply.

A strategic supply agreement for Sildenafil, used in the treatment of erectile dysfunction, was concluded with a company in China, facilitating access to the lucrative Asian market. Sildenafil was also granted patent rights in the USA.

The biggest challenge encountered during the year was the implementation of the European Union serialisation directive on medicinal products at Farmalider's own manufacturing site, which involved the installation of new software and hardware. The serialisation implementation resulted in a slowdown in manufacturing processes and supply delays across most manufacturers in Europe.

FINANCIAL PERFORMANCE

€'m	June 2019	June 2018	% change
Revenue	35.8	36.6	(2%)
EBITDA	4.7	6.4	(26%)
EBITDA margin	13.1%	17.5%	

While revenue showed a marginal decline, sales of OTC products to existing customers showed strong organic growth. EBITDA was 26% lower, mainly due to the serialisation impact on supply revenue in the second half while the company increased its fixed costs and payroll expenses.

OUTLOOK FOR 2020

Product development and innovation will focus on pain, erectile dysfunction and other key therapeutic areas in the OTC category. The business also plans to increase revenues outside Spain through the expansion of strategic products in select EU countries, South America and Asian markets. Additional manufacturing sites have been secured in China and India to increase capacity and de-risk supply, while in-house manufacturing capacity will be increased to drive margin improvement.

To strengthen Farmalider's leadership position in its two strategic molecules Paracetamol and Ibuprofen in the Spanish generics market, two key supply agreements have been signed with top customers in the market, KERN and CINFA.

Consumer Health (South Africa)

The Consumer Health business units of Wellness, Skin, Supply Chain and Chempure have been integrated into one division to achieve synergies and create efficiencies.

The Wellness brands target the nutraceutical, vitamin, health supplement and mineral markets, with leading brands including Solal, Vitaforce, Bettaway, Menacal, Chela-Fer and Chela-Preg.

The Skin business specialises in advanced professional skin and body care. The product portfolio comprises three owned brands: Nimue, a well-established advanced professional skin care brand; Agewell, a specialised retail and online brand, and Solal Skin, an extension of the premium Solal nutraceutical brand into the pharmacy retail sector.

REVIEW OF 2019

2019 proved to be a tough year for the consumer businesses. Cash constraints limited marketing activity and the ordering of packaging, raw materials and finished goods. This resulted in major stock shortages and lower in-fill rates.

Sales growth in Wellness was supported by the good performance from the Solal skin brand and the launch of the Solal RestorX range in November 2018 which has been a key innovation driver for Solal.

FINANCIAL PERFORMANCE

R'm	June 2019	June 2018	% change
Revenue	821	917	(11%)
EBITDA	16	91	(82%)
EBITDA margin	2.0%	9.9%	

Overall Consumer Health sales growth declined by 11% owing to the reasons outlined above as well as constrained consumer spending.

EBITDA reduced by R75 million owing mainly to inventory write-offs and low factory recoveries at the Wynberg factory as well as new IFRS standards requirement and impairment of loans.

OUTLOOK FOR 2020

The consolidation of Consumer Brands is aimed at optimising synergies and effective business processes between the divisions, with a new portfolio strategy that leverages the key brands and operational effectiveness driving clear business results.

The focus for the 2020 financial year is on improving efficiencies while growing sales through effective marketing and trade strategies. Priorities include improving procurement and manufacturing service levels, resuming advertising and promotion activities.

Scitec

Hungary-based Scitec manufactures, distributes, exports and markets sports nutrition products globally to consumers seeking optimum performance and health.

REVIEW OF 2019

Scitec continued to follow its strategy of diversification across sales channels and customer markets, developing innovative products and adopting more targeted marketing strategies.

E-commerce sales increased from 1.5% to 4.6% of total sales where the partnership with Amazon delivered strong growth in five key European Union countries.

The entry into the mass retail channel has been successful and continues to gain traction. Contract manufacturing has continued to expand.

Changing customer habits in Scitec's home country of Hungary has resulted in a decrease in customers in franchise and company-owned stores.

The Scitec Institute was launched to provide international research, diet and training services to strengthen the Scitec brand globally. The Hungarian Olympic Committee is one of the main partners of the Scitec Institute.

Scitec reduced its headcount by 61 through restructuring and efficiency programmes, resulting in a sizeable labour cost saving.

FINANCIAL PERFORMANCE

€'m	June 2019	June 2018	% change
Revenue	77.0	84.8	(9%)
EBITDA	0.4	6.4	(94%)
EBITDA margin	0.5%	7.5%	

Revenue was impacted by lower sales volumes while increased competition from online retailers, mainly in Western Europe and Central and Eastern Europe, contributed to sales price pressure which negatively impacted revenue and EBITDA. EBITDA was further impacted by slow-moving finished goods sales and the closure of the business in the USA.

OUTLOOK FOR 2020

The sports nutrition industry is expected to grow at double digit levels in the next five years. Scitec aims to arrest the decline in sales and reposition the business by investing in the faster growing channels and customer segments.

Two new sub-brands, Gym and Endurance, will be launched in the first half of the 2020 financial year, with a range of products targeting these two areas of health and fitness which have increased significantly in recent years. The launch follows the successful testing of these new brands in Hungary.

Scitec plans to strengthen its e-commerce and mass retail channels as well as expanding into further distributor countries, with marketing being supported by the Scitec Institute.

Further priorities for the new leadership at Scitec will be to drive cost efficiency, expand gross margins, improve cash management and accelerate contract manufacturing.

Sun Wave Pharma

Sun Wave Pharma is a leading nutraceutical and OTC brand in its home market of Romania. Products are sold through multiple distribution channels including retailers, pharmacies, wholesalers and health shops.

REVIEW OF 2019

Sun Wave Pharma maintained its position as the nutraceutical market leader in Romania as it increased market share to 13%, almost double the level of its closest competitor. Sun Wave is one of the top five participants in the Romanian OTC market.

Five new products were launched during the year, supported by clinical trial results and media promotion. The marketing strategy focuses on conferences, congress participation and medico-marketing activities. Sun Wave hosted 70 conferences with over 10 000 doctors attending.

SunCRD, the clinical research department of Sun Wave, completed 31 post-marketing studies with 6 093 patients, with the studies showing excellent clinical results for the top brands.

FINANCIAL PERFORMANCE

€'m	June 2019	June 2018	% change
Revenue	44.3	36.2	22%
EBITDA	10.6	7.9	34%
EBITDA margin	24.0%	21.8%	

The strong performance in both revenue and EBITDA growth was driven by a focus on the top 30 brands together with an increase in sales personnel and medico-marketing activities. New products launched over the past two years continue to perform well and sustain revenue growth.

OUTLOOK FOR 2020

Four new products are scheduled to be launched in the new financial year and the investment in consumer media and online campaigns will be increased significantly.

Sun Wave aims to achieve the number one position in the Romanian OTC market in 2020.

Medical

Ascendis Medical comprises Surgical Innovations, (an African market leader in niche surgical devices), Respiratory Care Africa (equipment for hospitals), The Scientific Group (IVD products) and Ortho-Xact (orthopaedic products). The business offers turnkey solutions for specialist surgeons, state and private hospitals through the supply of consumable and implantable products for clinical use.

REVIEW OF 2019

Ascendis Medical is the biggest medical devices business in South Africa. The business integration across the four component companies, which was completed in July 2019, will enhance operational efficiencies and further drive market penetration. Following the completion of the integration strategy, Ascendis Medical moved into a purpose-built head office in Johannesburg.

The business concluded exclusive distribution agreements in Africa for all Bayer interventional and radiology products as well as the full Qiagen portfolio.

The range of Ascendis Medical own brand products was expanded with more segments to follow in the next financial year.

The African expansion strategy gained traction, supported by the addition of the Bayer and Qiagen brands.

FINANCIAL PERFORMANCE

R'm	June 2019	June 2018	% change
Revenue	1 273	1 366	(7%)
EBITDA	96	310	(69%)
EBITDA margin	7.5%	22.7%	

Revenue declined by 7%, mainly due to supply constraints owing to the group's liquidity challenges. The gross profit margin came under pressure as a result of the 4% foreign exchange related increase in cost of sales.

The EBITDA margin contracted owing largely to an increased investment in sales personnel and training for the newly acquired agency.

OUTLOOK FOR 2020

Ascendis Medical strives to be recognised by customers, clinicians and patients as the trusted partner of choice. The focus in the new financial year will be on driving organic growth, further expansion into rest of Africa and new business growth. Bayer's interventional and radiology products as well as Qiagen's full portfolio are expected to drive strong revenue growth.

RCA The Scientific Group ORTHO-XACT SURGICAL INNOVATIONS

Animal Health

Ascendis Animal Health is an integrated provider of specialised products and services used in the animal health and veterinary sectors. The division leverages expertise in the disciplines of veterinary sciences and agriculture, and consists of three businesses:

- Ascendis Animal Health, focused on the production animal sector
- Ascendis Vet, focused on the veterinary companion animal market
- Kyron Laboratories (Kyron), with products target mainly at the companion animal sector.

The division offers well recognised brands including Ivermax, Maxi-Tet, Triworm, Petcam and the extensive Kyron range of products.

REVIEW OF 2019

Animal Health performed well despite several challenges in the macroeconomic environment and other internal challenges. The primary focus in the past year was on growing market share through range expansion and expanding into further geographies. The production animal business successfully entered into the large animal vaccines segment in South Africa.

The combination of Ascendis Vet and Kyron provides a strong presence in the attractive companion animal sector. However, performance in the companion animal business was negatively impacted by stock shortages as well as the weak domestic consumer environment.

The production animal business continues to drive growth into new international markets, particularly in Africa. The division expanded into additional Southern African Development Community (SADC) and East African markets by registering further products and initiating registration trials, which will drive geographic expansion and contribute to sustainable growth.

FINANCIAL PERFORMANCE

R'm	June 2019	June 2018	% change
Revenue	490	370	32%
EBITDA	81	74	10%
EBITDA margin	16.5%	20.0%	

Revenue growth was driven by strong sales in the production animal business following the launch of the new vaccines as well as a 38% growth in exports.

While the fluctuating exchange rate placed pressure on the gross margin, the division was able to expand its gross margin, and this together with disciplined expense control, resulted in EBITDA growth of 10%. The decline in the EBITDA margin was due to improved sales from the lower margin compounding segment and increased marketing expenses associated with the launch of the new vaccine range.

OUTLOOK FOR 2020

Strong demand ensures that the outlook for animal farming remains positive, although the drought in many parts of South Africa and the rest of Southern Africa could have a negative impact should it continue. Increased focus will be placed on building the portfolio offering and expanding the geographic footprint by leveraging off existing distribution channels and partners.

In the companion animal business, management plans to switch supply to new approved manufacturers and prioritise new product development and registrations.

Following the acquisition of Kyron in 2018 the division has the in-house capability and skills to improve efficiencies in manufacturing and to accelerate organic growth.

Overall growth will be supported by in-house synergies, extracting operating efficiencies, expansion of the export footprint and a renewed new focus on new product development.

Corporate governance report

Ascendis Health is committed to good corporate governance standards and ethical practices to ensure the sustainability of the business. The group's governance framework is founded on the fundamentals of accountability, integrity, transparency, ethical standards, fairness, compliance and accountability.

The board is responsible for ensuring compliance and effective implementation of legislation, regulation and governance codes, while at the same time maintaining a balanced approach to the entrepreneurial spirit on which the group was founded.

Ascendis Health subscribes to the spirit of good corporate governance outlined in the King IV Report on Corporate Governance (King IV) and the group is reporting in accordance with the King IV code for the 2019 financial year. Effective governance processes have been implemented across the business and the directors confirm the group has in all material respects applied the 16 principles of King IV.

The application and explanation of the group's implementation of each King IV principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually and is available on the group's website: www.ascendishealth.com.

BOARD OF DIRECTORS

Board charter

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. The board has updated its charter to align with King IV. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives
- Approving financial results as well as financial objectives and targets
- Monitoring operational performance, competency and management
- Ensuring effective risk management and internal controls
- Complying with legislative, regulation and governance codes
- Ensuring the liquidity, solvency and going concern of the group
- Oversight of the values, ethics and integrity of the group
- Selection, orientation and evaluation of directors and chairman
- Review of terms, references and compositions of board committees
- Annual assessment of board members, chair of the board, CEO, CFO and company secretary
- Applying directors and prescribed officers' adherence to fiduciary duties as well duties of care and skill
- Ensuring appropriate remuneration policies and practices that are aligned to shareholders' interests
- Oversight of shareholder communications, stakeholder engagement and AGM resolutions
- Determining the dividend policy.

Board composition

Ascendis Health has a unitary board structure which at year-end comprised six non-executive directors and one executive director who are all independently minded individuals.

The six non-executive directors, which includes the chairman, are classified as independent in terms of King IV and the JSE Listings Requirements. The independence of all non-executive directors is reviewed and assessed by the board annually.

The following changes were made to the board during the year:

(i) Appointment of George Sebulela on 2 October 2018 as an independent non-executive director.

(ii) Resignation of Gary Shayne on 31 March 2019.

(iii) Retirement of the chairman, John Bester on 3 May 2019.

(iv) Appointment of Andrew Marshall on 3 May 2019 as the new independent non-executive chairman.

(v) The termination of the services of Thomas Thomsen, the chief executive officer, on 23 May 2019.

(vi) Phil Roux was appointed as an independent non-executive director on 3 May 2019 and resigned with effect from 6 June 2019.

Following the departure of Mr Thomsen, Mr Marshall assumed the position of acting CEO in addition to his role as chairman of the board, until the appointment of the new CEO.

After the end of the reporting period the board appointed Mark Sardi as the new CEO and as an executive director with effect from 14 October 2019.

The board created the role of lead independent non-executive director and appointed Bharti Harie to fulfil the position with effect from 7 June 2019.

In terms of the group's governance structure, the roles of the chairman and the CEO are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

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

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

The age, tenure, status and experience of each director is detailed on page 16 to 17.

Corporate governance report (continued)

Key governance issues addressed by the board

The board addressed the following key governance-related issues during the financial year:

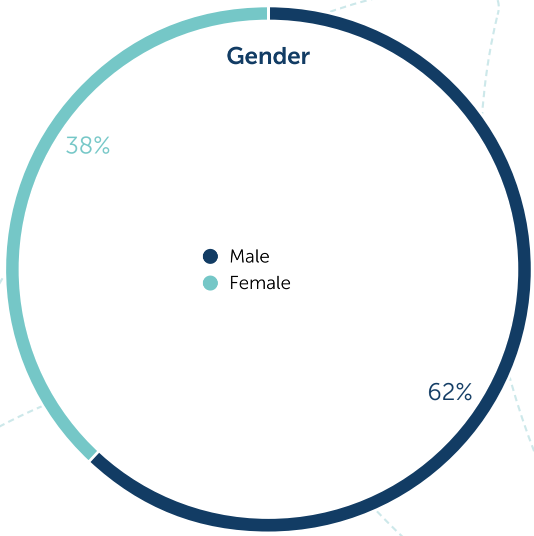
- Ensuring independence and no controlling influence from Ascendis Health's largest shareholder, Coast2Coast Capital (C2C)
- Abnormal volume of director's dealings in the form of forced share sales by the directors of C2C
- Response to shareholder pressure regarding changes to the Ascendis Health board, resulting in:
  - the resignation of Gary Shayne, which was also as a result of board pressure, and which means that C2C no longer have any board representation; and
  - John Bester retiring as the previous chairman, and the appointment of Andrew Marshall as the new independent non-executive chairman.
- The board terminated the services of the previous CEO, Thomas Thomsen in May 2019, and commenced the search for a new CEO which was concluded after year-end
- Implementing a strategy to reduce gearing on Ascendis Health's balance sheet, including pursuing the disposal of assets
- Revision of the group's long-term business strategy post the results of its disposal programme
- Renegotiation of long-term funding with the group's lenders
- Address and stabilise the group's liquidity and cash flow requirements

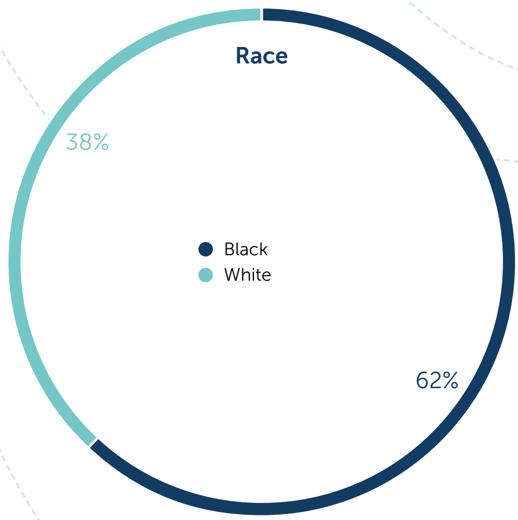
Board evaluation

The annual review of the performance of the board, the committees and individual directors was undertaken, and the results presented to the human capital committee in June 2019. The outcome of the evaluation was acceptable, with further development and improvement being recognised in terms of (i) governance issues that take place in board meetings; (ii) functionality of the board; (iii) level of independence; and (iv) directors' training.

Board gender and diversity policy

The board believes that its diversity in terms of a broad range of skills, experience, gender, race, background and outlook is essential to be effective. The human capital committee considers suitability for the role, independent judgement, compliance with King IV principles as well as all aspects of diversity when making recommendations for appointments to the board.





The board acknowledges that gender and race are important aspects of diversity and currently 38% of the directors are female and 62% are black. The board adopted a gender and race diversity policy in accordance with the JSE Listings Requirements.

Company secretary

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

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

Board committees

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have formal charters and the directors confirm that the committees have functioned in accordance with these terms of reference during the financial year.

During the reporting period the board reviewed the committee structure and made the following changes:

- Remuneration and nominations committee has been renamed the human capital committee
- Social and ethics committee has been renamed the social, ethics and transformation committee
- Investment committee established

Audit and risk committee

Composition

Chair: Bharti Harie

The committee comprises four independent non-executive directors. During the year, Dr Yoza Jekwa joined the committee as an independent non-executive director. All the members are elected by shareholders at the annual general meeting each year.

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

The committee has implemented an audit and risk charter which has been approved by the board and is reviewed annually.

Role and responsibilities

- Ensure the group has adequate and appropriate financial reporting procedures and operating controls
- Maintain oversight for financial results, integrated reporting and monitor sustainability reporting
- Confirm the adoption of the going concern premise
- Assess the liquidity and solvency of the group
- Ensure that significant business, financial and other risks are identified and managed
- Ensure satisfactory standards of governance, reporting and compliance in conformance to the Companies Act, King IV guidelines, IFRS, other accounting standards, tax regulations and other related regulations
- Request from the external auditors (PwC) information on the assessment of their suitability as auditors and their re-appointment for the year, as well as the qualifications of the designated audit partner
- Review the findings and recommendations of the internal and external auditors
- Determine and approve the audit plans and fees for both internal and external audits
- Appoint the external auditor annually and recommend to the shareholders for approval at the AGM
- Monitor the fraud and litigation register and reporting and ensuring policies and procedures are in place to mitigate these risks
- Consider that the expertise and experience of the CFO and the finance department are appropriate
- Ensure appropriate risk management policies and mitigation measures are adopted by management
- Measure the risk profiles of all business divisions as well as the group, through regular updates of risk registers
- Ensure management has implemented systems of internal control and effective risk-based internal audits
- Monitor borrowings, interest rate exposure movement and interest rate hedging policies
- Ensure appropriate insurance cover is purchased on all material risks above pre-determined self-insured limits
- Provide effective disclosure of risks to shareholders
- Review the combined assurance plan and business continuity plan.

Corporate governance report (continued)

Human capital committee

The human capital committee is responsible for matters pertaining to remuneration and nominations, including the remuneration policy and remuneration implementation report which are presented to the shareholders at the AGM for non-binding votes.

Composition

Chair: Dr Kinesh Pather

The committee comprises three independent non-executive directors.

The CEO attends by invitation and is recused for discussions that relate to his performance and remuneration.

The committee has implemented a remuneration and nominations charter which has been approved by the board and is reviewed annually.

Refer to the remuneration report on pages 35 to 41.

Role and responsibilities

- Ensure the group has a remuneration policy which is aligned with the company's strategic objectives and goals, and which are competitive in the marketplace, and is aligned to the shareholders' interests
- Review and approve remuneration of executive directors, non-executive directors and senior management
- Review and approve payments in terms of the annual short-term incentive scheme which are based on performance measures
- Review and approve long-term incentive schemes
- Propose annual fees for non-executive directors for approval at the AGM
- Determine a long-term strategy for retention and development of executives
- Ensure that effective succession planning is in place for executives and senior management
- Ensure that the board, its committees and management have an appropriate balance of skills, experience, gender and diversity
- Identify and nominate candidates for appointment to the board and committees
- Co-ordinate the annual board and committee evaluation process
- Review the chairs and members of the board and committees every year
- Assessments of CEO, CFO, and company secretary annually
- Co-ordinate induction programme for new directors and continuing development for all directors
- Recommendations to shareholders for annual re-election of non-executive directors by rotation, and appointment of audit committee members.

Social, ethics and transformation committee

Composition

Chair: Mary Bomela

The committee comprises three independent non-executive directors. Andrew Marshall, as an independent non-executive director, was appointed to the committee during the year. The human resources manager, transformation manager, and environmental, health and safety manager regularly attend at the invitation of the committee.

The committee has implemented a social, ethics and transformation charter which has been approved by the board and is reviewed annually.

Role and responsibilities

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

Refer to the social, ethics and transformation committee report on pages 42 to 44.

Investment committee

Composition

Chair: Dr Yoza Jekwa

The committee comprises three independent non-executive directors and two executive directors. Other directors attend by invitation.

Role and responsibilities

- Advise the board in relation to disposals, mergers and acquisitions
- Negotiate most favourable terms for these large transactions
- Consider the long-term impact to the group's future business and going concern status
- Engage with the group's long-term lenders to ensure favourable funding options and terms
- Appoint consultants and specialists to advise on key projects.
- Ensure that these group's developments are aligned to shareholders' interests.

Board and committee attendance

	Board	Audit and Risk	Human Capital	Social, Ethics Transformation	Investment
Number of meetings	**19**	**5**	**4**	**4**	**9**
John Bester (retired 3 May 2019)	17/17*		3/3		
Andrew Marshall (appointed 3 May 2019)	2/2*		1/1		
Bharti Harie	17/19	5*			9
Dr Kinesh Pather	17/19	5	4*	4	
Mary Bomela	15/19	3/5		3/4*	
Gary Shayne (resigned 31 March 2019)	14/15				
Dr Yoza Jekwa	17/19				9*
Thomas Thomsen (terminated 23 May 2019)	18/18				8/9
George Sebulela (appointed 2 October 2018)	11/14		1/1		5/9
Phil Roux (appointed 3 May 2019) (resigned 6 June 2019)	1/1				
Kieron Futter	19/19				9

** chairman*

Risk management

The board is responsible for the governance and oversight of the risk management process and is assisted in this process by the audit and risk committee. The group's chief risk officer is responsible for ensuring that an efficient and effective enterprise risk management process operates across the group and reports to the audit and risk committee and board on risk management and mitigation measures that have been implemented.

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

The board has approved a risk appetite statement for the Ascendis Health group of companies. The audit and risk committee review this statement on an annual basis and makes any recommendations for changes to the board.

A risk management policy has been adopted to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed on a bi-annual basis in all key areas of the group's businesses as well as for the group.

Information technology governance forms an integral part of the group's risk management process, with the audit and risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal controls and effective risk-based internal audits aimed at:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- preparing timely and reliable financial statements and information in compliance with relevant legislation;
- complying with generally accepted accounting policies and practices;
- increasing the probability of anticipating unpredictable risk; and
- mitigating key risk exposures.

The board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year. The board also ensures that its risk management is aligned to the King IV principles.

Corporate governance report (continued)

Accountability and compliance

Details of the internal audit function and systems of internal controls, as well as the external audit function, are contained in the audit committee report in the audited annual financial statements for the year ended 30 June 2019, which are available on the group's website: www.ascendishealth.com.

Legislative compliance

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

Ethics management

The board considers the ethics of the group as a critical value in the operation of its businesses. Ethical practices and good corporate governance are key values of the Ascendis Health culture and are constantly promoted and measured in the regular activities of the employees and management. To this extent, Ascendis Health has established policies on Code of Ethics, Fraud, Bribery and Corruption, and Sanctions. A hotline facility is accessible to all employees, administrated by a qualified external service provider, and ensures absolute anonymous protection and careful follow up on matters that are reported.

Remuneration report

PART 1: BACKGROUND INFORMATION

Remuneration philosophy

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

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

Remuneration principles

The key principles embedded in the remuneration policy are to:

- align remuneration practices with the delivery of the group's strategy and ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration;
- ensure that executive reward schemes are aligned with shareholders' interests;
- attract, develop and retain employees in the healthcare industry who contribute to the group's sustained business growth;
- establish remuneration packages that comprise annual guaranteed pay, performance-based bonuses and other benefits;
- recognise and reward employees by promoting a performance-based culture which incorporates both short-term and long-term objectives;
- be competitively and comparably positioned in the market with the group's remuneration structures;
- ensure internal equity among employees;
- grant regular increases which are merit-based and in line with the job position;
- job positions are benchmarked and reviewed on an annual basis with the internationally recognised Hay benchmarking system;
- encourage career path aspirations and succession planning within the group; and
- ensure compliance with all applicable legislation and regulatory codes.

Remuneration governance

The board has responsibility for the remuneration policy and has delegated responsibility to the human capital committee ("HCC" or the "committee") for the group's remuneration practices.

The committee comprises three independent non-executive directors, being Dr Kinesh Pather (chairman), Andrew Marshall and George Sebulela, and conforms to the King IV guidelines. The committee is governed by a formal charter which is reviewed and approved by the board annually.

The committee meets at least three times a year and on an *ad hoc* basis when required. The meetings are aligned to the review and approval of the budgeted remuneration for each year, as well as the performance bonuses awarded to executives and senior management.

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

The fees for non-executive directors are reviewed annually by the committee and presented to the board for approval. These fees are then presented to the shareholders for approval at the annual general meeting (AGM). The committee applies an external benchmarking survey every year to ensure that directors' fees are market related. The proposed directors' fees consider the level of responsibility and activity of each director in the meetings of the board and its sub-committees. The board is responsible for determining the remuneration of executive directors in accordance with the remuneration policy.

During the financial year the committee addressed the following key issues:

- Development of the new long-term incentive scheme (refer to "Long-term incentive scheme" below)
- Review of the executive directors' remuneration
- Review of non-executive directors' fees
- Termination of the CEO's employment (Thomas Thomsen) with effect from 23 May 2019
- Appointed Andrew Marshall (chairman of the board) as acting CEO with effect from 23 May 2019, pending the replacement of the CEO
- The board created the role of lead independent non-executive director and appointed Bharti Harie to the fulfil the position on 7 June 2019

After the end of the reporting financial year, the board appointed Mark Sardi as the new CEO and as an executive director of the board with effect from 14 October 2019.

Remuneration report (continued)

Non-binding advisory votes

The remuneration policy and the implementation report are subject to separate non-binding advisory votes at the forthcoming AGM, in accordance with King IV.

At the AGM in November 2018, 85.73% of shareholders who voted supported the remuneration policy and 89.16% supported the implementation report in non-binding advisory votes.

Shareholder engagement

Ascendis Health encourages proactive engagement on remuneration-related issues with shareholders to ensure that informed decisions are made when voting on the group's remuneration policy and implementation report.

In line with the requirements of King IV, should either the remuneration policy or the implementation report receive 25% or more dissenting votes, management will engage directly with these shareholders to determine the reasons for the dissenting votes and take reasonable measures to address legitimate concerns. The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's integrated report.

Board approval of the remuneration report

The remuneration report was approved by the board of directors on 14 October 2019.

Part 2: REMUNERATION POLICY

The remuneration policy covers:

- basic salary, including financial and non-financial benefits;
- commissions and allowances;
- termination payments;
- sign-on, retention and restraint payments;
- short-term and long-term incentive schemes; and
- fees for non-executive members of the board.

This policy can be accessed on the company's website: https://ascendishealth.com/wp-content/uploads/2015/08/Remuneration-Report

The remuneration policy incorporates the following key components.

Executive directors' remuneration

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

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

- Annual guaranteed pay
- Company benefits
- Cash-based bonuses which are based on annual business and financial performances

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

Executive director terms of appointment

When recruiting executive directors, the size, nature and complexity of the role are considered.

Executive directors have standard terms and conditions of employment. None of the executive directors has an employment contract with a maximum notice period of longer than six months or any other special termination benefits.

Short-term incentive scheme

The executive directors and senior management participate in a short-term incentive scheme (STI) which is a cash-based performance bonus scheme and is subject to income tax. Financial targets are determined by the committee and approved by the board, and are set on the following metrics:

- EBITDA (earnings before interest, tax, depreciation and amortisation)
- RONA (return on net assets)
- Working capital management
- Operational and business goals

The executive directors' targets also include profit before tax and earnings per share. These targeted bonuses are included in the annual budgets and are accounted for in the audited annual financial statements.

The incentive scheme for the executive directors and senior management is designed on both financial and non-financial measurements across operational, financial, customer, human capital and internal business process improvement metrics. The annual STI scheme is reviewed and approved by the committee.

Key components of the STI are:

- Bonus measurements are more weighted at business division level and central support functions
- Increased weighting on financial targets
- Financial targets include revenues, profit and cash management goals
- Recognition of high performers within the peer group
- Raised the set base of financial performance measures to 95% of targets, with a maximum of 150% of target

Long-term incentive scheme

The executive directors and senior management participate in a long-term incentive scheme (LTI scheme). The board has approved the introduction of a new share option scheme with effect from December 2019 to enable the group to become more competitive in the market. The scheme is subject to JSE approval and shareholders' approval at the AGM.

Further details on the LTI scheme are contained in the notice of AGM. The full scheme document is available on request from the company secretary.

The key components and objectives of the revised LTI scheme are:

- Share option value to be based on the share price which provides alignment to shareholders' interests
- Share option issue price will be based on the 30-day VWAP at the date of issue
- Retention of key management and critical skills
- Maximum number of share options will not exceed 5% of the Company's issued share capital
- LTI scheme is dilutive to shareholders
- Maximum number of share options that may be allocated to any participant in the scheme may not exceed 1% of the issued share capital
- 27 executive and senior management to participate in this LTI scheme in the 2020 financial year
- Net equity settlement is made directly to the participant after deduction of PAYE tax
- Issue of the share options shall be done annually and within the 5% limit, and is subject to review and approval by the HCC
- The exercise of the share options will be subject to the company performance targets being met, based on the three-year compound annual growth rate in normalised headline earnings per share, on a sliding scale as follows:

  +4% = 100%/ +3% = 90%/ +2% = 80%/ +1% = 70%/ 0% = 60%
- Vesting periods of the share options shall be over two, three, four and five years on the anniversary date of issue.

Other management and staff

Senior managers and selected key staff receive an annual guaranteed salary, which includes certain retirement and healthcare benefits as well as a performance based annual bonus. Salaries may include premiums for resources that are scarce and critical. An annual salary increase is applied which is performance-based as well as market related.

Non-executive directors

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

In accordance with best corporate governance practices, non-executive directors do not participate in the group's incentive schemes, nor do they have employment contracts with the group. The following emoluments were paid to non-executive directors during the year, in addition to their fees for serving as directors:

- R574 194 Dr NY Jekwa for managing a large disposal project for the group
- R416 666 AB Marshall for compensation for serving as acting CEO of the group for the month of June 2019. During his tenure as acting CEO, Mr Marshall did not receive non-executive directors' fees.

Remuneration report (continued)

PART 3: IMPLEMENTATION REPORT 2019

The committee is satisfied that the objectives of the remuneration policy were achieved over the past year.

Details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2019 are provided in this section of the report, which payments are considered by the committee, to be in line with the group's remuneration policy.

The committee approved an average 4.5% increase in the executive directors' fixed remuneration for the 2019 financial year. The overall remuneration paid to executive directors decreased by 37.6% due to (i) 50% reduction in the number of executive directors, partially offset by (ii) the termination of the CEO's employment which required a six-month notice period and he was paid *in lieu* of serving his notice period.

Directors' emoluments 2019

R'000	Basic salary	Short-term incentives	Retirement/ medical benefits	Other benefits	Termination cost*	Non-executive Directors' fees	Non-executive Directors' other services	Total
Executive directors								
TB Thomsen*	6 600	6 688	–	854	3 600			17 742
K Futter	3 304	1 056	88	46				4 494
Total executive directors	**9 904**	**7 744**	**88**	**900**	**3 600**			**22 236**

** Terminated 23 May 2019*

R'000	Basic salary	Short-term incentives	Retirement/ medical benefits	Other benefits	Termination cost*	Non-executive Directors' fees	Non-executive Directors' other services	Total
Non-executive directors								
JA Bester*	–	–	–	–	–	908		908
AB Marshall**						92	417	509
B Harie	–	–	–	–	–	668		668
MS Bomela	–	–	–	–	–	475		475
Dr KS Pather	–	–	–	–	–	665		665
GJ Shayne***	–	–	–	–	–	187		187
Dr NY Jekwa	–	–	–	–	–	463	574	1 037
JG Sebulela#						390		390
PM Roux**##	–	–	–	–	–	21		21
Total non-executive directors	**–**	**–**	**–**	**–**		**3 869**	**991**	**4 860**
Total directors	**9 904**	**7 744**	**88**	**900**	**3 600**	**3 869**	**991**	**27 096**

* *Retired 3 May 2019*
** *Appointed 3 May 2019*
*** *Resigned 31 March 2019*
# *Appointed 2 October 2018*
Resigned 7 June 2019

Other than as is recorded above, no other remuneration was paid by the company nor was any consideration paid to or by any third party, or by the company itself, in respect of services of the company directors, as directors of the company, during the year ended 30 June 2019.

Directors' emoluments 2018

R'000	Basic salary	Travel allowances	Short-term incentives	Retirement/ medical benefits	Other benefits	Long-term service award	Non-executive Directors' fees	Total
Executive directors								
Dr KUHH Wellner**	5 200	177	1 404	88	296	13 680	–	20 845
CB Sampson**	3 850	–	800	–	49	3 500	–	8 199
TB Thomsen*	2 246	–	106	–				2 352
K Futter	3 119	–	800	81	42			4 042
Total executive directors	**14 415**	**177**	**3 110**	**169**	**387**	**17 180**	**–**	**35 438**

* *Appointed 1 March 2018*
** *Resigned 29 June 2018*

Non-executive directors								
JA Bester	–	–	–	–	–	–	875	875
B Harie	–	–	–	–	–	–	495	495
MS Bomela	–	–	–	–	–	–	353	353
Dr KS Pather	–	–	–	–	–	–	475	475
GJ Shayne	–	–	–	–	–	–	–	–
Dr NY Jekwa*	–	–	–	–	–	–	–	–
CD Dillon**	–	–	–	–	–	–	–	–
Total non-executive directors	**–**	**–**	**–**	**–**	**–**		**2 198**	**2 198**
Total directors	**14 415**	**177**	**3 110**	**169**	**387**	**17 180**	**2 198**	**37 636**

* *Appointed 22 June 2018*
** *Resigned 22 June 2018*

Remuneration report (continued)

Non-executive directors' fees

Non-executive directors' fees ("NED") amounting to R3.3 million in respect of the 2019 financial year, were approved at the 2018 AGM. The additional NED fees incurred of R569 000 were due to (i) changes in the board members; (ii) an additional sub-committee (Investment committee) being formed and members being appointed by the board; and (iii) fees for additional board and Investment committee meetings being held during the year.

The fees payable to non-executive directors comprise an annual fee based on the role fulfilled by each director, with the expectation of attendance at a pre-determined regular number of meetings per annum: board (four meetings); audit and risk committee (four meetings); human capital committee (three meetings); social, ethics and transformation committee (three meetings) and a number of Investment committee meetings . All travel and accommodation expenses incurred by directors to attend board and committee meetings are paid by the company.

The following NED fees for the 2020 financial year will be proposed to shareholders at the 2019 AGM for consideration and approval. These proposed NED fees reflect a decrease of 9.9% as compared to the fees for NEDs which were paid in the 2019 financial year. The proposed fees are aligned to a market survey provided by the Institute of Directors South Africa.

Proposed NED fees 2020	**R'000**
AB Marshall	
• Chairman of the board	1 000
• Member of the human capital committee	60
• Member of social, ethics and transformation committee	40
• Member of the investment committee	60
B Harie	
• Member of the board	250
• Chairman of the audit and risk committee	250
• Member of the Investment committee	60
MS Bomela	
• Member of the board	250
• Member of the audit and risk committee	90
• Chairman of the social, ethics and transformation committee	85
Dr KS Pather	
• Member of the board	250
• Member of the audit and risk committee	90
• Chairman of the human capital committee	140
• Member of the social, ethics and transformation committee	40
JG Sebulela	
• Member of the board	250
• Member of the human capital committee	60
• Member of the investment committee	60
Dr NY Jekwa	
• Member of the board	250
• Member of the audit and risk committee	90
• Chairman of the investment committee	110
Total	**3 485**

Short-term incentive scheme:

Awards made in the 2019 financial period were as follows:

Performance measured used (and the weighting of each)	**Target**	**Achievement**	**Value**
Revenue, EBITDA, cash conversion, strategic and personal KPIs	100%	53%	R27.8m

Directors' and associates' shareholdings

Directors and associates' shareholdings at 30 June 2019

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
B Harie	3 548	115 783	12 535	131 866
Dr KS Pather	24 650	20 000		44 650
Dr NY Jekwa	2 222			2 222
K Futter	296 286			296 286
Total	**326 706**	**135 783**	**12 535**	**475 024**

Directors' and associates' shareholdings at 30 June 2018

Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
JA Bester	16 200			16 200
B Harie	3 548	95 783	12 535	111 866
Dr KS Pather	24 650	20 000		44 650
GJ Shayne	253 647	117 686 681	1 632 756	119 573 084
CD Dillon*	1 018 900	20 768 238	1 032 000	22 819 138
Dr KUHH Wellner**	2 887 307	1 500		2 888 807
CB Sampson**	211 175	250 000		461 175
K Futter	296 286			296 286
Total	**4 711 713**	**138 822 202**	**2 677 291**	**146 211 206**

* *Resigned 22 June 2018*
** *Resigned 29 June 2018*

Social, ethics and transformation committee report

The board's social, ethics and transformation committee (the committee) is an independent committee constituted in terms of the Companies Act, governed by a formal charter and aligned to King IV principles.

This report is presented to shareholders in accordance with the requirements of the Companies Act.

Role of the committee

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

- social and economic development;
- ethics practices;
- good corporate citizenship;
- consumer relationships;
- labour and employment;
- transformation, empowerment, gender and diversity;
- the impact of the group's products or services on the environment, society and the economy; and
- health and safety standards.

The committee also advises the board on any social, ethical or transformational issues that may impact the long-term sustainability of the business.

Composition and functioning

The committee comprises three independent non-executive directors, namely Mary Bomela (chairman), Dr Kinesh Pather and Andrew Marshall. Executive and operational management including the group transformation manager and group human resources manager attend meetings at the invitation of the committee.

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

Activities of the committee

The committee met four times during the year and continued to monitor and measure the company's development in the areas of human resources, training, employment equity, B-BBEE compliance, management development, leadership programmes, social and ethics compliance, environmental, health and safety and sustainability. The activities are summarised below and are disclosed in compliance with King IV principles.

Empowerment and transformation

One of the primary roles of the committee is to assist the board in the oversight of the group's broad-based black economic empowerment (B-BBEE) and transformation activities. The committee has set clear objectives and goals for each of the five pillars of the amended B-BBEE codes and will continue to monitor and evaluate all aspects of B-BBEE across the business.

The group continues to make significant progress in its B-BBEE rating, improving from level 5 in 2018 to a level 1 in 2019. The improvement in 2019 was in two phases, with the first phase being improving from a level 5 to a level 3 due to further developments in the skills and preferential procurement elements as mandated by the committee. The second phase was the successful implementation of the Government's Youth Employment Service (YES) which further enhanced the rating from level 3 to level 1.

Black equity ownership has decreased to 30.7% (2018: 39.1%) but remains at a high level while black female ownership remained steady at 14.0% (2018: 14.1%).

The group continues to support the development of emerging entrepreneurs through its enterprise and supplier development projects. Together with the WDB Growth Fund, Ascendis Health supports the increased participation of youth and women entrepreneurs in South Africa's economy by offering them access to:

- capital to support business growth;
- high impact post-investment support;
- markets; and
- specialised mentors.

During the past financial year, Ascendis Health joined the YES programme. The group enrolled 100 unemployed youth from across the country with the aim of providing them with a life changing, year-long work opportunity within Ascendis Health. On completion of their programme, these young men and women will enter the mainstream workforce with credible work experience and empowered for a better future.

A key area for significant transformation development is the expansion of preferential procurement in Ascendis' business activities. Preferential procurement improved from 8 to 14 to 20 in 2017, 2018 and 2019 respectively. A group procurement manager has been employed to develop and change procurement practices within the organisation. The strategic focus for the next three years is to address opportunities on all non-critical procurement.

It is well recognised that education is important to South Africa for many reasons, therefore Ascendis launched its own learnership programme in 2016 and continues to build on it every year. In the past year, 155 learnerships were awarded to Ascendis staff and 135 to unemployed individuals. Ascendis achieved a 100% absorption of all unemployed learnership candidates who successfully completed the programme. Year-long learnerships are offered in the following disciplines: Business administration, chemical operations, project management and business management.

Employment equity remains a top priority for Ascendis Health. The group has set ambitious targets to improve the employment equity profile at various management levels within the group through the implementation of training and development initiatives, as well as improving the current employment equity compliance from 43% (8 points) in FY19 to 70% (13 points) in the next three years. As part of the Ascendis Transformation strategy, 70% of all employment opportunities will be offered to qualifying employment equity candidates.

Corporate social investment

The corporate social investment (CSI) programme of Ascendis Health focuses on improving education and supporting a healthy lifestyle amongst the community participants of projects, while at the same time specifically appealing to youth through sport and other health orientated initiatives. Ascendis Health continued to support the following projects during the financial year.

- **Ubuntu Soccer Football Trust**

  The Ubuntu Football Trust is a section 18A Public Benefit Organisation, with a mission to mentor and educate future leaders, using football as the context for a much deeper and broader investment into academic excellence and building outstanding character. For FY19 Ubuntu has eight graduates studying on football scholarships in the US, a total of 11 graduates pursuing tertiary education, and six graduates playing professional football.

- **Sporting Chance**

  Established in 1990, Sporting Chance has grown to become a leading sports coaching and development organisation, positively impacting the lives of children in South Africa through using sport as the vehicle for education. We partner with Sporting Chance in their Health of the Nation programme which works together with Disney Healthy Happy Play to promote health education and embed Physical Education practices into under resourced schools around South Africa. In the past year, the programme has integrated 40 schools, across four provinces and six cities working with 22 500 learners. The three-phase programme includes an assembly session, a health education module for all Grade 3 classes and a physical education workshop which empowers educators with the necessary skills to conduct productive physical education classes.

- **LEADout**

  Run by Barry Austin, a former South African pro-cyclist on the European circuit, and Malcom Lange, a South African cycling icon, LEADout is bridging the gap by nurturing aspiring young cyclists from disadvantaged backgrounds and assisting them to turn professional. Currently there are six youngsters in the team. The programme is run on an innovative rewards scheme, where it balances cycle racing with achievement or achieving in schooling goals.

- **Feenix**

  Feenix, established in 2017, is an online fundraising platform that connects communities, providing a tool for students to formalise their fundraising efforts and is a channel for funders to sponsor students they wish to support. Feenix is a registered Public Benefit Organisation with the objective to raise grant funding sufficient to pay the tuition fees of 1 500 students annually at an estimated value of R38 million. All funds are paid directly to the applicable universities, on a semi-annual basis or at the Trust's discretion.

Environmental, health and safety (EHS)

Safe workplace

Ascendis Health is committed to entrenching a safety culture and maintaining a safe work environment by adopting good practice in all its operating companies.

During the financial year, there were unfortunately three incidents largely due to unsafe behaviour by employees. Remedial actions have been implemented by management in the form of disciplinary measures, as well as conducting machine safety assessments at all the group's manufacturing facilities. These assessments have identified key risks and corrective measures, which have been applied. Ascendis Health's EHS department continues to monitor and evaluate incidents on a regular basis and reports its findings to the committee.

The group's South African companies are audited internally by the EHS department every year, as measured against local legislation and ISO standards (9001, 14001 and 45001). The Avima manufacturing facility in Krugersdorp, Gauteng, has shown significant improvements in EHS compliance having achieved external ISO certifications. Ascendis Health continues to prepare its other manufacturing subsidiaries for future accreditation. Safety awareness, training and education is ongoing and aligns with the group's broader training programmes.

Social, ethics and transformation committee report (continued)

Waste and recycling

The group continues to monitor and measure waste management against internally set objectives to reduce, re-use non-toxic material and recycle at source, with all group companies now actively sorting recycling waste. Specialised licensed waste management service providers are used to manage the transportation, treatment and disposal of waste in accordance with relevant legislation.

The percentage of waste being recycled as well as the reduction of waste sent to landfill at the group's supply chain manufacturing facility has improved by 5% due to activities such as sorting and separation of paper, plastic, cardboard, cans, scrap metal, glass and pallets. Avima has constructed a waste separation, sorting and recycling area on the premises where it actively separates at source and continue to focus on achieving environmental objectives.

Water

One of Ascendis Health's environmental priorities remains minimising water usage across the group, including the re-use of water for production activities. For the company to ensure that its chemicals are safely contained and disposed of, it has built evaporation dams at two of its manufacturing facilities which effectively controls and enables natural evaporation of chemical runoff mixed with water. During the evaporation process the remaining sludge is collected and safely removed by licensed operators who provide the companies with safe disposal certificates.

Energy efficiency

Ascendis Health continues to focus on optimising energy efficiencies across its companies which also helps the group to reduce operating costs. The company commenced its energy savings LED lighting project in 2017 in its Phyto-vet division and has now been implemented across the rest of its businesses. This energy efficiency project continues to be successful and remains on track to reduce total consumption by at least 10% by 2022.

Green Culture

Ascendis Health has introduced a "GREEN CULTURE" programme to ensure that offices, products, packaging and transportation are environmentally friendly. This programme has also been extended to include suppliers, customers and employees.

The group's printer programme is well established and focuses on accurate tracking and management of printing, in line with the goal to reduce paper usage.

Employees at Ascendis Health's Chempure facility have proactively commenced additional greening activities through the planting of trees on the premises and starting a fruit and vegetable garden.

Healthy people

As Ascendis Health operates in the healthcare industry, the company recognises the long-term benefits of healthy living and actively promotes programmes that are focused on enhancing the health and wellbeing of its employees.

Company programmes cover a wide range of activities including fitness development, health awareness topics, occupational health and safety training, provision of medical benefits, a smoke-free workplace, weekly physical exercise classes, as well as a "12-week Challenge" focused on nutrition and mental wellbeing. Employees also benefit from the annual Discovery Wellness Day where testing and screenings are done to ensure monitoring and awareness of their health status.

The company Employee Assistance Programme is available to provide counselling and intervention for those suffering from issues such as stress and depression.

Conclusion

The committee believes the group is substantively addressing the issues required to be monitored in terms of the Companies Act and King IV. Based on the size and resources of the group, the committee believes that good and steady progress is being made across the multiple dimensions of good corporate citizenship. Ascendis Health remains committed to its corporate citizenship and transformation goals through its support of and involvement in various social, environmental and transformational initiatives and aims to build on this progress in the years to come.

Bomela

Mary Bomela
Chairman
Social, ethics and transformation committee

Ascendis HEALTH

Summarised Annual Financial Statements

For the year ended 30 June 2019

Summarised group statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Notes	2019 R'000	Restated 2018 R'000
Revenue	3	5 574 499	5 510 835
Cost of sales		(3 185 270)	(2 978 371)
Gross profit		**2 389 229**	**2 532 464**
Other income		73 345	56 749
Selling and distribution costs		(587 564)	(542 093)
Administrative expenses		(1 365 085)	(1 189 997)
Net impairment loss on trade receivables		(24 677)	14 630
Other operating expenses		(547 066)	(356 568)
Impairment of goodwill, intangible assets and property, plant and equipment		(4 197 350)	(35 290)
Operating (loss)/profit		**(4 259 168)**	**479 895**
Finance income		4 218	15 320
Finance expenses		(376 753)	(368 476)
Income from equity accounted investments		-	2 687
(Loss)/profit before taxation		**(4 631 703)**	**129 426**
Tax expense	4	(122 989)	(70 168)
(Loss)/profit from continuing operations		**(4 754 692)**	**59 258**
Profit from discontinuing operations	12	94 885	223 019
(Loss)/profit for the year		**(4 659 807)**	**282 277**
Other comprehensive income:			
Items that may be reclassified to profit and loss net of tax			
Foreign currency translation reserve		71 208	135 467
Effects of cash flow hedges		4 785	6 243
Fair value adjustments		515	(2 246)
Recycled to profit and loss		4 270	8 489
Non-controlling interest relating to items that may be reclassified		(10 072)	(6 543)
Income tax relating to items that may be reclassified		(1 340)	(1 748)
Items that will not be reclassified to profit and loss net of tax			
Revaluation of property, plant and equipment		8 251	(5 828)
Income tax relating to items that will not be reclassified		(2 310)	1 632
Other comprehensive income for the year net of tax		**70 522**	**129 223**
Total comprehensive (loss)/income for the year		**(4 589 285)**	**411 500**
(Loss)/profit attributable to:			
Owners of the parent		(4 670 386)	257 293
Non-controlling interest		10 579	24 984
		(4 659 807)	**282 277**
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(4 589 792)	393 059
Non-controlling interest		507	18 441
		(4 589 285)	**411 500**
(Loss)/earnings per share from continuing operations			
Basic and diluted (loss)/earnings per share (cents)	2	(982.9)	7.4
Total (loss)/earnings per share			
Basic and diluted (loss)/earnings per share (cents)	2	(963.3)	55.7

Summarised group statement of financial position

at 30 June 2019

	Notes	2019 R'000	Restated 2018 R'000
Property, plant and equipment	5	541 063	1 169 719
Intangible assets and goodwill	6	2 401 039	9 833 747
Investments accounted for using the equity method		-	1 621
Derivative financial assets		-	114
Other financial assets		51 732	55 751
Deferred tax assets		124 714	91 700
Non-current assets		**3 118 548**	**11 152 652**
Inventories		1 109 213	1 573 927
Trade and other receivables		1 180 027	1 871 775
Other financial assets		6 439	1 112
Current tax receivable		65 482	103 537
Derivative financial assets		134	30 848
Cash and cash equivalents		292 481	767 924
		2 653 776	4 349 123
Assets held for sale	12	5 558 679	359 625
Current assets		**8 212 455**	**4 708 748**
Total assets		**11 331 003**	**15 861 400**
Stated capital		6 507 529	6 512 930
Other reserves		(587 335)	(626 225)
(Accumulated loss)/retained income		(3 958 265)	726 011
Equity attributable to equity holders of parent		**1 961 929**	**6 612 716**
Non-controlling interest		168 693	161 515
Total equity		**2 130 622**	**6 774 231**
Borrowings and other financial liabilities	8	54 704	4 555 111
Deferred tax liabilities		367 995	491 908
Deferred vendor liabilities	9	154 475	876 386
Put-option on equity instrument		-	14 309
Contract liabilities		5 642	-
Finance lease liabilities		18 694	26 976
Employee benefit obligations		6 647	4 714
Non-current liabilities		**608 157**	**5 969 404**
Borrowings and other financial liabilities	8	5 452 067	939 272
Deferred vendor liabilities	9	261 832	422 969
Put-option on equity instrument		93 622	78 108
Provisions		53 163	92 853
Contract liabilities		8 423	-
Finance lease liabilities		12 747	15 099
Employee benefit obligations		-	12 180
Derivative financial liabilities		2 743	4 711
Trade and other payables		982 554	1 325 019
Current tax payable		123 963	83 128
Bank overdraft		27 464	81 301
		7 018 578	3 054 640
Liabilities held for sale	12	1 573 646	63 125
Current liabilities		**8 592 224**	**3 117 765**
Total liabilities		**9 200 381**	**9 087 169**
Total equity and liabilities		**11 331 003**	**15 861 400**

Summarised group statement of changes in equity

for the year ended 30 June 2019

R'000	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Retained Income	Total attributable to equity holders of the group	Non-controlling interest	Total Equity
Balance as at 1 July 2017	**5 447 899**	**(210 323)**	**15 848**	**(10 155)**	**(111 794)**	**(465 664)**	**475 645**	**5 141 456**	**154 886**	**5 296 342**
Profit for the year (Restated)	-	-	-	-	-	-	257 293	**257 293**	24 984	282 277
Other comprehensive income	-	135 467	(4 196)	4 495	-	-	-	**135 766**	(6 543)	129 223
Total comprehensive income for the year	**-**	**135 467**	**(4 196)**	**4 495**	**-**	**-**	**257 293**	**393 059**	**18 441**	**411 500**
Issue of ordinary shares	1 040 505	-	-	-	-	-	-	1 040 505	-	1 040 505
Raising fees capitalised	(1 388)	-	-	-	-	-	-	(1 388)	-	(1 388)
Net movement of 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[1]	-	-	-	-	-	14 136	(6 927)	7 209	(7 209)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**1 065 031**	**-**	**(141)**	**-**	**(2 856)**	**23 094**	**(6 927)**	**1 078 201**	**(11 812)**	**1 066 389**
Balance as at 30 June 2018 (Restated)	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**726 011**	**6 612 716**	**161 515**	**6 774 231**
IFRS 9 adjustment	-	-	-	-	-	-	(23 025)	(23 025)	-	(23 025)
IFRS 15 adjustment	-	-	-	-	-	-	(11 073)	(11 073)	-	(11 073)
Adjusted opening balance as at 30 June 2018	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**691 913**	**6 578 618**	**161 515**	**6 740 133**
Loss for the year	-	-	-	-	-	-	(4 670 386)	(4 670 386)	10 579	(4 659 807)
Other comprehensive income	-	71 208	5 941	3 445	-	-	-	80 594	(10 072)	70 522
Total comprehensive income for the year	**-**	**71 208**	**5 941**	**3 445**	**-**	**-**	**(4 670 386)**	**(4 589 792)**	**507**	**(4 589 285)**
Net movement in treasury shares	(5 401)	-	-	-	-	-	-	(5 401)	-	(5 401)
Dividends	-	-	-	-	-	-	-	-	(13 211)	(13 211)
Foreign currency translation reserve	-	-	10	-	243	(175)	-	78	-	78
Reclassification of reserves into retained earnings	-	-	-	-	-	518	(518)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1 717)	(1 717)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	25	25
Statutory reserve: Farmalider allocation to reserve[1]	-	-	-	-	-	(42 300)	20 726	(21 574)	21 574	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**(5 401)**	**-**	**10**	**-**	**243**	**(41 957)**	**20 208**	**(26 897)**	**6 671**	**(20 226)**
Balance as at 30 June 2019	**6 507 529**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(484 527)**	**(3 958 265)**	**1 961 929**	**168 693**	**2 130 622**

[1] Spanish law establishes that, the company is obliged to distribute yearly, at least, the 10% of the profit of the year until the statutory reserve amount reach 20% of share capital

Summarised group cash flow statement

for the year ended 30 June 2019

	Notes	2019 R'000	Restated 2018 R'000
Cash (utilised by)/generated from operations	10	(8 963)	732 226
Cash generated from operations - discontinued operations	12	592 390	331 974
Interest income received		4 218	15 320
Finance costs paid		(343 833)	(353 964)
Income taxes paid		(47 219)	(85 172)
Net cash inflow from operating activities		**196 593**	**640 384**
Cash flows from investing activities			
Purchase of property, plant and equipment		(262 481)	(121 684)
Proceeds on the sale of property, plant and equipment		59 678	5 111
Purchase of intangibles assets		(129 774)	(93 824)
Proceeds on the sale of intangible assets		3 011	-
Payment for acquisition of subsidiaries - net of cash		-	(96 268)
Proceeds from disposal of non-current assets held for sale		158 094	-
Settlement of financial instruments		-	(123 765)
Repayments on deferred vendor liabilities		(230 061)	(1 200 805)
Repayment of loans advanced to related parties		-	16 445
Loans advanced to related parties		-	(18 446)
Loans advanced to external parties		-	(31 661)
Investment in other financial assets		(6 329)	7 844
Net cash from investing activities - discontinued operations	12	(125 239)	(189 896)
Net cash utilised in investing activities		**(533 101)**	**(1 846 949)**
Cash flows from financing activities			
Proceeds from issue of shares		-	1 039 117
Proceeds on the sale of treasury shares		-	67 357
Payments made to acquire treasury shares		(5 401)	(44 163)
Proceeds from borrowings raised		567 185	252 702
Repayment of borrowings		(387 598)	(254 105)
Finance lease liabilities repaid		(16 917)	(7 868)
Dividends paid to minority interests		(2 005)	-
Net cash from financing activities - discontinued operations	12	(51 633)	277 661
Net cash inflow from financing activities		**103 631**	**1 330 701**
Net (decrease)/increase in cash and cash equivalents		**(232 877)**	**124 136**
Cash and cash equivalents at beginning of year		686 623	527 175
Effect of exchange difference on cash balances		(166)	39 419
Cash and cash equivalents at end of year - assets held for sale		(188 563)	(4 107)
Cash and cash equivalents at end of year		**265 017**	**686 623**

Basis of preparation

for the year ended 30 June 2019

Corporate information

Ascendis Health Limited is a health and wellness company listed in the healthcare sector of the JSE. The group has a global divisional operating model comprising of Pharma, Consumer Healthcare, Medical, Biosciences and Animal Health. The group mainly focuses on supplying pharmaceutical products, animal health and medical devices.

Basis of preparation

The summarised group financial results for the year ended 30 June 2019 are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act, No 71 of 2008 applicable to summary financial statements. The JSE Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived 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 summarised group financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with the IFRS.

The summarised group financial statements for the year ended 30 June 2019 have been prepared under the supervision of Chief Financial Officer, Kieron Futter (CA) SA and audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual financial statements from which these summarised group financial statements were derived. The directors take full responsibility for the preparation of the summarised results and that the financial information has been correctly extracted from the underlying audited annual financial statements. A copy of the auditor's report on the summarised group financial statements is available for inspection at the company's registered office.

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

The summarised group 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 and assets held for sale that are measured at fair value less cost to sell. 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.

Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are applied consistently with those adopted in the prior year, except for the adoption of the new standards and changes in accounting policy.

The Group adopted all new accounting standards that became effective in the current reporting period. The following standards have an impact on the Group:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*.

Refer to note 14 for details of the change in accounting policies.

Restatements

Restatements for the year ended 30 June 2018:

Discontinued operations

In the June 2018 annual financial statements, Ascendis presented Direct Selling and Sports Nutrition as discontinued operations. During the current year the Biosciences segment and Remedica segment has been classified as assets and liabilities held for sale and discontinued operations. The comparative information have been restated in terms of IFRS 5. Refer to note 12 for more details.

Segment reporting

The group adopted a new strategic focus in the current financial year. The new strategy is focused on strengthening the core of the business in order to create and achieve a sustainable and leading market position for the business. As a result, the segment analysis was changed with a view to focus on the core health care areas and to strengthen operational oversight. The comparative information have been restated in terms of IFRS 8. Refer to note 1 for more details.

Normalised headline earnings per share

The group has changed its definition of Normalised headline earnings per share in the current year. Normalised headline earnings is calculated by excluding specific non-trading items from the group's earnings. The comparative information has been restated. Please refer to note 2 and note 14 for more details.

Prior period errors

Prior period errors for the year ended 30 June 2018:

The following prior period errors have been restated retrospectively in terms of IAS 8. Where a material impact on financial years prior to the financial year ended 30 June 2018 exist, a third comparative statement of financial position has been disclosed.

Demo equipment reclassification

In the prior year, some demo equipment was incorrectly capitalised to inventory. This error in the 30 June 2018 financial statements has been restated in the current year as presented below. Inventory, property, plant and equipment and depreciation have been restated.

Section 23N limitation of interest

Upon finalisation and submission of prior year IT14 tax returns for 4 entities in the group it was discovered that the limitation of the interest deduction on loans used for the acquisition of businesses in terms of section 23N of the Income Tax Act 58 of 1962 was not applied. All affected prior year tax returns were amended and submitted to SARS. The income tax expense, expected penalties and interest to SARS in the income statement and current tax payable have been restated as at 30 June 2018.

Basis of preparation (continued)

for the year ended 30 June 2019

Prior period errors (continued)

Farmalider statutory audit adjustments

During 2019, following the finalisation of the 31 December 2018 statutory financial statements of the Farmalider group a number of adjustments were identified and subsequently recorded as prior period errors. The following significant errors were identified and corrected:

- Supplier invoices relating to cost of sales were not recorded;
- Incorrect calculation of accrued interest recorded in long-term borrowings; and
- A credit note for inventory purchased was incorrectly duplicated.

Goodwill and intangible assets reclassification

A correction of intangibles assets and goodwill was recorded as a consolidation journal in 2015 relating to the Chempure and Ascendis Consumer Brands (ACB) businesses. In 2017 the correction was processed at entity level to correctly reflect goodwill and intangible assets in ACB and Chempure. However, the previous group consolidation journal that was recognised in 2015 was not reversed. This resulted in the goodwill and intangible asset reclassification being double accounted for from 2017. This error was identified during the preparation of the current year consolidated financial statements. This has resulted in a reclassification between goodwill and intangible assets. The amortisation was correctly recognised in all prior periods.

The split of intangible asset categories was incorrectly disclosed in the group consolidated financial statements when compared to the original purchase price adjustment reports for various acquisitions prior to 2017. The categories of intangible assets have been restated in the prior year opening balances. Refer to note 6 for more details.

Headline earnings per share

The group incorrectly adjusted for the put-option remeasurement in the prior year as a headline earnings adjustment. This comparative earnings per share calculation has been restated. Please refer to note 2 for more details.

The impact of the restatements are set out below:

		Restatements	Prior period errors				
2018 Statement of profit and loss	**Reported R'000**	**Discontinued operations R'000**	**Demo equipment R'000**	**Section 23N tax deduction R'000**	**Farmalider statutory audit R'000**	**Goodwill & intangible assets R'000**	**Restated R'000**
Revenue	7 736 552	(2 225 717)	–	–	–	–	**5 510 835**
Cost of sales	(4 267 091)	1 291 955	–	–	(3 235)	–	**(2 978 371)**
Gross profit	**3 469 461**	**(933 762)**	**–**	**–**	**(3 235)**	**–**	**2 532 464**
Expenses	(2 527 012)	466 589	(2 427)	(1 440)	–	–	**(2 064 290)**
Net finance cost	(378 414)	26 838	–	(608)	(973)	–	**(353 156)**
Income tax	(68 471)	9 499	–	(11 196)	–	–	**(70 168)**
Profit from continuing operations	**495 564**	**(430 836)**	**(2 427)**	**(13 244)**	**(4 208)**	**–**	**44 850**
Loss from discontinued operations	(193 409)	430 836	–	–	–	–	**237 427**
Profit for the year	**302 155**	**–**	**(2 427)**	**(13 244)**	**(4 208)**	**–**	**282 277**
Total operations - Basic earnings per share (cents)	**60.0**	–	(0.5)	(2.7)	(0.9)	–	**55.9**

2018 Statement of financial position	Reported R'000	Restatements: Discontinued operations R'000	Prior period errors: Demo equipment R'000	Section 23N tax deduction R'000	Farmalider statutory audit R'000	Goodwill & intangible assets R'000	Restated R'000
Property, plant and equipment	1 126 632	–	43 087	–	–	–	**1 169 719**
Intangible assets and goodwill	9 833 747	–	–	–	–	–	**9 833 747**
Intangible assets	4 472 237	–	–	–	–	149 629	**4 621 866**
Goodwill	5 361 510	–	–	–	–	(149 629)	**5 211 881**
Inventory	1 619 441	–	(45 514)	–	–	–	**1 573 927**
Current tax receivables	116 781	–	–	(13 244)	–	–	**103 537**
Borrowings and other financial liabilities	4 554 138	–	–	–	973	–	**4 555 111**
Trade and other payables	1 321 784	–	–	–	3 235	–	**1 325 019**
Retained earnings	745 889	–	(2 427)	(13 244)	(4 208)	–	**726 010**

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group and company can continue in operational existence for the foreseeable future, which is the 12 months following 30 June 2019.

The group's results in the current year were impacted by the adverse trading conditions in the South African Consumer market as well as in the European Sports Nutrition business. As a result, the group incurred a net loss after taxation of R4.7 billion.

Despite incurring significant operational losses the group's total assets of R11.3 billion exceeds its total liabilities of R9.2 billion, however the current liabilities of R8.6 billion exceed the current assets of R8.2 billion which indicates that the group's solvency ratio is insufficient.

Impact on liquidity

Although still cash positive, the group has limited free cash at year end. As outlined to stakeholders previously, the cash decrease and trading loss was mainly due to:

A. Weak trading performance in Scitec due to increased competition which resulted in larger price discounts being given to customers as well as a delay in the launch of their new Endurance Brands.
B. Lower sales in South Africa caused by supplier issues and liquidity constraints as well as a depressed consumer environment.
C. Decrease in cash reserves due to:
   - Payment of R230 million in deferred payment liabilities;
   - Increase in the amortisation profile of Senior debt repayments;
   - Increase in advisory and professional fees related to the cancelled corporate bond raise and the debt restructure project;
   - Increase in inventory levels in Ascendis Medical due to the award of a new Diagnostic Agency contract.

Basis of preparation (continued)

for the year ended 30 June 2019

Going concern (continued)

D. Increase in debt levels from Bridge loans needed to cure the liquidity shortfall experienced in the third quarter of the 2019 financial year.

Liquidity and Capital management

To address the risk of short-term cash pressure, management has prepared a budget for the 2020 financial year, as well as a robust liquidity model which includes cash flow forecasts covering a period of 12 months from the date of these financial statements.

These forecasts have been reviewed by independent international external advisers as part of an Independent Business Review undertaken during 2019. A comprehensive report recommending the optimal capital structure for the group and the pathway to refinancing was presented to the Board in February 2019. A target Leverage ratio of 2 times was recommended. This proposal was approved by the Board and the proposal was presented to the Lender Consortium.

An independent Company Restructuring advisor was appointed in August 2019 to review and evaluate the group's cash flow forecasting process and restructuring plans including progress on the disposal of group companies. The outcome of these reviews has been incorporated into the group's forecasts.

The group liquidity model is a weekly consolidation of the group's individual cluster cash flow forecasts. The cash flows forecasts are based on estimated free cash flow from operations, on a weekly basis, for all continuing operations in South Africa and Europe.

The cash flow forecasts are prepared weekly and reviewed by management. They are evaluated against forecasted expectations and variances monitored. The progress on liquidity improvement projects and cash forecasts and any variances are presented to the Board of Directors at least on a monthly basis or more frequently as required.

In response, to address future possible cash outflows, detailed performance and liquidity operational improvement initiatives have been developed, with their implementation regularly monitored, and are listed as follows.

Performance and liquidity improvement initiatives undertaken during FY2019 which continue into FY2020

Interventions to rationalise and restructure the group and to improve liquidity have been implemented in the period and will continue into FY2020. These include:

1. Disposal of Remedica, the proceeds of which will be used to repay the Remedica deferred vendor liability and the majority of the Senior Bank Debt
   a. The company has entered into an exclusivity agreement with the preferred bidder in respect of the disposal of the Remedica business in Cyprus. Negotiations are at an advanced stage and the company expects to make a further announcement in due course.
   b. The transaction is subject to shareholder approval.
   c. If completed, this will reduce the group's current liabilities significantly and will improve its liquidity.

2. Disposal of Bioscience division
    a. In September 2018, the company announced the disposal of non-core assets in the Bioscience division as a single plan to sell.
    b. An offer was received by the existing Management team for the full Bioscience division and was later amended to only include Efekto, Marltons and Afrikelp. A sales and purchase agreement was concluded in May 2019 and the transaction closed at the end of July 2019.
    c. Ascendis negotiated with its Lender Consortium to retain R360 million of the R473 million proceeds from the sale of Efekto, Marltons and Afrikelp to be used for the company's working capital requirements to improve the liquidity position. A bridge loan of R360 million was made on the 2 May 2019. This bridge loan was repaid on the 31 July 2019 when the sale concluded.
    d. The remaining businesses in the Bioscience division remain within held for sale. The proceeds of those sales will be used to repay debt. The disposal process is in progress with the expectation for funds to flow in Q1 2020.

3. Ascendis has negotiated an Interim Stability Agreement (ISA) with its Lender Consortium in May 2019 to allow the Remedica disposal to be completed without any debt capital payments having to be made. The ISA was particularly drafted to ensure that no defaults were outstanding for the group facility which would in turn trigger the bilateral facilities. The ISA includes an absolute waiver of any relevant defaults and has provided for a deferral of the capital payment which originally fell due on 30 June 2019. This waiver is subject to certain terms and conditions. As a result, as we stand no bank or lender (for the bilateral facilities or the group facilities) has a right to call for repayment of their debt. The ISA period has been extended to 30 November 2019 and consent will be sought from the Lenders to extend to the end of January 2020.

4. Closure of unsustainable businesses after assessing these against the availability and reliability of market demand and internal core competency and skills.

    a. The Sports Nutrition business in Australia, will be shut down in November 2019. The business had incurred an EBITDA loss of R37 million in FY2019.
    b. The South African Pharma business factory located in Isando was sold in December 2018 for R130 million. This has resulted in annual costs of R46 million no longer being incurred by the group.
    c. SA Sports Nutrition business was sold in August 2018 for R54 million, this business had incurred an EBITDA loss of R80 million in FY2018.
    d. The Direct Selling business is currently being marketed for sale. This business made an EBITDA loss of R5 million in FY2019.

5. Cost reduction to match reduced business sizes

    a. The group has focused on cost reduction within the remaining segments. Cost reduction projects have been identified and implemented including:

        i. Retrenchments have been implemented in the year at Scitec and in Head Office
        ii. The Medical Devices business has consolidated and relocated to one premises in Johannesburg
        iii. Other non-staff related reductions continue

Basis of preparation (continued)

for the year ended 30 June 2019

Going concern (continued)

Estimates, assumptions and judgements considered within the group's liquidity assessment

The material assumptions include the following:

1. SA Businesses will have sufficient levels of the correct inventory to sell
    a. A key assumption to the liquidity forecast is that supply contracts will be executed in line with forecasted sales projections and supplier orders delivered full and on time.
    b. Business unit performance is re-forecasted on a weekly basis and the liquidity model constantly updated with current market conditions and supplier performance.
2. Overhead reduction strategies are implemented and achieved
    a. The group has forecast further overheads reduction strategies, within its FY2020 liquidity model.
    b. The liquidity model would be impacted by any intervention not realized.
    c. To date, since the commencement of the rationalizing and restructuring of the group, it has been able to realize the benefits forecast.
    d. The value of cash benefits to be realized, included within the liquidity model, approximates 10% of the total liquidity enhancement forecasted for the group in FY2020.
    e. Any further reduction in business size, would necessitate further overhead reduction and retrenchments.
3. Other cash enhancing actions are realised
    a. A material input into the group's liquidity model is the value of the cash enhancing activities which the group has forecast.
    b. To date the group has been very successful in the realisation of these opportunities with R70 million collected by June 2019.
    c. An amount of R100 million is forecast to be reduced in Ascendis Medical inventory levels with the implementation of a new stock planning system.
    d. The group's short term liquidity model is very sensitive to these collections and delays in collection could place the group's liquidity under pressure in the short term and could breach short-term bridging funding covenants if not carefully managed.
4. Specific assumptions used in cash flow forecast model
    a. Sales volume and price - Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for each territory.
    b. Budgeted gross margin - Based on past performance and management's expectations for the future.
    c. Other operating costs - Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future unplanned restructurings or cost-saving measures.
    d. Annual capital expenditure for PPE and Intangibles - Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

Going concern (continued)

e. Long-term growth rate - This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
f. Pre-tax discount rates - Reflect specific risks relating to the relevant segments and the countries in which they operate.

The group's executive committee is responsible for the realization of these actions and monitor these on a weekly basis.

Feedback to the banking consortium lenders is provided on a fortnightly basis

a. the level of weekly cash enhancing activities included within the model
b. details on specific items with a timing risk profile,
c. the impact on financial covenants should these be delayed in collection
d. and the impact on funding requirements or needs of the group should opportunities be delayed
e. Progress on the Remedica sale process

The group's balance sheet and liquidity model are also key inputs into the financial covenants to the short-term bridging funding of R360 million. The banking consortium require covenant confirmations on a fortnightly basis which are provided. The group has met is financial liquidity covenants under the ISA. In addition the consortium has been provided with updated monthly liquidity models which are evaluated against forecast expectations and variances monitored. The consortium is provided with expected monthly forecasted covenant position as a result of any variances to the model.

Solvency and Liquidity position at 30 June 2019

At 30 June 2019 the group's total assets exceeded total liabilities by R2.1 billion. However current liabilities exceeded its current assets by R380 million. This is an indication that the company may require further funding to settle its current obligations and continue as a going concern. The higher than expected current liabilities include the senior bank debt.

The covenants relating to the facilities and the senior bank loan, with an outstanding balance of R5.5 billion at 30 June 2019, were breached as a result of poor trading conditions and higher debt levels. The bank loan has, as a result, been classified as a current liability. Our financiers are, however, assessing conditions on a continuous basis and are committed to work closely with management to ensure that the facilities are maintained. There is a very low probability of the Lenders requesting early settlement of all outstanding debt based on the regular weekly interactions between Management and Lenders.

Conclusion

The events, conditions, judgements and assumptions described above give rise to material uncertainty which may cast significant doubt on the group's ability to continue as a going concern and its ability to realise assets and discharge liabilities in the normal course of business.

The directors have considered the positive progress related to the disposal of Remedica and the high probability of proceeds flowing in Q1 of calendar year 2020 which will enable the group to substantially reduce the level of senior debt. They also considered the financial plans and forecasts, the actions taken by the company, and based on the information available to them, are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Basis of preparation (continued)

for the year ended 30 June 2019

Critical accounting judgements, estimates and assumptions

In preparing these annual financial results, management made judgements, estimates and assumptions that affect the application of the going concern assumption, 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:

Key estimates

- Estimation of inventory obsolescence allowance
- Estimation of fair values of land and buildings
- Estimation of the expected credit loss allowance

Accounting judgements

- Going concern assumption (Refer above in this note)
- Impairment testing and allocation of cash-generating units
- The useful lives and residual values of property, plant and equipment and intangible assets
- Recoverability of deferred tax assets
- Revenue recognition

New standards that may significantly impact the Group's results or disclosure

IFRS 16 *Leases* (IFRS 16)

The standard has been published but not yet effective. The standard is considered significant to the group and the group has elected not to early adopt IFRS 16. It is expected that the group will adopt IFRS 16 on its effective date for the financial year ended 30 June 2020.

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRS 16 – *Leases* 1 January 2019	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. The new standard requires that an asset (the right to use the leased item) and a financial liability to pay rentals be recognised.	The Group expects that the most significant impact will result from the current leasing of property, plant and equipment. As at reporting date, the Group has non-cancellable operating lease commitments of R122.3 million. For lease commitments, the group expects to recognise right-of-use assets and lease liabilities of approximately R160.6 million on 1 July 2019. The current straight line operating lease liability of R16.2 million and finance lease liability of R31.4 million will be derecognised. For leases that are currently accounted for as finance leases, the group expects to reclassify R42.5 million from property, plant and equipment to right-of-use assets. On adoption of IFRS 16, operating lease costs (other than short term and low-value lease) will no longer be recognised as part of operating expenses. The Group intends to apply a threshold of R50 000 for assessing what constitutes low-value leases, depending on the nature of the underlying asset. As a result of the application of the new requirements, normalised EBITDA used to measure segment results is expected to increase, as the total operating lease payments previously included in normalised EBITDA under IAS 17. The Group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss – these charges are excluded from normalised EBITDA. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will be dilutive, before being accretive in later periods. Leases denominated in currencies that are not the presentation currency of the group will increase foreign exchange exposure. Cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the next financial period. The Group will apply the standard from its mandatory adoption date, effective for the Group from 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption. Right-of-use assets will be measured at the amount of the lease liability on the adoption (adjusted for any prepaid lease expense). The Group has elected to apply the practical expedient to not reassess the lease definition.

Basis of preparation (continued)

for the year ended 30 June 2019

New standards or interpretations that may not significantly impact the Group's results or disclosure

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation has been published but not yet effective. The interpretation is considered insignificant to the Group and it is only applicable for the financial year ended 30 June 2020.

INTERPRETATION	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRIC 23 – Uncertainty over income tax treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstance	The group has established a group tax steering committee that acts as a sub-committee to the Audit & Risk committee. All tax matters in the group will be addressed through this committee. A number of tax matters have been identified and corrected in the current financial year. The Interpretation is not expected to have a material impact on the group results in future.

Notes to the summarised group financial statements

for the year ended 30 June 2019

1. Group Segmental Analysis

On 25 September 2018, the group adopted a new strategic focus. The new strategy is focused on strengthening the core of the business in order to create and achieve a sustainable and leading market position for the business. As a result, the segment analysis was changed with a view to focus on the core health care areas and to strengthen operational oversight.

Five core health care areas have been identified, namely Pharma, Medical, Consumer Health, Animal Health and Biosciences. The core health care areas have been split into nine new reportable segments that are used by the group executive committee Chief operating decision maker (CODM) to make key operating decisions, allocate resources and assess performance. The CODM also reviews the discontinued operations until they have been disposed to ensure their performance is still assessed and resources allocated accordingly (Refer to note 12 for more details on discontinued operations). The new reportable segments were split taking into account the nature of the products, production process, distribution channels, types of customers and the regulatory environment in which the business units operate.

The new operating and reportable segments are as follows:

- Consumer 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 three reportable segments:
  - Consumer Health Africa segment: operating predominantly in the South African market.
  - Scitec segment: operating predominantly in the European market.
  - Sun Wave segment: operating predominantly in Romania.

- Pharma, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - Pharma Africa segment: operating predominantly in the South African market.
  - Remedica segment: operating predominantly in the European market.
  - Farmalider segment: operating predominantly in Spain.

- Medical, incorporating the supply of medical devices and consumables. The segment is operating predominantly in South Africa.

- Animal Health, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in South Africa.

- Biosciences, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in South Africa.

The Head office operating segment relates to all costs incurred at a group level for all the group support functions, i.e. group executives, group finance, group treasury, group communications, group IT, company secretarial and human resources. Any other remaining businesses that do not qualify as a separately reportable segment have been grouped in the other segments category.

Due to the change in segment reporting, the comparative information has been restated.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

1. Group Segmental Analysis (continued)

(a) Statement of profit or loss and other comprehensive income measures applied from continuing operations

Revenue split by segment	2019 R'000	Restated 2018 R'000
Consumer Health	2 701 391	2 686 427
Africa	738 569	853 981
Scitec	1 246 002	1 278 351
Sun Wave	716 820	554 095
Pharma	2 754 905	2 643 174
Africa	632 288	758 562
Remedica	1 543 270	1 325 308
Farmalider	579 347	559 304
Medical	1 268 085	1 336 735
Animal Health	466 957	365 004
Biosciences	856 552	900 410
Other	7 877	23 235
Less: Discontinued operations	(2 481 268)	(2 444 150)
Total revenue	**5 574 499**	**5 510 835**
Revenue by geographical location		
South Africa	3 938 319	4 194 104
Cyprus	1 543 270	1 325 308
Spain	579 347	559 203
Other Europe	1 986 954	1 853 135
Other	7 877	23 235
Less: Discontinued operations	(2 481 268)	(2 444 150)
Total revenue	**5 574 499**	**5 510 835**
Revenue by customer destination		
Africa	4 131 878	4 375 815
South Africa	3 554 050	3 679 036
Rest of Africa	577 828	696 779
Europe	3 112 436	2 883 270
Romania	747 621	573 931
Spain	524 184	518 242
Germany	298 424	290 305
Hungary	218 899	232 630
France	260 896	242 458
Cyprus	87 019	90 594
Other	975 393	935 110
Asia Pacific	601 983	514 223
Asia	554 180	424 248
Australia	29 433	77 383
New Zealand	18 370	12 592
United Kingdom	81 842	103 299
South America	94 797	43 152
North America	32 831	35 226
Less: Discontinued operations	(2 481 268)	(2 444 150)
Total revenue	**5 574 499**	**5 510 835**

1. Group Segmental Analysis (continued)

(a) Statement of profit or loss and other comprehensive income measures applied from continuing operations (continued)

The group has an expanding international footprint and currently exports products to 171 countries, mainly in Africa and Europe. The revenue presented by geographic location represents the domicile of the entity generating the revenue.

34% of the Group's revenue is generated through the wholesale and retail market (2018: 51%). In this market, 1% (2018: 1%) of the total group revenue is derived from a single customer and 12% (2018: 9%) of the group's revenue is generated from government institutions (local and international).

The group evaluated the performance of its reportable segments based on normalised EBITDA (earnings before interest, tax, depreciation, amortisation and impairments) and further adjusted for the acquisition, integration and disposal of businesses, debt and capital restructuring costs, restructuring and retrenchment 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	2019 R'000	2019 %	Restated 2018 R'000	Restated 2018 %
Consumer Health	158 184	6%	239 619	9%
Africa	(20 194)	-3%	25 177	3%
Scitec	6 111	0%	88 884	7%
Sun Wave	172 267	24%	125 558	23%
Pharma	550 417	20%	540 106	20%
Africa	(2 401)	0%	33 909	4%
Remedica	476 625	31%	407 360	31%
Farmalider	76 193	13%	98 837	18%
Medical	96 075	8%	318 208	24%
Animal Health	81 408	17%	68 060	19%
Biosciences	107 927	13%	129 973	14%
Head office	(129 710)	-	(82 889)	-
Other	(37 104)	-471%	(3 789)	-16%
Less: Discontinued operations	(548 311)	22%	(457 473)	19%
Total normalised EBITDA	**278 886**	**5%**	**751 815**	**14%**
Non-controlling interest proportionate share	(30 138)		(39 087)	
Total normalised EBITDA attributable to the parent	**248 748**		**712 728**	

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

1. Group Segmental Analysis (continued)

Reconciliation of normalised EBITDA to Consolidated Results	2019 R'000	2018 R'000
Consolidated (loss)/profit before taxation from continuing operations	**(4 631 703)**	**129 426**
Finance income	(4 218)	(15 320)
Finance expense	376 753	368 476
Income from equity accounted investments	-	(2 687)
Total impairment, amortisation and depreciation	4 416 178	267 775
Acquisition of businesses costs * (1)	4 877	29 527
Disposal of businesses costs *	28 161	-
Restructuring and retrenchment costs *	20 632	7 150
Debt/capital restructuring costs *	83 590	-
Profit on disposal of Isando manufacturing plant	(17 355)	-
Put/call option measurement *	-	(32 532)
Impairment of investment *	1 971	-
Non-controlling interest proportionate share	(30 138)	(39 087)
Total normalised EBITDA attributable to the parent	**248 748**	**712 728**

(1) The acquisition costs in 2019 relates to potential future business acquisitions.

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

Impact of change in accounting policy and discontinued operations on normalised EBITDA:

Normalised EBITDA split by segment	Previously reported 2018 R'000	Prior year discontinued operations R'000	Prior period errors R'000	Change in accounting policy R'000	Restated 2018 R'000
Consumer Health	316 017	(76 398)	-	-	239 619
Africa	101 575	(76 398)	-	-	25 177
Scitec	88 884	-	-	-	88 884
Sun Wave	125 558	-	-	-	125 558
Pharma	588 943	-	(3 235)	(45 602)	540 106
Africa	79 511	-	-	(45 602)	33 909
Remedica	407 360	-	-	-	407 360
Farmalider	102 072	-	(3 235)	-	98 837
Medical	318 208	-	-	-	318 208
Animal Health	68 060	-	-	-	68 060
Biosciences	131 413	-	(1 440)	-	129 973
Head office	(82 889)	-	-	-	(82 889)
Other	(327)	(3 462)	-	-	(3 789)
	1 339 425	**(79 860)**	**(4 675)**	**(45 602)**	**1 209 288**
Less: Discontinued operations	-	-	-	-	(457 473)
Total normalised EBITDA	**1 339 425**	**(79 860)**	**(4 675)**	**(45 602)**	**751 815**
Non-controlling interest proportionate share	(39 087)	-	-	-	(39 087)
Total normalised EBITDA attributable to the parent	**1 300 338**	**(79 860)**	**(4 675)**	**(45 602)**	**712 728**

1. Group Segmental Analysis (continued)

Reconciliation of normalised EBITDA to Consolidated Results	Previously reported 2018 R'000	Discontinued operations R'000	Prior period errors R'000	Change in accounting policy R'000	Restated 2018 R'000
Consolidated (loss)/profit before taxation from continuing operations	**564 035**	**(424 486)**	**(10 123)**	**-**	**129 426**
Finance income	(16 422)	1 102	-	-	(15 320)
Finance expense	394 836	(27 941)	1 581	-	368 476
Income from equity accounted investments	(2 687)	-	-	-	(2 687)
Total impairment, amortisation and depreciation	344 767	(80 859)	3 867	-	267 775
Acquisition of businesses costs	29 655	(128)	-	-	29 527
Restructuring and retrenchment costs	7 150	-	-	-	7 150
Isando manufacturing operations loss	45 602	-	-	(45 602)	-
Put/call option measurement	(32 532)	-	-	-	(32 532)
Impairment of investment	5 021	(5 021)	-	-	-
Non-controlling interest proportionate share	(39 087)	-	-	-	(39 087)
Total normalised EBITDA attributable to the parent	**1 300 338**	**(537 333)**	**(4 675)**	**(45 602)**	**712 728**

(b) Statement of financial position measures applied

Assets and liabilities split by segment	2019 R'000 Assets	Liabilities	Restated 2018 R'000 Assets	Liabilities
Consumer Health	2 321 785	(4 243 885)	5 435 948	(3 657 174)
Africa	696 315	(144 884)	1 284 840	(315 884)
Scitec	505 481	(3 666 666)	3 046 018	(2 887 631)
Sun Wave	1 119 989	(432 335)	1 105 090	(453 659)
Pharma	5 851 932	(2 122 503)	6 509 300	(2 544 067)
Africa	406 237	(195 040)	1 067 986	(227 001)
Remedica - held for sale	4 859 630	(1 399 088)	4 551 789	(1 916 726)
Farmalider	586 065	(528 375)	889 525	(400 340)
Medical	1 502 520	(325 412)	1 593 293	(276 744)
Animal Health	728 159	(133 054)	875 849	(76 909)
Biosciences - held for sale	661 052	(221 631)	967 694	(284 017)
Head office	263 709	(2 153 268)	453 507	(2 243 356)
Other	1 846	(628)	25 809	(4 902)
Total consolidated assets and liabilities	**11 331 003**	**(9 200 381)**	**15 861 400**	**(9 087 169)**

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

1. Group Segmental Analysis (continued)

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

Fixed assets per geographic location	2019 R'000	Restated 2018 R'000
South Africa	398 962	309 986
Cyprus	585 062	572 600
Hungary	127 640	234 794
Romania	24 666	27 277
Spain	32 099	25 062
Assets held for sale	(627 366)	-
Fixed assets per geographic location	**541 063**	**1 169 719**

2. Earnings per share

	2019 R'000 Continuing operations	2019 R'000 Discontinued operations	2019 R'000 Total	Restated 2018 R'000 Continuing operations	Restated 2018 R'000 Discontinued operations	Restated 2018 R'000 Total
(a) **Basic (loss)/earnings per share**						
(Loss)/profit attributable to owners of the parent	(4 765 271)	94 885	(4 670 386)	34 274	223 019	257 293
(Loss)/earnings	**(4 765 271)**	**94 885**	**(4 670 386)**	**34 274**	223 019	**257 293**
Weighted average number of ordinary shares in issue			484 827 324			461 996 223
Basic (loss)/earnings per share (cents)	**(982.9)**	**19.6**	**(963.3)**	**7.4**	**48.3**	**55.7**
(b) **Headline (loss)/earnings per share**						
(Loss)/profit attributable to owners of the parent	(4 765 271)	94 885	(4 670 386)	34 274	223 019	257 293
Adjusted for:						
Net (profit)/loss on the sale of property, plant and equipment	(1 067)	6 933	5 866	355	(1 094)	(739)
Tax effect	230	(1 543)	(1 313)	(44)	290	246
(Profit)/loss on disposal of subsidiary	(17 355)	901	(16 454)	(580)	–	(580)
Tax effect	3 697	(123)	3 574	72	–	72
Goodwill, intangible asset and tangible asset impairment	4 195 379	303 614	4 498 993	30 269	71 319	101 588
Tax effect	(13 957)	–	(13 957)	–	–	–
Impairment of investment	1 971	–	1 971	–	5 021	5 021
Tax effect	–	–	–	–	–	–
Non-controlling interest portion allocation	(143)	–	(143)	(119)	–	(119)
Headline (loss)/earnings	**(596 516)**	**404 667**	**(191 849)**	**64 227**	**298 555**	**362 782**
Weighted average number of shares in issue			484 827 324			461 996 223
Headline (loss)/earnings per share (cents)	**(123.0)**	**83.5**	**(39.6)**	**13.9**	**64.6**	**78.5**

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

2. Earnings per share (continued)

(c) Normalised headline earnings per share

Performance measures (PMs) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PMs are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PMs used by the group are Normalised EBITDA (refer to note 1) and Normalised headline earnings per share. PMs disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results.

The group has amended its accounting policy and definition of normalised headline earnings per share and normalised EBITDA in the current year, as follows:

- now adding back costs incurred to restructure the debt and equity structure of the group;
- now adding back settlement of product-related litigation;
- no longer adding back the amortisation of intangible assets that arise upon business combinations to headline earnings per share; and
- no longer adding back the operational profits or losses that will not form part of the future of the group that have not been recognised as a discontinued operation in terms of IFRS 5.

Normalised headline earnings is calculated by excluding specific non-trading items from the group's earnings. Gains and losses excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure the group. Costs incurred to restructure the debt and equity capital structure of the group that cannot be capitalised are excluded. It also includes settlement of product-related litigation and the costs incurred to acquire and integrate the business combinations into the group as well as any costs incurred to dispose of businesses. The country specific corporate tax rate and relevant tax legislation is applied to each individual normalised earnings adjustment. The comparative information has been restated. Refer below for the detailed impact of the restated comparative information on earnings per share and refer to note 1 for the detailed impact on normalised EBITDA.

2. Earnings per share (continued)

	2019 R'000 Continuing operations	2019 R'000 Discontinued operations	2019 R'000 Total	Restated 2018 R'000 Continuing operations	Restated 2018 R'000 Discontinued operations	Restated 2018 R'000 Total
Reconciliation of normalised headline earnings						
Headline (loss)/earnings	**(596 516)**	**404 667**	**(191 849)**	**64 227**	**298 555**	**362 782**
Adjusted for						
Acquisition of businesses [1]	4 876	9 618	14 494	29 527	128	29 655
Disposal of businesses	28 161	–	28 161	–	–	–
Debt/capital restructuring	83 590	–	83 590	–	–	–
Restructuring and retrenchment costs	20 632	(2 981)	17 651	7 150	17 000	24 150
Tax effect thereof	(24 876)	–	(24 876)	(563)	(4 760)	(5 323)
Normalised headline (loss)/earnings	**(484 133)**	**411 304**	**(72 829)**	**100 341**	**310 923**	**411 264**
Weighted average number of shares in issue			484 827 324			461 996 223
Normalised headline (loss)/earnings per share (cents)	**(99.9)**	**84.8**	**(15.0)**	**21.7**	**67.3**	**89.0**

[1] No business combination took place in the current year, however costs relating to a possible acquisition and costs relating to previous acquisitions have been incurred in the current year.

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

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

2. Earnings per share (continued)

Impact of prior period error in headline earnings per share and change in accounting policy in normalised earnings per share:

	Previously reported 2018 R'000			Restatement 2018 R'000			Restated 2018 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations [(1)]	Total [(5)]	Continuing operations	Discontinued operations [(1)]	Total
Reconciliation of headline earnings (Loss)/profit attributable to owners of the parent	**470 580**	**(193 409)**	**277 171**	**(436 306)**	**416 428**	**(19 878)**	**34 274**	**223 019**	**257 293**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	(739)	–	(739)	1 094	(1 094)	–	355	(1 094)	(739)
Tax effect	–	–	–	(44)	290	246	(44)	290	246
(Profit)/loss on disposal of subsidiary	580	–	580	(1 160)	–	(1 160)	(580)	–	(580)
Tax effect	–	–	–	72	–	72	72	–	72
Goodwill, intangible asset and tangible asset impairment	30 269	71 319	101 588	–	–	–	30 269	71 319	101 588
Tax effect	–	–	–	–	–	–	–	–	–
Put-option remeasurement [(2)]	(32 532)	–	(32 532)	32 532	–	32 532	–	–	–
Tax effect	–	–	–	–	–	–	–	–	–
Impairment of investment	5 021	–	5 021	(5 021)	5 021	–	–	5 021	5 021
Tax effect	–	–	–	–	–	–	–	–	–
Non-controlling interest portion allocation	–	–	–	(119)	–	(119)	(119)	–	(119)
Tax effect thereof	9 128	–	9 128	(9 128)	–	(9 128)	–	–	–
Headline (loss)/earnings	**482 307**	**(122 090)**	**360 217**	**(418 080)**	**420 645**	**2 565**	**64 227**	**298 555**	**362 782**
Weighted average number of shares in issue			461 996 223			461 996 223			461 996 223
Headline (loss)/earnings per share (cents)	**104.4**	**(26.4)**	**78.0**	**(90.5)**	**91.0**	**0.6**	**13.9**	**64.6**	**78.5**

2. Earnings per share (continued)

	Previously reported 2018 R'000			Restatement 2018 R'000			Restated 2018 R'000		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations [1]**	**Total [5]**	**Continuing operations**	**Discontinued operations [1]**	**Total**
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**482 307**	**(122 090)**	**360 217**	**(418 080)**	**420 645**	**2 565**	**64 227**	**298 555**	**362 782**
Adjusted for									
Acquisition of businesses	29 655	–	29 655	(128)	128	–	29 527	128	29 655
Isando manufacturing operation loss [3]	45 602	–	45 602	(45 602)	–	(45 602)	–	–	–
Restructuring and retrenchment costs	7 150	17 000	24 150	–	–	–	7 150	17 000	24 150
Amortisation [4]	196 453	–	196 453	(196 453)	–	(196 453)	–	–	–
Tax effect thereof	(23 221)	(4 760)	(27 981)	22 658	–	22 658	(563)	(4 760)	(5 323)
Normalised headline (loss)/earnings	**737 946**	**(109 850)**	**628 096**	**(637 605)**	**420 773**	**(216 832)**	**100 341**	**310 923**	**411 264**
Weighted average number of shares in issue			461 996 223			461 996 223			461 996 223
Normalised headline (loss)/earnings per share (cents)	**159.7**	**(23.8)**	**136.0**	**(138.0)**	**91.1**	**(46.9)**	**21.7**	**67.3**	**89.0**

(1) The additional discontinued operations recognised in the current year resulted in the restatement of normalised earnings.
(2) The put-option remeasurement was incorrectly treated as a headline earnings adjustment in the prior year.
(3) The Isando manufacturing operation loss is now included in continuing operations.
(4) Amortisation is no longer excluded from normalised earnings.
(5) The impact of the prior period errors after Headline earnings adjustments.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

3. Revenue

The breakdown of revenue from all activities is as follows:

Revenue	2019 R'000	Restated[1] 2018 R'000
Rental Income	440 410	475 956
	440 410	**475 956**
Revenue from contracts with customers		
Sale of goods - wholesale (in-country)	3 419 358	3 388 083
Sale of goods - wholesale (export)	1 259 964	1 260 425
Sale of equipment	291 818	322 241
Sale of services - maintenance	72 294	4 317
Sale of drug masterfiles	48 779	36 062
Royalty income	41 876	23 751
	5 134 089	**5 034 879**
Timing of revenue: Revenue from contracts with customers		
Products transferred at a point in time	5 019 919	5 006 811
Services transferred over time	114 170	28 068
	5 134 089	**5 034 879**
Total Revenue	**5 574 499**	**5 510 835**

[1] The comparatives have been restated due to the discontinued operations. Refer to note 12 for more details.

The 2018 amounts have been presented as if the group was applying IFRS 15 already. The table below shows the amounts in terms of IAS 18 restated for discontinued operations only:

	2018 R'000
Sale of goods - in-country	4 190 597
Sale of goods - export	1 260 425
Sale of drug master files	-
Rendering of service	36 062
Royalty income	23 751
	5 510 835

4. Income tax expense

Major components of the tax expense	2019 R'000	Restated[1] 2018 R'000
South African Taxation		
Current Tax		
Current tax on profits for the period	88 421	87 861
Recognised in current tax for prior periods	10 873	(3 815)
	99 294	**84 046**
Deferred		
Originating and reversing temporary differences	27 314	(12 867)
(Increase)/utilisation of tax loss	-	(11 318)
Measurement period adjustment	-	3 075
	27 314	**(21 110)**
South African income tax expense	**126 608**	**62 936**

4. Income tax expense (continued)

Major components of the tax expense	2019 R'000	Restated[1] 2018 R'000
Foreign Taxation		
Current Tax		
Current tax on profits for the period	60 490	48 930
Fiscal tax credits	(48)	(3 744)
Recognised in current tax for prior periods	(783)	-
	59 659	**45 186**
Deferred		
Originating and reversing temporary differences	(11 763)	(16 306)
Utilisation of tax loss	-	(512)
Measurement period adjustment	-	(583)
	(11 763)	**(17 401)**
Foreign income tax expense	**47 896**	**27 785**
Total income tax expense	**174 504**	**90 721**

[1] The comparatives have been restated due to the discontinued operations. Refer to note 12 for more details.

	2019 R'000	Restated[1] 2018 R'000
Income tax expense attributable to:		
Profit from continuing operations	122 989	70 168
Profit from discontinued operations	51 515	20 553
	174 504	**90 721**

	2019 R'000	Restated[1] 2018 R'000
Tax at the South Africa tax rate	**28.00%**	**28.00%**
Amortisation	(0.88%)	40.24%
Impairment	(24.25%)	7.63%
Disallowable charges - consulting / legal fees	(0.07%)	0.11%
Disallowable charges - donations / sponsorships	(0.13%)	3.84%
Effect of prior year	(0.05%)	0.96%
Fines and penalties	(0.08%)	0.09%
(Utilisation of) increase in tax losses	(1.24%)	2.56%
Local tax incentives	0.05%	(1.10%)
Foreign tax incentives	0.10%	(0.33%)
Differences in tax rates	0.22%	(8.19%)
Capital gain	(0.20%)	12.11%
Other disallowable charges	(1.40%)	6.14%
Other exempt income	0.58%	(0.04%)
Other exempt income - revaluation of buildings	0.00%	(13.32%)
Acquisition of loss making entities - Section 23N & 24O	0.00%	6.07%
Average effective tax rate	**(2.66%)**	**54.21%**

The decline in the effective corporate tax rate is predominantly as a result of the impairment of various intangible assets and the non-deductibility of expenses incurred by non-trading entities.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

5. Property, plant and equipment

Reconciliation of property, plant and equipment - 2019

R'000	Land and buildings	Plant and machinery owned	Office furniture	Motor vehicles owned	Leased assets	Computers	Leasehold improvements	Capital work in progress [1]	Total
Opening balance									
Cost or revaluation	531 354	593 206	54 128	15 676	41 753	72 826	80 224	48 182	1 437 349
Accumulated depreciation and impairment	(12 923)	(148 985)	(22 578)	(3 843)	(2 108)	(26 718)	(50 716)	241	(267 630)
Net book value at 1 July 2018	**518 431**	**444 221**	**31 550**	**11 833**	**39 645**	**46 108**	**29 508**	**48 423**	**1 169 719**
Additions	32 709	168 724	24 057	4 249	14 153	20 969	1 451	10 321	276 633
Revaluation	6 100	-	-	-	-	-	-	-	6 100
Disposal of business	(572)	-	-	-	-	-	-	-	(572)
Disposals	-	(7 680)	(14 144)	(1 530)	(772)	(949)	(136)	(28 610)	(53 821)
Impairments and scrapping [2]	(10)	(46 131)	(5 085)	(4)	(14 147)	(36 216)	(15 066)	(5 702)	(122 361)
Transfers between asset categories	-	4 022	(524)	-	(3 494)	(4)	-	-	-
Transfers to intangible assets	-	-	-	-	-	(686)	-	-	(686)
Transferred to disposal group classified as assets held for sale	(392 542)	(212 324)	(6 941)	(8 606)	(465)	(6 702)	(372)	(149)	(628 101)
Foreign exchange movements	(1 494)	(462)	31	(5)	1 639	871	413	62	1 055
Depreciation	(10 535)	(59 576)	(8 014)	(2 566)	(7 762)	(14 137)	(4 313)	-	(106 903)
Net book value at 30 June 2019	**152 087**	**290 794**	**20 930**	**3 371**	**28 797**	**9 254**	**11 485**	**24 345**	**541 063**
Made up as follows:									
Cost or revaluation	207 960	406 774	42 436	5 552	60 022	67 699	53 345	29 885	873 673
Accumulated depreciation and impairment	(55 873)	(115 980)	(21 506)	(2 181)	(31 225)	(58 445)	(41 860)	(5 540)	(332 610)
Net book value at 30 June 2019	**152 087**	**290 794**	**20 930**	**3 371**	**28 797**	**9 254**	**11 485**	**24 345**	**541 063**

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

[2] Refer to Note 6 for detailed impairment disclosure.

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018
Restated

R'000	Land and buildings	Plant and machinery owned	Office furniture	Motor vehicles owned	Leased assets	Computers	Leasehold improvements	Capital work in progress [1]	Total
Opening balance									
Cost 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)
Net book value at 1 July 2017	**566 018**	**319 409**	**26 695**	**35 444**	**24 397**	**36 767**	**14 411**	**36 847**	**1 059 988**
Additions	6 261	153 615	18 412	5 712	18 563	24 718	14 704	13 422	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	318	(3 449)	(10 063)	(23 740)	16 593	(1 153)	19 691	1 803	-
Transfers from inventory[2]	-	48 984	-	-	-	-	-	-	48 984
Transferred to disposal group classified as assets held for sale	(87 000)	(26 122)	(1 532)	(1 124)	-	(2 100)	(1 482)	-	(119 360)
Foreign exchange movements	51 975	18 570	4 888	337	(10 004)	2 273	(13 336)	(1 765)	52 938
Depreciation [2]	(14 530)	(66 945)	(6 469)	(4 421)	(9 577)	(14 084)	(4 444)	-	(120 470)
Net book value at 30 June 2018	**518 431**	**444 221**	**31 550**	**11 833**	**39 645**	**46 108**	**29 508**	**48 423**	**1 169 719**
Made up as follows:									
Cost or revaluation	531 354	593 206	54 128	15 676	41 753	72 826	80 224	48 182	1 437 349
Accumulated depreciation and impairment	(12 923)	(148 985)	(22 578)	(3 843)	(2 108)	(26 718)	(50 716)	241	(267 630)
Net book value at 30 June 2018	**518 431**	**444 221**	**31 550**	**11 833**	**39 645**	**46 108**	**29 508**	**48 423**	**1 169 719**

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

[2] Refer to the restatement section of the accounting policies note for details on the restatement of demo equipment from inventory to property, plant and equipment.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

6. Intangible assets and goodwill

Intangible assets and goodwill - 2019

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 346 495	2 023 760	61 342	9 644	1 185 645	237 840	1 601 892	10 466 618
Accumulated amortisation and impairment	(134 614)	(157 779)	(23 331)	-	(185 460)	(19 970)	(111 717)	(632 871)
Carrying value as at 30 June 2018	**5 211 881**	**1 865 981**	**38 011**	**9 644**	**1 000 185**	**217 870**	**1 490 175**	**9 833 747**
Additions	-	21 149	12 178	3 284	-	556	97 529	134 696
Disposals	-	(800)	(585)	-	(141)	-	(1 511)	(3 037)
Transfers between categories	-	(293)	(5 305)	70	17 893	1 224	(13 589)	-
Transfers to/from discontinued operation	(1 891 047)	(82 087)	(4 335)	(13 039)	(514 664)	(1 557)	(877 216)	(3 383 945)
Transfer to/from property, plant and equipment	-	-	686	-	-	-	-	686
Amortisation	-	(72 369)	(10 614)	-	(48 082)	(15 887)	(27 387)	(174 339)
Impairment	(2 458 076)	(877 061)	(19 449)	-	(173 071)	-	(545 749)	(4 073 406)
Exchange rate differences	33 560	21 059	809	41	1 568	(54)	9 654	66 637
Carrying value as at 30 June 2019	**896 318**	**875 579**	**11 396**	**-**	**283 688**	**202 152**	**131 906**	**2 401 039**
Made up as follows:								
Cost	3 422 715	1 936 684	58 559	-	599 824	237 669	709 788	6 965 238
Accumulated amortisation and impairment	(2 526 397)	(1 061 105)	(47 163)	-	(316 136)	(35 517)	(577 882)	(4 564 199)
Carrying value as at 30 June 2019	**896 318**	**875 579**	**11 396**	**-**	**283 688**	**202 152**	**131 906**	**2 401 039**

6. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2018

Restated[(1)] R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance as previously reported								
Cost	5 058 029	2 044 141	41 938	20 252	998 722	263 855	1 040 959	9 467 896
Accumulated amortisation and impairment	(38 079)	(62 356)	(15 396)	-	(120 471)	(15 571)	(43 850)	(295 723)
Carrying value as at 30 June 2017 as previously reported	**5 019 950**	**1 981 785**	**26 542**	**20 252**	**878 251**	**248 284**	**997 109**	**9 172 173**
Reclassification								
Cost	(149 629)	(185 797)	5 442	(15 007)	117 255	(97 266)	360 650	35 648
Accumulated amortisation and impairment	-	(11 874)	(436)	-	8 867	1 717	(33 922)	(35 648)
Restated opening balance								
Cost	4 908 400	1 858 344	47 380	5 245	1 115 977	166 589	1 401 609	9 503 544
Accumulated amortisation and impairment	(38 079)	(74 230)	(15 832)	-	(111 604)	(13 854)	(77 772)	(331 371)
Restated carrying value as at 30 June 2017	**4 870 321**	**1 784 114**	**31 548**	**5 245**	**1 004 373**	**152 735**	**1 323 837**	**9 172 173**
Additions	-	24 802	12 787	4 857	-	-	121 391	163 837
Acquired through business combinations	249 281	18 652	-	-	59 537	74 571	-	402 041
Disposals	-	-	-	-	-	-	(1 167)	(1 167)
Transfers to/from discontinued operation	(46 948)	(6 568)	(25)	(460)	(26 853)	(8 886)	-	(89 740)
Amortisation	-	(83 589)	(7 500)	-	(73 911)	(6 194)	(28 891)	(200 085)
Impairment	(96 535)	-	-	-	-	-	(5 054)	(101 589)
Exchange rate differences	235 762	128 570	1 201	2	37 039	5 644	80 059	488 277
Carrying value as at 30 June 2018	**5 211 881**	**1 865 981**	**38 011**	**9 644**	**1 000 185**	**217 870**	**1 490 175**	**9 833 747**
Made up as follows:								
Cost	5 346 495	2 023 760	61 342	9 644	1 185 645	237 840	1 601 892	10 466 618
Accumulated amortisation and impairment	(134 614)	(157 779)	(23 331)	-	(185 460)	(19 970)	(111 717)	(632 871)
Carrying value as at 30 June 2018	**5 211 881**	**1 865 981**	**38 011**	**9 644**	**1 000 185**	**217 870**	**1 490 175**	**9 833 747**

(1) The opening balances have been restated. Please refer to the restatement section of the Accounting policies note for more details.

A total of R14.3 million (2018: R13.3 million) for research costs has been expensed to the statement of profit and loss and other comprehensive income for the year ended 30 June 2019.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

6. Intangible assets and goodwill (continued)

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

Reconciliation of Goodwill 2019 R'000	Opening balance	Additions	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	331 302	-	(173 865)	19 767	-	177 204
Scitec	1 283 585	-	(1 318 413)	-	34 828	-
Sun Wave	95 210	-	-	-	(1 391)	93 819
Pharma Africa	426 806	-	(426 806)	-	-	-
Remedica	1 615 617	-	-	(1 611 929)	(3 688)	-
Farmalider	140 497	-	(144 309)	-	3 812	-
Medical	545 100	-	(223 569)	-	-	321 531
Animal Health	474 780	-	(171 016)	-	-	303 764
Biosciences	298 984	-	(98)	(298 886)	-	-
Total	**5 211 881**	**-**	**(2 458 076)**	**(1 891 048)**	**33 561**	**896 318**

Reconciliation of Goodwill Restated [(1)] 2018 R'000	Opening balance	Additions	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	474 785	-	(96 535)	(46 948)	-	331 302
Scitec	1 185 227	-	-	-	98 358	1 283 585
Sun Wave	94 275	-	-	-	935	95 210
Pharma Africa	426 806	-	-	-	-	426 806
Remedica	1 488 803	-	-	-	126 814	1 615 617
Farmalider	130 842	-	-	-	9 655	140 497
Medical	545 100	-	-	-	-	545 100
Animal Health	225 499	249 281	-	-	-	474 780
Biosciences	298 984	-	-	-	-	298 984
Total	**4 870 321**	**249 281**	**(96 535)**	**(46 948)**	**235 762**	**5 211 881**

[(1)] The goodwill has been restated due to the change in segments and prior period error. The goodwill allocated to each CGU has been reallocated accordingly. Refer to note 1 for more details.

Reconciliation of indefinite useful life intangible assets R'000	Opening balance	Additions	Impairment	Transfers	Foreign currency translation	Closing balance
2019						
Scitec	846 585	-	(847 270)	(22 285)	22 970	-
2018						
Scitec	965 860	-	-	(192 580)	73 305	846 585

6. Intangible assets and goodwill (continued)

Impairment tests for CGUs

2019 impairment test

Impairment tests are conducted annually and are based on the projected sustainable cash flow methodology. Using a time horizon of 5 years, approved budgets for the 2020 financial year form the base of this calculation, which is then extrapolated for the four years thereafter. These cash flows are discounted using a discounting factor, which was determined after consideration of both systematic and unsystematic risks.

These tests were performed on intangible assets and goodwill and property, plant and equipment balances as at 30 June 2019 and this resulted in an impairment of R4 073 million and R122 million respectively. Further impairments, amounting to R243 million, were provided in respect of discontinued operations, giving a total impairment for the year of R4 438 million (2018: R102 million). The significant reduction in the group's share price is an indicator of impairment and as such these impairments are as a result of the adverse economic conditions which impacted the group's performance in the current year and a significant increase in the discount rate used in the value-in-use calculations.

2018 impairment test

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 utilized. A five-year time horizon is used to project the cash flows. Cash flows are discounted using a discounting factor, which was determined taking into account both systematic and unsystematic risks.

The group recognised impairment on goodwill of R96.5 million relating to Consumer Health segment, R71.3 million of the total goodwill impairment related to discontinued operations which has been included as part of the loss from the 2018 discontinued operations.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

6. Intangible assets and goodwill (continued)

2019 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment amount R'000
Surgical Innovations	Medical	350 232	350 794	223 566
Ascendis Vet	Animal Health	143 073	143 727	38 127
Animal Health	Animal Health	274 409	274 409	41 563
Kyron	Animal Health	357 656	356 982	91 328
Pharmachem & Dezzo	Pharma Africa	(367 874)	(511 858)	344 227
Ascendis Pharma	Pharma Africa	323 805	322 004	149 968
Chempure	Consumer Health Africa	(161 938)	(246 442)	188 275
Ascendis Skin & Body	Consumer Health Africa	23 795	22 466	70 908
Farmalider	Farmalider	210 708	212 203	442 646
Efekto	Biosciences	(89 227)	119 691	105 554
Marltons	Biosciences	3 694	18 551	24 601
KlubM5	Biosciences	59 705	65 852	67 261
Scitec	Scitec	588 586	(176 022)	2 590 615
Ascendis Sports Nutrition	Other	47 454	46 084	16 543
Direct selling	Other	38 654	7 512	41 253
Ascendis Australia	Other	(35 326)	2 177	1 583
Total impairments				**4 438 018**

2018 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment amount R'000
Chempure	Consumer Health Africa	294 090	268 875	25 215
Ascendis Sports Nutrition	Consumer Health Africa	45 133	773 682	71 320
Total impairments				96 535

7. Inventories

Inventory written off for the year ended 30 June 2019 is R64 million (2018: R35.1 million).

8. Borrowings and other financial liabilities

Borrowings are recognised initially at fair value net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

Borrowing costs are expensed unless capitalised as part of the qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those asset, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

8. Borrowings and other financial liabilities (continued)

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 group has the following financing structure as at year end:

For the purposes of financing acquisitions of international businesses, as well as allow for a structure that supports growth and an integrated treasury function, Ascendis implemented a debt structure arranged, administered and underwritten by ABSA Bank Ltd and HSBC Bank Plc. The structure consists of a syndicated facility including a bridge loan denominated in local currency (ZAR) and Euro term, revolving credit facilities and other foreign bi-lateral facilities. In terms of the existing debt structure, the total facilities drawn down amounts to R2 039.8 million and €224.5 million (2018: R1 600 million and €215 million).

EUR denominated facilities

The group has a secured Euro term facility with a balance outstanding of €163 million which matures in August 2021 as well as a €47 million revolving credit facility which was fully drawn as at 30 June 2019. The debt balance consists of the ZAR translated amount of R2 583 million net of debt capitalisation costs of R21.9 million. Capital repayments commenced on 30 June 2017 on a bi-annual basis. Interest is charged at 4% per annum and is repayable quarterly. There are bi-lateral revolving credit facilities of €7.5 million maturing in August 2021 as well as overdraft facilities with a balance outstanding of €7 million within the European subsidiaries.

ZAR denominated facilities

The secured syndicated facility consists of two term loans with balances outstanding of R851.1 million and R493.8 million as at year end. The R851.1 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 R493.8 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 R28.1 million. The group has a revolving credit facility of R395 million with a balance outstanding of R332.9 million as at 30 June 2019. Additional facilities relating to letters of credit, performance guarantees and debtors factoring exist.

The group entered into a R360.3 million bridging facility in March 2019 maturing on 31 July 2019. This facility was repaid on 31 July 2019 on the successful disposal of the Biosciences transaction.

This secured syndicated facility is subject to financial covenants based on key financial ratios. For the year ended 30 June 2019 the lenders required that the group maintain a normalised leverage ratio below 3.75 (2018: 4.0), a minimum of 1.2 (2018: 1.2) cash cover ratio and a minimum 3.0 (2018: 3.0) interest cover ratio.

The group has since entered into a standstill agreement with its lenders due to having breached the normalised leverage ratio above. During this standstill period an additional 100 basis points will be charged to all syndicated facilities. The standstill period will be in effect until the successful disposal of Remedica by 31 January 2020. During the standstill period no capital repayments are required to be made and no deferred vendor liability repayments are allowed to be made. As a result of the breach of the covenants all non-current borrowings relating to the syndicated facility have been classified as current.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

8. Borrowings and other financial liabilities (continued)

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

	2019 R'000	2018 R'000
Secured borrowings and other financial liabilities		
Cyprus loan facility (1)	155 015	158 271
Total secured	**155 015**	**158 271**
Unsecured borrowings and other financial liabilities		
Term loan - South Africa debt	1 311 937	1 390 291
Term loan - European debt	2 583 017	2 660 853
Revolving credit facility	759 299	758 922
Bank loan - Spain	158 303	144 085
Short-term loans with financial institutions	332 929	297 000
Bridging term loan	360 397	-
Other South African borrowings	889	38 013
Other European borrowings	-	46 948
Transferred to liabilities held for sale	(155 015)	-
Total unsecured	**5 351 756**	**5 336 112**
Total borrowings and other financial liabilities	**5 506 771**	**5 494 383**

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

	2019 R'000	2018 R'000
Non-current	54 704	4 555 111
Current liabilities	5 452 067	939 272
	5 506 771	**5 494 383**

(1) Cyprus loan facility is secured by buildings with a fair value of €6 million (R92 million).

Reconciliation of borrowings:	2019 R'000	2018 R'000
Capital portion of loans outstanding at beginning of year	5 494 383	5 029 806
Business combinations	-	3 312
New loans raised net of debt capitalisation fees		
EURO revolving credit facility	-	169 284
Cyprus facility loan	38 576	158 271
Farmalider loans with financial institutions	136 966	24 844
Overdraft banking facility	35 929	50 000
Bridging term loan	354 825	-
Other financial liabilities	889	47 936
Capitalised borrowing costs amortised	28 287	12 497
Capital repaid	(386 780)	(288 688)
Transferred to liabilities held for sale	(202 236)	-
Foreign currency translation	(3 684)	277 656
Capital portion of loans outstanding at year end	**5 497 155**	**5 484 918**
Interest accrued	9 616	9 465
Total loans outstanding at year end	**5 506 771**	**5 494 383**

9. 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.

Contingent consideration is initially measured at fair value and the amount is included in the determination of goodwill or purchase bargain. Subsequently, to the extent that the additional consideration relates to an asset or liability, the contingent consideration is measured at fair value and gains and losses are recognised in profit or loss.

Deferred consideration is initially measured at fair value and subsequently measured at amortised cost.

All deferred vendor liabilities raised relate to business combinations.

	2019 R'000	2018 R'000
Remedica Group	-	614 388
Sun Wave Pharma Group	282 507	353 267
Cipla Group	-	50 000
Klub M5 Proprietary Limited	34 499	55 000
Umecom Proprietary Limited	-	2 792
Kyron Group	99 301	223 908
	416 307	**1 299 355**
Current	261 832	422 969
Non-current	154 475	876 386
	416 307	**1 299 355**
Deferred consideration	98 738	767 180
Contingent consideration	317 569	532 175
	416 307	**1 299 355**

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

10. Cash generated from operations

	2019 R'000	Restated 2018 R'000
(Loss)/profit after tax from continuing operations	**(4 754 692)**	**59 258**
Adjustments for:		
Tax from continuing operations	122 989	70 168
Depreciation and amortisation	220 799	260 660
Impairment of intangible assets	4 073 019	101 588
Impairment of property, plant and equipment	122 360	-
Impairment of investment accounted for using the equity method	1 971	-
Net (loss) /profit on sale of assets	(1 279)	3 378
Net profit on disposal of subsidiary	(17 143)	(580)
Net profit on foreign exchange	5 765	6 225
Put-option remeasurement	(1 700)	(32 532)
Fair value measurement of financial assets and liabilities	13 953	25 208
Provisions and contract liability raised	49 294	78 440
Net movement in trade and other receivables provisions	17 070	40 098
Obsolete stock allowance	79 953	(125)
Finance income	(4 218)	(15 320)
Finance expense	376 755	367 868
Remeasurement of deferred vendor liabilities	(35 911)	-
Income from equity accounted investments	-	(2 687)
Long term incentive adjustment	(10 653)	1 706
Unwinding of capitalised borrowing costs	26 985	-
Impairment of other financial assets	17 650	-
Changes in working capital:		
Inventories	(219 281)	(34 685)
Trade and other receivables	(194 140)	(54 546)
Trade and other payables	162 757	(131 544)
Provisions	(61 266)	(10 352)
Cash (utilised by)/generated from operations	**(8 963)**	**732 226**

11. Dividends paid

No dividend per share has been declared to owners of parent in the 2019 financial period (2018: Nil).

12. Discontinued operations

Ascendis initiated a strategic business review in March 2018. The strategic review was 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 2019 and an update on the discontinued operations for the financial period ended 30 June 2018.

The following operations were classified as discontinued operations in the current year:

Biosciences

As part of the new strategy, the group announced in September 2018 that the Biosciences business was considered as non-core to the group's strategy and was identified for divestment. The total Biosciences segment is to be disposed in a single plan, however the transaction was split into two tranches. Tranche 1 of the transaction was concluded on 31 July 2019. Tranche 2 of the transaction is expected to be finalised by 31 January 2020.

The business has been classified as discontinued operation and held for sale with effect from 30 November 2018.

Remedica

On 14 January 2019, the group received an unsolicited offer in respect of the Remedica business. The group decided to dispose the business and is currently involved in negotiations with potential buyers. The transaction is expected to be completed by 31 January 2020.

The business has been classified as discontinued operation and held for sale with effect from 31 January 2019.

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

Ascendis Direct

Ascendis Direct ("AD") was 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. The sale-purchase agreement was concluded with a potential buyer on 10 September 2018. However, the transactions did not materialise and negotiations are continuing with a potential buyer. AD is still classified as a discontinued operation and held for sale as at 30 June 2019.

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.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

12. Discontinued operations (continued)

The Sports Nutrition business was sold for a consideration of R54 million, a loss on sale of R0.5 million was recognised in the statement of profit or loss.

Isando manufacturing

The Group disposed of the Isando pharmaceutical manufacturing operations and its 23 000 m² GMP pharmaceutical manufacturing facility. The manufacturing facility was acquired through the Group's purchase of Akacia Healthcare during the June 2016 financial period.

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.

On 20 December 2018, Ascendis concluded a sale agreement with Mylan Proprietary Limited (Mylan) for the sale of the manufacturing facility. The manufacturing facility was sold through the disposal of a subsidiary, Ascendis Health International (Pty) Ltd, for a consideration of R130 million and a profit of R17.3 million was recognised in the statement of profit or loss.

12. Discontinued operations (continued)

R'000	2019 Biosciences	2019 Ascendis Direct	2019 Remedica	2019 Ascendis Sport Nutrition	2019 Total	2018 Biosciences	2018 Ascendis Direct	2018 Remedica	2018 Ascendis Sport Nutrition	2018 Total
Revenue	856 553	81 017	1 543 270	428	2 481 268	900 409	89 824	1 325 308	128 609	2 444 150
Expenses	(762 774)	(89 833)	(1 156 660)	(21 750)	(2 031 017)	(818 293)	(96 546)	(981 497)	(232 923)	(2 129 259)
(Loss)/profit before impairments	93 779	(8 816)	386 610	(21 322)	450 251	82 116	(6 722)	343 811	(104 314)	314 891
Impairments of assets	(254 582)	(39 143)	-	(10 126)	(303 851)	-	(12 000)	-	(59 319)	(71 319)
(Loss)/ profit before tax	**(160 803)**	**(47 959)**	**386 610**	**(31 448)**	**146 400**	**82 116**	**(18 722)**	**343 811**	**(163 633)**	**243 572**
Tax	(31 337)	(594)	(15 106)	(4 478)	(51 515)	(1 571)	(4 384)	(7 928)	(6 670)	(20 553)
(Loss)/ profit after income tax expense of discontinued operation	**(192 140)**	**(48 553)**	**371 504**	**(35 926)**	**94 885**	**80 545**	**(23 106)**	**335 883**	**(170 303)**	**223 019**
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/ income	**(192 140)**	**(48 553)**	**371 504**	**(35 926)**	**94 885**	**80 545**	**(23 106)**	**335 883**	**(170 303)**	**223 019**
Net cash flow from operating activities	33 357	25 678	555 018	(21 663)	592 390	115 197	(40 119)	462 881	(205 985)	331 974
Net cash flow from investing activities	(22 845)	(4 238)	(95 862)	(2 294)	(125 239)	3 311	(10 011)	(126 065)	(57 131)	(189 896)
Net cash flow from financing activities	-	(537)	(51 096)	-	(51 633)	(34 583)	31 117	196 656	84 471	277 661
Net increase/(decrease) in cash generated by discontinued operations	**10 512**	**20 903**	**408 060**	**(23 957)**	**415 518**	**83 925**	**(19 013)**	**533 472**	**(178 645)**	**419 739**

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

12. Discontinued operations (continued)

Assets and liabilities classified as held for sale

The following assets and liabilities were classified as held for sale as at periods reported:

	30 June 2019					30 June 2018			
R'000	**Biosciences**	**Remedica**	**Ascendis Direct**	**Ascendis Sports Nutrition**	**Total**	**Isando**	**Ascendis Direct**	**Ascendis Sports Nutrition**	**Total**
Property, plant and equipment	42 304	585 062	-	-	627 366	113 037	6 025	298	119 360
Intangible assets & Goodwill	254 205	2 954 432	-	-	3 208 637	-	48 688	39 160	87 848
Deferred tax asset	12 452	-	3 148	-	15 600	14	2 582	137	2 733
Inventories	166 197	423 893	8 440	-	598 530	9 300	14 379	31 776	55 455
Current Income tax receivable	2 581	13 715	839	-	17 135	-	840	832	1 672
Trade and other receivables	138 141	710 316	13 985	-	862 442	418	28 956	3 663	33 037
Cash and cash equivalents	44 828	171 629	11 636	-	228 093	125	2 585	704	3 414
Other financial assets	289	583	4	-	876	-	56 006	100	56 106
Assets held for sale	**660 997**	**4 859 630**	**38 052**	**-**	**5 558 679**	**122 894**	**160 061**	**76 670**	**359 625**
Borrowings	(197)	(164 524)	-	-	(164 721)	-	(18 270)	-	(18 270)
Deferred vendor liabilities	-	(634 966)	-	-	(634 966)	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	(326)	(76)	(402)
Deferred tax liability	(32 775)	(155 239)	(907)	-	(188 921)	(14 648)	(942)	(638)	(16 228)
Trade and other payables	(121 479)	(394 773)	(5 688)	-	(521 940)	(3 078)	(14 630)	(2 373)	(20 081)
Provisions	(8 509)	(10 055)	(1 616)	-	(20 180)	(1 637)	(2 279)	(2 294)	(6 210)
Current Income tax payable	(2 546)	-	(841)	-	(3 387)	(226)	(1 707)	(1)	(1 934)
Bank overdraft	-	(39 531)	-	-	(39 531)	-	-	-	-
Liabilities held for sale	**(165 506)**	**(1 399 088)**	**(9 052)**	**-**	**(1 573 646)**	**(19 589)**	**(38 154)**	**(5 382)**	**(63 125)**

13. Related parties

There has been no significant change in the related party transactions and related party relationships from 30 June 2018.

14. Changes in accounting policies

The group has changed its accounting policy for the determination of Normalised headline earnings per share in the current year. Comparative information has been restated in terms of IAS 8. Refer to note 2 for more details on the change in accounting policy.

The group has adopted the following new accounting pronouncements as issued by the International Accounting Standard Board (IASB), which were effective for the group from 1 July 2018:

- IFRS 15 *Revenue from Contracts with Customers*; and
- IFRS 9 *Financial Instruments*.

The group applied the modified retrospective approach in transitioning to IFRS 9 and IFRS 15.

The table below shows the adjustments recorded in each line item. Line items that were not affected by the changes have not been included.

	30 June 2018 As originally reported R'000	IFRS 9 R'000	IFRS 15 R'000	1 July 2018 Restated R'000
Non current asset				
Deferred tax	91 700	4 758	978	97 436
	91 700	**4 758**	**978**	**97 436**
Current assets				
Trade and other receivables	1 871 775	(27 752)	6 171	1 850 194
	1 871 775	**(27 752)**	**6 171**	**1 850 194**
Non current liabilities				
Deferred tax liability	491 908	-	421	492 329
	491 908	**-**	**421**	**492 329**
Current liabilities				
Trade and other payables	1 321 784	-	19 015	1 340 799
Contract liability	-		10 556	10 556
Provisions	92 854	-	(12 878)	79 976
	1 414 638	**-**	**16 693**	**1 431 331**

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

14. Changes in accounting policies (continued)

Revenue recognition policy under IAS 18 (applicable before 1 January 2018)

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.

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.

Adoption of IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15 revenue is recognised at an amount that reflects the consideration an entity expects to receive for transferring goods or services to a customer.

14. Changes in accounting policies (continued)

Adoption of IFRS 15 Revenue from contracts with customers (continued)

The core principle of IFRS 15 is that any entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard requires the apportionment of revenue earned from contracts to identified performance obligations in the contracts on a relative stand-alone selling price basis based on a five-step model. The standard also requires the capitalisation of costs incremental to obtaining the contract and recognition of these costs as an expense over the term of the contracts.

The group principally generates revenue from manufacturing and distribution of consumer and animal health products, pharmaceutical products, biosciences products and supplying of medical devices and consumables. Revenue is measured based on the consideration agreed with the customer excluding indirect taxes, estimated returns and trade discounts and rebates. Refer to note 3 for the detailed accounting policy.

In accordance with the transition provisions in IFRS 15, the group has adopted the new standard using the modified retrospective approach and has processed an adjustment to the opening balance of retained earnings at 1 July 2018 (date of initial application). The modified retrospective approach is applied only to contracts that are not completed as at 1 July 2018.

The nature of the changes in the accounting policies were as follows:

Type of service/product	Nature of change in accounting policy	Impact
Sale of goods – right of return	The group sells goods with a right of return in line with the consumer legislation and the group policy. The group previously accounted for any customer refunds or replacements in relation to customer returns when the customer returns goods and a credit note is issued. In terms of IFRS 15, right of return represents variable consideration. Sales made to customers who have a right of return are adjusted for the amount of revenue the group is entitled to i.e. net of expected returns. Therefore a refund liability is created for the reduction in revenue and a refund asset for the reduction in cost of sales.	This resulted in the reduction of revenue and cost of sales and an increase in other payables (refund liability) and other receivables (refund asset).

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

14. Changes in accounting policies (continued)

Type of service/product	Nature of change in accounting policy	Impact
Rendering of services – maintenance contracts	The group offers maintenance services to customers who have purchased equipment. The group previously accounted for maintenance services as part of the equipment purchase or lease. IFRS 15 requires the identification of separate performance obligations if the goods and services are distinct. Following the adoption of IFRS 15, maintenance service is considered a distinct service as it is regularly supplied by the group to other customers on a standalone basis and is available from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on a relative standalone selling price of those services.	The revenue from the sale has been split based on relative standalone prices. In addition, the revenue, to the extent that the performance obligation is satisfied over time has been reduced to take into account the performance obligation that has been satisfied to date. This has resulted in an increase in contract liabilities and reduction in income.
Sale of goods – complementary free use of equipment and maintenance service	The group offers customers free use of equipment and maintenance services provided that the customer purchases consumables from the group. The group previously accounted for the transaction as one and revenue was recognized when the risk and rewards of ownership passes in terms of the sale of goods. Following the adoption of IFRS 15, free use of equipment was identified as a separate performance obligation as it is considered a distinct service. Maintenance service is considered a distinct service as it is regularly supplied by the group to other customers on a standalone basis and is available from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services, rental income and sale of consumables based on a relative standalone selling price of those services.	The revenue from the sale of goods has been split into sale of goods, rental income and maintenance revenue. The splits did not have any material impact on the amount of total revenue disclosed.

The adjustment to opening retained earnings on the adoption of IFRS 15 as at 1 July 2018 is as follows:

	30 June 2019 R'000
Gross amount	(10 522)
Increase in other receivables	6 171
Increase in other payables	(19 015)
Decrease in contract liability	2 322
Deferred tax	(1 181)
Impact on retained earnings	**(11 703)**

14. Changes in accounting policies (continued)

Adoption of IFRS 9 Financial Instruments

The adoption of IFRS 9 had the following impact on the group:

- Change from IAS 39 incurred loss model to the ECL model to calculate impairments of financial instrument;
- Change in the classification of the measurement categories for financial instrument.

Initial classification and measurement

IFRS 9 changed the measurement categories for financial assets. The classification has changed from loans and receivables to amortised cost, available-for-sale to fair value through other comprehensive income (FVOCI) based on the group's business model and solely payments of principal and interest (SPPI). The group has assessed the implications and concluded that the new standard has no quantitative impact on the initial classification and measurement of financial instruments. The IAS 39 classification model for financial liabilities has been retained, however changes in own credit risk will be presented in other comprehensive income for liabilities designated at fair value through profit or loss, if applicable. The group does not have any financial liabilities that are designated at fair value through profit or loss during 2018 and 2019. IFRS 9 also includes new requirements for general hedge accounting, however hedge accounting is not applicable to the group.

Impairment

Before the adoption of IFRS 9, the group calculated the allowance for credit loss using the incurred loss model. Under this model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period. The allowance for credit losses was calculated on an individual basis based on payment history, adjusted for national and industry-specific economic conditions and other indicators such as the credit terms of the customer, financial difficulties that correlate with the defaults of the individual receivable.

Significant judgement

In applying the requirements of IFRS when determining the ECL for trade receivables, analysis of empirical evidence of historical defaults and losses was done. Significant judgement is applied and generally includes South Africa benchmark data. Material and concentrated exposures were assessed separately. The measurement of risk is projected forward based on macroeconomic forecasts. Macro-economic forecast is applied with a probability average of the forecasts and scenarios. For customers that were identified as individually significant, i.e. government and public listed customers, a specific risk was applied by applying the published credit ratings.

Estimation was applied in determining the correlation of macro-economic variables to defaults. The basis of the correlations applied was based on the Moody's Analytics Impairment Calculation.

Impairment

IFRS 9 requires the group to record expected credit losses on all of its receivables and other financial assets, either on 12-month or lifetime basis. The expected credit losses (ECLs) are a probability weighted estimate of credit losses. The group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime expected credit losses for these trade receivables. ECL for trade receivables is calculated using a combination of the simplified parameter based approach and provision matrix.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

14. Changes in accounting policies (continued)

Provision matrix

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off based on the previous provision for bad debts that was raised. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward looking information and the ECL.

In applying the requirements of IFRS when determining the ECL for trade receivables. Analysis of empirical evidence of historical defaults and losses was done. Significant judgement is applied and generally includes the relevant country's benchmark data. Material and concentrated exposures were assessed separately. The measurement of risk is projected forward based on macroeconomic forecasts. Macro-economic forecast is applied with a probability average of the forecasts and scenarios. For customers that were identified as individually significant, i.e. government and public listed customers, a specific risk was applied by applying the published credit ratings.

Estimation was applied in determining the correlation of macro-economic variables to defaults. The basis of the correlations applied was based on the Moody's Analytics Impairment Calculation

Simplified parameter-based approach

ECLs are calculated using a formula incorporating the following parameters: exposure at default (EAD), probability of default (PD), loss given default (LGD) (i.e. PD x LGD x EAD = ECL). Exposures are mainly segmented by the size of the customer. This is done to allow for risk differentiation. The probability of a customer defaulting as well as the realised loss with defaulted accounts have been determined using historical data and forward looking information.

The PD and LGD was measured using Moody's Analytics RiskCals's respective PD and LGD modules (RiskCalc South Africa Version 3.2 for PD and LossCalc version 4.0). Exposures are segmented by customer size relative to the amount of the total debtors' book. Management applied judgement and assumption segmenting the customers. Individual customers making up at least 10% of the debtors book were excluded and the simplified parameter-based approach was applied.

The adjustment to opening retained earnings for the transition to the expected credit loss model (impairment of trade receivables) as at 1 July 2018 is as follows:

	30 June 2019 R'000
Increase in provision for trade receivables	(27 752)
Attributable deferred tax	4 728
Impact on retained earnings	**(23 024)**

15. Commitments

The commitment with The Scientific Group's Qiagen supplier is regarding a non-refundable market development support and exclusivity fee. This commitment relates to a five year agreement starting September 2018.

Expenditure authorised not yet incurred at the reporting date:	2019 R'000	2018 R'000
Non-refundable market development support and exclusivity fee	50 561	-

Minimum payments due	2019 R'000	2018 R'000
- Within one year	12 640	-
- In second to fifth year inclusive	37 921	-
Total	**50 561**	**-**

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

Minimum lease payments due	2019 R'000	2018 R'000
- Within one year	31 585	27 500
- In second to fifth year inclusive	90 730	41 789
- Later than 5 years	-	-
Total	**122 315**	**69 289**

16. Contingent Liabilities

The group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised. The group discloses contingent liabilities where economic outflows are considered possible but not probable.

Reckitt Benckiscer (RB) raised a claim for damages against Akacia Healthcare, now Ascendis Pharma after being acquired by Ascendis Health, for damages for failure to perform under a manufacturing agreement. The manufacturing agreement was subsequently cancelled by RB. Ascendis Pharma has disputed liability. At the base of the claim is packaging, provided by RB, which was defective. Ascendis Pharma has a potential exposure total of R54.3 million in relation to the claim.

The previous owners of Klub M5 are claiming that Klub M5 still owes them as per the agreement an amount of R34.3 million. Klub M5 has a counter claim against the previous owners of overpayment/indebtedness of R31.3 million. There is currently an arbitration regarding this matter, although the probability of the outcome cannot be estimated at this stage. There is a risk that the claim against Klub M5 is successful and that the company will be liable to pay the previous owners, or the counter claim may be successful and Klub M5 will receive the abovementioned counter claim amount.

Notes to the summarised group financial statements (continued)

for the year ended 30 June 2019

16. Contingent Liabilities (continued)

Farmalider has a tax contingency as a result of a change in Spanish law and judgements regarding compensation practice. Currently the directors of the company do not receive any compensation for their directorship capacity, although they may have received some remuneration because of their participation as top management of the company. Based on fiscal Spanish law and some recent judgement, these costs will be considered not deductible if they do not meet certain requirements. Based on the information provided by the company and the assessment made by PWC fiscal department, it has been identified that a possible tax contingency of R7.4 million (€0.5 million) (including penalties and interest) exists.

The group is currently involved in various other disputes, including one with a former employee and is in consultation with its legal counsel, assessing the potential outcome of these disputes on an ongoing basis. As these disputes progress, management makes provision in respect of legal proceedings where appropriate.

17. Events after reporting period

Disposal of Biosciences

All conditions precedent, which included approval from the Competition board, to the restructure and the subsequent disposal of certain entities and businesses within the group's Biosciences division to a consortium comprising RMB Ventures Seven Proprietary Limited, Nedbank Private Equity and certain members of management of the group's Biosciences division ('the transaction') have been fulfilled and accordingly the transaction has become unconditional with an effective date of 31 July 2019.

Update to standstill agreement

The original standstill agreement, dated 3 May 2019 has been amended and restated on 31 July 2019. The repayment of capital on the group's senior debt facilities have been postponed to 31 January 2020 and no deferred vendor liability may be settled before 31 December 2019.

Disposal of Remedica

The group has entered into an exclusivity agreement with the preferred bidder in respect of the disposal of the Remedica business in Cyprus. Negotiations are at an advanced stage and the group expects to make a further announcement in due course.

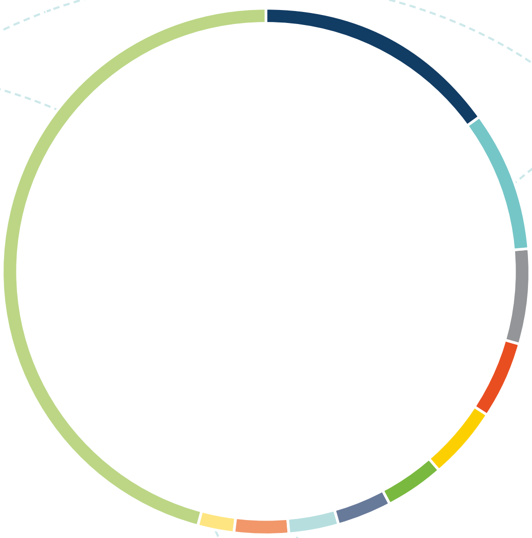
Shareholder analysis

as at 30 June 2019

Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	396 377 687	81.0
Non-public shareholders		
– Directors and associates of the company	472 802	0.1
– Treasury shares (own holdings)	4 642 635	0.9
– Strategic holdings (more than 10%)	87 976 835	18.0
Total shareholders	**489 469 959**	**100.0**

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2019:

	2019	2018
Major beneficial shareholders holding 2% or more	**Percentage of shares**	**Percentage of shares**
Coast2Coast	**18.0***	28.3
Government Employees Pension Fund	**10.0**	7.2
Kefolile Health Investments	**6.8**	6.8
WDB Investment Holdings	**5.6**	5.2
Mineworkers Investment Company	**5.3**	4.6
International Finance Corporation	**3.7**	3.7
Major fund managers managing 2% or more	**Percentage of shares**	**Percentage of shares**
Mergence Investment managers	**7.2**	0.0
Public Investment Corporation	**4.4**	4.4
Laurium Capital	**4.4**	3.8
Jupiter Asset Management	**3.8**	3.5
Blakeney Management	**3.7**	3.8
Sentio Capital Management	**3.1**	3.6
Old Mutual Investment Group	**2.9**	2.0



Major beneficial shareholders	2019 Percentage of shares
Coast2Coast	18.0*
Government Employees Pension Fund	10.0
Kefolile Health Investments	6.8
WDB Investment Holdings	5.6
Mineworkers Investment Company	5.3
Laurium Capital	4.4
International Finance Corporation	3.7
Blakeney Management	3.7
Jupiter Asset Management	3.8
Old Mutual Investment Group	2.9
Other shareholders	35.8

* Coast2Coast shareholding has reduced to 14.02% as was announced by SENS on 10 May 2019, however, as this trade was done off market and is requiring SARB approval, the transaction has not yet been recorded by STRATE, as at the date of this report.

Shareholders' diary

Annual general meeting	5 February 2020
Results and reporting:	
Interim results to December 2019	March 2020
Annual results to June 2020	September 2020
Publication of 2020 integrated annual report	September 2020

Corporate information

Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	31 Georgian Crescent East, Bryanston, Gauteng, 2191
Postal address	PostNet Suite #252, Private Bag X21, Bryanston, 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107 Telephone: +27 (0)11 370 5000
Company secretary	Andy Sims CA(SA) andy.sims@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# MS Bomela* Dr KS Pather* Dr NY Jekwa* JG Sebulela* MJ Sardi (CEO) K Futter (CFO)

* Independent non-executive
\# Lead independent non-executive

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